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**PART I - PROJECT IDENTIFICATION AND GENERAL INFORMATION**

**1. FACILITY**

**Name of Facility:** Gaudenzia Crownsville

**Address:**

107 Circle Crownsville 21032 Anne Arundel  
Drive Street City Zip County

**2. Name of Owner Michael Harle/Gaudenzia, Inc.**

**If Owner is a Corporation, Partnership, or Limited Liability Company, attach a description of the ownership structure identifying all individuals that have or will have at least a 5% ownership share in the applicant and any related parent entities. Attach a chart that completely delineates this ownership structure.**

**3. APPLICANT. *If the application has a co-applicant, provide the following information in an attachment.***

**Legal Name of Project Applicant (Licensee or Proposed** \_\_\_\_\_

**N/A** \_\_\_\_\_

**Address:**

Street				
	City	Zip	State	County
Telephone:				

**4. NAME OF LICENSEE OR PROPOSED LICENSEE, if different from the applicant:**

N/A

**5. LEGAL STRUCTURE OF APPLICANT (and LICENSEE, if different from applicant).**

**Check  or fill in applicable information below and attach an organizational chart showing the owners of applicant (and licensee, if different).**

A. Governmental

B. Corporation

(1) Non-profit

(2) For-profit

(3) Close

State & Date of Incorporation

Pennsylvania, 1968

C. Partnership

General

Limited

Limited Liability Partnership

Limited Liability Limited Partnership

Other (Specify): \_\_\_\_\_

D. Limited Liability Company

E. Other (Specify): \_\_\_\_\_

To be formed:

Existing:

**6. PERSON(S) TO WHOM QUESTIONS REGARDING THIS APPLICATION SHOULD BE DIRECTED**

**A. Lead or primary contact:**

**Name and Title:** Kristy E. Blalock, LCPC-S, LCADAS, MAC, BCPC, CADS  
Division Director

**Company** Gaudenzia, Inc.

**Name**

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**Mailing Address:**

**107 Circle Drive**

Street

**Crownsville  
21032**

City

Zip

**MD**

State

**Telephone: 443.569.7950**

**E-mail Address (required):** kblalock@gaudenzia.org

**Fax: 410.787.8380**

If company name is different than applicant briefly describe the relationship

**B. Additional or alternate contact:**

**Name and Title:**

Greg  
Warren,  
MBA  
Regional  
Director

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**Company Name**

Gaudenzia  
, Inc.

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**Mailing Address:**

**3643 Woodland Avenue**

Street

**Baltimore**

City

**21215**

Zip

**MD**

State

**Telephone: 410.367.5551**

**E-mail Address (required):** gwarren@gaudenzia.org

**Fax: 410.367.4447**

If company name is different than applicant

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**briefly describe  
the relationship**

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## 7. TYPE OF PROJECT

**The following list includes all project categories that require a CON pursuant to COMAR 10.24.01.02(A). Please mark all that apply in the list below.**

If approved, this CON would result in (check as many as apply):

- (1) A new health care facility built, developed, or established
- (2) An existing health care facility moved to another site
- (3) A change in the bed capacity of a health care facility
- (4) A change in the type or scope of any health care service offered by a health care facility
- (5) A health care facility making a capital expenditure that exceeds the current threshold for capital expenditures found at: [http://mhcc.maryland.gov/mhcc/pages/hcfs/hcfs\\_con/documents/con\\_capital\\_threshold\\_20140301.pdf](http://mhcc.maryland.gov/mhcc/pages/hcfs/hcfs_con/documents/con_capital_threshold_20140301.pdf)

## 8. PROJECT DESCRIPTION

**A. Executive Summary of the Project:** The purpose of this BRIEF executive summary is to convey to the reader a holistic understanding of the proposed project: what it is, why you need to do it, and what it will cost. A one-page response will suffice. Please include:

- (1) Brief Description of the project – what the applicant proposes to do
- (2) Rationale for the project – the need and/or business case for the proposed project
- (3) Cost – the total cost of implementing the proposed project

In 2018, Gaudenzia is celebrating 50 years of providing treatment to those suffering from substance use and mental health diseases. Our agency started in Pennsylvania, developing and opening multiple treatment sites, then adding programs in the state of Delaware, Maryland and Washington, DC. In Maryland we have several residential and outpatient substance use disorder/co-occurring disorder treatment programs. Gaudenzia, Inc. proposes to establish 27 Track Two beds of ASAM levels of care intermediate care and detox beds at its current location of 107 Circle Drive, Crownsville, MD 21032. Gaudenzia plans to provide medically monitored inpatient detoxification services for

individuals suffering from chemical dependency. This location will operate 15 detoxification beds at level 3.7WM, in accordance with COMAR 10.63 regulations. With the number of overdoses and opioid related crises increasing in the state, we have experienced an increase in requests for treatment at level 3.7. Gaudenzia has a crisis center for opioid addicted people to received treatment which opened in November 2017. From November 2017 through February 2018, we have services 241 clients, with 70% of those admissions being male. These clients are referred through the crisis program and are in need of ICF/detox treatment. In addition, our regular admissions numbers from that same time period as 315 for detox with 101 clients being admitted to 3.7 from 3.7WM treatment. Since the increase in opioid overdose deaths and near death situations among the citizens in Anne Arundel County and throughout the state, the demand for residential treatment beds has increased exponentially. In 2017, there were a total of 241 fatalities related to the use of opioids. Thus far in 2018, there have been a total of 37 deaths, which is a 37 percent increase from this time last year. (The Annapolis Patch, 3/15/18). This has propelled Gaudenzia's need to add 3.7 levels of care to our Crownsville location. Our request is for the implementation of (15) 3.7WM beds and (12) 3.7 beds. The total cost of implementing the proposed project is approximately \$695,000.00, which is the cost of providing the necessary qualified staff to operate the program 24 hours a day and 365 days a year (See **Exhibit 1**). We will staff qualified, certified and approved professionals to provide these critical services. Gaudenzia currently accepts referrals from local fire departments, city and state law enforcement, hospitals, physicians and other social service agencies that need to refer people with substance use disorders who need drug and co-occurring treatment services.

**B. Comprehensive Project Description:** The description should include details regarding:

- (1) Construction, renovation, and demolition plans
- (2) Changes in square footage of departments and units
- (3) Physical plant or location changes
- (4) Changes to affected services following completion of the project
- (5) Outline the project schedule.

There are no construction, renovation or demolition plans needed for this project. There will be no changes in square footage of any departments or units, as well as no changes in physical plant or location changes. The addition of (15) 3.7WM beds and (12) 3.7 beds will ensure that the program will be medically monitored 24 hours a day, 7 days a week. No other services are present to be affected.

The outline of the project schedule is as follows:

Certificate of Need Award Date: Start 2/8/18, Finish 5/1/18

Staff Recruitment and Hiring: Start 5/1/18, Finish 7/1/18

Beacon Application: Start 5/1/18, Finish 6/1/18

Medicaid Application: 5/1/18, Finish 6/1/18

Target Date: 7/1/2018

9. **CURRENT CAPACITY AND PROPOSED CHANGES:** Complete Table A (Physical Bed Capacity Before and After Project) from the CON Application Table package

10. **REQUIRED APPROVALS AND SITE CONTROL**

- A. Site size:   1.2   acres
- B. Have all necessary State and local land use and environmental approvals, including zoning and site plan, for the project as proposed been obtained? YES   X   NO        (If NO, describe below the current status and timetable for receiving each of the necessary approvals.)

N/A
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C. Form of Site Control (Respond to the one that applies. If more than one, explain.):

- (1) Owned  
by: \_\_\_\_\_
- (2) Options to purchase held  
by: \_\_\_\_\_  
Please provide a copy of the purchase option as an attachment.
- (3) Land Lease held   X    
by:   State of Maryland and Gaudenzia, Inc.    
  See Exhibit 2    
Please provide a copy of the land lease as an attachment.
- (4) Option to lease held  
by: \_\_\_\_\_  
Please provide a copy of the option to lease as an attachment.
- (5) Other:  
Explain and provide legal documents as an attachment. \_\_\_\_\_



## 11. PROJECT SCHEDULE

(Instructions: In completing this section, please note applicable performance requirement time frames set forth in Commission Regulations, COMAR 10.24.01.12)

### **For new construction or renovation projects.**

#### Project Implementation Target Dates

- A. Obligation of Capital Expenditure \_\_\_\_\_ months from approval date.
- B. Beginning Construction \_\_\_\_\_ months from capital obligation.
- C. Pre-Licensure/First Use \_\_\_\_\_ months from capital obligation.
- D. Full Utilization \_\_\_\_\_ months from first use.

### **For projects not involving construction or renovations.**

#### Project Implementation Target Dates

- A. Obligation or expenditure of 51% of Capital Expenditure \_\_\_0\_\_\_ months from CON approval date.
- B. Pre-Licensure/First Use \_\_\_2\_\_\_ months from capital obligation.
- C. Full Utilization \_\_\_3-4\_\_\_ months from first use.

### **For projects not involving capital expenditures.**

#### Project Implementation Target Dates

- A. Obligation or expenditure of 51% Project Budget \_\_\_\_\_ months from CON approval date.
- B. Pre-Licensure/First Use \_\_\_\_\_ months from CON approval.
- C. Full Utilization \_\_\_\_\_ months from first use.

## 12. PROJECT DRAWINGS

Projects involving new construction and/or renovations should include scalable schematic drawings of the facility at least a 1/16" scale. Drawings should be completely legible and include dates. **No new construction and/or renovations for this project.**

These drawings should include the following before (existing) and after (proposed), as applicable:

- A. Floor plans for each floor affected with all rooms labeled by purpose or function, number of beds, location of bath rooms, nursing stations, and any proposed space for future expansion to be constructed, but not finished at the completion of the project, labeled as "shell space".

B. For projects involving new construction and/or site work a Plot Plan, showing the "footprint" and location of the facility before and after the project. **No new construction and/or renovations for this project.**

C. Specify dimensions and square footage of patient rooms.

There are a total of 5 patient rooms and the layout is as follows:

Bedroom #1 (Room 134)- 330 square feet (5 patient beds)

Bedroom #2 (Room 135)- 330 square feet (5 patient beds)

Bedroom #3 (Room 136)- 338 square feet (6 patient beds)

Bedroom #4 (Room 137)- 339 square feet (6 patient beds)

Bedroom #5-(Room 138)- 323 square feet (5 patient beds)

See Exhibit 3

### 13. AVAILABILITY AND ADEQUACY OF UTILITIES

Discuss the availability and adequacy of utilities (water, electricity, sewage, natural gas, etc.) for the proposed project and identify the provider of each utility. Specify the steps that will be necessary to obtain utilities.

The availability and adequacy of all utilities (water, electricity, sewage and natural gas) are already up to code and are currently in use for other Gaudenzia treatment services that are provided in the building. The repair and maintaining of all utilities is the responsibility of Gaudenzia, Inc. as per the agreed lease with the state of Maryland.

## **PART II - PROJECT BUDGET**

### **Complete Table B (Project Budget) of the CON Application Table Package**

**Note:** Applicant should include a list of all assumptions and specify what is included in each budget line, as well as the source of cost estimates and the manner in which all cost estimates are derived. Explain how the budgeted amount for contingencies was determined and why the amount budgeted is adequate for the project given the nature of the project and the current stage of design (i.e., schematic, working drawings, etc.).

Project Budget is located in **Exhibit 9**.

**PART III - APPLICANT HISTORY, STATEMENT OF RESPONSIBILITY, AUTHORIZATION AND RELEASE OF INFORMATION, AND SIGNATURE**

1. List names and addresses of all owners and individuals responsible for the proposed project.

See attached Board of Directors List – Exhibit 4

2. Is any applicant, owner, or responsible person listed above now involved, or has any such person ever been involved, in the ownership, development, or management of another health care facility? If yes, provide a listing of each such facility, including facility name, address, the relationship(s), and dates of involvement.

No

3. In the last 5 years, has the Maryland license or certification of the applicant facility, or the license or certification from any state or the District of Columbia of any of the facilities listed in response to Question 2, above, ever been suspended or revoked, or been subject to any disciplinary action (such as a ban on admissions) ? If yes, provide a written explanation of the circumstances, including the date(s) of the actions and the disposition. If the applicant(s), owners, or individuals responsible for implementation of the Project were not involved with the facility at the time a suspension, revocation, or disciplinary action took place, indicate in the explanation.

No

4. Other than the licensure or certification actions described in the response to Question 3, above, has any facility with which any applicant is involved, or has any facility with which any applicant has in the past been involved (listed in response to Question 2, above) ever received inquiries from a federal or any state authority, the Joint Commission, or other regulatory body regarding possible non-compliance with Maryland, another state, federal, or Joint Commission requirements for the provision of, the quality of, or the payment for health care services that have resulted in actions leading to the possibility of penalties, admission bans, probationary status, or other sanctions at the applicant facility or at any facility listed in response to Question 2? If yes, provide, for each such instance, copies of any settlement reached, proposed findings or final findings of non-compliance and related documentation including reports of non-compliance, responses of the facility, and any final disposition or conclusions reached by the applicable authority.

No

5. Has any applicant, owner, or responsible individual listed in response to Question 1, above, ever pled guilty to, received any type of diversionary disposition, or been convicted of a criminal offense in any way connected with the ownership, development, or management of the applicant facility or any of the health care facilities listed in response to Question 2, above? If yes, provide a written explanation of the circumstances, including as applicable the court, the date(s) of conviction(s), diversionary disposition(s) of any type, or guilty plea(s).

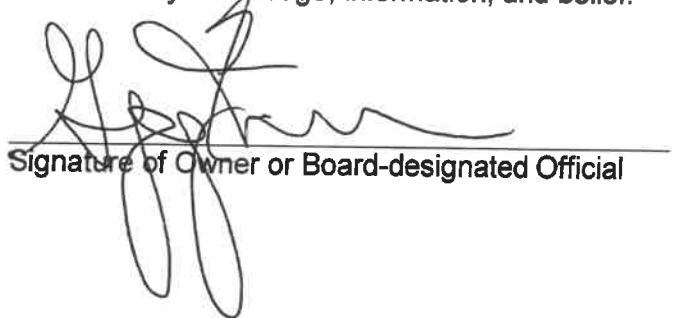
No

One or more persons shall be officially authorized in writing by the applicant to sign for and act for the applicant for the project which is the subject of this application. Copies of this authorization shall be attached to the application. The undersigned is the owner(s), or Board-designated official of the applicant regarding the project proposed in the application.

I hereby declare and affirm under the penalties of perjury that the facts stated in this application and its attachments are true and correct to the best of my knowledge, information, and belief.

3/23/2018

Date



Signature of Owner or Board-designated Official

Chesapeake Region, Regional Director

Position/Title

Greg Warren

Printed Name

**PART IV - CONSISTENCY WITH GENERAL REVIEW CRITERIA AT COMAR  
10.24.01.08G(3):**

**INSTRUCTION:** Each applicant must respond to all applicable criteria included in COMAR 10.24.01.08G. These criteria follow, 10.24.01.08G(3)(a) through 10.24.01.08G(3)(f).

***An application for a Certificate of Need shall be evaluated according to all relevant State Health Plan standards and other review criteria.***

If a particular standard or criteria is covered in the response to a previous standard or criteria, the applicant may cite the specific location of those discussions in order to avoid duplication. When doing so, the applicant should ensure that the previous material directly pertains to the requirement and to the directions included in this application form. Incomplete responses to any requirement will result in an information request from Commission Staff to ensure adequacy of the response, which will prolong the application's review period.

**10.24.01.08G(3)(a). The State Health Plan.**

Every applicant must address each applicable standard in the chapter of the State Health Plan for Facilities and Services<sup>2</sup>. Commission staff can help guide applicants to the chapter(s) that applies to a particular proposal.

**Please provide a direct, concise response explaining the project's consistency with each standard. Some standards require specific documentation (e.g., policies, certifications) which should be included within the application as an exhibit.**

**10.24.14.05 Certificate of Need Approval Rules and Review Standards for New Substance Abuse Treatment Facilities and for Expansions of Existing Facilities.**

**.05A. Approval Rules Related To Facility Size. Unless the applicant demonstrates why a relevant standard should not apply, the following standards apply to applicants seeking to establish or to expand either a Track One or a Track Two intermediate care facility.**

- (1) The Commission will approve a Certificate of Need application for an intermediate care facility having less than 15 beds only if the applicant dedicates a special population as defined in Regulation .08.**

Standard .05A (1) does not apply: Gaudenzia seeks a total of 27 beds.

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<sup>2</sup> [1] Copies of all applicable State Health Plan chapters are available from the Commission and are available on the Commission's web site here: [http://mhcc.maryland.gov/mhcc/pages/hcfs/hcfs\\_shp/hcfs\\_shp](http://mhcc.maryland.gov/mhcc/pages/hcfs/hcfs_shp/hcfs_shp)

- (2) The Commission will approve a Certificate of Need application for a new intermediate care facility only if the facility will have no more than 40 adolescent or 50 adult intermediate care facility beds, or a total of 90 beds, if the applicant is applying to serve both age groups.**

Standard .05a (2) does apply: Gaudenzia will only have 27 Adult beds.

- (3) The Commission will not approve a Certificate of Need application for expansion of an existing alcohol and drug abuse intermediate care facility if its approval would result in the facility exceeding a total of 40 adolescent or 100 adult intermediate care facility beds, or a total of 140 beds, if the applicant is applying to serve both age groups.**

Standard .05A (3) does not apply: Gaudenzia seeks a total of 27 beds.

**.05B. Identification of Intermediate Care Facility Alcohol and Drug Abuse Bed Need.**

- (1) An applicant seeking Certificate of Need approval to establish or expand an intermediate care facility for substance abuse treatment services must apply under one of the two categories of bed need under this Chapter:**

- (a) For Track One, the Commission projects maximum need for alcohol and drug abuse intermediate care beds in a region using the need projection methodology in Regulation .07 of this Chapter and updates published in the *Maryland Register*.**

Standard .05B (1)(a) does not apply.

- (b) For Track Two, as defined at Regulation .08, an applicant who proposes to provide 50 percent or more of its patient days annually to indigent and gray area patients may apply for:**

- (i) Publicly-funded beds, as defined in Regulation .08 of this Chapter, consistent with the level of funding provided by the Maryland Medical Assistance Programs (MMAP), Alcohol and Drug Abuse Administration, or a local jurisdiction or jurisdictions; and**

- (ii) A number of beds to be used for private-pay patients in accordance with Regulation .08, in addition to the number of beds projected to be needed in Regulation .07 of this Chapter.**

Standard .05B (1)(b)(i) and (ii) applies as applicable.

- (2) To establish or to expand a Track Two intermediate care facility, an**

**applicant must:**

- (a) Document the need for the number and types of beds being applied for;**

Gaudenzia Inc. seeks to establish a total of 27 ICF/detox beds. This request is based on the growing need for additional ICF/detox beds in Anne Arundel County and the surrounding areas. In January 2018, Gaudenzia added 10 crisis beds to the Crownsville location, in an immediate response to those residents suffering from addiction and who were seeking immediate help through the Anne Arundel County Safe Stations program. With the addition of these crisis beds, there has been a greater need for those patients to receive detox treatment in Anne Arundel County. There are currently (2) other substance use providers in Anne Arundel County that provide 3.7 levels of care. The need for these services is vastly based on the large number of opioid related overdoses and the increasing number of those using alcohol and/or opioids.

- (b) Agree to co-mingle publicly-funded and private-pay patients within the facility;**

Gaudenzia agrees to co-mingle publicly-funded and private-pay patients within the facility.

- (c) Assure that indigents, including court-referrals, will receive preference for admission, and**

Gaudenzia will assure that indigents, including court-referrals, will receive preference for admission.

- (d) Agree that, if either the Alcohol and Drug Abuse Administration, or a local jurisdiction terminates the contractual agreement and funding for the facility's clients, the facility will notify the Commission and the Office of Health Care Quality within 15 days that that the facility is relinquishing its certification to operate, and will not use either its publicly- or privately-funded intermediate care facility beds for private-pay patients without obtaining a new Certificate of Need.**

Gaudenzia agrees to the expectation of the standard stated above regarding notifying OHCQ in the event that a local jurisdiction terminates the contractual agreement and funding for the facility's patients.



**.05C. Sliding Fee Scale. An applicant must establish a sliding fee scale for gray area patients consistent with the client's ability to pay.**

Gaudenzia has an established sliding fee scale for gray area patients that is consistent with the patient's ability to pay. Please see **Exhibit 5**.

Gaudenzia will provide financial assistance options to individuals who request assistance and meet specified criteria eligibility. These criteria include: must be uninsured; underinsured; or otherwise are unable to pay for medically necessary care based on the individual's financial situation. Gaudenzia reserves the right in its sole discretion to determine a patient's ability to pay for services.

Gaudenzia admissions staff are responsible for taking applications for financial assistance. These applications are initiated by the patient and are tracked and processed on a quick basis to ensure timely receipt of services.

Patients may be asked to provide the following documents:

1. A copy of his/her most recent tax return;
2. A copy of his/her most recent (2) pay stubs and/or
3. A copy of his/her Social Security statement or Disability Income benefits.

**.05D. Provision of Service to Indigent and Gray Area Patients.**

**(1) Unless an applicant demonstrates why one or more of the following standards should not apply or should be modified, an applicant seeking to establish or to expand a Track One intermediate care facility must:**

- (a) Establish a sliding fee scale for gray area patients consistent with a client's ability to pay;**
- (b) Commit that it will provide 30 percent or more of its proposed annual adolescent intermediate care facility bed days to indigent and gray area patients; and**
- (c) Commit that it will provide 15 percent or more of its proposed annual adult intermediate care facility bed days to indigent or gray area patients.**

Standard .05D (1)(a-c) does not apply.

**(2) A existing Track One intermediate care facility may propose an alternative to the standards in Regulation D(1) that would increase the availability of**

**alcoholism and drug abuse treatment to indigent or gray area patients in its health planning region.**

Standard .05D (2) does not apply.

**(3) In evaluating an existing Track One intermediate care facility's proposal to provide a lower required minimum percentage of bed days committed to indigent or gray area patients in Regulation D(1) or an alternative proposal under Regulation D(2), the Commission shall consider:**

- (a) The needs of the population in the health planning region; and**
- (b) The financial feasibility of the applicant's meeting the requirements of Regulation D(1).**

Standard .05D (3)(a,b) does not apply.

**(4) An existing Track One intermediate care facility that seeks to increase beds shall provide information regarding the percentage of its annual patient days in the preceding 12 months that were generated by charity care, indigent, or gray area patients, including publicly-funded patients.**

Standard .05D (4) does not apply.

**.05E. Information Regarding Charges. An applicant must agree to post information concerning charges for services, and the range and types of services provided, in a conspicuous place, and must document that this information is available to the public upon request.**

Gaudenzia Crownsville posts informative documents regarding the statement of charges, its range and types of services it provides at all locations. These documents are posted in areas that are conspicuous and available for ease of visual access.

**.05F. Location. An applicant seeking to establish a new intermediate care facility must propose a location within a 30-minute one-way travel time by automobile to an acute care hospital.**

Gaudenzia Crownsville is located approximately 5 miles from Anne Arundel Medical Center and approximately 12 miles from Baltimore Washington Medical Center. Both hospitals are utilized as primary locations to access emergent care services; specialty provider services and acute inpatient care for emergent or exacerbating co-morbidities rendering the patient condition as unstable. Maps outlining these locations are found in **Exhibit 6.**

**.05G. Age Groups.**

- (1) An applicant must identify the number of adolescent and adult beds for which it is applying, and document age-specific treatment protocols for adolescents ages 12-17 and adults ages 18 and older.**

Gaudenzia Crownsville is applying for adult beds only. Age specific treatment protocols are contained within the Gaudenzia Policy and Procedures Manual. This manual is approved by CARF and BHA. These policies are located in **Exhibit 7**.

- (2) If the applicant is proposing both adolescent and adult beds, it must document that it will provide a separate physical, therapeutic, and educational environment consistent with the treatment needs of each age group including, for adolescents, providing for continuation of formal education.**

Standard .05G(2) does not apply. Gaudenzia is proposing only Adult beds.

- (3) A facility proposing to convert existing adolescent intermediate care substance abuse treatment beds to adult beds, or to convert existing adult beds to adolescent beds, must obtain a Certificate of Need.**

Standard .05G(3) does not apply.

**.05H. Quality Assurance.**

- (1) An applicant must seek accreditation by an appropriate entity, either the Joint Commission on the Accreditation of Healthcare Organizations (JCAHO), in accordance with CFR, Title 42, Part 440, Section 160, the CARF...The Rehabilitation Accreditation Commission, or any other accrediting body approved by the Department of Health and Mental Hygiene. The appropriate accreditation must be obtained before a Certificate of Need-approved ICF begins operation, and must be maintained as a condition of continuing authority to operate an ICF for substance abuse treatment in Maryland.**

- (a) An applicant seeking to expand an existing ICF must document that its accreditation continues in good standing, and an applicant seeking to establish an ICF must agree to apply for, and obtain, accreditation prior to the first use review required under COMAR 10.24.01.18; and**

- (b) An ICF that loses its accreditation must notify the Commission and the Office of Health Care Quality in writing within fifteen days after it receives notice that its accreditation has been revoked or suspended.**

- (c) An ICF that loses its accreditation may be permitted to continue operation**

on a provisional basis, pending remediation of any deficiency that caused its accreditation to be revoked, if the Office of Health Care Quality advises the Commission that its continued operation is in the public interest.

- (2) A Certificate of Need-approved ICF must be certified by the Office of Health Care Quality before it begins operation, and must maintain that certification as a condition of continuing authority to operate an ICF for substance abuse treatment in Maryland.**
  - (a) An applicant seeking to expand an existing ICF must document that its certification continues in good standing, and an applicant seeking to establish an ICF must agree to apply for certification by the time it requests that Commission staff perform the first use review required under COMAR 10.24.01.18.**
  - (b) An ICF that loses its State certification must notify the Commission in writing within fifteen days after it receives notice that its accreditation has been revoked or suspended, and must cease operation until the Office of Health Care Quality notifies the Commission that deficiencies have been corrected.**
  - (c) Effective on the date that the Office of Health Care Quality revokes State certification from an ICF, the regulations at COMAR 10.24.01.03C governing temporary delicensure of a health care facility apply to the affected ICF bed capacity.**

Gaudenzia understands and agrees to all of the above referenced standards in .05H. Gaudenzia Crownsville is currently accredited by the Commission on Accreditation of Rehabilitation Facilities (CARF) under a 3 year accreditation. Gaudenzia Crownsville also currently holds a state license issued by the Maryland Department of Health and is in accordance with COMAR 10.63 regulations.

#### **.05I. Utilization Review and Control Programs.**

- (1) An applicant must document the commitment to participate in utilization review and control programs, and have treatment protocols, including written policies governing admission, length of stay, discharge planning, and referral.**

Gaudenzia participates in utilization review practices and control programs, has established treatment protocols, and has written policies governing admission, length of stay, discharge planning and referral. These policies have been developed in coordination with the best practices developed and published by

CARF and SAMHSA. They are contained within the Policy and Procedures Manual, which have been approved by both CARF and the Maryland Department of Health. These policies are located in **Exhibit 7**.

- (2) **An applicant must document that each patient's treatment plan includes, or will include, at least one year of aftercare following discharge from the facility.**

Gaudenzia documents that each patient's treatment plan contains referral provisions identified for at least one year of aftercare following discharge from Gaudenzia. Aftercare follow-up includes post treatment telephone contact at 90, 180 and 365 days to determine status of sobriety, recovery and continued engagement in treatment. These policies are in the Policy and Procedure Manual and are approved by both CARF and the Maryland Department of Health. These policies are located in **Exhibit 7**.

#### **.05J. Transfer and Referral Agreements.**

- (1) **An applicant must have written transfer and referral agreements with facilities capable of managing cases which exceed, extend, or complement its own capabilities, including facilities which provide inpatient, intensive and general outpatient programs, halfway house placement, long-term care, aftercare, and other types of appropriate follow-up treatment.**

Transfers and referral agreements with other facilities are an intricate part of a patient's treatment. Gaudenzia prides on establishing strong community partnerships with agencies across the state of Maryland. These relationships are the core of our practice and are essential in providing superior care to the patients that we serve. Gaudenzia plans to extend its working referral relationships with every level of care in every county in the state (as needed) to continue to achieve its mission. Gaudenzia Inc. has transfer agreements in place with other facilities capable of managing cases, which exceed, extend, or complement its own capabilities. These include inpatient, intensive and general outpatient programs, halfway house placement, long-term care, aftercare and other types of appropriate follow-up treatment. Please see **Exhibit 8**.

- (2) **The applicant must provide documentation of its transfer and referral agreements, in the form of letters of agreement or acknowledgement from the following types of facilities:**

- (a) Acute care hospitals;
- (b) Halfway houses, therapeutic communities, long-term care facilities, and local alcohol and drug abuse intensive and other outpatient programs;
- (c) Local community mental health center or center(s);
- (d) The jurisdiction's mental health and alcohol and drug abuse authorities;
- (e) The Alcohol and Drug Abuse Administration and the Mental Hygiene Administration;
- (f) The jurisdiction's agencies that provide prevention, education, driving-while-intoxicated programs, family counseling, and other services; and,
- (g) The Department of Juvenile Justice and local juvenile justice authorities, if applying for beds to serve adolescents.

Gaudenzia Inc. has referral agreements and documentation of transfer and referral in form of letters of agreement, and acknowledgement from acute care hospitals, local mental health programs; BHSB local mental health and substance use disorder authorities as well as Behavioral Health Administration. In addition, we have agreements with prevention and education services, DWI programs, family counseling and other services.

**.05K. Sources of Referral.**

- (1) An applicant proposing to establish a new Track Two facility must document to demonstrate that 50 percent of the facility's annual patient days, consistent with Regulation .08 of this Chapter, will be generated by the indigent or gray area population, including days paid under a contract with the Alcohol and Drug Abuse Administration or a jurisdictional alcohol or drug abuse authority.

Gaudenzia agrees to demonstrate that 50 percent of the facility's annual patient days will be generated by the indigent or gray area population. This is documented through submitting claims to Beacon Health Options, the ASO for Maryland.

- (2) An applicant proposing to establish a new Track One facility must document referral agreements to demonstrate that 15 percent of the facility's annual patient days required by Regulation .08 of this Chapter will be incurred by the indigent or gray area populations, including days paid under a contract with the Alcohol or Drug Abuse Administration or a jurisdictional alcohol or drug abuse authority, or the Medical Assistance

**program.**

Standard .05K(2) does not apply. Gaudenzia is seeking to establish a Track Two facility.

**.05L. In-Service Education. An applicant must document that it will institute or, if an existing facility, maintain a standardized in-service orientation and continuing education program for all categories of direct service personnel, whether paid or volunteer.**

Gaudenzia ensures that the mission of the organization is met by providing qualified staff to deliver service to patients and by ensuring that ongoing education and training needs are identified and provided. The Gaudenzia Training Institute manages the ongoing educational and training needs of all employees, including clinical, management and support staff. The Training Institute provides training based on specific staffs roles, position and tasks to assure that the highest level of competence and compliance with all federal, state licensure and certification level requirements are maintained. These policies are contained in the Policy and Procedures Manual, which are approved by CARF and the Maryland Department of Health. These policies are located in **Exhibit 7**.

**.05M. Sub-Acute Detoxification. An applicant must demonstrate its capacity to admit and treat alcohol or drug abusers requiring sub-acute detoxification by documenting appropriate admission standards, treatment protocols, staffing standards, and physical plant configuration.**

Gaudenzia has the appropriate admission standards, treatment protocols, staffing standards and physical plant configurations. These policies are in accordance with ASAM Patient Placement Criteria and promote compliance to CARF guidelines. Federal and state level regulations are followed, in particular respect to patient care and staffing requirements. Gaudenzia will continue to adhere to COMAR 10.63 regulations with regards to these standards. These policies are contained in the Policy and Procedures Manual, which are approved by CARF and the Maryland Department of Health. These policies are located in **Exhibit 7**.

**.05N. Voluntary Counseling, Testing, and Treatment Protocols for Human Immunodeficiency Virus (HIV). An applicant must demonstrate that it has procedures to train staff in appropriate methods of infection control and specialized counseling for HIV-positive persons and active AIDS patients.**

**.050. Outpatient Alcohol & Drug Abuse Programs.**

- (1) An applicant must develop and document an outpatient program to provide, at a minimum: individual needs assessment and evaluation; individual, family, and group counseling; aftercare; and information and referral for at least one year after each patient's discharge from the intermediate care facility.**

Gaudenzia currently has 3 licensed outpatient programs in Anne Arundel County. (See **Exhibit 8**). As evidenced by the licenses granted by the Office of Health Care Quality, we provide individual needs assessment and evaluation; individual, family and group counseling; aftercare, and information and referral for at least one year after a patients discharge.

- (2) An applicant must document continuity of care and appropriate staffing at off-site outpatient programs.**

Gaudenzia maintains appropriate staffing at off-site outpatient programs and adjusts staffing based on the needs of the program. See **Exhibit 8**.

- (3) Outpatient programs must identify special populations as defined in Regulation .08, in their service areas and provide outreach and outpatient services to meet their needs.**

Gaudenzia provides outpatient services to meet the needs of special populations, including those with HIV, co-occurring disorders and women and with children. Gaudenzia will continue to adhere to COMAR 10.63 regulations with regards to these standards. These policies are contained in the Policy and Procedures Manual, which are approved by CARF and the Maryland Department of Health. These policies are located in **Exhibit 7**.

- (4) Outpatient programs must demonstrate the ability to provide services in the evening and on weekends.**

Gaudenzia provides evening and weekend treatment services at our outpatient location at 5 Crain Highway N., Glen Burnie, MD 21061. See **Exhibit 8**.

- (5) An applicant may demonstrate that outpatient programs are available to its patients, or proposed patient population, through written referral agreements that meet the requirements of (1) through (4) of this standard with existing outpatient programs.**

Gaudenzia works with Maryland state Care coordination and makes available to its patients any treatment services listed in (1)-(4) as needed. Care Coordination is onsite weekly to provide patient's referrals to necessary providers.



**.05P. Program Reporting.** Applicants must agree to report, on a monthly basis, utilization data and other required information to the Alcohol and Drug Abuse Administration's Substance Abuse Management Information System (SAMIS) program, and participate in any comparable data collection program specified by the Department of Health and Mental Hygiene.

Gaudenzia agrees to report, on a monthly basis, utilization data and other required information and participate in any comparable data collection program specified by the state. Gaudenzia complies with Beacon Health Options, the state of Maryland's ASO. The organization administers an Outcome Measuring System that requires participation from publically funded programs. In a continued effort to share data, Gaudenzia will continue to participate in comparable data collection programs developed internally and as specified by the state.

**.06 Preferences for Certificate of Need approval.**

**A. In a comparative review of applicants for private bed capacity in Track One, the Commission will give preference expand an intermediate care facility if the project's sponsor will commit to:**

- (1) Increase access to care for indigent and gray area patients by reserving more bed capacity than required in Regulation .08 of this Chapter;**
- (3) Treat special populations as defined in Regulation .08 of this Chapter or, if an existing alcohol or drug abuse treatment facility, treat special populations it has historically not treated;**
- (4) Include in its range of services alternative treatment settings such as intensive outpatient programs, halfway houses, therapeutic foster care, and long-term residential or shelter care;**
- (5) Provide specialized programs to treat an addicted person with co-existing mental illness, including appropriate consultation with a psychiatrist; or,**
- (6) In a proposed intermediate care facility that will provide a treatment program for women, offer child care and other related services for the dependent children of these patients.**

Standard .06A (1)-(6) does not apply.

**B. If a proposed project has received a preference in a Certificate of Need review pursuant to this regulation, but the project sponsor subsequently**

determines that providing the identified type or scope of service is beyond the facility's clinical or financial resources:

- (1) The project sponsor must notify the Commission in writing before beginning to operate the facility, and seek Commission approval for any change in its array of services pursuant to COMAR 10.24.01.17.
- (2) The project sponsor must show good cause why it will not provide the identified service, and why the effectiveness of its treatment program will not be compromised in the absence of the service for which a preference was awarded; and
- (3) The Commission, in its sole discretion, may determine that the change constitutes an impermissible modification, pursuant to COMAR 10.24.01.17C(1).

Standard .06B (1)-(3) does not apply.

## **B. NEED**

***COMAR 10.24.01.08G(3)(b) Need. The Commission shall consider the applicable need analysis in the State Health Plan. If no State Health Plan need analysis is applicable, the Commission shall consider whether the applicant has demonstrated unmet needs of the population to be served, and established that the proposed project meets those needs.***

**INSTRUCTIONS:** Please discuss the need of the population served or to be served by the Project.

Responses should include a quantitative analysis that, at a minimum, describes the Project's expected service area, population size, characteristics, and projected growth. If the relevant chapter of the State Health Plan includes a need standard or need projection methodology, please reference/address it in your response. For applications proposing to address the need of special population groups, please specifically identify those populations that are underserved and describe how this Project will address their needs.

If the project involves modernization of an existing facility through renovation and/or expansion, provide a detailed explanation of why such modernization is needed by the service area population. Identify and discuss relevant building or life safety code issues, age of physical plant issues, or standard of care issues that support the need for the proposed modernization.

Please assure that all sources of information used in the need analysis are identified. List all assumptions made in the need analysis regarding demand for services, utilization

rate(s), and the relevant population, and provide information supporting the validity of the assumptions.

Complete Table C (Statistical Projections – Entire Facility) from the CON Application Table Package. See **Exhibit 9**.

As stated earlier in the application, the Gaudenzia Crownsville location is proposing to operate 15 detoxification beds at level 3.7WM, in accordance with COMAR 10.63 regulations. With the number of overdoses and opioid related crises increasing in the state, we have experienced an increase in requests for treatment at level 3.7. Gaudenzia has a crisis center for opioid addicted people to received treatment which opened in November 2017. From November 2017 through February 2018, we have services 241 clients, with 70% of those admissions being male. These clients are referred through the crisis program and are in need of ICF/detox treatment. In addition, our regular admissions numbers from that same time period as 315 for detox with 101 clients being admitted to 3.7 from 3.7WM treatment. Since the increase in opioid overdose deaths and near death situations among the citizens in Anne Arundel County and throughout the state, the demand for residential treatment beds has increased exponentially. In 2017, there were a total of 241 fatalities related to the use of opioids. Thus far in 2018, there have been a total of 37 deaths, which is a 37 percent increase from this time last year. (The Annapolis Patch, 3/15/18). This has propelled Gaudenzia's need to add 3.7 levels of care to our Crownsville location. Our request is for the implementation of (15) 3.7WM beds and (12) 3.7 beds. Gaudenzia Crownsville proposes to serve Anne Arundel County and the surrounding areas, serving all populations including men and women over the age of 18 and with varying degrees of substance use and behavioral health disorders. There are no relevant building or life safety code issues, age of physical plant issues or standard of care issues that support any need for modernization.

### **C. AVAILABILITY OF MORE COST-EFFECTIVE ALTERNATIVES**

***COMAR 10.24.01.08G(3)(c) Availability of More Cost-Effective Alternatives. The Commission shall compare the cost effectiveness of the proposed project with the cost effectiveness of providing the service through alternative existing facilities, or through an alternative facility that has submitted a competitive application as part of a comparative review.***

**INSTRUCTIONS:** Please describe the planning process that was used to develop the proposed project. This should include a full explanation of the primary goals or objectives of the project or the problem(s) being addressed by the project. It should also identify the alternative approaches to achieving those goals or objectives or solving those problem(s) that were considered during the project planning process, including the alternative of the services being provided by existing facilities.

For all alternative approaches, provide information on the level of effectiveness in goal or objective achievement or problem resolution that each alternative would be likely to achieve and the costs of each alternative. The cost analysis should go beyond development cost to consider life cycle

costs of project alternatives. This narrative should clearly convey the analytical findings and reasoning that supported the project choices made. It should demonstrate why the proposed project provides the most effective goal and objective achievement or the most effective solution to the identified problem(s) for the level of cost required to implement the project, when compared to the effectiveness and cost of alternatives including the alternative of providing the service through alternative existing facilities, or through an alternative facility that has submitted a competitive application as part of a comparative review.

Freestate Deotx LLC is applying for a Track One Certificate of Need. Gaudenzia proposes establishing a Track Two Certificate of Need, therefore not requiring a comparative review.

#### **D. VIABILITY OF THE PROPOSAL**

***COMAR 10.24.01.08G(3)(d) Viability of the Proposal. The Commission shall consider the availability of financial and nonfinancial resources, including community support, necessary to implement the project within the time frames set forth in the Commission's performance requirements, as well as the availability of resources necessary to sustain the project.***

**INSTRUCTIONS:** Please provide a complete description of the funding plan for the project, documenting the availability of equity, grant(s), or philanthropic sources of funds and demonstrating, to the extent possible, the ability of the applicant to obtain the debt financing proposed. Describe the alternative financing mechanisms considered in project planning and provide an explanation of why the proposed mix of funding sources was chosen.

- Complete Tables D (Revenues & Expenses, Uninflated – Entire Facility) and F (Revenues & Expenses, Uninflated – New Facility or Service) from the CON Application Table Package.
- Complete Table G (Work Force Information) from the CON Application Table Package.
- Audited financial statements for the past two years should be provided by all applicant entities and parent companies to demonstrate the financial condition of the entities involved and the availability of the equity contribution. If audited financial statements are not available for the entity or individuals that will provide the equity contribution, submit documentation of the financial condition of the entities and/or individuals providing the funds and the availability of such funds. Acceptable documentation is a letter signed by an independent Certified Public Accountant. Such letter shall detail the financial information considered by the CPA in reaching the conclusion that adequate funds are available.
- If debt financing is required and/or grants or fund raising is proposed, detail the experience of the entities and/or individuals involved in obtaining such financing and grants and in raising funds for similar projects. If grant funding is proposed, identify the grant that has been or will be pursued and document the eligibility of the proposed project for the grant.
- Describe and document relevant community support for the proposed project.

- Identify the performance requirements applicable to the proposed project (see question 12, "Project Schedule") and explain how the applicant will be able to implement the project in compliance with those performance requirements. Explain the process for completing the project design, obtaining State and local land use, environmental, and design approvals, contracting and obligating the funds within the prescribed time frame. Describe the construction process or refer to a description elsewhere in the application that demonstrates that the project can be completed within the applicable time frame(s).

Gaudenzia Crownsville is already an established program, offering substance use treatment services to various levels of care. Gaudenzia Crownsville has an already existing kitchen, bedrooms, medical suite and medical equipment. The only cost variable to this project is the 24 hour nursing staff and clinical staff needed to support the program. The additional roster positions (Exhibit 1) will be funded by Medicaid fee for service billing.

## **E. COMPLIANCE WITH CONDITIONS OF PREVIOUS CERTIFICATES OF NEED**

***COMAR 10.24.01.08G(3)(e) Compliance with Conditions of Previous Certificates of Need. An applicant shall demonstrate compliance with all terms and conditions of each previous Certificate of Need granted to the applicant, and with all commitments made that earned preferences in obtaining each previous Certificate of Need, or provide the Commission with a written notice and explanation as to why the conditions or commitments were not met.***

**INSTRUCTIONS:** List all of the Maryland Certificates of Need that have been issued to the project applicant, its parent, or its affiliates or subsidiaries over the prior 15 years, including their terms and conditions, and any changes to approved Certificates that needed to be obtained. Document that these projects were or are being implemented in compliance with all of their terms and conditions or explain why this was not the case.

Standard E does not apply. Gaudenzia has not been awarded any Maryland Certificate of Need approvals in the past 15 years.

## **F. IMPACT ON EXISTING PROVIDERS AND THE HEALTH CARE DELIVERY SYSTEM**

***COMAR 10.24.01.08G(3)(f) Impact on Existing Providers and the Health Care Delivery System. An applicant shall provide information and analysis with respect to the impact of the proposed project on existing health care providers in the health planning region, including the impact on geographic and demographic access to services, on occupancy, on costs and charges of other providers, and on costs to the health care delivery system.***

**INSTRUCTIONS:** Please provide an analysis of the impact of the proposed project.

Please assure that all sources of information used in the impact analysis are identified and identify all the assumptions made in the impact analysis with respect to demand for services, payer mix, access to service and cost to the health care delivery system including relevant populations considered in the analysis, and changes in market share, with information that supports the validity of these assumptions. Provide an analysis of the following impacts:

- a) On the volume of service provided by all other existing health care providers that are likely to experience some impact as a result of this project;
- b) On the payer mix of all other existing health care providers that are likely to experience some impact on payer mix as a result of this project. If an applicant for a new nursing home claims no impact on payer mix, the applicant must identify the likely source of any expected increase in patients by payer.
- c) On access to health care services for the service area population that will be served by the project. (State and support the assumptions used in this analysis of the impact on access);
- d) On costs to the health care delivery system.

If the applicant is an existing facility or program, provide a summary description of the impact of the proposed project on the applicant's costs and charges, consistent with the information provided in the Project Budget, the projections of revenues and expenses, and the work force information.

Gaudenzia has been a leading substance use provider in the state of Maryland since 2001. Gaudenzia has been successfully providing ASAM levels of care 3.7WM and 3.7 in Baltimore City to the residents of the city and the state of Maryland at our 4615 Park Heights Avenue location. The proposed project for our Crownsville location is necessary in response to the state and Anne Arundel County opioid epidemic declaration of 2015. The demand for detox services has increased with respect to the limited number of detox beds currently offered by providers in Anne Arundel County. The current providers include Hope House and Pathways treatment centers, which are able to provide beds to a small portion of the numbers of patients needing/requesting detox services in the county. These providers often encompass a waiting list, which then requires patients to search and secure detox services both out of county and often out of state. The Anne Arundel County Crisis Response System is a main gatekeeper for those needing detox services with the implementation of the Safe Stations program in April 2016. The Safe Stations program allows a person seeking opioid treatment to enter any fire station or police station in the county and receive immediate substance use services, often times imminently needing detox treatment. The current substance use providers do not offer the necessary amount of detox treatment beds to allow the county residents not only the ability to receive immediate treatment, but to also receive treatment in the county in which they reside. This then opens up sometimes the only option of seeking treatment in a

surrounding county, often Baltimore City. The impact of Gaudenzia providing the addition of 15 detox bed and 12 ICF beds at our Crownsville location would reduce the number of clients on both waiting lists for these providers as well as decrease the need for Anne Arundel County residents to seek treatment in another county.

Payor mix for detox services currently includes Maryland Medicaid and private commercial insurance. Gaudenzia submits claims to Beacon Health (ASO for the state of Maryland) as well as a variety of commercial insurance providers including Blue Cross Blue Shield, Aetna and Cigna.

Access to health care services for the service area population will be impacted in a positive manner as patients will have the ability to receive services from various behavioral health providers once stabilized from a detox treatment bed. Patients will be referred by Gaudenzia clinical staff to recommended providers in the area based on the appropriate level of care determined by ASAM as well as support services based on the patients need at the time of discharge. These health care services include but are not limited to: mental health services, primary care, care coordination for benefits and other ancillary services such as housing needs and vocational/educational support services.

The addition of detox/ICF treatment beds in Anne Arundel County will have an impact on the health care delivery system by allowing patients to be treated for urgent medical needs in a hospital setting and those needing substance use detox treatment to be treated by a substance use provider. This will significantly decrease emergency room costs as well as the costs associated with non-emergency medical issues being treated at the appropriate level.

**REMEMBER TO SUBMIT THE COMPANION TABLE SET FEATURING PROJECT BUDGET, STATISTICAL PROJECTIONS, REVENUE AND EXPENSE PROJECTIONS, AND WORKFORCE INFORMATION**

Companion Table Set featuring Project Budget, Statistical Projections, Revenue and Expense Projections and Workforce Information are located in **Exhibit 9**.  
Created March 24, 2017

# CROWNSVILLE ICF/DETOX

PAYDATE:

Position	HR Code	FTE	Name	Notes	Date of Hire	Salary Grade	Actual Salary	Budget
Program Director 1	PD1	1.00						\$57,000.00
Administrative Coordinator 2	AC2	1.00						\$30,000.00
Intake Specialist III	SPEC3	1.00						\$41,000.00
Counselor 3	C3-A	1.00						\$35,500.00
Counselor 3	C3-B	1.00						\$35,500.00
Counselor 2	C2-A	0.50						\$16,250.00
Counselor 2	C2-B	1.00						\$32,500.00
House Manager	HM-A	1.00						\$21,000.00
House Manager	HM-B	1.00						\$21,000.00
House Manager-PT	HM-C	0.50						\$10,500.00
House Manager-PT	HM-D	0.50						\$10,500.00
Nurse Practitioner	NPRAC	1.00						\$49,000.00
RN 3	RN3-A	1.00						\$57,000.00
RN 3	RN3-B	1.00						\$57,000.00
RN 3 - PT (Psych.)	RN3-D	0.50						\$28,500.00
RN/LPN	RN3-C	0.50						\$28,500.00
LPN 2	LPN2-B	1.00						\$35,500.00
LPN 2	LPN2-C	1.00						\$35,500.00
LPN 3	LPN3-A	1.00						\$39,000.00
LPN 3	LPN3-B	1.00						\$39,000.00
LPN-PT	LPN-A	0.50						\$7,540.00
House Manager Trainee-PT	HM-D	0.50						\$7,540.00
House Manager Trainee-PT	HM-E	0.50						\$7,540.00
		19.00					\$0.00	\$694,830.00

OPEN POSITION  
DO NOT FILL POSITION

REVIEWED BY: \_\_\_\_\_ DATE: \_\_\_\_\_

APPROVED BY: \_\_\_\_\_ DATE: \_\_\_\_\_



Larry Hogan  
Governor  
Boyd K. Rutherford  
Lt. Governor



Ellington Churchill  
Secretary

MARYLAND DEPARTMENT OF GENERAL SERVICES

FACILITIES OPERATIONS & MAINTENANCE • FACILITIES PLANNING, DESIGN, CONSTRUCTION & ENERGY  
PROCUREMENT & LOGISTICS • REAL ESTATE

300 W. Preston Street, Room 601 Baltimore, MD 21201

website: [www.dgs@maryland.gov](http://www.dgs@maryland.gov)

December 11, 2017

Gaudenzia, Inc.  
3643 Woodland Avenue  
Baltimore, Maryland 21215

RE: MDH  
Crownsville Hospital Center  
Phillips Bldg. & Phillips Annex  
Crownsville, MD 21032  
Lease Nos. 4308

To Whom It May Concern:

Please find enclosed, a properly executed copy of the Lease Agreement for the above referenced locations for your records.

Should you have any questions, please feel free to contact Mr. Grandea by email at: [exequiel.grandea@maryland.gov](mailto:exequiel.grandea@maryland.gov) or by telephone at 410-767-4324.

Sincerely,

Exequiel S. Grandea  
Senior Lease Acquisition Specialist

cc: File

**STATE OF MARYLAND  
DEPARTMENT OF HEALTH AND MENTAL HYGIENE  
REVENUE LEASE AGREEMENT  
(FORM DGS-680-3G - DHMH)  
(Revised 4/2014)**

THIS LEASE AGREEMENT ("Lease"), fully executed by the parties this 7th day of JULY, Two Thousand Seventeen ("2017") ("Effective Date"), is between the STATE OF MARYLAND, to the use of the Department of Health and Mental Hygiene, (hereinafter called the "Lessor"), and Gaudenzia, Inc., (hereinafter called the "Lessee").

WITNESSETH that for and in consideration of the mutual entry into this Lease by the parties hereto, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged by each party hereto, the Lessor demises and leases unto Lessee, in its "as is" condition, premises known and described as the Phillips Building and Phillips Annex, 1520 Crownsville Road, Crownsville 21032, Anne Arundel County, Maryland (hereinafter the "Demised Premises"), which consists of approximately 52,319 square feet of space, pursuant and subject to the following terms and conditions, which are specifically incorporated herein:

1. State of Maryland Department of Health and Mental Hygiene Standard Revenue Lease General Terms and Conditions, attached hereto as **Addendum A**.
2. State of Maryland Standard Revenue Lease Affidavit, attached hereto as **Addendum B**.
3. The following Exhibits:

- Exhibit A Additional Description of Property  
 Exhibit B Lessor Rules and Policies for Leased Premises

4. Lessor and Lessee:

**LESSOR**

**LESSEE**

State of Maryland -- Department of Health and Mental Hygiene		Name: Gaudenzia, Inc.	
Address: 201 W. Preston Street Room 536 Baltimore, MD 21201		Address: 3643 Woodland Avenue Baltimore, MD 21215	
E-mail: <a href="mailto:atif.chaudhry@maryland.gov">atif.chaudhry@maryland.gov</a>		E-mail: <a href="mailto:gsaler@gaudenzia.org">gsaler@gaudenzia.org</a>	
On Site Contact: Rick Pendleton		FEDERAL TAX # 23-1706895	
Phone: 443-324-9240 (Cell)		On Site Contact: Gale Saler	
E-mail: <a href="mailto:rlpend@aol.com">rlpend@aol.com</a>		Phone: 410-367-5501	
Emergency Contact: Rick Pendleton		E-mail: Gale Saler	
Emergency Phone: 443-324-9240 (Cell)		<a href="mailto:gsaler@gaudenzia.org">gsaler@gaudenzia.org</a>	
E-mail: <a href="mailto:rlpend@aol.com">rlpend@aol.com</a>		Emergency Contact: Gale Saler	
Notice Address: Atif Chaudhry Deputy Director, Office of Capital Planning, Budgeting and Engineering Services Department of Health and Mental Hygiene 201 West Preston Street, Room 536 Baltimore, Maryland 21201		FEDERAL TAX # 23-1706895	
With Copy to: Department of General Services Office of Real Estate		Emergency Phone: 301-509-9033 (Cell)	
		E-mail: <a href="mailto:gsaler@gaudenzia.org">gsaler@gaudenzia.org</a>	
		Notice Address: Gaudenzia, Inc. 3643 Woodland Avenue Baltimore, MD 21215	

**STATE OF MARYLAND  
DEPARTMENT OF HEALTH AND MENTAL HYGIENE  
REVENUE LEASE AGREEMENT  
(FORM DGS-680-3G - DHMII)  
(Revised 4/2014)**

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WITNESSETH that for and in consideration of the mutual entry into this Lease by the parties hereto, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged by each party hereto, the Lessor demises and leases unto Lessee, in its "as is" condition, premises known and described as the Phillips Building and Phillips Annex, 1520 Crownsville Road, Crownsville 21032, Anne Arundel County, Maryland (hereinafter the "Demised Premises"), which consists of approximately 52,319 square feet of space, pursuant and subject to the following terms and conditions, which are specifically incorporated herein:

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3. The following Exhibits:
  - Exhibit A Additional Description of Property
  - Exhibit B Lessor Rules and Policies for Leased Premises

4. Lessor and Lessee:

**LESSOR**

**LESSEE**

State of Maryland – Department of Health and Mental Hygiene		Name: Gaudenzia, Inc.	
Address: 201 W. Preston Street Room 536 Baltimore, MD 21201		Address: 3643 Woodland Avenue Baltimore, MD 21215	
E-mail: <a href="mailto:atif.chaudhry@maryland.gov">atif.chaudhry@maryland.gov</a>		E-mail: <a href="mailto:gsaler@gaudenzia.org">gsaler@gaudenzia.org</a>	
		FEDERAL TAX # 23-1706895	
On Site Contact: Rick Pendleton		On Site Contact: Gale Saler	
Phone: 443-324-9240 (Cell)		Phone: 410-367-5501	
E-mail:	<a href="mailto:rlpend@aol.com">rlpend@aol.com</a>	E-mail: Gale Saler	<a href="mailto:gsaler@gaudenzia.org">gsaler@gaudenzia.org</a>
Emergency Contact:	Rick Pendleton	Emergency Contact:	Gale Saler
Emergency Phone:	443-324-9240 (Cell)	Emergency Phone:	301-509-9033 (Cell)
E-mail:	<a href="mailto:rlpend@aol.com">rlpend@aol.com</a>	E-mail:	<a href="mailto:gsaler@gaudenzia.org">gsaler@gaudenzia.org</a>
Notice Address: Atif Chaudhry Deputy Director, Office of Capital Planning, Budgeting and Engineering Services Department of Health and Mental Hygiene 201 West Preston Street, Room 536 Baltimore, Maryland 21201		Notice Address: Gaudenzia, Inc. 3643 Woodland Avenue Baltimore, MD 21215	
With Copy to: Department of General Services Office of Real Estate			

300 W Preston St. Rm. 601 Baltimore, Maryland 21201	
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5. Term of the Lease and Commencement Date, subject to Board of Public Works approval and full execution of this Lease by the parties:

Term:	10 Years
Commencement Date:	July 7, 2017
Number of Renewal Terms	2
Length of Each Renewal	5 Years
Notes:	

6. Rent:

Years	Rent Rate:	Monthly	Annual
20	\$1.00		\$1.00

The Lessee covenants to pay the Rent as herein provided.

7. Operating Expense Contribution(s):

- Not applicable.
- Applicable, see below:

See ADDENDUM A, Section 4 and 5.

8. Renewal Term and Renewal Term Rent:

Number of Renewal Terms	Length of Each Renewal Term	Rent for Each Renewal Term	Monthly	Annual
2	5 years	\$1.00		\$1.00

9. Additional tenant obligations – grass cutting and snow removal

10. Use and occupancy of the Demised Premises by Lessee shall be for, and only for:

Use: To provide behavioral health services for the citizens of the State of Maryland

11. This Lease shall only be effective and binding upon the State with full execution by the parties and approval by the Maryland Board of Public Works. Lessee has no right to institute any action or proceedings to compel the State to present this Lease to the Board of Public Works or to compel the Board of Public Works to approve this Lease. In the event this Lease is not fully executed or approved by the State, Lessee's only remedy shall be to declare this Lease null and void.

12. In the event of any conflict between this Standard Revenue Lease Form DGS-680-3G and any other document attached hereto, incorporated by reference, or otherwise made part of this Lease apart from Md. Annotated Code or COMAR provisions, the provisions of this Standard Revenue Lease Form DGS-680-3G shall prevail.

13. It is agreed by the parties that the Lease between the State of Maryland to the use of the Department of Health and Mental Hygiene (Lessor) and Gaudenzia, Inc. (Lessee) dated September 19, 2014 for the Phillips Building and Phillips Annex at the Crownsville Hospital Center, located at 1520 Crownsville Road, Crownsville 21032, Anne Arundel County, Maryland, which was approved by the Maryland Board of Public Works on 8/13/2014 as DGS

Agenda Item# 14-LL (the "Prior Lease") shall terminate on the day immediately preceding the Commencement Date of this Lease.

It is also understood and agreed by the parties hereto that:

(a) Lessee agrees to pay Lessor through the Termination Date any rent, expenses or other sums due and payable under the terms and conditions of the Prior Lease; and

(b) Effective on the Termination Date, each party hereto shall be relieved and discharged of all obligations with respect to the Prior Lease excepting the obligations imposed in this Section No. 13; and each party hereby releases the other from any and all liabilities, claims or rights arising out of or with respect to the Prior Lease. Notwithstanding the foregoing, Lessee's obligations to indemnify and hold harmless Lessor as provided in the Prior Lease shall survive termination of the Prior Lease as to any act, omission or occurrence which took place prior to the termination of the Prior Lease.

IN WITNESS WHEREOF, the parties hereto for themselves, their successors and assigns have set their hand and seal on the day and year first above written.

ATTEST:

Denise Dandack

LESSEE: GAUDENZIA, INC.

Michael Harle (SEAL)  
By: Michael Harle  
Title: President/CEO

ATTEST:

Art Clavetto

LESSOR: THE STATE OF MARYLAND to the use of the Department of Health and Mental Hygiene

Dennis R. Schrader (SEAL)  
By: Dennis R. Schrader.  
Title: Secretary

Approved as to form and legal sufficiency this 15<sup>th</sup> day of November, 2017:

[Signature]  
Name: \_\_\_\_\_  
Maryland Assistant Attorney General

**BOARD OF PUBLIC WORKS OF THE STATE OF MARYLAND**

By: [Signature] (SEAL)  
Larry Hogan, Governor

ATTEST:

[Signature]  
Sheila C. McDougal  
Executive Secretary  
Board of Public Works

By: Nancy K. Kopp (SEAL)  
Nancy K. Kopp, Treasurer

By: Peter Franchot (SEAL)  
Peter Franchot, Comptroller

STATE OF MARYLAND, COUNTY OF Anne Arundel, TO WIT:

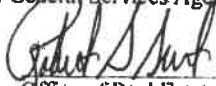
I HEREBY CERTIFY that, on this 15<sup>th</sup> day of December, 2017, before me, the subscriber, a Notary Public of the State and County aforesaid, personally appeared LAWRENCE J. HOGAN, Jr., Governor, NANCY K. KOPP, Treasurer, and PETER FRANCHOT, Comptroller, constituting the Board of Public Works of the State of Maryland, known to me (or satisfactorily proven) to be the persons whose names are subscribed to the within \_\_\_\_\_, who signed the same in my presence and acknowledged that they executed the same for the purposes therein contained.

AS WITNESS my hand and Notarial Seal.

Melissa D. Hodges  
Notary Public  
My commission expires: \_\_\_\_\_  
MELISSA D HODGES  
Notary Public-Maryland  
Anne Arundel County  
MY COMMISSION EXPIRES  
ON 09/09/2020

Approved by the Board of Public Works of the State of Maryland at a meeting held on the 5<sup>th</sup> day of July, 2017 as Item No. 1-11 on the Department of General Services Agenda.

Approved by the Board of Public Works of the State of Maryland at a meeting held on July 5, 2017 as item 7-LL on the Department of General Services Agenda.



Office of Real Estate  
Department of General Services

ADDENDUM A

STATE OF MARYLAND  
DEPARTMENT OF HEALTH AND MENTAL HYGIENE  
STANDARD REVENUE LEASE GENERAL TERMS AND CONDITIONS  
(Revised 4/2014)

- 1. Rental Payments.** Rental payments shall be payable at the office of the Lessor, during normal business hours and shall be due on the first business day of the month or Lease year if so indicated, as appropriate. Each such payment shall be made promptly when due, without any deduction or set off whatsoever, and without demand. Any such payment which is less than the amount of Rent then due shall constitute a payment made on account thereof, the parties hereto hereby agreeing that the Lessor's acceptance of such payment (whether or not with or accompanied by an endorsement or statement that such lesser amount or the Lessor's acceptance thereof constitutes payment in full of the amount of Rent then due) shall not alter or impair the Lessor's rights hereunder to be paid all of such amount then due, or in any other respect. The Lessee shall pay the Rent, in lawful currency of the United States of America, to the Lessor by delivering or mailing it to Department of Health and Mental Hygiene, Accounting Division, 201 W. Preston Street, Baltimore, Maryland 21201, or to such other address or in such other manner as the Lessor from time to time specifies by written notice to the Lessee.
- 2. Rent Upon Termination.** In the event Lessor terminates this Lease, (a) the Lessee shall pay to the Lessor the Annual Rent and any Additional Rent payable by the Lessee hereunder and accrued through the date of such termination, (b) the Lessor shall repay to the Lessee any and all prepaid Rent for periods beyond such termination, and (c) the Lessor may enter upon and repossess the Demised Premises without further notice.
- 3. Renewal.** Renewal(s) shall remain subject to all terms and conditions of this Lease and:

  - a. The State has not instituted any action or claim against the Lessee, and there is no current outstanding dispute or claim made by the State against the Lessee, including, but not limited to, current payment of all tax obligations.
  - b. There exists no breach or default by Lessee as to any terms or conditions of this Lease.
  - c. Lessee has notified the Lessor no later than One Hundred and Eighty (180) days prior to the expiration of the initial Lease whether it wishes to renew and Lessor consents to such renewal in writing within sixty (60) days after receipt of Lessee's notice, which consent may be withheld in the sole and absolute subjective discretion of the Lessor.
  - d. Any renewal rights provided hereunder shall not be effective during the final renewal term(s).
- 4. Utility Costs.** The Lessee shall pay all charges for the supply, connection (if applicable) and usage of electricity, gas, heat, water and telephone or other communication services used, and other services rendered or supplied, upon or in connection with the Demised Premises and all other charges and expenses assessed against the Demised Premises, and shall indemnify and hold harmless the Lessor against and from any liability. Any construction required for the supply and connection of the utility and communication services shall be done in compliance with the requirements set forth in this Lease. The Lessee shall incur all utility costs in its name only, if sub-meters are present, and be the sole responsible party for payment thereof. Lessor shall not, however, be liable for any interruptions or failures of utility services to the Demised Premises. Upon Lease termination, Lessee, at Lessor's request, shall be responsible for promptly removing all cable installed by Lessee and Lessee shall be responsible for all costs associated therewith.
- 5. Taxes.** The Lessee shall pay promptly when due, all taxes assessed in connection with the Lessee's use and occupancy of the Demised Premises, including but not limited to, federal and state income taxes, retail sales taxes, employment taxes, and Real Property taxes assessed against the Demised Premises pursuant to Section 6-102 of the Tax Property Article of the Annotated Code of Maryland (1986 volume, as amended from time to time).



**6. Transfer of the Demised Premises/Assignment of Lease.** The Lessee hereby acknowledges and agrees for itself and its successors and assigns in interest hereunder that it will not (a) assign this Lease or any of its rights under this Lease, as to all or any portion of the Demised Premises or otherwise, or (b) make or permit any voluntary or involuntary total or partial sale, lease, sublease, assignment, conveyance, license, mortgage, pledge, encumbrance or other transfer of any or all of the Demised Premises or the occupancy or use of any or all of the Demised Premises (each of which is hereinafter referred to as a "Transfer") without first obtaining the express written consent thereto by the Lessor and the State of Maryland Board of Public Works (which consent shall not constitute a consent to any subsequent such Transfer, whether by the person hereinabove named as "the Lessee" or by any such transferee). Any person to whom any Transfer is attempted without such consent shall have no claim, right or remedy whatsoever hereunder against the Lessor, and the Lessor shall have no duty to recognize any person claiming under or through the same. No Transfer made with or without the Lessor's consent shall alter or impair the obligations of the Lessee hereunder before Lessor consents to such Transfer. [SF&P 10-305(d)(3)].

**7. Access to Demised Premises by Lessor.** The Lessor reserves the right to enter upon the Demised Premises from time to time and at such times as it shall deem necessary. Should the Lessor during the term of this Lease, require the use of the Demised Premises, or any part thereof, for any public purpose whatsoever, to include an event determined to be an emergency in Lessor's sole and absolute discretion, Lessor shall have the unrestricted right to terminate this Lease in its entirety or any part thereof in accordance with Addendum A, Section 24, "Termination for Convenience". Should the Lessor require termination of this Lease for only a portion of the Demised Premises, the rent provided for herein shall be reduced accordingly, effective on the day of termination.

**8. Condition of Demised Premises.** Lessee agrees, at all times during the term of this Lease, to maintain the Demised Premises in a neat, orderly, safe and usable condition. The Lessee shall maintain the structural and nonstructural parts of the interior and exterior of the Demised Premises including by way of example rather than limitation, ceilings, doors, windows, interior and exterior walls, sidewalls and driveways, and electrical and plumbing fixtures, and roofs in good repair and condition. Upon termination of this Lease, Lessee shall surrender unto the Lessor the Demised Premises in as good condition as it was at the beginning of the term, reasonable wear excepted. Lessee shall be responsible for the complete care of the Demised Premises using best management practices. Lessee will keep the Demised Premises free of all trash and debris and shall provide security necessary to keep the Demised Premises in a safe and usable condition.

**9. Use.** In its use of the Demised Premises, the Lessee will not perform (nor permit to be performed) on any portion of said Demised Premises, any illegal, immoral or objectionable act or acts, nor will it perform (nor permit to be performed) anything in or about the Demised Premises which would contravene a policy of insurance against loss by fire, which insurance Lessor may, but is not required, to maintain.

**10. Lessee Compliance with Laws.** The Lessor's granting of this Lease does not imply approval of the State of Maryland, or the Department of Health and Mental Hygiene, of the project contemplated herein, nor imply exception for any permit requirements. The Lessee shall be responsible for obtaining all permits, licenses, inspections and approvals required for its use and occupancy of the Demised Premises. The Lessee's use and occupancy of the Demised Premises shall be in compliance with the requirements of all applicable Federal, State, and local laws, ordinances, rules and regulations, including all applicable regulations and policies promulgated by the State of Maryland, or the Department of Health and Mental Hygiene.

**11. Alterations by Lessee.** The Lessee shall not make any alteration, addition or improvement to the Demised Premises without first obtaining the Lessor's written approval thereto, which consent may be withheld in the sole and absolute discretion of the Lessor; such approval shall include approval of detailed plans and specifications for the proposed site plan and its improvements. If the Lessor consents to any such proposed alteration, addition or improvement, it shall be made at the Lessee's sole expense (and the Lessee shall hold the Lessor harmless from any cost incurred on account thereof), and at such time and in such manner as to not unreasonably interfere with the use and enjoyment of the remainder of the Demised Premises or the land by any person authorized or permitted to use the Demised Premises or the land. Any improvements made to the Demised Premises by the Lessee shall be made only in a good and workmanlike manner, in compliance with approved plans and specifications and in compliance with all applicable laws, regulations and ordinances. Copies of all necessary permits, licenses and other governmental approvals shall be

delivered by Lessee to Lessor, prior to the commencement of construction of the improvements including evidence of performance, labor and material bonds in amounts satisfactory to Lessor.

**12. Installed Fixtures Upon Termination.** Any and all improvements, repairs, alterations, and all other property constructed, attached to or otherwise installed as fixtures on or within the Demised Premises by the Lessee shall, upon the termination of this Lease, become the Lessor's property without payment therefore by the Lessor, except that any machinery, equipment or fixtures installed by the Lessee at no expense to the Lessor and used in the conduct of the Lessee's trade or business (rather than to service the Demised Premises generally) shall remain the Lessee's property, and shall be removed by the Lessee at the end of the Term (and any damage to the Demised Premises caused by such removal shall be repaired to the Lessor's satisfaction at the Lessee's expense).

**13. Liens.** The Lessee shall (a) immediately after it is filed or claimed, have released (by bonding or otherwise) any mechanics', materialmens' or other lien filed or claimed against any or all of the Demised Premises or the improvements, by reason of labor or materials provided for or about any or all of the Demised Premises, or the improvements during the Term or otherwise arising out of the Lessee's use or occupancy of any or all of the Demised Premises and the improvements, and (b) defend, indemnify and hold harmless the Lessor against and from any and all liability, claim of liability or expense (including, by way of example rather than of limitation, that of reasonable attorneys' fees) incurred by the Lessor on account of any such lien or claim.

**14. Discharge of Liens.** If the Lessee fails to discharge any such lien within fifteen (15) days after it first becomes effective against any of the Demised Premises, then in addition to any other right or remedy held by the Lessor on account thereof, the Lessor may (a) discharge it by paying the amount claimed to be due or by deposit or bonding proceedings, and/or (b) in any such event compel the prosecution of any action for the foreclosure of any such lien by the lienor and pay the amount of any judgement in favor of the lienor with interest, costs and allowances. The Lessee shall reimburse the Lessor for any amount paid by the Lessor to discharge any such lien and all expenses incurred by the Lessor in connection therewith, together with interest thereon at the rate of twenty (20%) per annum from the respective dates of the Lessor's making such payments or incurring such expenses (all of which shall constitute Additional rent).

**15. Third-Party Contractor Guarantees.** The Lessee agrees in the case of any renovation or construction being performed on the Demised Premises by third party contractors, the Lessee shall require such third party contractors to secure and deliver to the Lessor performance and payment bonds or other financial guarantees, satisfactory to the Lessor, in an amount not less than 100% of the estimated cost of the renovation or construction work to be undertaken running to the Lessee and the Lessor, as obligee, conditioned on completion of the renovation or construction in accordance with the approved plans and specifications for construction of the Final Site Plan improvements.

**16. Lessee Insurance.** The Lessee shall maintain at its expense, throughout the Term, (a) insurance against loss or liability in connection with bodily injury, death, property damage or destruction, occurring within the Demised Premises or arising out of the use thereof by the Lessee or its agents, employees, officers, permitted subtenants, invitees, visitors, and guests, under one or more policies of General Comprehensive Liability insurance having such limits as to each as are reasonably required by the Lessor from time to time, but in any event of not less than a minimum coverage of \$1,000,000 combined single limit per occurrence, and shall contain broad form GCL Endorsement or its equivalent, and (b) Worker's Compensation Insurance as required by applicable law. Each such policy shall (a) name as the insured thereunder the Lessor and the Lessee, (b) by its terms, be considered primary and non-contributory with respect to any other insurance (if any) carried by the Lessor or its permitted successors and assigns, (c) by its terms, be cancelable only on at least thirty (30) days prior written notice to the Lessor, and (d) be issued by an insurer of recognized responsibility licensed to issue such policy in Maryland.

**17. Proof of Insurance.** At least five (5) days before the Commencement Date, the Lessee shall deliver to the Lessor an original or a signed duplicate copy of each such policy (or at the Lessor's option, a certificate thereof), and (b) at least thirty (30) days before any such policy expires, the Lessee shall deliver to the Lessor an original or a signed duplicate copy of a replacement policy therefore (or at the Lessor's option, a certificate thereof). In the event the Lessee fails to pay any insurance premium when due, the Lessor shall have the option but not the obligation of paying such insurance premiums on behalf of the Lessee and, the Lessee shall immediately, upon demand, repay such sum to Lessor as Additional Rent.

**18. Insurance on Improvements and Alterations.** The Lessor will not insure, from casualty loss, any improvement erected by the Lessee pursuant to this Lease, to include fixtures, equipment, and personal property. It is a condition of this Lease that the Lessee shall maintain risk or fire and extended coverage insurance on all such improvements throughout the Term satisfactory in all respects to Lessor.

**19. Indemnification.** The Lessee shall be responsible for, and shall defend at Lessor's request, indemnify and hold harmless the Lessor, State of Maryland, and its members, officers, agents, and employees against and from, any and all liability or claim of liability (including reasonable attorneys' fees) arising out of (a) the Lessee's use, occupancy, conduct, operation or management of the Demised Premises during the Term, or (b) any work or thing whatsoever done or not done on the Demised Premises during the Term or (c) any breach or default by the Lessee in performing any of its obligations under the provisions of this Lease or applicable law, or (d) any negligent, intentionally tortious or other act or omission of the Lessee or any of its agents, contractors, servants, employees, permitted subtenants, licensees, clientele or invitees during the Term, or (e) any injury to or death of any person or damage to any property occurring on the Demised Premises during the Term. The Lessee agrees that indemnification as described in this section shall further mean and include indemnification of any injury or harm occurring as a result of Lessee's use and occupancy of the Demised Premises pursuant to this Lease Agreement, even if the injury does not become apparent or does not manifest until after expiration of this Lease Agreement.

**20. Damage to Demised Premises or Property.** Anything contained in any provision of this Lease to the contrary notwithstanding, if any such damage to the Demised Premises or Property is caused by or result from the negligent or intentionally tortious act or omission of the Lessee, those claiming under the Lessee or any of its officers, employees, agents or invitees, the Lessee shall pay to the Lessor upon demand, as Additional Rent, the cost of (a) any repairs and restoration made or to be made as a result of such damage, or (b) (if the Lessor elects not to restore the Demised Premises or Property) any damage or loss which the Lessor incurs as a result of such damage.

**21. Casualty.** If during the Term the Demised Premises is damaged by fire or other casualty, the Lessor shall have the option, in its sole discretion, to (a) proceed to restore and rebuild the Demised Premises, or (b) elect to terminate this Lease as of the date of the casualty.

**22. Condemnation.** If all or substantially all of the Demised Premises are taken by the exercise of any power of eminent domain or are conveyed to or at the direction of any governmental entity under a threat of such taking (each of which is herein referred to as a "Condemnation"), this Lease shall terminate on the date (hereinafter referred to as "the Vesting Date") on which the title to so much of the Demised Premises as is the subject of such Condemnation vests in the condemning authority.

**23. Partial Condemnation.** If less than substantially all of the Demised Premises is taken, as aforesaid:

This Lease shall continue in full force and effect unless the Lessee (a) reasonably determines that its ability to use and occupy the Demised Premises, in substantially the same manner as contemplated in this Lease, has been and will continue to be substantially impaired after such Condemnation, and (b) notifies the Lessor thereof in writing within thirty (30) days after the Vesting Date, in which event this Lease shall terminate on the date set forth in such notice [which date shall be at least thirty (30) days and not more than ninety (90) days after the date on which such notice is given],

- a. If this Lease is not terminated pursuant to the foregoing provisions of this subsection, the Annual Rent (and each installment thereof) shall be abated from the Vesting date through the Termination Date in proportion to the reduction, if any, of the fair market rental value of the Lessee's leasehold estate hereunder immediately before such Condemnation to its fair market rental value immediately thereafter (in each case assuming that such rental would be upon the terms and subject to the conditions set forth in the provisions of this Lease.

**24. Condemnation Damages.** Any proceeds from an award of damages given in connection with a Condemnation shall become the sole property and shall be paid directly to the Lessor, except for that portion of the award (if any) given specifically as relocation expenses for the Lessee.

**25. Default.** It shall be an event of default ("Event of Default") if the Lessee fails (a) to pay any Annual Rent, Additional Rent or other sum which it is obligated to pay by any provision of this Lease, when and as due and payable hereunder and without demand therefore, or (b) to perform any of its other obligations under the provisions of this Lease.

- a. Anything contained in the provisions of this Section to the contrary notwithstanding, on the occurrence of an Event of Default the Lessor shall not exercise any right or remedy on account thereof which it holds under any provision of this Lease or applicable law unless and until:
  - i. the Lessor has given written notice thereof to the Lessee, and
  - ii. the Lessee has failed, (a) if such Event of Default consists of a failure to pay money, within five (5) days after the Lessor gives such written notice to pay all of such money, or (b) if such Event of Default consists of something other than a failure to pay money, within thirty (30) days after the Lessor gives such written notice to cure such Event of Default (or, if such Event of Default is not reasonably curable within such period of thirty (30) days, to begin to cure such Event of Default within such thirty (30) day period and to diligently pursue such cure thereafter until it is fully cured).
- b. Notwithstanding the foregoing, no such notice of default shall be required to be given, and (even if the Lessor gives such notice) the Lessee shall be entitled to no such grace period, (i) in any emergency situation in which, in the Lessor's reasonable judgment, it is necessary for the Lessor to act to cure such Event of Default without giving such notice, or (ii) more than twice during any twelve (12) month period (regardless of whether the current Event of Default is the same as any previous Event of Default for which a notice was given).

**26. Lessor Options on Event of Default.** On the occurrence of any Event of Default, the Lessor may (subject to the operation and effect of the provisions of Section 21):

- a. Terminate this Lease by giving written notice of such termination to the Lessee, which termination shall be effective as of the date of such notice or any later date therefore specified by the Lessor therein and upon such termination repossess the Demised Premises in accordance with the requirements of applicable law; and/or
- b. Cure such Event of Default in any other manner; and/or
- c. Pursue any combination of such remedies and/or any other right of remedy available to the Lessor on account of such Event of Default under this Lease and/or at law or in equity.

Nothing herein contained shall limit or prejudice the Lessor's right to damages, by reason of such termination.

**27. Lessee Obligations Upon Event of Default.** On occurrence of an Event of Default, the Lessee shall, immediately on its receipt of a written demand therefore from the Lessor, pay to Lessor, as Additional Rent an amount sufficient to reimburse the Lessor for (a) all expenses (including, by way of example rather than of limitation, any and all repossession costs, management expenses, operating expenses, legal expenses and attorneys' fees) incurred by the Lessor in: (i) curing or seeking to cure any Event of Default and/or (ii) exercising or seeking to exercise any of the Lessor's rights and remedies under the provisions of this Lease and/or at law or in equity on account of any Event of Default, and (iii) or as otherwise arising out of any Event of Default.

**28. Termination for Convenience.** This Lease may be terminated by the Lessor in accordance with this clause, in whole, or from time to time in part, whenever the Lessor shall determine that such termination is in the best interest of the Lessor.

**29. Termination and Extension.** This Lease and the tenancy hereby created shall cease and terminate at the end of the above Term, or any Renewal Term, without the necessity of any further notice from either the Lessor or the Lessee to terminate the same and the continued occupancy of the Demised Premises by the Lessee after the expiration of said term shall not operate to renew the said

Lease for said Term or any part thereof. In the event of such holding over by the Lessee, the Lessee shall be and remain liable to the Lessor for rent for the Demised Premises for the time the same are actually occupied by the Lessee, said rent to be at the rate hereinabove set forth; but nothing herein shall confer upon the Lessee any right to remain on the Demised Premises after termination, except with the consent of the Lessor.

**30. Inquiries About Lessee's Performance.** For inquiries concerning the performance of the Lessee's obligations under this Lease, Lessor shall contact Lessee at the Demised Premises.

**31. Inquiries About Lease.** For inquiries concerning interpretation or modification of the Lease and inspection of the Demised Premises, Lessee shall contact Lessor's Chief, at the Lease Management and Procurement Division of the Department of General Services.

**32. Compliance with Laws.** As applicable, Lessee shall comply, at its sole cost and expense, with the Comprehensive Environmental Response, Compensation and Liability Act 1980, 42 U.S.C. §9601 et seq., as amended, the Resource Conservation and Recovery Act 42 U.S.C. §6901, et seq., as amended, the Toxic Substance Control Act, 15 U.S.C. §2601, et seq., as amended, the Clean Water Act, 33 U.S.C. §1251, et seq., their respective State of Maryland statutes, including but not limited to, Title 7 of the Annotated Code of Maryland, "Hazardous Materials and Hazardous Substances", and any other, Federal, State, or local statute, law, ordinance, resolution, code, rule, regulation, order, or decree regulating, relating to, or imposing liability or standards of conduct concerning Hazardous Material, as defined below (the "Environmental Laws").

**33. Hazardous Material.** Hazardous Material means and includes any hazardous substance or any pollutant or contaminant defined as such in, or for the purpose of, the Environmental Laws, including, but not limited to, underground storage tanks, asbestos or asbestos-containing materials, oils, petroleum-derived compounds, pesticides polychlorinated biphenyls, or other toxic or hazardous substances, pollutants or contaminants.

**34. Environmental Hazards Prohibition.** The Lessee shall not place, deposit, store, treat, dispose of, manage, generate, manufacture, produce, release, emit or discharge Hazardous Material, or permit any other person to do the same, on, in, under or near the Demised Premises or the Property, without prior written consent of the Lessor. Violation of this provision shall be an Event of Default.

**35. Contingent Fee Prohibition.** The Lessee warrants that it has not employed or retained any person, partnership, corporation, or other entity, other than a bona fide employee or agent working for the Lessee, to solicit or secure this Lease, and that it has not paid or agreed to pay any person, partnership, corporation, or other entity, other than a bona fide employee or agent, any fee or any other consideration contingent on the making of this Lease.

**36. Safety of Persons.** Lessee further covenants and agrees to take such steps as are necessary to insure the safety and protection of the persons residing at or employed at the Demised Premises or Property. Lessee shall further abide by and be subject to Exhibit B, Lessor Rule and Policies for Demised Premises, as of the date of this Lease and also as may be amended from time to time. Lessee's failure to abide by this Section 36 shall be considered a breach of this Lease and an Event of Default.

**37. Governing Law.** The provisions of this Lease shall be governed by the laws of the State of Maryland and the parties hereby expressly agree that the courts of the State of Maryland shall have jurisdiction to decide any questions arising hereunder after all administrative remedies have been exhausted.

**38. Non-Discrimination.** As a condition of entering into this agreement, upon the request of the Commission on Civil Rights, and only after the filing of a complaint against the Lessee under Title 19 of the State Finance and Procurement Article, as amended from time to time, the Lessee agrees to: provide to the State within 60 days after the request a truthful and complete list of the names of all subcontractors, vendors, and suppliers that the Lessee has used in the past 4 years on any of its contracts that were undertaken within the State of Maryland, including the total dollar amount paid by the contractor on each subcontract or supply contract. The Lessee further agrees to cooperate in any investigation conducted by the State pursuant to the State's Commercial

Nondiscrimination Policy as set forth under Title 19 of the State Finance and Procurement Article of the Annotated Code of Maryland, to provide any documents relevant to any investigation that is requested by the State. The Lessee understands and agrees that violation of this clause shall be considered a material breach of this agreement and may result in contract termination, disqualification by the State from participating in State contracts, and other sanctions.

**38.1. Cooperation.** As a condition of entering into this agreement, the Lessee represents and warrants that it will comply with the State's Commercial Nondiscrimination Policy, as described under Title 19 of the State Finance and Procurement Article of the Annotated Code of Maryland. As part of such compliance, the Lessee may not discriminate on the basis of race, color, religion, ancestry or national origin, sex, age, marital status, sexual orientation, or on the basis of disability or other unlawful forms of discrimination in the solicitation, selection, hiring, or commercial treatment of subcontractors, vendors, suppliers, or commercial customers, nor shall the Lessee retaliate against any person for reporting instances of such discrimination. The company shall provide equal opportunity for subcontractors, vendors, and suppliers to participate in all of its public sector and private sector subcontracting and supply opportunities, provided that nothing contained in this clause shall prohibit or limit otherwise lawful efforts to remedy the effects of marketplace discrimination that have occurred or are occurring in the marketplace. The Lessee understands and agrees that a material violation of this clause shall be considered a material breach of this agreement and may result in termination of this agreement, disqualification of the Lessee from participating in State contracts, or other sanctions. This clause is not enforceable by or for the benefit of, and creates no obligation to, any third party.

**39. Waiver.** The waiver at any time by the Lessor or Lessee of any particular covenant or condition of the Lease shall extend to the particular case only, for the particular time and in the particular manner specified, and such waiver shall not be construed or understood as waiving any further or other rights of any character whatever.

**40. Non-waiver of Immunity.** Nothing in this Lease shall constitute a waiver of any immunity which the Lessor may be entitled to under the laws of the State of Maryland, as they may be amended from time to time.

**41. No Waiver of Requirements.** The Lessor shall not be deemed to have waived the exercise of any right which it holds hereunder unless such waiver is made expressly and in writing. No delay or omission by the Lessor in exercising any such right shall be deemed a waiver of its future exercise. No such waiver made as to any instance involving the exercise of any such right shall be deemed a waiver as to any other such instance, or any other such right.

**42. Complete Writing.** This Lease represents the complete understanding between the parties hereto as to the subject matter hereof, and supersedes all prior written or oral negotiations, representations, warranties, statements or agreements between the parties hereto as to the same. No inducements, representations, understandings or agreements have been made or relied upon in the making of this Lease, except those specifically set forth in the provisions of this Lease. Neither party hereto has any right to rely on any other prior or contemporaneous representation made by anyone concerning this Lease which is not set forth herein.

**43. Severability - Generally.** No determination by any court, governmental body or otherwise that any provision of this Lease or any amendment hereof is invalid or unenforceable in any instance shall affect the validity or enforceability of (a) any other such provision, or (b) such provision in any circumstance not controlled by such determination. Each such provision shall be valid and enforceable to the fullest extent allowed by, and shall be construed wherever possible as being consistent with, applicable law.

**44. Recordation.** In the event either party desires to have this Lease recorded in the County in which the Demised Premises is located, the Lessee shall be liable to pay any and all transfer taxes or recordation taxes. In the event this Lease is recorded, the Lessee agrees upon termination of this Lease to deliver to Lessor a release document in recordable form.

**45. Political Contribution Disclosure.** The Lessee shall comply with Sections 14-101 through 14-108 of the Election Law Article of the Annotated Code of Maryland, which requires that every person that enters into, during any 12 month period, one or more contracts, leases, or other agreements with the State, a county, or an incorporated municipality, or their agencies, involving a

cumulative consideration of at least \$100,000 or more, shall file with the State Administrative Board of Election Laws a statement disclosing contributions to a candidate, or a series of such contributions, in a cumulative amount in excess of \$500 made during the reporting period to a candidate for elective office in any primary or general election. The statement shall be filed with the State Administrative Board of Election Laws: (1) before a sale, purchase or execution of a lease or contract by the State, a county, an incorporated municipality, or their agencies, and shall cover the preceding 24 months; and (2) if the contribution is made after sale, purchase or the execution of a lease or contract, then twice a year, throughout the lease or contract term, (a) within 5 days after the end of the 6-month period ending January 31; and (b) within 5 days after the end of the 6-month period ending July 31.

**46. Joint and Several Liability.** Whenever two or more persons constitute the Lessee, they shall be jointly and severally liable for performing Lessee's obligations under this Lease.

**47. Representations and Warranties.** The Lessee hereby represents and warrants that:

- (a) It is qualified to do business in the State of Maryland and that it will take such action, as from time to time hereafter, may be necessary to remain so qualified.
- (b) It is not in arrears with respect to the payment of any monies due and owing the State of Maryland, or any department of unit thereof, including but not limited to the payment of taxes and employee benefits, and that it shall not become so in arrears during the term of this Lease.
- (c) It shall observe, be responsible for and comply with all rules and regulations duly promulgated by Lessor from time to time and all federal, state and local laws, regulations and ordinances applicable to Lessee's use, activities and obligations under this Lease.
- (d) In its use and occupancy of the Demised Premises and the related and supporting facilities and grounds, it shall, in all respects, be solely responsible, financially and/or otherwise, for full and complete compliance with (a) the Maryland Building Performance Standards of the Annotated Code of Maryland, Public Safety Article, Title 12,, Subtitle 5 as amended; (b) The Americans with Disabilities Act of 1990 (42 United States Code, Section 12101 et seq.) as amended; (c) the Occupational Safety and Health Standards of the State of Maryland and the United States, including but not limited to the presence of friable asbestos or other hazardous materials or chemicals.
- (e) It shall obtain at its expense, all licenses, permits, insurance, and governmental approvals, if any, necessary to the performance of its obligations under this Lease and Lessor's granting of this Lease does not imply Lessor's approval of the project contemplated herein, nor imply exception from any permit or license requirements.

**48. Lease Amendments.** This Lease may be amended, but only in writing, signed and executed with all formalities and signatures with which this Lease is signed and executed.

**49. Subordination.** Lessor's fee simple interest in the Demised Premises may not be encumbered or subordinated by operation of this Lease or by any action taken by the Lessee.

**50. Non-Smoking.** Smoking is not permitted in State-owned or operated facilities. Smoking shall only be allowed in designated smoking areas of the Demised Premises or Property, if any.

**51. Recycling.** The Lessee understands that the Lease is subject to the provisions of Section 9-1706 of the Environment Article, Annotated Code of Maryland (Recycling Plan for State Government). Lessee shall collect and properly recycle recyclable materials.

**52. Mineral Rights.** This Lease does not convey to Lessee any interest in or to any mineral rights.

**53. Addendum.** The Lessee agrees to fully complete, execute and/or comply with the affidavits, exhibits and addenda that are attached to the Lease and fully incorporated as a part of the Lease by reference thereto.



**Exhibit B**

**DEPARTMENT OF HEALTH AND MENTAL HYGIENE**

**PROHIBITED CONDUCT AT ALL DEPARTMENT OF HEALTH AND MENTAL HYGIENE  
TENANT-OCCUPIED AND RIGHT-OF-ENTRY-OCCUPIED BUILDINGS AND GROUNDS**

Unless otherwise approved by DHMH in writing the following policies and rules shall be strictly adhered to throughout the term of your lease, Right of Entry or Limited Licensee's Release, Waiver, and Hold Harmless Agreement. Any violation of these policies and rules shall be an Event of Default in accordance with the Lease Agreement, Right of Entry or Limited Licensee's Release, Waiver, and Hold Harmless Agreement. DHMH may amend and update these policies and rules at any time.

**1. Tobacco and Nicotine Products**

All tobacco products are banned from all tenant-occupied buildings and grounds at DHMH-operated facilities, including group homes. These products include, but are not limited to cigars, cigarettes, e-cigarettes, snuff and chewing tobacco.

**2. Weapons**

The following items are considered weapons in all instances and are banned from all tenant-occupied buildings and grounds at DHMH-operated facilities, including group homes:

- Firearms of any type loaded or unloaded
- Knives and other sharp cutting instruments
- Clubs, and other bludgeon devices, and
- Mace
- Tasers

**3. On-site private security may be permitted; however, weapons, as defined above, are banned.**

**4. Illicit Drugs and Spirited Beverages**

- Use or possession of illicit drugs and spirited beverages is prohibited in tenant-occupied space and the general grounds of the facility.

**DEPARTMENT OF HEALTH AND MENTAL HYGIENE  
PROCEDURES TO MITIGATE INCIDENTS INVOLVING  
PROHIBITED CONDUCT AT ALL DEPARTMENT OF HEALTH AND MENTAL  
HYGIENE TENANT-OCCUPIED AND RIGHT-OF-ENTRY-OCCUPIED BUILDINGS  
AND GROUNDS**

**Procedures to Mitigate Incidents**

- If an incident should occur requiring intervention by local police, the tenant shall use the following procedure:
  1. Immediately notify facility security, if applicable, of incident and planned action
  2. Notify local authorities and request on-site assistance
  3. File an incident report with the facility security, or for Group Homes, the DHMH Office of Capital Planning, Budgeting and Engineering Services
  
- All tenants, permissive users or Licensee must follow State Facility policies and Facility Chief Executive Officer's direction.

ADDENDUM B

COMAR 21.07.01.25  
REVENUE LEASE AFFIDAVIT  
(Revised 12/94)

A. AUTHORIZED REPRESENTATIVE

I HEREBY AFFIRM THAT: I am the PRESIDENT  
(Title)

and the duly authorized representative of Gaudenzia, Inc.  
(Name of Lessee)

and that I possess the legal authority to make this Affidavit on behalf of myself and the Lessee for which I am acting.

B. CERTIFICATION OF CORPORATION REGISTRATION AND TAX PAYMENT

I FURTHER AFFIRM THAT:

(1) The Lessee named above is a (domestic       ) (foreign       ) corporation registered in accordance with the Corporations and Associations Article, Annotated Code of Maryland, and that it is in good standing and has filed all its annual reports, together with filing fees, with the Maryland State Department of Assessments and Taxation, and that the name and address of its resident agent filed with the State Department of Assessments and Taxation is:

Name:

Address:

(If not applicable, so state)

(2) Except as validly contested, the Lessee has paid or has arranged for payment of all taxes due to the State of Maryland and has filed all required returns and reports with the Comptroller of the Treasury, the State Department of Assessments and Taxation, and the Employment Security Administration, as applicable, and will have paid all withholding taxes due to the State of Maryland prior to final settlement.

C. CERTAIN AFFIRMATIONS VALID

I FURTHER AFFIRM THAT:

To the best of my knowledge, information and belief, each of the affirmations, certifications or acknowledgments contained in that certain Revenue Bid/Proposal Affidavit dated       , 20      , and executed by me for the purpose of obtaining the Lease to which this Addendum is attached remains true and correct in all respects as if made as of the date of this Revenue Lease Affidavit and as if fully set forth herein.

I DO SOLEMNLY DECLARE AND AFFIRM UNDER THE PENALTIES OF PERJURY THAT THE CONTENTS OF THIS AFFIDAVIT ARE TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE, INFORMATION, AND BELIEF.

DATE: 8/17/17

BY: Michael Idler  
(Authorized Representative and Affiant)

Michael HARVE  
Printed or Typed Name

**COMAR 21.05.08.07**  
**BID/PROPOSAL AFFIDAVIT**  
(Revised 7/01)

**A. AUTHORIZED REPRESENTATIVE**

**I HEREBY AFFIRM THAT:**

I am the (title) \_\_\_\_\_ and the duly authorized representative of (business) Gaudenzia, Inc. and that I possess the legal authority to make this Affidavit on behalf of myself and the business for which I am acting.

**B. AFFIRMATION REGARDING BRIBERY CONVICTIONS**

**I FURTHER AFFIRM THAT:**

Neither I, nor to the best of my knowledge, information, and belief, the above business [as is defined in Section 16-101(b) of the State Finance and Procurement Article of the Annotated Code of Maryland], or any of its officers, directors, partners, or any of its employees directly involved in obtaining or performing contracts with public bodies [as defined in Section 16-101(f) of the State Finance and Procurement Article of the Annotated Code of Maryland], has been convicted of, or has had probation before judgment imposed pursuant to Article 27, Section 641 of the Annotated Code of Maryland, or has pleaded nolo contendere to a charge of bribery, attempted bribery, or conspiracy to bribe in violation of Maryland law, or of the law of any other state or federal law, except as follows [indicate the reasons why the affirmation cannot be given and list any conviction, plea, or imposition of probation before judgment with the date, court, official or administrative body, the sentence or disposition, the name(s) of person(s) involved, and their current positions and responsibilities with the business]:

**C. AFFIRMATION REGARDING OTHER CONVICTIONS**

**I FURTHER AFFIRM THAT:**

Neither I, nor to the best of my knowledge, information and belief, the above business, or any of its officers, directors, partners, or any of its employees directly involved in obtaining or performing contracts with public bodies, has:

- (1) Been convicted under state or federal statute of a criminal offense incident to obtaining, attempting to obtain, or performing a public or private contract, fraud, embezzlement, theft, forgery, falsification or destruction of records, or receiving stolen property;
- (2) Been convicted of any criminal violation of a state or federal antitrust statute;
- (3) Been convicted under the provisions of Title 18 of the United States Code for violation of the Racketeer Influenced and Corrupt Organization Act, 18 U.S.C. §§ 1961, et seq. or the Mail Fraud Act, 18 U.S.C. §§1341, et seq. for acts arising out of the submission of bids or proposals for a public or private contract;
- (4) Been convicted of a violation of the State Minority Business Enterprise Law, Section 14-308 of the State Finance and Procurement Article of the Annotated Code of Maryland;
- (5) Been convicted of conspiracy to commit any act or omission that would constitute grounds for conviction or liability under any law or statute described in subsection (a), (b), (c) or (d) above;
- (6) Been found civilly liable under a state or federal anti-trust statute for acts or omissions in connection with the submission of bids or proposals for a public or private contract;
- (7) Admitted in writing or under oath, during the course of an official investigation or other proceedings, acts or omissions that would constitute grounds for conviction or liability under any law or statute described above, except as follows [indicate reasons why the affirmations cannot be given, and list any conviction, plea, or imposition of probation before judgment with the date, court, official or administrative body, the

sentence or disposition, the name(s) of the person(s) involved, and their current positions and responsibilities with the business, and the status of any debarment]:

**D. AFFIRMATION REGARDING DEBARMENT**

**I FURTHER AFFIRM THAT:**

Neither I, nor to the best of my knowledge, information and belief, the above business, or any of its officers, directors, partners, or any of its employees directly involved in obtaining or performing contracts with public bodies, has ever been suspended or debarred (including being issued a limited denial of participation) by any public entity, except as follows [list each debarment or suspension providing the dates of the suspension or debarment, the name of the public entity and the status of the proceedings, the name(s) of the person(s) involved, and their current positions and responsibilities with the business, the grounds of the debarment or suspension, and the details of each person's involvement in any activity that formed the grounds of the debarment or suspension]:

**E. AFFIRMATION REGARDING DEBARMENT OF RELATED ENTITIES**

**I FURTHER AFFIRM THAT:**

- (1) The business was not established and it does not operate in a manner designed to evade the application of or defeat the purpose of debarment pursuant to Sections 16-101, et seq., of the State Finance and Procurement Article of the Annotated Code of Maryland; and;
- (2) The business is not a successor, assignee, subsidiary, or affiliate of a suspended or debarred business, except as follows (you must indicate the reasons why the affirmations cannot be given without qualification):

**F. SUB-CONTRACT AFFIRMATION**

**I FURTHER AFFIRM THAT:**

Neither I, nor to the best of my knowledge, information and belief, the above business, has knowingly entered into a contract with a public body under which a person debarred or suspended under Title 16 of the State Finance and Procurement Article of the Annotated Code of Maryland will provide, directly or indirectly, supplies, services, architectural services, construction related services, leases of real property, or construction.

**G. AFFIRMATION REGARDING COLLUSION**

**I FURTHER AFFIRM THAT:**

Neither I, nor to the best of my knowledge, information and belief, the above business has:

- (1) Agreed, conspired, connived or colluded to produce a deceptive show of competition in the compilation of the accompanying bid or offer that is being submitted;
- (2) In any manner, directly or indirectly, entered into any agreement, of any kind to fix the bid price or price proposal of the bidder or offeror or of any competitor, or otherwise taken any action in restraint of free competitive bidding in connection with the contract for which the accompanying bid or offer is submitted.

**H. FINANCIAL DISCLOSURE AFFIRMATION**

**I FURTHER AFFIRM THAT:**

I am aware of, and the above business will comply with the provisions of Section 13-221 of the State Finance and Procurement Article of the Annotated Code of Maryland, which require that every business that enters into contracts, leases, or other agreements with the State of Maryland or its agencies during a calendar year under which the business is to receive in the aggregate \$100,000 or more, shall within 30 days of the time when the aggregate value of the contracts, leases, or other agreements reaches \$100,000, file with the Secretary of State of Maryland certain specified information to include disclosure of beneficial ownership of the business.

**I. POLITICAL CONTRIBUTION DISCLOSURE AFFIRMATION**

**I FURTHER AFFIRM THAT:**

The Lessor shall comply with Article 33, Sections 14-101 through 14-104 of the Annotated Code of Maryland, which requires that every person that enters into contracts, leases, or other agreements with the State, a county, or an incorporated municipality, or their agencies, during a calendar year in which the person receives in the aggregate \$100,000 or more, shall file with the State Administrative Board of Election Laws a statement disclosing contributions in excess of \$500 made during the reporting period to a candidate for elective office in any primary or general election. The statement shall be filed with the State Administrative Board of Election Laws: (1) before a sale, purchase or execution of a lease or contract by the State, a county, an incorporated municipality, or their agencies, and shall cover the preceding two calendar years; and (2) if the contribution is made after sale, purchase or the execution of a lease or contract, then twice a year, throughout the lease or contract term, on: (a) February 5, to cover the 6-month period ending January 31; and (b) August 5, to cover the 6-month period ending July 31..

**J. DRUG AND ALCOHOL FREE WORKPLACE**

(Applicable to all Leases unless the Lease is for a law enforcement Unit and the Unit head or the Unit head's designee has determined that application of COMAR 21.11.08 and this certification would be inappropriate in connection with the law enforcement Unit's undercover operations.)

**I CERTIFY THAT:**

- (1) Terms defined in COMAR 21.11.08 shall have the same meaning when used in this certification.
- (2) By submission of its bid or offer, the business, if other than an individual, certifies and agrees that, with respect to its employees to be employed under a contract resulting from this solicitation, the business shall:
  - (a) Maintain a workplace free of drug and alcohol abuse during the term of the contract.
  - (b) Publish a statement notifying its employees that the unlawful manufacture, distribution, dispensing, possession, or use of drugs, and the abuse of drugs or alcohol is prohibited in the business' workplace and specifying the actions that will be taken against employees for violation of these prohibitions;
  - (c) Prohibit its employees from working under the influence of drugs or alcohol;
  - (d) Not hire or assign to work on the contract anyone whom the business knows, or in the exercise of due diligence should know, currently abuses drugs or alcohol and is not actively engaged in a bona fide drug or alcohol abuse assistance or rehabilitation program;
  - (e) Promptly inform the appropriate law enforcement unit of every drug-related crime that occurs in its workplace if the business has observed the violation or otherwise has reliable information that a violation has occurred;
  - (f) Establish drug and alcohol abuse awareness programs to inform the its employees about:
    - (i) The dangers of drug and alcohol abuse in the workplace;
    - (ii) The business' policy of maintaining a drug and alcohol free workplace;
    - (iii) Any available drug and alcohol counseling, rehabilitation, and employee assistance programs; and
    - (iv) The penalties that may be imposed upon employees who abuse drugs and alcohol in the workplace;
  - (g) Provide all employees engaged in the performance of the contract with a copy of the statement required by §J(2)(b), above;
  - (h) Notify its employees in the statement required by §J(2)(b), above, that as a condition of continued employment of the contract, the employee shall:

**M. AMERICANS WITH DISABILITIES ACT COMPLIANCE**

**I ACKNOWLEDGE AND FURTHER AFFIRM THAT:**

I am aware of and familiar with the Americans with Disabilities Act of 1990 (42 United States Code, Section 12101 et seq.) and if the above business is awarded the contract, it will comply with the provisions of said Act at the time of Lessee's occupancy and will remain in compliance throughout the entire Lease term and any Lease renewal term.

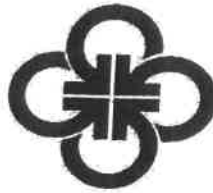
**N. ACKNOWLEDGMENT**

**I ACKNOWLEDGE THAT THIS AFFIDAVIT** is to be furnished to the Procurement Officer and may be distributed to units of: (1) the State of Maryland; (2) counties or other subdivisions of the State of Maryland; (3) other states; and (4) the federal government. I further acknowledge that this Affidavit is subject to applicable laws of the United States and the State of Maryland, both criminal and civil, and that nothing in this Affidavit or any contract resulting from the submission of this bid or proposal shall be construed to supersede, amend, modify or waive, on behalf of the State of Maryland, and any unit of the State of Maryland having jurisdiction, the exercise of any statutory right or remedy conferred by the Constitution and the laws of Maryland with respect to any misrepresentation made or any violation of the obligations, terms and covenants undertaken by the above business with respect to (1) this Affidavit, (2) the contract, and (3) other Affidavits comprising part of the contract.

**I DO SOLEMNLY DECLARE AND AFFIRM UNDER THE PENALTIES OF PERJURY THAT THE CONTENTS OF THIS AFFIDAVIT ARE TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE, INFORMATION, AND BELIEF.**

DATE: 8/17/17 BY: Michael Haale  
(Authorized Representative and Affiant)

Michael Haale  
Printed or Typed Name



**GAUDENZIA, INC. BOARD OF DIRECTORS**

*As of: October 24, 2014*

<b>NAME</b>	<b>ADDRESS</b>	<b>PHONE NUMBER</b>
<b>Maureen Brennan-Miller</b>	<b>1451 Brandywine Lane Chesterbrook, PA 19087</b>	<b>610-648-0614</b>
<b>Theodora Chairsell</b> <i>Secretary</i>	<b>2424 Butter Road Lancaster, PA 17601</b>	<b>717-393-1127</b>
<b>Negii Coffee</b>	<b>6740 Allentown Road Suite 2 Harrisburg, PA 17112</b>	<b>Day: 717-671-9878 Cell: 717-439-2744</b>
<b>Kevin Cummings</b>	<b>1606 Williams Way West Chester, PA 19380</b>	<b>610-696-1670 Ofc: 215-946-9200 Cell: 610-563-8893</b>
<b>Jeannie Day-Roggio</b>	<b>118 Margaret Lane Malvern, PA 19355</b>	<b>Day: 610-935-5678 Cell: 610-405-5727</b>
<b>Bert DiClemente</b>	<b>114 Ramunno Circle Hockessin, DE 19707</b>	<b>Day: 302-239-2214 Cell: 302-545-9373</b>
<b>Carlo DiClemente</b>	<b>University of MD Baltimore County Dept. of Psychology 1000 Hilltop Circle Baltimore, MD 21250</b>	<b>Day: 410-455-2415 Eve: 410-750-2854</b>
<b>Theodore J. Flocco</b> <i>Treasurer</i>	<b>11 Brookwood Road Mt. Laurel, NJ 05054</b>	<b>856-722-0411 Cell: 856-296-0044</b>
<b>Richard Z. Freeman, Jr., Esq.</b>	<b>820 Springbank Lane Wayne, PA 19087</b>	<b>Day: 610-687-6264 Cell: 610-996-1233</b>
<b>Michael Harle</b> <i>Gaudenzia, Inc. President</i>	<b>106 W. Main Street Norristown, PA 19401</b>	<b>610-239-9600 ext. 201 Cell: 215-919-6112</b>





**GAUDENZIA, INC. BOARD OF DIRECTORS**

As of: October 24, 2014

<b>Jim Howe</b>	<b>23 Colfax Court Newport, DE 19804</b>	<b>302-996-0479</b>
<b>Phillip Jordan Vice Chairman</b>	<b>Phillip Jordan Architects 4450 State Road Drexel Hill, PA 19026</b>	<b>610-394-6558</b>
<b>Carol M. Lauchmen</b>	<b>388 Main Street Harleysville, PA 19438</b>	<b>Day: 215-256-4300 Eve: 215-256-4640</b>
<b>Sue Mack</b>	<b>2125 Lakeside Drive Erie, PA 16511</b>	<b>Day: 814-451-6524 Eve: 814-459-4098</b>
<b>Sheila Moore-Ross</b>	<b>1221 Cross Creek Drive Mechanicsburg, PA 17050</b>	<b>717-732-5029 Cell: 717-579-8571</b>
<b>Roseann Oley</b>	<b>14051 Kelvin Avenue Philadelphia, PA 19119</b>	<b>Day: 215-327-3224 Eve: 215-698-0954</b>
<b>Karen Parenti</b>	<b>1361 Phoenixville Pike West Chester, PA 19380</b>	<b>610-213-7784</b>
<b>Joseph Vignola</b>	<b>532 Fitzwater Street Philadelphia, PA 19147</b>	<b>215-925-3131 Cell: 215-901-3521</b>

**ALCOHOL AND DRUG ADMINISTRATION  
 HALFWAY HOUSES \* LONG TERM CARE FACILITIES \* RESIDENTIAL INTERMEDIATE  
 CARE FACILITY (ICF)  
 ABILITY TO PAY SCHEDULE WORKSHEET**

CLIENT'S NAME \_\_\_\_\_

SOCIAL SECURITY NUMBER \_\_\_\_\_ NUMBER IN FAMILY \_\_\_\_\_  
 (INCLUDING CLIENT)

- A. **MONTHLY HOUSEHOLD NET INCOME\*** \$ \_\_\_\_\_
- Enter monthly net family or household income. *Net income is the gross income (both earned and unearned) less mandatory deductions: i.e. State, Federal and FICA taxes.*
  - Income must be documented and must be retained in the client's record.
  - A quarterly review of the client's income must be performed to determine any income changes.

**\*REFER TO TABLE 1 (ABILITY TO PAY SCHEDULE) TO DETERMINE IF THE CLIENT MEETS THE REQUIREMENTS TO APPLY THE ABILITY TO PAY SCALE. IF NOT, USE THEIR INCOME IN THE CALCULATION AND DO NOT RECORD AN AMOUNT ON "C".**

- B. **MONTHLY PERSONAL ALLOWANCE** \$ \_\_\_\_\_
- The standard personal allowance is \$60.00.
  - The Personal Allowance *must* be increased to \$85.00 for clients who receive SSI Payments.

- C. **MONTHLY FAMILY ALLOWANCE** \$ \_\_\_\_\_
- Enter **\$0** if not applying the ability to pay scale.
  - Enter the Monthly Family Allowance from Table 1 if client **has** financial responsibility for other persons.  
**(Living expenses include rent or mortgage, food, utilities, insurance).**

- D. **ADDITIONAL MONTHLY ADJUSTMENT** \$ \_\_\_\_\_  
 (i.e. Job related transportation, medical bills). Living expenses in excess of Item C. **Adjustments must be documented.**

- E. **NET MONTHLY ALLOWABLE INCOME (A-B-C-D=E)** \$ \_\_\_\_\_

- F. **DAILY AMOUNT AVAILABLE (Sum of E/30=F)** \$ \_\_\_\_\_

- G. **DHMH APPROVED DAILY PROGRAM RATE** \$ \_\_\_\_\_
- This rate is shown on your most recently approved Schedule of Charges.
  - The rate on the Schedule of Charges is the *only* rate that may be used.

- H. **DAILY AMOUNT TO BE CHARGED (Lower amount of F or G)** \$ \_\_\_\_\_

\_\_\_\_\_  
 Client's Signature

\_\_\_\_\_  
 Date

\_\_\_\_\_  
 Program Official Signature

\_\_\_\_\_  
 Date

\*This worksheet must be kept in the client's medical record.

\*\*A new worksheet must be completed any time the client's income changes.

REVISED 02/2015

# Exhibit 7

## Identified Policy and Procedures

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Aftercare  
Follow Up

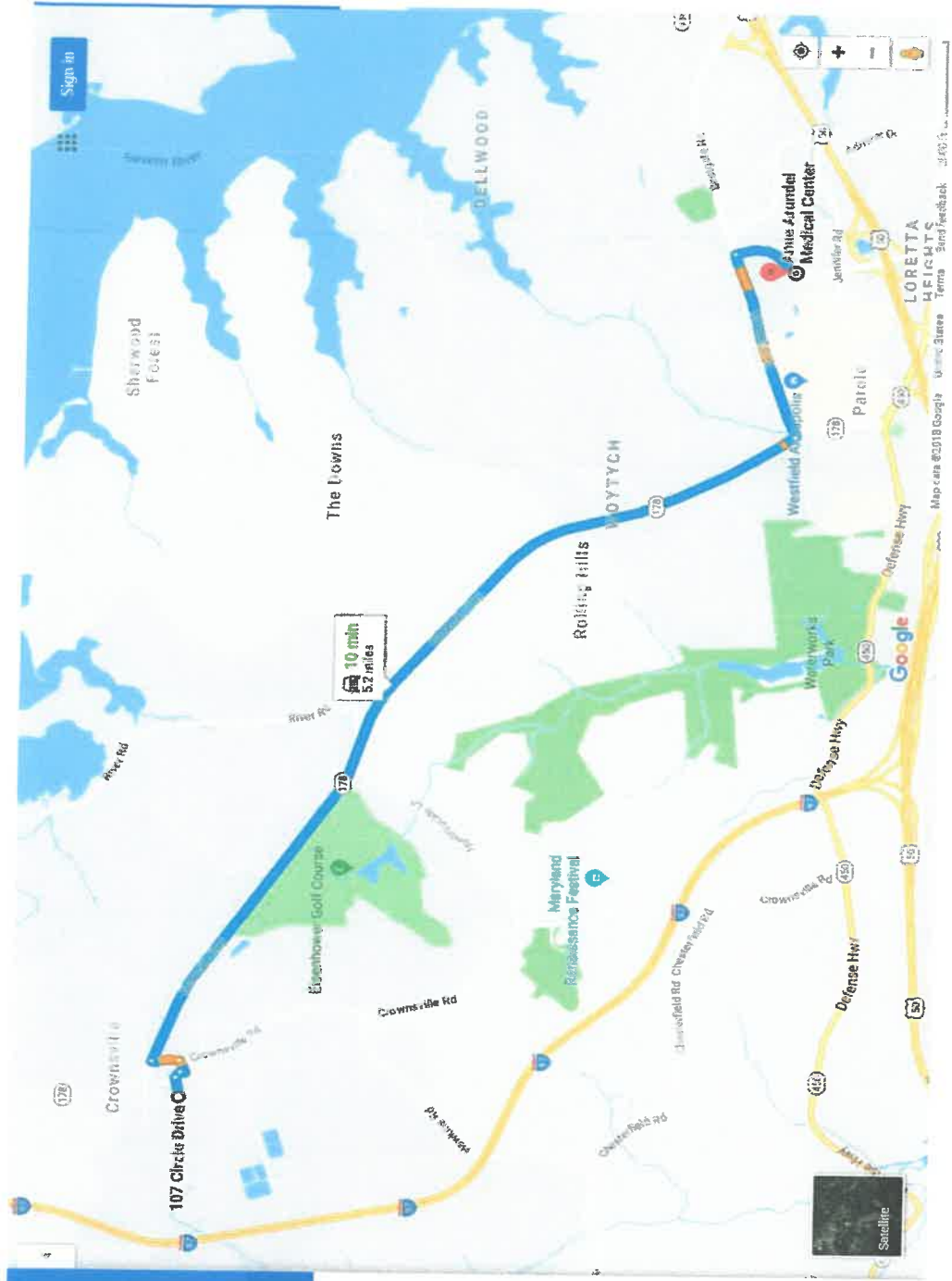
107 Circle Dr, Crownsville, MD 21032  
 Anne Arundel Medical Center, Parnoke

Send directions to your phone  
 via MP-178 \$  
 Fastest route. Heavy traffic

**10 min**  
 5.2 miles

**DETAILS**

Options



107 Circle Dr, Crownsville, MD 21032  
 University of Maryland Baltimore Washington...

Leave now Options

Send directions to your phone

18 min  
10.3 miles

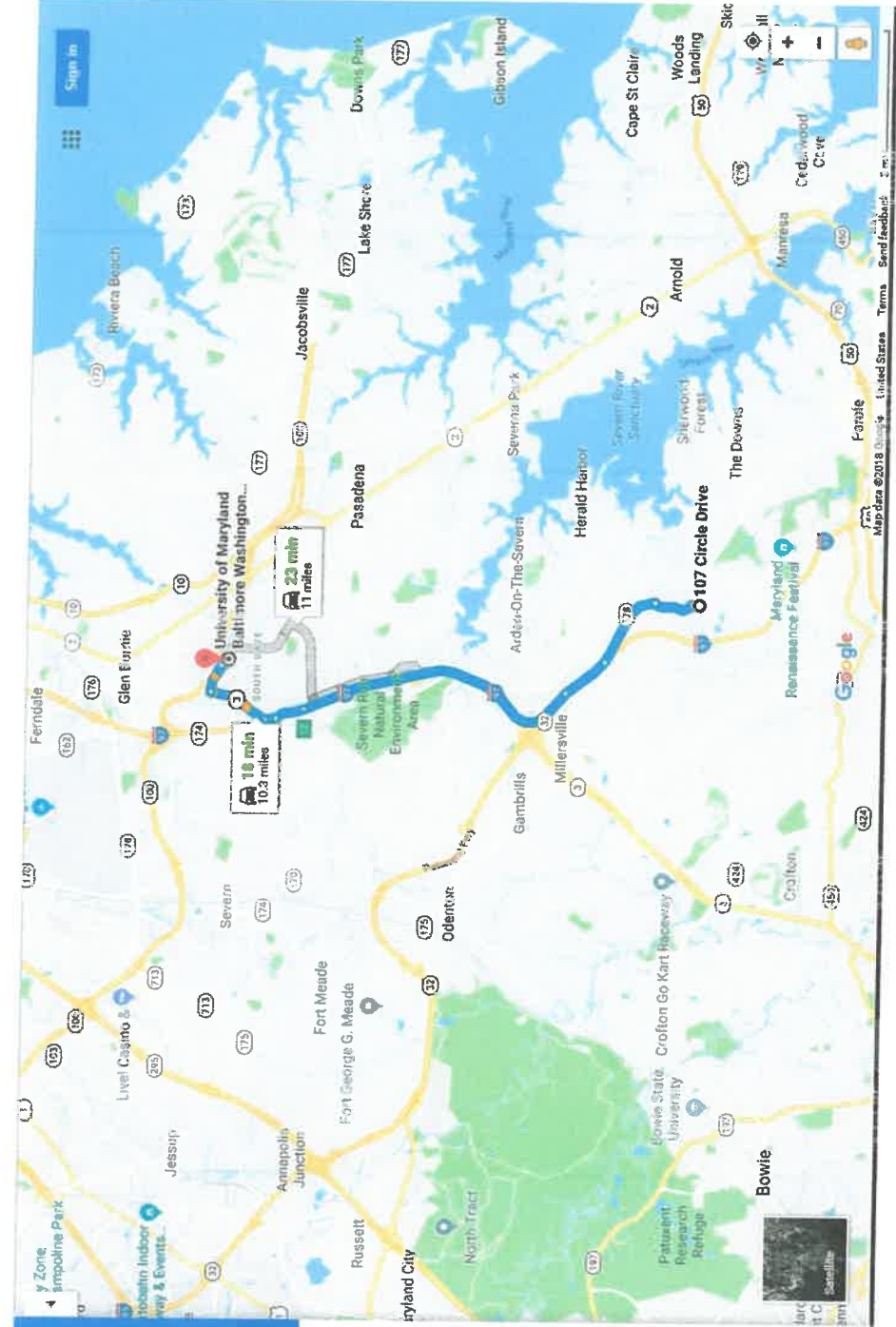
via I-97 N

Fastest route: the usual traffic

DETAILS

23 min  
11.0 miles

via I-97 N and Veterans Hwy





**GAUDENZIA, INC.  
POLICY & PROCEDURE MANUAL**



**Subject: Recruitment & Hiring of Staff**  
**Relevant Regulations/Standards: PA 704.3 b**  
**Revision Date: Dec 2011**

**Recruitment & Hiring Of Staff**

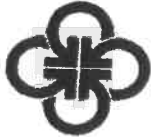
Gaudenzia programs adhere to the employee recruiting and hiring policies and practices established by the parent organization.

Said policies and practices may be found in the Gaudenzia Personnel Manual.

Staff considered for hire to work with the project's clients are chosen with consideration given to their ability to relate to the special characteristics and needs of the population served. Client assignments are based on staff expertise to address the client's special characteristics.

Staff presently associated with the project include the following characteristics:

Bilingual Language Skills  
Male & Female Gender  
African-American, Caucasian, & Hispanic Ethnicity  
Recovering & Non-Recovering  
Varied Marital Status  
Varied Levels of Academic Training  
Varied Ages  
Varied Sexual Orientation



**GAUDENZIA, INC.  
POLICY & PROCEDURE MANUAL**



**Subject: Compliance with Staff Qualifications**  
**Relevant Regulations/Standards: PA 704.4**  
**Revision Date: Jan 2012**

**Compliance with Staff Qualifications**

Gaudenzia, Inc. complies with the staffing requirements established by the Department of Health for drug and alcohol treatment facilities which are licensed under PA Chapters 704, 705, 709 as well as relevant Maryland and Delaware state regulations.

Gaudenzia Inc. adheres to the staff qualification policies established by the parent organization.

Said qualifications are outlined on Generic Job Descriptions for each position.

The project also complies with the staffing regulations and standards set forth in Chapter 704, Staffing Requirements for Drug and Alcohol Treatment Activities

Staff qualifications shall be verified (degrees, certifications, licensing, etc.) by examining original transcripts, certifications, and licensing. In addition, computer verification will be made when applicable. When information received during the credentialing process contradicts information provided by the employee, the employee will be notified by their supervisor of the contradiction and be given an opportunity to explain and document the rationale for the contradiction or correct the misinformation in the file. The HR department shall be notified by the supervisor (or in some instances, the HR department shall notify the supervisor of the contradiction).

Disciplinary action: any employee who is found to have misrepresented credentialing information shall be dismissed immediately.

On an annual basis a computerized credentialing verification shall be completed by the HR department and/or regional Nursing Managers on all medical/licensed personnel to ensure that there are no liabilities, licensing revocations or disbarment by the certification/licensing entities of Maryland, Pennsylvania and Delaware or any other government entity.



**GAUDENZIA, INC.  
POLICY & PROCEDURE MANUAL**



**Subject: Compliance with Staff Qualifications**  
**Relevant Regulations/Standards: PA 704.4**  
**Revision Date: Jan 2012**

In response to PA DOH Notice to Facilities on Required Employment Clearances dated November 2008, all staff who begin working after July 1, 2008, in a position/facility where they would have "significant likelihood of regular contact with children in the form of care, guidance, supervision or training" obtain three background checks as a condition of employment:

1. Pennsylvania State Police Clearance
2. Department of Public Welfare (DPW) Childline Clearance
3. Federal (FBI) Criminal Background Check (using electronic fingerprinting through a vendor to DPW: Cogent Systems)

Employees include those individuals who receive a salary and are on the payroll of the facility as well as staff under contract with the facility. Employees who do not provide care, guidance, supervision or training to children, such as those employed in housekeeping, maintenance and dietary, would generally not be covered by the CPSL requirements. Facilities also must ensure that entities providing contract, temporary or agency staff comply with the law and meet the CPSL requirements.

There is no requirement in CPSL for periodic update of the criminal background checks.

Facilities should provide for provisional status until all background information has been received and reviewed. During this period, persons may be employed on provisional status, if certain conditions are met. These include:

- A requirement that the provisional employee has applied for the mandatory background checks, provides evidence of completion of the request form and swears or affirms in writing that he or she is not disqualified from employment.
- The facility must not be aware of any information that would disqualify the provisional employee from employment.
- The provisional employee must work in the immediate presence of a regular employee and not work alone with children.
- If the information that is obtained reveals that the provisional employee is disqualified from employment, the individual must be immediately dismissed.
- An individual may be provisionally employed for a maximum of 90 days for out of state residents and 30 days for Pennsylvania residents





**GAUDENZIA, INC.  
POLICY & PROCEDURE MANUAL**



**Subject: Staff Development Program**  
**Relevant Regulations/Standards: PA 704.11 a 1**  
**Revision Date: Jan 2012**

**Staff Development Program**  
**Plan for Assessment of Training Needs**

Gaudenzia programs adhere to the staff development policies and procedures established by the parent organization.

The Program Director, with assistance from the program/clinical supervisor, assumes responsibility for implementing the staff development plan and shall complete an annual assessment of staff training needs.

The assessment process shall include, but not be limited to consideration of the following sources of data:

- Discussion via staff meetings
- Completed staff training plans
- Supervisor recommendations
- Peer review recommendations
- Training feedback sheets

Assessment outcomes are reported to the Regional Director.

The staff training year runs from January 1 to December 31.

Gaudenzia, Inc. shall develop an annual Staff Training Plan that will provide opportunities for staff to enhance their job performance through the acquisition of additional skills and knowledge. All newly hired full-time employees, working in criminal justice programs, are to participate in at least forty (40) hours of training the first week of work; part-time employees and volunteers (criminal justice) working less than forty (40) hours per week will participate in training proportionate to their work assignments. These training will be planned, coordinated and supervised by a qualified employee under the guidance of the Program Director. The training will include all orientation, in-house, and specialized curricula with specified timelines for completing each topic. The plan will consider the organization's mission, philosophy, characteristics as well as specific offender populations.

**In-Service Training:**

- Training provided on the job site, either by program staff or consultants.

**Outside Training:**

- Training provided by contracted agencies or through the Department of Corrections.

**Continuing Education:**

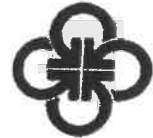
- Seminars, conferences, and workshops which may be requested by the employee, and may be partially or totally reimbursed by the Agency.

**Mandatory Training:**

- All House Managers, staff members and those staff assuming shift coverage shall be trained in, an approved First Aid course and Cardiopulmonary Resuscitation. It shall be the



**GAUDENZIA, INC.  
POLICY & PROCEDURE MANUAL**



**Subject: Staff Development Program**  
**Relevant Regulations/Standards: PA 704.11 a 1**  
**Revision Date: Jan 2012**

responsibility of the employee to arrange a convenient training time -with the Supervisor in which this requirement may be completed. For all new employees, these trainings must be completed within the first ninety (90) days of employment with the agency.

In **January** of each year, the Program Director, in conjunction with the Supervisor, will conduct needs assessments, via Individual Training Plan forms for all employees, to determine what topics and areas of training should be provided during the coming year.

The **Program Director** will tabulate the results of the Individual Training Plans and create an overall Program Training Needs Assessment, which includes all training needs for each staff member and dates the staff member is scheduled to attend. Attached to the Program Training Needs Assessment will be the Individual Training Plan forms for all employees. The Program Director will review the Program Training Needs annually, revising and updating as needed.

#### **STAFF GROWTH AND DEVELOPMENT PROGRAM**

An appropriate staff development program shall be provided for all personnel-professional, administrative and support staff. This program shall be under the direction of the Program Director in conjunction with the Region Director and with input from the Continuous Performance Improvement (CQI) committee. The primary goals of this program are:

1. To provide orientation to all new employees on or before the first day of their employment.
2. To provide ongoing staff development to all employees through either in-service training or participation in outside workshops.
3. To maintain state-of-the-art level of care to all professional staff members, in accordance with standards, set by national or local professional organizations.
4. To prepare personnel for promotions and greater responsibilities, and to update staff on any administrative or service changes in the facility.

The Staff Development Coordinator shall be directly responsible for the following:

1. To meet with all new employees on or before the first day of employment and to individually review the appropriate, critical information (see attached). Documentation of the orientation having been given shall be signed and kept in each person's file.
2. To keep up to date on developments in the field of alcoholism treatment through specific organizations such as the N.I.A.A.A., The National Clearinghouse on Alcoholism, and the National Council on Alcoholism.
3. To plan and schedule in-service training programs on a continuing basis throughout the facility with input from the various department heads and the CQI/QI (quality improvement) committees.

4. To keep record of all training and development activities provided either in-house or outside:
  - a. Copy of any certificates awarded for outside participation shall be maintained in the personnel file of each employee.
  - b. In-service programs shall be documented and recorded per session, including:
    - a. Trainer
    - b. Date
    - c. Topic
    - d. Content
    - e. Teaching Methods
    - f. Staff members present (this shall be corroborated by a sign-in sheet provided at the activity)
    - g. This documentation shall be maintained in the administrative office in the Staff Growth and Development file (see attached)
  - c. In-service programs shall be documented on the appropriate form in each person's file to verify participation per staff members (see attached).
5. To prepare an annual Staff Growth and Development Program proposal which will include suggestions for the upgrading of all staff members, personally, and for the meeting of any facility need in the coming year as identified by patient care evaluations, Continuous Performance Improvement activities. This proposal shall be submitted to the Executive Committee for review and approval at the first meeting of the calendar year.
6. To prepare an annual report on the past year's activities including facility-wide goals met, staff positions upgraded and any needs that may have to be incorporated into the following year's proposal. This report shall be submitted to the appropriate Region Director at the first meeting of the calendar year.

The Regional Director shall, in conjunction with the annual reports and proposals prepared by the Staff Development Coordinator, evaluate the program annually. The proposal for the coming year shall, then, be either approved or revised, based on the current evaluation, and a final report will be submitted by the Executive Director of the Board of Directors for approval



**GAUDENZIA, INC.**  
**POLICY & PROCEDURE MANUAL**



**Subject: Staff Development Program**  
**Relevant Regulations/Standards: PA 704.11 a 2**  
**Revision Date: Jan 2012**

**PLAN FOR ADDRESSING STAFF TRAINING NEEDS**

Gaudenzia programs adhere to the staff development policies and procedures of the parent organization.

Upon completion of the annual assessment of staff training needs, the Program / Clinical Supervisor in collaboration with the Project Director shall develop a plan to address those needs. As training years run calendar, the training plan shall be ready for implementation effective Jan. 31<sup>st</sup> of each year.

The plan shall take into consideration the needs specific to the service area, while remaining attentive to how the project operates within the parent organization of Gaudenzia, Inc.

The overall plan shall address training subjects, assuring their relevance to specific staff needs, job responsibilities and project mission.

The plan may also identify proposed trainers or training sources and proposed time frames or training dates.

A copy of the plan shall be maintained in the Staff Training Binder. Brochures and notices of additional training opportunities will be posted in the Administrative Office upon receipt.

The Program / Clinical Supervisor and Project Director assume responsibility for including training projections in the annual budget.

Full-time employees are also eligible for tuition reimbursement under the agency's employee benefits package



**GAUDENZIA, INC.  
POLICY & PROCEDURE MANUAL**



**Subject: Staff Development Program**  
**Relevant Regulations/Standards: PA 704.11 a 4**  
**Revision Date: Jan 2012**

**Staff Development Program**

**Annual Evaluation of the Overall Staff Training Plan**

Gaudenzia programs adhere to the staff development policies and procedures of the parent organization.

Upon completion of the training year, the Project Director, with assistance from the Program/Clinical Supervisor shall complete a written evaluation of the overall staff training plan.

This evaluation is forwarded to the Division Director and Regional Director.

The evaluation should measure the extent to which the training plan successfully addressed the needs identified, including a determination of the extent to which implementing the plan eliminated or satisfied the identified needs. Consideration should also be given to the plan's overall value to the enhancement of the project's performance and the competency of its employees.

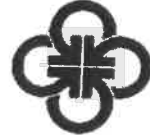
The plan should also be informally reviewed periodically throughout the year for any impact it may have on the staff's practical demonstration of skills, improvement in charting and documentation, and staff feelings of self-confidence and job satisfaction. This informal review is recommended on a quarterly basis.

Based on the outcome of the evaluation revisions, deletions, or additions may be made to the new overall staff training plan developed for the new year.

Outcomes will be included in planning for Continuous Quality Improvement (CQI).



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**Subject: Staff Development Program**  
**Relevant Regulations/Standards: PA 704.11 b**  
**Revision Date: Jan 2012**

**Staff Development Program**

**Policy & Plan for Written Individual Training Plans**

Gaudenzia programs adhere to the staff development policies and procedures of the parent organization.

The Project Director, Program/Clinical Supervisor and/or nurse will provide each clinical, medical, administrative, and support staff member with an individual staff assessment and training plan for completion relative to the new training year.

Each individual training plan should include the staff member's perceived needs, the supervisor's recommendations, and the specific training areas of focus to be pursued, as well as targeted time frames and sources of training. It is the responsibility of the staff member to carry out the agreed upon training plan.

The individual training plan is reviewed and revised annually by the staff member and their supervisor to ensure the training needs are being addressed and met. The employee and the supervisor should each sign the plan.

The plan should be appropriate to the employee's skill level, position, performance requirements, and interests. The employee's previous education and experience should also be considered in plan development.

Each plan should identify at least three subject areas for training based on areas needing improvement or goals to be pursued by the employee. It is recommended that, subject areas relate to the core staff training requirements established under PA Chapter 704.11 (d) through (g) - depending on the employee's job title.



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**Subject: Staff Development Program**  
**Relevant Regulations/Standards: PA 704.11 c**  
**Revision Date: Jan 2012**

**Staff Development Program**

**Policy & Plan for General Training Requirements**

Gaudenzia programs adhere to the general staff orientation and training policies and procedures of the parent organization and in Pennsylvania, the Training Institute will liaison with BDAP for approved Confidentiality trainings and identified BDAP Confidentiality trainers.

Core staff training shall be completed and include, but not be limited to:

- HIV/AIDS
- TB/STDS
- Fire Safety
- CPR First Aid – as per staff identified for each facility
- Confidentiality – in Pennsylvania must be BDAP approved with a BDAP approved trainer
- Therapeutic Community Principles
- Ethics
- Cultural Diversity
- Management of Escalation/Work Force Violence
- Suicide assessment/management
- Age Specific Trainings
- Memorandum 46 – State of Delaware
- Additional for Case Managers – PCPC2 and/or ADAM (adolescent level) Screening and Assessment

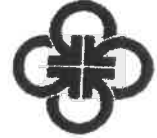
At least one half of all mandatory trainings shall be provided by trainers outside the project unless employed specifically to provide training.

Any individual holding more than one position within the project shall meet the training requirement hours set forth for the individual's primary position.

Additional training subjects shall correlate to the individual's training plan.



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**Subject: Staff Development Program**  
**Relevant Regulations/Standards: PA 704.11 d**  
**Revision Date: Nov 2012**

### **Training Requirements Specific to Position**

Gaudenzia programs adhere to the specific position training requirements set by the parent organization.

The project complies with the training requirements and recommendations established by its licensing, and certification bodies including;

- PA DOH Division of Drug and Alcohol Licensure
- Certification and Accreditation of Rehabilitation Facilities (CARF)
- American Corrections Associations
- Department of Public Welfare - Office of Mental Health
- CBH - Community Behavioral Health
- Maryland COMHAR
- Delaware Division of Substance Abuse and Mental Health

Additionally the project seeks to assist staff holding certifications and licenses to meet the training requirements necessary to maintain continued certification and/or license.

Based on the individual training plan, the **Project Director** shall complete at least 12 clock hours of training annually in, but not limited to, such areas as follow:

1. Fiscal Policy
2. Administration
3. Program Planning
4. Quality Assurance
5. Grantsmanship
6. Program Licensure
7. Personnel Management
8. Confidentiality
9. Ethics
10. Substance Abuse Trends
11. Developmental Psychology
12. Co-Occurring Disorders
13. Cultural Diversity
14. Sexual Harassment
15. Relapse Prevention
16. Addictive Disease
17. Principles of AA/NA

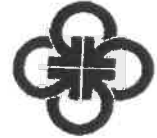
Based on the individual training plan, the **Clinical/Program Supervisor** shall complete at least 12 clock hours of training annually in, but not limited to, such areas as follows:

1. Supervision and Evaluation
2. Counseling Techniques
3. Substance Abuse Trends & Addiction Treatment Methodologies





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**Subject: Staff Development Program**  
**Relevant Regulations/Standards: PA 704.11 d**  
**Revision Date: Nov 2012**

4. Confidentiality
5. Codependency/ACOA Issues
6. Ethics
7. Dual-Diagnosis
8. Cultural Diversity
9. Sexual Harassment
10. Developmental Psychology
11. Relapse Prevention
12. Addictive Disease
13. Principles of AA/NA

Based on the individual training plan, the **Counselor** shall complete at least 25 clock hours of training annually in, but not limited to such areas as follow:

1. Client Recordkeeping
2. Counseling Techniques
3. Substance Abuse Trends
4. Confidentiality
5. Codependency
6. Ethics
7. Co-Occurring Disorders
8. Cultural Diversity
9. Sexual Harassment
10. Developmental Psychology
11. Relapse Prevention
12. Addictive Disease
13. Principles of AA/NA
14. Pharmacology
15. Treatment Plan
16. AOD Assessment
17. Aftercare Planning
18. ACOA Issues
19. Work Place Violence

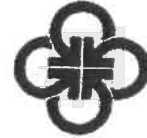
Core Competency Courses for **Staff Performing ACM Functions** include (42Hours)

1. Addictions 101- 6 hours
2. Confidentiality- 6 hours
3. Practical Application of Confidentiality laws- 3 hours
4. Case Management Overview- 6 hours
5. Emergent Care Screening and Assessment – 6hours
6. PCPC- 6 hours
7. Practical Application of PCPC- 3 hours
8. ASAM- 6 hours

Requirements for **Intensive Case Managers** - (27 hours)



**GAUDENZIA, INC.  
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**Subject: Staff Development Program**  
**Relevant Regulations/Standards: PA 704.11 d**  
**Revision Date: Nov 2012**

1. Addictions 101 (6 hours)
2. Confidentiality (6 hours)
3. Practical Application of Confidentiality Laws and regulations (3 hours)
4. Case Management Overview (6 hours)
5. ISS Service Planning (6 hours)

**Support Staff With Any Exposure to Confidential Information** must complete Confidentiality Training (6 hours) within 365 days of their hire date.

It is the policy of Gaudenzia, Inc. to ensure that all **administrative, managerial, and professional staff** receive a minimum of 40 hours of training beyond orientation, to include general management, labor law, and employee-management relations. Each employee's supervisor is responsible for ensuring that these trainings are received. Each employee will sign a statement indicating the date, type, and length of training, and trainer. This document will become a part of each new employee's personnel file.

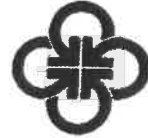
1. The Regional Director, in conjunction with the Division Director and Program Director, will conduct needs assessments to determine what topics and areas of training should be provided: on an annual basis.
2. Training opportunities will be posted to allow employees some decision-making regarding specific sessions in which they would like to participate.
3. The training will include all orientation, general management, labor law, employee-management relations, the criminal justice system, and relationships with other agencies.
4. Employees interested in an outside educational program, conference, seminar, or workshop which is relevant to their job function, or provides a level of career enhancement for the employee, should submit a request to the Executive/Regional Director. If approved, the request shall be forwarded to the Corporate Office for final review. Approval may be granted with or without partial or full funding by the agency.

It is the policy of Gaudenzia, Inc. to provide for **all support staff who have regular or daily contact with offenders** 40 hours of training annually that include offender supervision and security, policy and procedure, facility safety and other trainings that relate to their daily work assignment. These trainings will be scheduled by their immediate supervisor and they will be provided by both in house and out of house personnel. An approved training form will be completed and it will become a permanent part of their personnel record.

1. The supervisor of support staff will at hire, develop with their employee, a training plan that will encompass offender supervision/security, policy and procedures, facility safety and other identified trainings that will support the employee in their assigned duties.
2. This training plan will become a permanent part of their personnel file.



**GAUDENZIA, INC.  
POLICY & PROCEDURE MANUAL**



**Subject: Staff Development Program**  
**Relevant Regulations/Standards: PA 704.11 d**  
**Revision Date: Nov 2012**

It is the policy of Gaudenzia, Inc. to ensure that **all support/clerical staff who have minimal or no contact with offenders** receive a minimum of 12 hours of additional training and 12 hours every year thereafter. These trainings will include corporate and program policy and procedures, plant safety and security, and rules and regulations of the program and organization. These trainings will be provided by in-house and out-of-house trainers and they will be scheduled by their supervisor. All trainings will be documented on an approved form and submitted to the human resources department for inclusion in their personnel file.

**PROCEDURE:**

1. The supervisor of support staff will at hire develop with their employee; a training plan that will encompass corporate and program policy and procedures, plant safety and security, and rules and regulations of the program and organization.
2. This training plan will become a permanent part of their personnel file.



**GAUDENZIA, INC.  
POLICY & PROCEDURE MANUAL**



**Subject: Management of Treatment Services - Admission**  
**Relevant Regulations/Standards: PA 709.24 a 1**  
**Revision Date: Jan 2012**

### **Management of Treatment Services - Admission**

The Gaudenzia program will provide treatment for adults referred for therapeutic care from other Gaudenzia programs as well as those referred from other appropriate referral services. They may be referrals from the legal system, relatives or friends, as well as other agencies. Gaudenzia offers services to men, women, women *with* children, and adolescents. Gaudenzia offers services at the various programs to address the *continuum of care* for addiction, mental health, co-occurring, and physical well being. Emphasis is placed on recovery and becoming a productive person.

Both Gaudenzia residential and outpatient programs vary in length. Individuals requiring hospitalization may not be eligible for acceptance into the program immediately, but can be considered once stabilized. These individuals will be referred to a more appropriate resource and/or agency for further evaluation.

#### **GENERAL ADMISSION CRITERIA**

Admission is open to anyone 18 years of age or older who abuses alcohol and/or drugs. Adolescent programs are ages 12 – 18. Delaware residential program is 18 – 25. An interview is required prior to an individual's acceptance into the program. If an individual is not admitted, he/she will be referred accordingly.

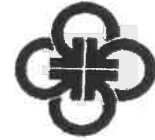
Services of Gaudenzia are available without regard to sex, race, national origin, sexual orientation or religious affiliation. All clients will be physically and mentally suitable to participate in the therapeutic phases of the program. Clients possessing any of the attributes listed below (1 – 4), are reviewed on an individual basis for admission acceptance based on level of severity, program/clinical staff capabilities and clinical appropriateness.

1. History of, or current psychosis or psychotic behavior
2. Medical issues requiring hospitalization
3. Certain sexual offenses
4. Arson

The professional staff of Gaudenzia may waive certain admission criteria if the demonstrated or perceived need of the client is such that by a refusal of admission, the client's health or safety would be jeopardized. A waiver of this nature must receive approval of the Program Director.



**GAUDENZIA, INC.  
POLICY & PROCEDURE MANUAL**



Subject: Treatment Models  
Relevant Regulations/Standards: PA 709.24 a 2  
Revision Date: Jan 2012

### **Treatment Models Utilized at Gaudenzia**

Within the context of the Therapeutic Community (TC) and/or the modified TC used by co-occurring programs at Gaudenzia, the principles and methods of other treatment models may be applied. While the Therapeutic Community is a comprehensive treatment model in its own right, it was developed during a historical period (1950-1960) that saw the development of a number of innovative treatment models. Included among these treatment models are Gestalt Therapy, Reality Therapy, Behavior Modification, Psychosocial Rehabilitation, and Psychodrama. The Therapeutic Community welcomes the contributions of professionals trained in these models. During the 1970's the Modified Therapeutic Community was influenced by the rise of the family therapy movement. The treatment models sanctioned for use in the TC are as follows:

#### **Psychosocial Rehabilitation (Residential & Outpatient):**

The Psychosocial rehabilitation model is a model that was developed mainly by providers of mental health services. It is based on the belief that much of the symptomatic behavior of the mentally ill is the result of poor social learning. Psychosocial rehabilitation focuses on re-educating the client in areas of everyday living. Mental Health professionals have backgrounds in psychosocial rehabilitation.

#### **Behavior Modification (Residential & Outpatient):**

Behavior Therapy plays a major role in the RTFA Program. A system of rewards and sanctions is built into the structure of the program. Clients are assigned responsibilities and awarded privileges as they successfully master these responsibilities. Individual behavior-oriented treatment plans are routinely used. Special behavioral plans of contracts may be designed for clients having special problems around particular behaviors.

#### **Cognitive Behavioral Therapeutic Techniques (Residential & Outpatient):**

CBT is a therapeutic approach that seeks to modify negative or self-defeating thoughts and behaviors. CBT combines elements of behavioral theory, cognitive theory, cognitive social learning theory and therapy into a distinctive therapeutic approach that helps the client recognize situations where they are likely to relapse, find alternatives to those situations, and learn better ways to cope with feelings and situations that might have led to relapse in the past.

#### **Gestalt Therapy (Residential & Outpatient):**

Another area of concern with our clients is the inability of clients to direct their own lives. Quite often clients look to society at large to be responsible for them and to "tell" them what to do. Gestalt Therapy challenges the client to move from an "environmental support" to "self-support". The aim of therapy is to make the client not depend upon others, but to make the client discover from the very first moment that he/she can do many things, much more than he/she thinks he can do. Gestalt therapy enables the client to deal more effectively with the 'here and now'. It focuses on the client's messages, and blocks to awareness. Gestalt therapy is at times confrontational. It can be done in such a way that clients cooperate, especially when they are invited to examine their behaviors, attitudes, and thoughts.

Prior to a counselor using this approach it is recommended that they experience many of the techniques. Their own experimentation and learning can insure that they will use the techniques with greater care, respect, and understanding.



**GAUDENZIA, INC.  
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**Subject: Treatment Models**  
**Relevant Regulations/Standards: PA 709.24 a 2**  
**Revision Date: Jan 2012**

This approach is utilized when a client has been in treatment for sometime and is ready to explore their feelings and thoughts in the present. This can be difficult and this is suggested that a rapport needs to develop first between the counselor and the client before this approach can be utilized.

**Family Education/Counseling Sessions (Residential & Outpatient):**

While the Therapeutic Community does not conduct on-going family therapy sessions, it does integrate many of the concepts and principles of family therapy, both in assessment and family participation and support is viewed as critical. A family association is maintained under the supervision of the Director. Family's reactions to a member being clean and sober are explored and addiction education and processing this information occurs.

**Medical/Psychiatric Services (Residential & Some Identified Outpatient Programs):**

Gaudenzia recognizes that the psychiatric profession and chemotherapy should be included in any comprehensive service for people with severe and persistent mental illness. Referrals are made when indicated.

**Social Work/Case Management System Approach (Residential & Outpatient):**

Individuals with alcohol and other drug (AOD) abuse/addiction need to receive services which are coordinated with a network of other services to insure that all of their needs are adequately addressed. A social work system approach will be maintained for the client.

**Additional Outpatient Models:**

To structure a treatment program that will deliver substance abuse rehabilitation services to clients in an outpatient status, the clinical staff will provide treatment programming that focuses on goal-oriented process and personality development. Although the staff takes an eclectic stance in terms of treatment approaches, the following methods are utilized:

**Client Centered Counseling (Outpatient):**

Once therapy begins it is important for the client and the counselor to develop a rapport. In an attempt to do this Rogerian Therapy is used to a great extent. With the person centered approach, therapeutic change depends on the client's perception both of their own experience in therapy and of the counselor's basic attitudes. During the beginning stages of therapy a client's behaviors and feelings might be characterized for example, by extremely rigid beliefs and attitudes, a lack of centeredness, a sense of unwillingness to communicate deeper levels of the self, or a fear of intimacy. The therapist's own realness, unconditional acceptance of their feelings, and ability to assume their internal frame of reference allow them to gradually peel away layers of defenses and come to terms with what is behind the facades.

Since the potential of significant positive personality change does not occur except in a relationship, the client needs to experience the realness of the therapist. As they find the therapist caring for and valuing them (even the aspects that have been hidden and regarded as negative), they begin to see worth and value in themselves. It is important that the therapist project three personal characteristics or attitudes in order to form a central part of the therapeutic relationship. These are: congruence or genuineness; unconditional positive regard/acceptance; and accurate empathic understanding. If these attitudes are projected and the client responds one can assume a therapeutic relationship has begun and therefore other therapeutic goals can be addressed.



**GAUDENZIA, INC.  
POLICY & PROCEDURE MANUAL**



**Subject: Treatment Models**  
**Relevant Regulations/Standards: PA 709.24 a 2**  
**Revision Date: Jan 2012**

**Rational Emotive Counseling (Residential/Outpatient):**

Is based on the assumption that human beings are born with a potential for both rational, straight thinking and irrational, crooked thinking. Our clients quite often have irrational thinking which seems to go hand and hand with the drug culture. The main therapeutic activity is to help the client get free of illogical ideas and learn to substitute logical ideas in their place. The aim is to get the client to internalize a rational philosophy of life, just as he or she internalized a set of dogmatic, irrational, and superstitious beliefs from both parents and culture. This approach is used as the client progresses in the beginning stages of treatment and is utilized when needed throughout treatment.

**Reality Therapy (Residential and Outpatient):**

Many of our clients, due to the abusive use of drugs somewhere along the line, lose their sense of identity. Reality therapy is based on the premise that there is a single psychological need present throughout life - the need for identity. This includes a need to feel a sense of uniqueness, separateness, and distinctiveness.

**The characteristics of Reality Therapy are as follows:**

1. It assumes that specific behavior disorders are the result of irresponsibility, and it equates mental health with responsible behavior.
2. It focuses on behavior rather than on feelings and attitudes.
3. It focuses on the present, not on the past.
4. It emphasizes value judgments. It holds that change is unlikely unless clients make some determination of the constructiveness or destructiveness of their behavior.
5. It calls for therapists to be themselves, not play the role of the client's mother or father.
6. It stresses the conscious, not the unconscious aspects of personality. Reality Therapy emphasizes what clients are doing wrong, how their present behavior is not getting them what they want.
7. It emphasizes responsibility which is defined as the ability to fulfill one's needs and to do it in such a way that does not deprive others of the ability to fulfill their needs. This is at the core of Reality Therapy. It also emphasizes the therapist's teaching functions. The therapist teaches the client better ways to fulfill their needs by exploring the specifics of their daily lives and by making directive statements and suggestions of ways to solve problems more effectively.

Many of our clients need to learn the above mentioned characteristics and this is an ongoing process which begins when the client first comes to treatment and continues throughout the treatment experience.



**GAUDENZIA, INC.  
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**Subject: Management of Treatment Services – Procedures**  
**Relevant Regulations/Standards: PA 709.24 a 3**  
**Revision Date: May 2013**

## **Plan for the Coordination of Treatment & Rehabilitation Services**

The management of the program seeks to provide leadership through the development and expression of a program purpose, philosophy, and service coordination plan, through staff training, and the supervision of staff functioning to enhance service quality and productivity. An active team approach is utilized.

### **Responsibilities:**

The Director assumes responsibility for project operation via representation to the governing body, fiscal management, oversight of clinical, medical, and administrative departments, and project licensure / accreditation.

The Program/Clinical Supervisor provides oversight of clinical services, staff supervision, case consultation, coordination of staff training, intervention with non-compliant and complex cases, quality assurance of clinical documentation, and ensures compliance with licensing standards.

The client –staff assignments are approved by the Program/Clinical Supervisor who will make the decision based on the unique characteristics of the client and the staff member who has the expertise to address these characteristics. She/he shares responsibility for outreach, marketing, project reports, and policy development.

The Administrative Coordinator supervises the administrative and clerical activities of the project.

### **General Policy:**

The provision of quality treatment/rehabilitation services is an ongoing process. It is therefore crucial to develop means to approve, monitor and evaluate the services being provided on the continuum of care. Treatment plans, case consultation reports and supervisory monitoring will ensure meeting the desired goal.

### **Procedures for Development:**

Upon acceptance into the program, each client is interviewed by the Intake Counselor, who, along with the client, will complete the initial information.

The individual treatment plans are developed utilizing Psychosocial Histories and Evaluations, Medical History, the Strength, Needs, Ability and Preferences self report, and the Intake Counselor's impressions. Subsequent treatment plans are developed by the Client and Primary Counselor, and are geared toward individual need, as reflected by the client problem list, treatment plan updates, case consultations and progress notes.

### **Procedures for Approval:**





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**Subject: Management of Treatment Services – Procedures**  
**Relevant Regulations/Standards: PA 709.24 a 3**  
**Revision Date: Jan 2012**

The Program Director or Clinical Supervisor approves treatment plans within one week of the plan's development. The Chesapeake Region (COMAR) requires that the plans be reviewed and approved upon the plan's development.

**Procedures for Ongoing Management:**

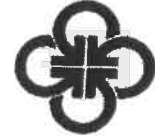
The program director, program supervisor and administrative personnel review treatment plans monthly, if not more frequently, to assure compliance with regulations and completeness and accuracy of client-related material.

**Procedures for Evaluating:**

Evaluation of treatment plans is an ongoing process that is addressed via case consultations and client chart review. These activities are designed to ensure appropriateness of therapy and related services. The Primary Counselor is responsible for case consultation presentations, treatment plan development and providing individual counseling services. The program director and clinical supervisor do monthly chart reviews for the purpose of Program Improvement.



**GAUDENZIA, INC.  
POLICY & PROCEDURE MANUAL**



**Subject: Management of Treatment Services – Referrals**  
**Relevant Regulations/Standards: PA 709.24 a 4**  
**Revision Date: Jan 2012**

### **Policy & Procedures for Referrals**

Gaudenzia staff shall ensure continuity of care by cooperating with other community social, health, welfare, mental health, and criminal justice agencies to provide appropriate services. Due to the wide range of necessary services, sources of referrals will be varied. Clients may originate from courts, prisons, hospitals, etc. Our programs have established and maintained referral agreements with a wide variety of human service agencies to provide ancillary services to clients once in treatment.

#### **Philosophy:**

The program is part of the total continuum of services. The responsibility of the staff is to cooperate with other agencies in the community to provide continuity of quality care to the person in need of services. The key to the cooperation is for each organization or agency to provide and to refer to other organizations for services staff are not qualified to provide.

Treatment of individuals with AOD abuse, AOD and MH (Co-occurring), or Women with Children require that the treatment plan contain physical, social, and medical objectives. Where possible, the relationship to other agencies shall be defined in writing in the form of a contract or agreement.

Examples of use of the referral process are:

- Examinations, assessments, and consultations that are not within the domain of expertise of Gaudenzia staff.
- Special treatment services.
- Assistance of other resources that can contribute to the client's well being; i.e., literacy, parenting skills, vocational rehabilitation, child development, mental health, etc.

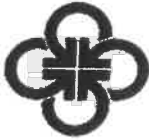
#### **Procedure:**

When making a referral to other services or programs, the staff shall appropriately notify the receiving service or program of the desire for transfer, the physical and mental status of the individual, any unusual circumstances of the case, and the elements of the aftercare plan. This conversation shall take place in person or by telephone and shall be documented in the patient record. Prior to referral to or from services or programs outside of Gaudenzia, the proper release of information form shall be completed.

#### **Protocol for Referral - Out of the Agency:**

If a client is not appropriate for admission (residential), then he/she may be referred to another agency. This is documented on the intake interview form. If a residential client is in treatment and it is perceived that he/she is in need of additional services, this is discussed in a team meeting and documented on a Case Consultation form. When a client completes treatment and is referred elsewhere for aftercare services, this is done by telephone, as well as by letter. The referral is also documented on the Continuing Care/Aftercare/Discharge Plan and Summary, which is forwarded to the referral agency.

Referral agreements are maintained with a wide range of human service agencies to provide services to clients in treatment.



**GAUDENZIA, INC.  
POLICY & PROCEDURE MANUAL**



**Subject: Management of Treatment Services – Referrals**

**Relevant Regulations/Standards: PA 709.24 a 4**

**Revision Date: Jan 2012**

Gaudenzia will not refer to or contract with agencies or individuals who have been disbarred or suspended by regulatory bodies that license their professional activities.

When the need for a referral for outside service arises, the primary counselor will consult with the Director and/or Clinical Supervisor to make the necessary arrangements. All pertinent documentation regarding this referral will be placed in the client's folder. If a client is not appropriate for admission then he/she may be referred to another agency. This is documented on the screening form. A release of information form is completed.

All referral documentation will include the client's name, diagnosis, referring agency practitioner And reason(s) for referral (in/out), current medications, history of allergies, and the date of referral. When a client completes treatment at Gaudenzia, he/she is referred to Gaudenzia or other identified aftercare services. The referral is documented on the Aftercare Plan that the Primary Counselor or Social Worker has developed with the client. The PCPC/ASAM and discharge information is sent to the facility where the client is being referred.

**Protocol for Referral - To the Agency:**

Incoming referrals are made by the referral agency or individual contacting any of the staff, either by telephone or letter. When contact is made, a time is set for an intake interview. Admission to the program is based on the information received during the interview. The referral source is documented on the intake interview form.

Admission into Gaudenzia is based on referral information received prior to and during the interviewing process. The interview is conducted by the clinical staff. The case is reviewed during the multi-disciplinary treatment team meeting, which includes the Psychiatrist, Program Director, Clinical Supervisor, Nurse, and all clinical support to ensure that the admission criteria are met. The referring agency contacts the program social worker with a call and report that they have a client who is authorized for a specific PCPC/ASAM level of care facility. The initial authorization should have taken place prior to the contact. Referring agency must notify the CBH (in PA) contact person, and verify that the client actually has authorization for this level of care.

**Client-Initiated:**

If a client feels that there are services she needs that are not being met by the program, he/she may request a referral to another service provider. The primary counselor will communicate the request to the counseling supervisor who, in turn, will follow the procedures outlined above under "Outgoing Referrals".

**From A Medical Professional:**

In all cases of referrals to the program from a medical professional, the call will be forwarded to the nurse on duty. When possible, the nurse will gather all pertinent information relevant to the general physical condition and needs of the client being transferred. This information will include, but is not limited to: medications, concomitant physical condition, special procedures, appointment dates (medical), drug abuse (if known).

**Follow-Up Reporting on Referrals from Medical Professionals:**



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**Subject: Management of Treatment Services – Referrals**  
**Relevant Regulations/Standards: PA 709.24 a 4**  
**Revision Date: Jan 2012**

The nursing staff (when applicable to the program) is responsible for notifying the appropriate referring medical professional:

- Within 3 days after a client's admission. The purpose of this contact will center on providing information relating to the client's physical status, as well as to gather pertinent information from the referral source.
- At least one week prior to discharge. The purpose of this contact will center on providing information relating to the client's physical status and aftercare plan information necessary to assure continuity of care for the client with that health professional.

The prospective admission will be interviewed by the social worker and or designee to determine final acceptance for admission. Gaudenzia staff schedules an appointment for the candidate to come in for assessment. During this time the candidate will interact with the clients, this is so that any additional information necessary for program appropriateness can be provided. The decision will be made by the Director in collaboration with the Counselor. If an admission is initiated through personal contact with the program staff directly, it is the responsibility of the counselor to obtain some verification of the prospective admissions' medical diagnosis and status. Upon determination of eligibility, the procedure for intake is the same as in the aforementioned paragraph.



**GAUDENZIA, INC.  
POLICY & PROCEDURE MANUAL**



**Subject: Management of Treatment - Waiting List**  
**Relevant Regulations/Standards: PA 709.24.4**  
**Revision Date: Feb 2013**

### **Management of Treatment – Waiting List**

After gathering information on pre-authorization forms, Admission PCPC/ASAM, the counselor reviews the client for appropriateness with the multi-disciplinary team, client's diagnosis, referring agency/practitioner, current medications, history of allergies, and date of referral. If the client is appropriate, the referring/ funding entity is notified to confirm an admission date. This process is replicated in Maryland and Delaware with their respective referral entities. If the referral is not deemed appropriate, the clinical staff will contact the referral source and indicate why the client was not appropriate. The Social Worker can make a recommendation to a program more suitable for the clients but it is determined by the referral source where the client is to be placed.

#### **Waiting List:**

If the client is appropriate but the facility is full to capacity, the counselor will contact the referring agency. The referring agency may choose to place the client in another program or agree to place the client on a waiting list. If the client is placed on a waiting list, the intake staff person will review the list daily, and stay in communication with the referring agency as to a possible bed date. Clients will be prioritized on the waiting list in the following manner:

1. Pregnant Intravenous Drug Users
2. Pregnant Substance Abusers
3. Intravenous Drug Users
4. Women with Children
5. Individuals with HIV
6. Individuals with Co-occurring Disorders
7. Other

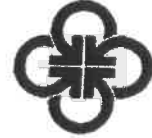
If there is more than one individual within a certain category on the waiting list, then priority will be given to the individual who has been on the waiting list the longest.

As soon as a bed becomes available the next person with the highest priority on the waiting list is given a bed date. If that client is unavailable to come into treatment at that time, the next person on the waiting list is contacted and the referring agency is notified.

If the prospective client does not keep their initial appointment, the counselor will contact the referring agency. A new appointment will be scheduled once contact is made.



**GAUDENZIA, INC.  
POLICY & PROCEDURE MANUAL**



**Subject: Management of Treatment - Waiting List**  
**Relevant Regulations/Standards: PA 709.24.4**  
**Revision Date: Feb 2013**

**POLICY FOR THE PROVISION OF INTERIM SERVICES FOR PREGNANT WOMEN AND WOMEN WITH DEPENDENT CHILDREN**

The Interim Services Plan is directed toward the provision of services to pregnant substance abusers and women with dependent children who are unable to access treatment within certain specified timeframes. This Plan does not include Medical Assistance recipients who are part of Health Choices and who, as a result, may not be put on a waiting list for services. For non-Medical Assistance eligible pregnant women or women with children, once they are screened and assessed and a level of care determination has been made:

- The client is then to be referred to a treatment provider that has the capacity to provide treatment services to the woman within 14 days of identifying the need for treatment.
- If no treatment facility has the capacity to admit the woman within this time frame, the interim services must be made available to the woman within 48 hours after the woman has been identified as needing treatment services.
- Interim services are defined as services to reduce adverse health effects of substance abuse, to promote the health of the individual and to reduce the risk of transmission of a disease until the individual is admitted to a treatment program. Interim services include:
  - Counseling and education about HIV and TB;
  - Information about the risks of needle sharing;
  - Information about the risks of transmission to sexual partners and infants;
  - Information about steps that can be taken to ensure that HIV and TB transmission does not occur;
  - Referral for HIV and TB services, if necessary
  - Counseling on the effects of alcohol and drug use on a fetus; and
  - Referral to pre-natal and primary health care and pediatric care for their children if needed
- In Maryland, the referring agency arranging for interim services shall also notify the BHSI unit within 48 hours of determining the lack of availability of treatment services for the client. BHSI staff shall notify all providers with the capability to provide services to the client of the need for a treatment slot and providers shall notify BHSI when a treatment opening occurs.

**POLICY FOR THE PROVISION OF INTERIM SERVICES FOR INJECTION DRUG USERS (IDUs)**

The Interim Services Plan is directed toward the provision of services to the IDU who is unable to access treatment within certain specified timeframes. This Plan does not include Medical Assistance recipients who are part of Health Choices and who, as a result, may not be put on a waiting list for services. For non-Medical Assistance eligible individuals who are injection drug users and have been identified as needing treatment services for injection drug abuse, admission to a program for such treatment is as follows:

- Within 14 days after being identified as needing treatment
- Not later than 120 days after being identified as needing treatment, if no such program has the capacity to admit the individual on the date of such identification and if interim services are made



**GAUDENZIA, INC.  
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**Subject: Management of Treatment - Waiting List**  
**Relevant Regulations/Standards: PA 709.24.4**  
**Revision Date: Feb 2013**

- available to the individual within 48 hours.
- Interim services are defined as services that are provided until an individual is admitted to a substance abuse treatment program. Interim services include:
    - Counseling and education about HIV and TB;
    - Information about the risks of needle sharing;
    - Information about the risks of transmission to sexual partners and infants;
    - Information about steps that can be taken to ensure that HIV and TB transmission does not occur;
    - Referral for HIV and TB services, if necessary
  - The referring agency arranging for interim services shall also notify the funding entity within 48 hours of determining the lack of availability of treatment services for the client.
  - In Maryland, BHSI staff will contact all providers with the capability to provide services to the client of the need for a treatment slot within 24 hours of notification. All providers capable of providing treatment to the client shall be required to notify the BHSI unit as soon as a treatment slot becomes available for the client.
  - In Maryland, BHSI staff shall contact those same providers every week to ascertain the status of availability of a treatment slot for the client.
  - In Maryland, the Director of the BHSI unit will provide a status report to the CODAAP Director weekly until such time as the client is appropriately placed.

**POLICY TO ENSURE ALL CLIENTS ARE ASSESSED WITHIN 7 DAYS OF THE DATE OF THE INITIAL APPOINTMENT - STATE OF MARYLAND**

All providers that are credentialed as assessment sites shall assess clients within 7 days of the date of initial contact. If a provider that is a credentialed assessment site is unable to perform an assessment within this timeframe, the provider shall attempt to contact other credentialed sites in order to refer the individual. If the provider is unable to secure a referral that meets this timeframe, the provider shall notify the BHSI unit of the need to identify an assessment site.

Once notification to BHSI has been made, the following procedures will be established:

- BHSI staff will contact other credentialed assessment sites to determine where the individual may be able to be assessed within the prescribed timeframe.
- If BHSI staff are unable to secure an assessment within the prescribed timeframe, an assessment shall be scheduled as soon thereafter as possible at the most conveniently located credentialed site for the individual.
- In those instances where the assessment takes more than 7 days from initial contact to actually being performed, the agency performing that assessment is required to report this activity on the monthly Case Management Resource Report (CMRR).



**GAUDENZIA, INC.  
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**Subject: Management of Tx Services – Letter of Agreement**  
**Relevant Regulations/Standards: PA 709.24 b**  
**Revision Date: Jan 2012**

### **Letters of Agreement**

Gaudenzia is committed to assuring that the client receives quality treatment. We seek to assure the most appropriate placement for clients referred outside the project and strive to provide a gapless service delivery for clients referred to us from outside sources.

The project maintains referral service agreements with various primary referral sources. Agreements are established with projects providing drug and alcohol treatment on the following levels: inpatient detoxification, inpatient rehabilitation, outpatient activities and transitional living arrangements. Agreements are also maintained with county drug and alcohol authorities.

Support Service Agreements are also maintained with Community resources to provide for potential medical, dental, psychiatric/mental health, legal, support groups, social service, and economic, educational, employment, recreational, and spiritual needs. Clients are given referrals as needed.

Service agreements are presently renewed every two years. The Program Director periodically reviews the agreements and assures that renewals and revisions, when appropriate, are instituted promptly. The Program Director or designee signs these service agreements.

Gaudenzia will not refer to or contract with agencies or individuals who have been suspended by regulatory bodies that license their professional activities.



**REFERRAL AND SUPPORTIVE SERVICE AGREEMENT**  
**BETWEEN**  
**GAUDENZIA**  
**AND**

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To facilitate continuity of care, aftercare, and follow-up, and the timely transfer of clients and records, the two institutions identified above agree as follows:

1. Each provider maintains the freedom to operate independently.
2. When a client's need for transfer or referral from the above institution to the other has been determined by the referring staff, administration, or authorized person, the institution to which transfer is to be made agrees to admit the client as promptly as possible, provided customary admission requirements of the receiving institution are met.
3. The name of one institution shall not be used for any form of publicity or advertising by the other institution without written consent.
4. Each institution shall have the right to enter in to referral and transfer agreements with other institutions.
5. The referring institution will send each client, at the time of transfer, such information mutually agreed upon to provide the client care and administrative information necessary to determine the appropriateness of treatment and to enable continuing care to the client. Proper consent forms must be signed before the transfer of records, including information such as diagnosis, prognosis, recovery potential, a summary of the course of treatment followed in the referring institution, available medical information, and pertinent administrative and social information.
6. Procedures for effecting the transfer of clients shall be developed by institutions and shall be adhered to, by both parties.
7. The client shall agree to the referral. If indicated, the client's relatives or persons or agencies responsible for the client shall be given adequate notice by the institution referring the client prior to the transfer.
8. The referral source will be notified immediately if the client fails to complete treatment.
9. Facilities will share significant information generated via follow-up studies and evaluating processes.
10. Facilities will comply with the County, State, Federal, and HIPAA regulations regarding the confidentiality of alcohol and drug abuse client records.
11. The client or third party payer, not the referring institution, shall be responsible for the client charge incurred in each institution.
12. Charges for services rendered to the client shall be collected by the facility rendering such services directly from the client, third party payer, or other sources normally responsible; neither facility shall have any liability to the other for such charges.
13. Neither institution shall assume any liability to the other or to the client by virtue of this agreement for debts, responsibilities, or other obligations incurred by the other party of this agreement.
14. All records of each institution remain the property of the institution.
15. This agreement shall be in effect for two years from the date of signature, and it may be terminated by either facility upon 30 days written notice and shall be automatically terminated should either fail to maintain its present authority or standards. This agreement may be modified or amended periodically by mutual agreement of the institutions. Any amendment shall be attached to and become part of this agreement.

**Gaudenzia will not refer to or contract with agencies or individuals who have been disbarred or suspended by regulatory bodies that license their professional activities.**

Program Director's Signature: \_\_\_\_\_ Date: \_\_\_\_\_

Program Director's Signature: \_\_\_\_\_ Date: \_\_\_\_\_



**GAUDENZIA, INC.  
POLICY & PROCEDURE MANUAL**



**Subject: Physical Plant**  
**Relevant Regulations/Standards: PA 709.27 – 705.1,2,3,4**  
**Revision Date: Feb 2012**

## **Physical Plant**

All facility structures, fences, playground equipment, when applicable, shall be maintained so as to be free from any danger to health and safety. The exterior of the building and the building grounds or yards will be free of hazards. Exterior exits, stair and walkways will be lighted at night. All trash, garbage and rubbish shall be stored in non-combustible, covered containers that prevent the penetration of insects, rodents and is removed at least once every week.

The project complies with the local fire safety code as approved by the Fire Deputy. Specific staff are assigned responsibility for the oversight of the project's fire safety plan including facility safety inspections, maintenance of fire extinguishers located throughout the facility, and the coordination of fire drills at least twice monthly (staggered shifts).

### **For CARF accredited programs:**

- Evacuation Drills of the following types must be conducted at least annually at ALL PROGRAMS and on EACH SHIFT for EACH TYPE of drill:
  - o Bomb Threats
  - o Natural Disaster
  - o Utility Failures
  - o Medical Emergencies
  - o Violent or other Threatening Situations
- Fire Drills must be conducted at least monthly at ALL PROGRAMS and on EACH SHIFT.

Evacuation route maps (emergency exits and fire escape) are posted in every room and hallway of the facility.

Medication areas are locked, secure and clean. The poison control number is posted in all clinical areas. Medical reference materials are readily available. Emergency equipment is accessible to all staff.

The General Client Areas are available and have comfortable, safe furniture in good repair. Lighting is adequate for reading. Designated space is provided for individual and group counseling which provides privacy. Walls extend from the floor to the ceiling.

Primary maintenance activities are managed by the Residential Building Coordinator/Plant Specialist (Maryland) and designated staff in the outpatient programs in conjunction with corporate building maintenance plans. Internal project maintenance is managed by assigned staff who conduct daily facility inspections and coordinate simple cleaning and repairs. Monthly inspections are reported to Safety Committees. All areas of the house are clean and orderly with no holes in the walls, paint chips, graffiti or mold/mildew.

Clocks and calendars are visible in public places and bulletins boards are used to communicate information to the community.



**GAUDENZIA, INC.  
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**Subject: Physical Plant**  
**Relevant Regulations/Standards: PA 709.27 – 705.1,2,3,4**  
**Revision Date: Feb 2012**

The Cook assumes responsibility for the compliance of food service areas with all food handling and equipment standards. Regular inspections are conducted by a registered dietician and reported to CQI Committees.

The Client Bill of Rights, Grievance Policy, and the Medicare Fraud and Abuse Hotline Information are posted in all clinical areas.



**GAUDENZIA, INC.  
POLICY & PROCEDURE MANUAL**



**Subject: Sleeping Accommodations**  
**Relevant Regulations/Standards: PA 709.27 – 705.5,6**  
**Revision Date: Feb 2012**

## **Sleeping Accommodations**

### **Bedrooms:**

Each residential bedroom shall have the following:

1. A bed with a solid foundation and a fire retardant mattress
2. A pillow and bedding appropriate for the temperature in the facility
3. A storage area for clothing – each resident shall have his/her own storage area or have a designated part of a shared storage area

Each shared bedroom shall have at least 60 square feet of floor space per resident measured wall to wall. When bunk beds are used, each bedroom shall have at least 50 square feet of floor space per resident. Bunk space shall afford enough room to allow the resident to sit up in bed; be equipped with a securely attached ladder capable of supporting a resident; be equipped with attached railings on each side and open end of the bunk. Bunk beds are prohibited in detox programs. Each single bedroom shall have at least 70 square feet of floor space per resident measured wall to wall, including space occupied by furniture.

1. No more than 4 residents may share a room
2. Children occupying a bedroom with an adult family member or guardian may not be included as residents.
3. Each bedroom shall have direct access to a corridor or external exit.
4. A bedroom may not be used as an egress from or access to another part of the facility.
5. Sole entrances to stairways and basements may not be located in a resident's bedroom.
6. Each bedroom shall be ventilated by operable windows or have mechanical ventilation.
7. Each bedroom shall have a window as a source of natural light (can include use of a skylight)
8. Smoking and use of candles in the bedroom is prohibited.
9. Bedrooms in the basement shall have wall, floor, and ceiling coverings such as tile, linoleum, paneling or dry wall; a protective fire wall between the resident and the furnace.

### **Bathrooms:**

1. There shall be at least one sink, commode, shower or tub for every 8 residents.
2. Communal bars of soap and towels are not permitted. A sink, wall mirror, operable soap dispenser, and either individual paper towels or a mechanical dryer shall be provided.
3. Hot/cold water provided under pressure. Hot water temperature not to exceed 120 degrees Fahrenheit .
4. Privacy is provided in the toilets by doors and in the showers, bathtubs by partitions, doors, or curtains. Slip resistant surfaces are to be in all bathtubs and showers.
5. Toilet and wash rooms will be ventilated by operable exhaust fans or screened windows.
6. Toilet paper shall be provided at all times.
7. Each bathroom shall be maintained in a functional, clean, and sanitary manner at all times.



**GAUDENZIA, INC.  
POLICY & PROCEDURE MANUAL**



**Subject: Continuing Care**  
**Relevant Regulations/Standards: 709.51 a 2**  
**Revision Date: Feb 2012**

**Treatment Structure: Full and Modified Therapeutic Community**

**Residential:** Individual Sessions; Group, Family, Seminar, and Psycho-Educational Sessions

**Outpatient:** Individual Sessions, Group, Family, and Psycho-Educational Sessions

**Detox:** Individual Sessions, Addiction Seminar



**GAUDENZIA, INC.  
POLICY & PROCEDURE MANUAL**



**Subject: Requirements for the Completion of Treatment**  
**Relevant Regulations/Standards: 709.51 a 3**  
**Revision Date: Mar 2012**

**Plan for Coordination of Treatment & Rehabilitation Services**

Continuing care/aftercare can be a true test of the effectiveness and appropriateness of therapeutic care. It provides a continuum of treatment for clients as they progress in the process of recovery. Aftercare planning is initiated the first week of treatment. When a client nears completion of treatment, it is important that future goals and plans are discussed. The client should have a sense of direction and know that resources are available after he/she leaves treatment. A client will be advised of Gaudenzia's outpatient program for individual counseling and continuing care groups. The client will be advised also of available private counseling in this area, if desired. In the event that the client lives a distance from Gaudenzia's available resources, Gaudenzia will contact and refer the client to other programs or private counseling in order to continue treatment as required by the client's Continuing Care Plan.

**Procedure:**

Five to seven days prior to discharge (residential) or 3 sessions prior to discharge (outpatient), the Continuing Care Plan should be reviewed and completed by the primary counselor and the client. This plan includes the following information:

1. Counselor and client discuss treatment progress.
2. Counselor and client will agree to client's ability to complete treatment.
3. Counselor and client develop Continuing Care Plan, consulting outside referral source, when appropriate.

**Criteria for Completion:**

1. Client should have verified job, job training program, volunteer or educational program.
2. Client will have adequate housing.
3. Client will be involved with AA, NA, Double Trouble and have a sponsor.
4. Be scheduled for individual counseling and a Continuing Care group (residential) or has completed all outpatient goals.
5. Meet the PCPC2 or ASAM criteria for discharge to a lower level of care.
6. Self administer medication on a daily basis (co-occurring).

**Criteria for Graduation:**

**Note:** Graduation is a volunteer process from Gaudenzia services to become an alumnus of the program. Ongoing recovery supports are required.

1. Client must have been drug and alcohol-free for a minimum of 1 year, including a negative urinalysis. Jail time is not included, except clients from approved Gaudenzia prison programs.
2. Client must have been living stable in the community for a minimum of 4 months.
3. Client must have stable employment or be involved in an education program. Volunteer work can be substituted for people with verified disabilities. Family conditions such as homemaker, head of household, sick children, etc., will be handled on a case-by-case basis.
4. Client must be crime-free (must not have committed any crimes since entering treatment).
5. Client must have drug/alcohol free and stable living arrangements.
6. Client must have completed all program requirements and at least 4 months of documented aftercare.
7. Client must have fulfilled all financial commitments to the agency before graduation.
8. Client must be evaluated with a positive vote by an evaluation team.
9. Client must be attending Narcotics Anonymous, Alcoholics Anonymous, ACOA, or other 12-step meetings and have a NA or AA sponsor. Alternative support systems like a mentor or advisor.
10. Must have a long term recovery plan that is reviewed by the team.



**GAUDENZIA, INC.  
POLICY & PROCEDURE MANUAL**



**Subject: Aftercare Planning**  
**Relevant Regulations/Standards: PA 709.53 a 9**  
**Revision Date: Feb 2012**

### **Aftercare Planning**

Aftercare planning is initiated during the first week of treatment. In an effort to promote continued growth of the progress made while in treatment, Gaudenzia attempts to complete individualized aftercare plan with each client regardless of the discharge status or treatment disposition.

Initial discharge plan begins within 24 hours of admission while formal arrangements are made upon determination of the client's readiness for discharge. This is the individual's plan for the future, including identification of the client's personal goals and objectives. It should focus on sustaining and building on the progress achieved during treatment and should have input from all significant persons, especially the client.

While some client's may refuse aftercare planning (i.e. when leaving against staff advice), each client being considered for treatment completion must complete an individualized aftercare plan. In preparation for the aftercare plan, the client is asked to complete a "Mock Continuing Care Plan" containing information on: living arrangements, employment, recreation/leisure activities, AA/NA sponsor, contacts, and planned meeting attendance.

The formal Discharge/Continuing Care Plan to be completed by the Counselor in conjunction with the client, shall contain:

- Assessment of the Client's commitment to recovery
- Family Involvement
- Living Arrangements
- Employment/Education plans
- Recreation/Leisure Activities
- Plans for 12 step program participation
- D & A service/treatment arrangements
- Ancillary service arrangements
- Future Goals, Action Steps and projected dates of achievement
- Treatment Summary
- Prognosis
- Referral and Client comments
- Project services post-discharge
- Readmission procedures (criteria for re-entry into the program)
- Provision for the periodic re-evaluation and termination of the plan
- Client/Staff signatures

The original aftercare plan shall be maintained in the client's record. A copy of the plan should be given to the client.



**GAUDENZIA, INC.  
POLICY & PROCEDURE MANUAL**



**Subject: Aftercare**  
**Relevant Regulations/Standards: PA 709.54 b**  
**Revision Date: Feb 2012**

**Aftercare**

In an effort to promote continued growth of the progress made while in treatment, Gaudenzia programs complete an individualized aftercare plan with each and every client.

The Initial Aftercare Plan is initiated within the first week of treatment at residential programs and within 30-60 days or the first 3 sessions of treatment in outpatient programs, with formal arrangements pursued as the client demonstrates progress towards discharge readiness.

The Counselor or designee assumes responsibility for completion of the written aftercare plan prior to discharge signed by the client.

Additional details regarding aftercare planning are referenced under standard 709.53 a 9.





**GAUDENZIA, INC.  
POLICY & PROCEDURE MANUAL**



**Subject: Follow Up**  
**Relevant Regulations/Standards: PA 709.53 a 11, 709.54 c**  
**Revision Date: Feb 2012**

### **Follow Up**

All Gaudenzia programs will make reasonable follow up attempts regarding all clients after discharge from any Gaudenzia program (unless the client has made a specific request to not receive a follow up). This is done to ensure that a client who has been referred to another program or service is successfully connected with that program or service. It is also done in order to document the discharged client's progress and well being, and if necessary and appropriate, provide an opportunity for re-admission to the program or referral to another appropriate service. Only after such an attempt has been made and documented as described below will Gaudenzia consider its obligation to the individual fulfilled.

If the client is referred to another program or service, Gaudenzia will, having obtained the written consent of the client, attempt via telephone to contact the program to which the client was referred in order to determine the disposition of the referral. This will be completed no later than 7 days after the date of the client's referral appointment.

In instances when the client either refuses a referral to another program or service, or circumstances otherwise prevent such a referral (i.e.: the client leaves against staff advice, declines referral to services after discharge, etc) an attempt will still be made to follow up with the client within 30 days after the date of discharge.

Responsibility for follow up lies with the client's Primary Counselor, unless otherwise designated by the Program Director or Supervisor.

Information obtained during follow up shall include:

- The client's current status with the program or service to which they were referred.
- The client's current sobriety status.
- The client's current 12 step/support group involvement.
- The client's overall progress with aftercare goals.

In instances where the client refuses follow up, such refusal shall be documented on the Follow Up form as well as in a progress note documenting the client's stated reason for refusal.

All information regarding follow up (including unsuccessful follow up attempts, and documentation of refusal to consent to follow up) shall be maintained on-site in a Follow Up Log binder.



# MARYLAND Department of Health

Larry Hogan, Governor • Boyd Rutherford, Lt. Governor • Dennis Schrader, Secretary

**Behavioral Health Administration**  
55 Wade Avenue • Dix Building SGHC • Catonsville, MD 21228  
*Barbara J. Bazron, Ph.D., Deputy Secretary & Executive Director*

October 19, 2017

Nkenge Murphy  
Gaudenzia- Crownsville  
107 Circle Rd.  
Crownsville, MD 21032

RE: Certification

Dear Ms. Murphy:

The Behavioral Health Administration makes every effort to complete licensure renewal surveys prior to the assigned expiration dates. The certification for Gaudenzia- Crownsville will expire on November 4, 2017. I am writing at this time to clarify state law regarding the expiration of licenses/certifications.

In accordance with the provisions of State Government Article 10-226(b) a sufficient application for renewal of the license/certification must be made at least two calendar weeks prior to the expiration of the license/certification if that license/certification is to remain in effect while the unit makes a final decision on its status. The application received on October 19, 2017 meets this requirement; therefore, certification will remain in effect until such time as a renewal decision is made. Please share this letter with others if they have any question regarding the status of your program's certification.

Program Address	Registration Number
107 Circle Drive, Crownsville, MD, 21032	906162

For further assistance, please contact my office at 410.402.8198.

Sincerely,

*Barbara Smythe, RN, BS*

Barbara Smythe, RN, BS  
Surveyor Nurse II  
BH Licensing Unit



MARYLAND  
DEPARTMENT OF HEALTH AND MENTAL HYGIENE  
BEHAVIORAL HEALTH ADMINISTRATION

SPRING GROVE CENTER  
VOC REHAB BUILDING  
55 WADE AVENUE  
CATONSVILLE, MARYLAND 21228

**General Certificate of Approval**

SAMIS No. 100894

Registration No. 906531

Issued to:

Gaudenzia - Glen Burnie Outpatient  
5 Crain Highway North - Rear Suite Entrance  
Glen Burnie, Maryland 21061

Type of Facility or Community Program:

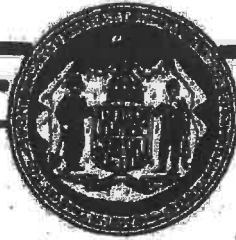
Level 0.5 - Early Intervention  
Level I - Outpatient Treatment  
Level II.1 - Intensive Outpatient  
Level II.5 - Partial Hospitalization  
Level 0.5 - Early Intervention - DWI Education

Date Issued: 05/04/2017

Authority to operate in this State is granted to the above entity pursuant to the Alcohol and Drug Abuse Act, Section 8-403, Annotated Code of Maryland. This Approval is non-transferable and may be revoked for cause by the Behavioral Health Administration.

Expiration Date: 03/31/2018

  
Deputy Secretary for Behavioral Health



MARYLAND  
DEPARTMENT OF HEALTH AND MENTAL HYGIENE  
BEHAVIORAL HEALTH ADMINISTRATION

SPRING GROVE CENTER  
VOC REHAB BUILDING  
55 WADE AVENUE  
CATONSVILLE, MARYLAND 21228

**General Certificate of Approval**

SAMIS No. 100713

Registration No. 906322

Issued to:

Gaudenzia - Severna Park Outpatient  
570 Ritchie Highway, Suite H  
Severna Park, Maryland 21146


Type of Facility or Community Program:

Level 0.5 - Early Intervention  
Level I - Outpatient Treatment  
Level II.1 - Intensive Outpatient  
Level 0.5 - Early Intervention - DWI Education

Date Issued: 09/13/2016

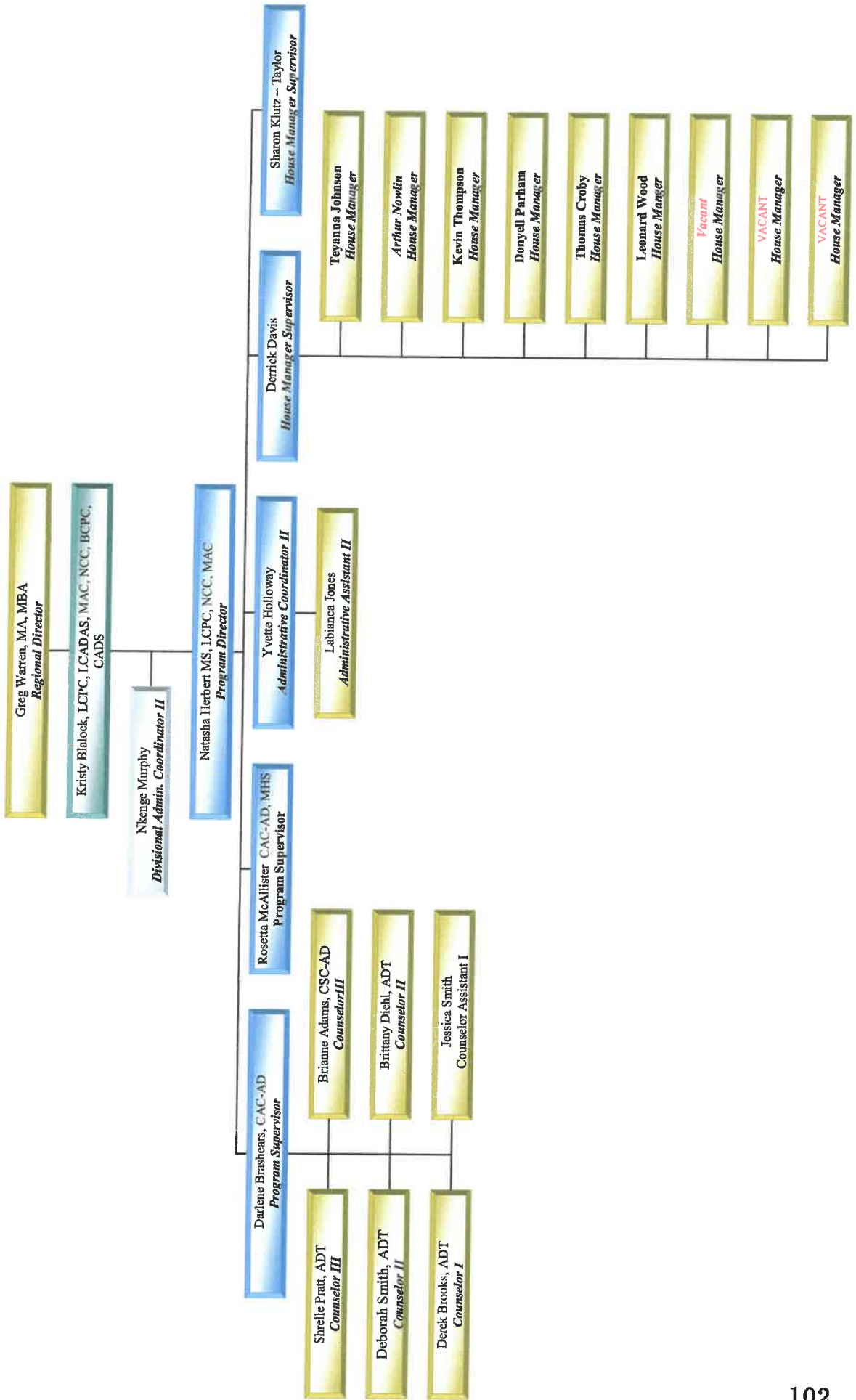
Authority to operate in this State is granted to the above entity pursuant to the Alcohol and Drug Abuse Act, Section 8-403, Annotated Code of Maryland. This Approval is non-transferable and may be revoked for cause by the Behavioral Health Administration.

Expiration Date: 03/31/2018

  
Executive Director, Behavioral Health Administration

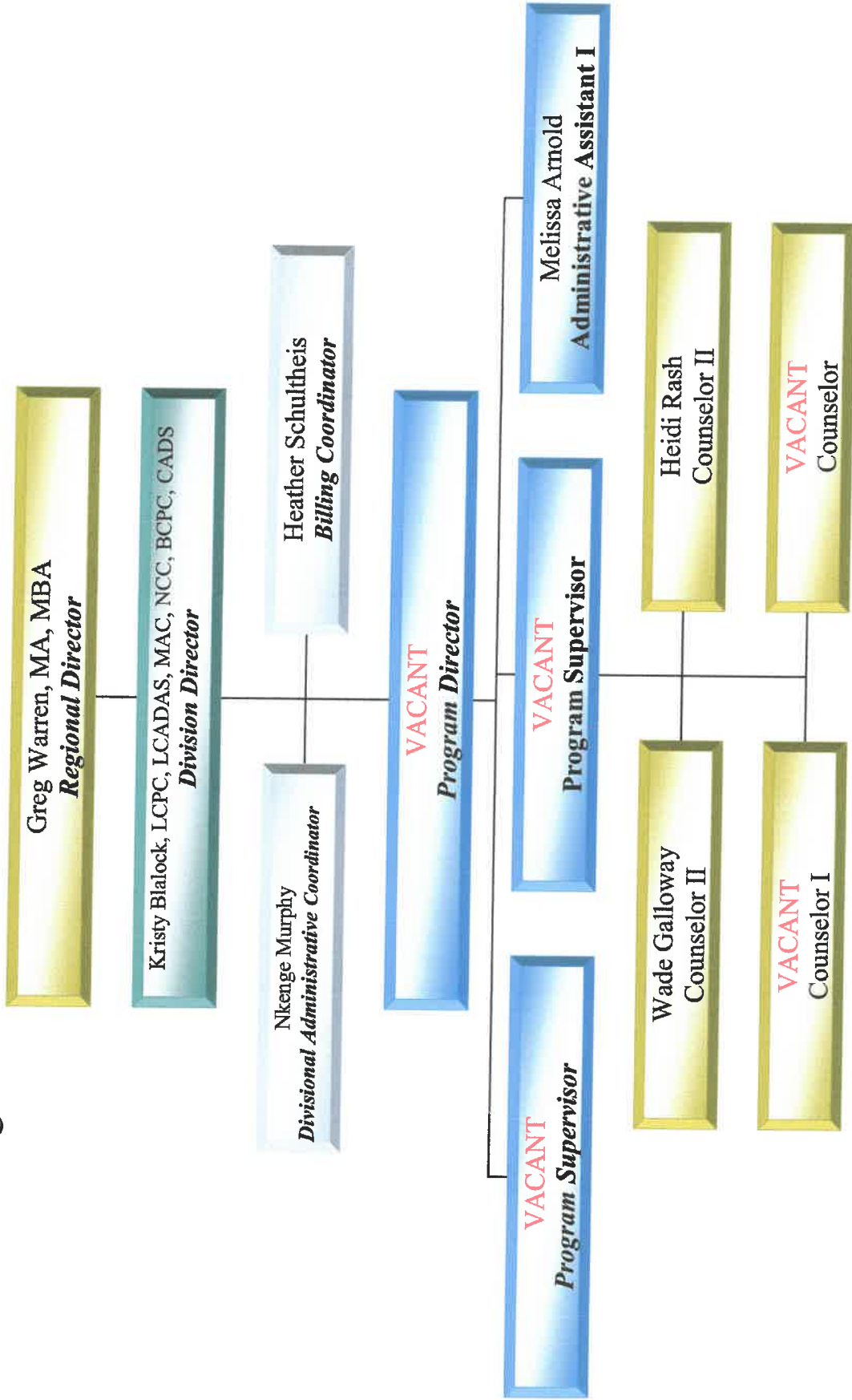


# Crownsville Organizational Chart





# Glen Burnie Organizational Chart





**Glen Burnie IOP Schedule**

<b>Week 1 / Time</b>	<b>Monday</b>	<b>Tuesday</b>	<b>Wednesday</b>	<b>Thursday</b>	<b>Friday</b>
<b>THEME</b>	<u>DISEASE PROCESS OF ADDICTION:</u> definitions, terms, and self-diagnosis		<u>FIRST, SECOND, THIRD ORDER SYMPTOMS:</u> Defense mechanisms/alcohol and other drug education	<u>NORMAL RECOVERY SYMPTOMS:</u> mood swings, triggers, cravings, and relapse	
	CHECK IN		CHECK IN	CHECK IN	
	Didactic presentation Break Task group		Didactic presentation Break Task group	Didactic presentation Break Task group	

<b>Week 2 / Time</b>	<b>Monday</b>	<b>Tuesday</b>	<b>Wednesday</b>	<b>Thursday</b>	<b>Friday</b>
<b>THEME</b>	PLANNING FOR SOBRIETY		ALCOHOL AND TOBACCO USE	SPIRITUALITY	
	CHECK IN		CHECK IN	CHECK IN	
	Didactic presentation Break Task group		Didactic presentation Break Task group	Didactic presentation Break Task group	

<b>Week 3 / Time</b>	<b>Monday</b>	<b>Tuesday</b>	<b>Wednesday</b>	<b>Thursday</b>	<b>Friday</b>
<b>THEME</b>	<b>SEX, DRUGS, AND ALCOHOL:</b> relationships in recovery		<b>STRESS AND EMOTIONAL WELL BEING:</b> relapse prevention	<b>NORMAL RECOVERY SYMPTOMS:</b> mood swings / skills for reducing stress (perception)	
	CHECK IN		CHECK IN	CHECK IN	
	Didactic presentation Break Task group		Didactic presentation Break Task group	Didactic presentation Break Task group	

<b>Week 4 / Time</b>	<b>Monday</b>	<b>Tuesday</b>	<b>Wednesday</b>	<b>Thursday</b>	<b>Friday</b>
<b>THEME</b>	<b>NEGATIVE EMOTIONS</b>		<b>ANGER AND COMMUNICATION</b>	<b>AVOIDING RELAPSE</b>	
	CHECK IN		CHECK IN	CHECK IN	
	Didactic presentation Break Task group		Didactic presentation Break Task group	Didactic presentation Break Task group	

<b>Week 5 / Time</b>	<b>Monday</b>	<b>Tuesday</b>	<b>Wednesday</b>	<b>Thursday</b>	<b>Friday</b>
<b>THEME</b>	<b>INTRODUCTION TO 12 STEP GROUPS</b>		<b>THE FIRST THREE STEPS OF THE 12 STEPS</b>	<b>SEXUALLY TRANSMITTED DISEASES</b>	
	CHECK IN		CHECK IN	CHECK IN	
	Didactic presentation Break Task group		Didactic presentation Break Task group	Didactic presentation Break Task group	



<b>Week 6 / Time</b>	<b>Monday</b>	<b>Tuesday</b>	<b>Wednesday</b>	<b>Thursday</b>	<b>Friday</b>
<b>THEME</b>	<b>FOCUS ON HIV/AIDS</b>		<b>NUTRITION AND EXERCISE</b>	<b>PHYSICAL WELLNESS</b>	
	CHECK IN		CHECK IN	CHECK IN	
	Didactic presentation Break Task group		Didactic presentation Break Task group	Didactic presentation Break Task group	

<b>Week 7 / Time</b>	<b>Monday</b>	<b>Tuesday</b>	<b>Wednesday</b>	<b>Thursday</b>	<b>Friday</b>
<b>THEME</b>	<b>PROBLEM SOLVING / ANGER MANAGEMENT</b>		<b>HUMAN NEEDS AND SOCIAL RELATIONSHIPS:</b> slippery people, places, and things	<b>FAMILY MATTERS:</b> addiction and the family	
	CHECK IN		CHECK IN	CHECK IN	
	Didactic presentation Break Task group		Didactic presentation Break Task group	Didactic presentation Break Task group	

<b>Week 8 / Time</b>	<b>Monday</b>	<b>Tuesday</b>	<b>Wednesday</b>	<b>Thursday</b>	<b>Friday</b>
<b>THEME</b>	<b>PREPPING FOR DISCHARGE FROM IOP TO OUTPATIENT:</b> recovery plan		<b>REVIEW RECOVERY PLAN WITH PEERS:</b> feedback	<b>PROCESS GROUP FOR DISCHARGE TO OUTPATIENT</b>	
	CHECK IN		CHECK IN	CHECK IN	
	Didactic presentation Break Task group		Didactic presentation Break Task group	Didactic presentation Break Task group	



### Clinical Schedule Glen Burnie Outpatient

<u>TIME</u>	<u>MONDAY</u>	<u>TUESDAY</u>	<u>WEDNESDAY</u>	<u>THURSDAY</u>	<u>FRIDAY</u>
8:00 a.m. – 9:00 a.m.	Scheduled Individual Sessions/Assessments	Scheduled Individual Sessions/Assessments	Scheduled Individual Sessions/Assessments	Scheduled Individual Sessions/Assessments	Scheduled Individual Sessions/Assessments
9:00 a.m. – 10:00 a.m.	Scheduled Individual Sessions/Assessments	Scheduled Individual Sessions/Assessments	Scheduled Individual Sessions/Assessments	Scheduled Individual Sessions/Assessments	Scheduled Individual Sessions/Assessments
10:00 a.m.–11:00 a.m.	Scheduled Individual Sessions/Assessments	Scheduled Individual Sessions/Assessments	Scheduled Individual Sessions/Assessments	Scheduled Individual Sessions/Assessments	Scheduled Individual Sessions/Assessments
11:00 a.m.–12:00 p.m.	Scheduled Individual Sessions/Assessments	Scheduled Individual Sessions/Assessments	Scheduled Individual Sessions/Assessments	Scheduled Individual Sessions/Assessments	Scheduled Individual Sessions/Assessments
12:00 p.m.–1:00 p.m.	Scheduled Individual Sessions/Assessments	Scheduled Individual Sessions/Assessments	Scheduled Individual Sessions/Assessments	Scheduled Individual Sessions/Assessments	Scheduled Individual Sessions/Assessments
1:00 p.m.–2:00 p.m.	Scheduled Individual Sessions/Assessments	Scheduled Individual Sessions/Assessments	Outpatient Group – Wade/Jeff	Scheduled Individual Sessions/Assessments	Scheduled Individual Sessions/Assessments
2:00 p.m.–3:00 p.m.	Scheduled Individual Sessions/Assessments	Scheduled Individual Sessions/Assessments	Scheduled Individual Sessions/Assessments	Scheduled Individual Sessions/Assessments	Scheduled Individual Sessions/Assessments
3:00 p.m.–4:00 p.m.	Scheduled Individual Sessions/Assessments	Scheduled Individual Sessions/Assessments	Scheduled Individual Sessions/Assessments	Scheduled Individual Sessions/Assessments	Scheduled Individual Sessions/Assessments
4:00 p.m.–5:00 p.m.	Scheduled Individual Sessions/Assessments	Scheduled Individual Sessions/Assessments	Scheduled Individual Sessions/Assessments	Scheduled Individual Sessions/Assessments	Scheduled Individual Sessions/Assessments
5:00 p.m.–6:00 p.m.	IOP Group - Heidi	Scheduled Individual Sessions/Assessments	IOP Group - Heidi	Scheduled Individual Sessions/Assessments	Scheduled Individual Sessions/Assessments
6:00 p.m.–7:00 p.m.	IOP Group - Heidi Outpatient Group – Wade/Jeff	Scheduled Individual Sessions/Assessments	IOP Group - Heidi	IOP Group – Heidi Outpatient Group – Wade/Jeff	
7:00 p.m.–8:00 p.m.	IOP Group - Heidi	Scheduled Individual Sessions/Assessments	IOP Group – Heidi Outpatient Group – Wade/Jeff	IOP Group – Heidi Outpatient Group – Wade/Jeff	



## Glen Burnie OP Schedule

<b>WEEK 1</b>	<b>Tuesday</b>	<b>Thursday</b>
	A BIO/PSYCHO-SOCIAL DISEASE	THE ADDICTION CYCLE
	CHECK IN	CHECK IN
	PSYCHO. EDUCATION	PSYCHO. EDUCATION
	GROUP EXERCISE	GROUP EXERCISE

<b>WEEK 2</b>	<b>Tuesday</b>	<b>Thursday</b>
	RECOVERY FROM ADDICTIVE DISEASE	COMPREHENSIVE SESSION
	CHECK IN	CHECK IN
	PSYCHO. EDUCATION	PSYCHO. EDUCATION
	GROUP EXERCISE	GROUP EXERCISE

<b>WEEK 3</b>	<b>Tuesday</b>	<b>Thursday</b>
	POST ACUTE WITHDRAWAL SYMPTOMS (PAW)	PAW EPISODE
	CHECK IN	CHECK IN
	PSYCHO. EDUCATION;	PSYCHO. EDUCATION
	GROUP EXERCISE	GROUP EXERCISE

<b>WEEK 4</b>	<b>Tuesday</b>	<b>Thursday</b>
	STRESS AND PAW	COMPREHENSIVE SESSION
	CHECK IN	CHECK IN
	PSYCHO. EDUCATION	PSYCHO. EDUCATION
	GROUP EXERCISE	GROUP EXERCISE

<b>WEEK 5</b>	<b>Tuesday</b>	<b>Thursday</b>
	MANAGING PAW SUPPORT SYSTEMS CHECK IN	PAW HEALTHFUL LIVING CHECK IN
	PSYCHO. EDUCATION GROUP EXERCISE	PSYCHO. EDUCATION GROUP EXERCISE

<b>WEEK 6</b>	<b>Tuesday</b>	<b>Thursday</b>
	PAW PERSONAL & SPIRITUAL GROWTH CHECK IN	MANAGING PAW COMPREHENSIVE SESSION CHECK IN
	PSYCHO. EDUCATION GROUP EXERCISE	PSYCHO. EDUCATION GROUP EXERCISE

<b>WEEK 7</b>	<b>Tuesday</b>	<b>Thursday</b>
	DEVELOPMENTAL MODEL OF RECOVERY CHECK IN	PRE-TREATMENT STABILIZATION AND EARLY RECOVERY CHECK IN
	PSYCHO. EDUCATION GROUP EXERCISE	PSYCHO. EDUCATION GROUP EXERCISE

<b>WEEK 8</b>	<b>Tuesday</b>	<b>Thursday</b>
	MIDDLE, LATE, MAINTENANCE IN RECOVERY CHECK IN	THE RECOVERY PROCESS COMPREHENSIVE SESSION CHECK IN
	PSYCHO. EDUCATION, GROUP EXERCISE	PSYCHO. EDUCATION GROUP EXERCISE

<b>WEEK 9</b>	<b>Tuesday</b>	<b>Thursday</b>
	UNDERSTANDING RELAPSE EXPANDING YOUR CONCEPT OF RELAPSE CHECK IN PSYCHO. EDUCATION GROUP EXERCISE	UNDERSTANDING RELAPSE MISTAKEN BELIEFS ABOUT RELAPSE CHECK IN PSYCHO. EDUCATION GROUP EXERCISE

<b>WEEK 10</b>	<b>Tuesday</b>	<b>Thursday</b>
	UNDERSTANDING RELAPSE THE RELAPSE SYNDROME CHECK IN PSYCHO. EDUCATION GROUP EXERCISE	UNDERSTANDING RELAPSE COMPREHENSIVE SESSION CHECK IN PSYCHO. EDUCATION GROUP EXERCISE

<b>WEEK 11</b>	<b>Tuesday</b>	<b>Thursday</b>
	PHASES AND WARNING SIGNS OF RELAPSE 1-3 CHECK IN PSYCHO. EDUCATION GROUP EXERCISE	PHASES AND WARNING SIGNS OF RELAPSE 4-7 CHECK IN PSYCHO. EDUCATION GROUP EXERCISE

<b>WEEK 12</b>	<b>Tuesday</b>	<b>Thursday</b>
	PHASES AND WARNING SIGNS OF RELAPSE 8-11 CHECK IN PSYCHO. EDUCATION GROUP EXERCISE	PHASES AND WARNING SIGNS OF RELAPSE COMPREHENSIVE SESSION CHECK IN PSYCHO. EDUCATION GROUP EXERCISE

<b>WEEK 13</b>	<b>Tuesday</b>	<b>Thursday</b>
	RELAPSE PREVENTION PLANNING STEPS 1-3	RELAPSE PREVENTION PLANNING STEPS 4-6
	CHECK IN	CHECK IN
	PSYCHO. EDUCATION	PSYCHO. EDUCATION
	GROUP EXERCISE	GROUP EXERCISE

<b>WEEK 14</b>	<b>Tuesday</b>	<b>Thursday</b>
	RELAPSE PREVENTION PLANNING STEPS 7-9	RELAPSE PREVENTION PLANNING COMPREHENSIVE SESSION
	CHECK IN	CHECK IN
	PSYCHO. EDUCATION	PSYCHO. EDUCATION
	GROUP EXERCISE	GROUP EXERCISE

<b>WEEK 15</b>	<b>Tuesday</b>	<b>Thursday</b>
	FAMILY INVOLVEMENT IN RELAPSE PREVENTION	RELAPSE PREVENTION NETWORKING
	CHECK IN	CHECK IN
	PSYCHO. EDUCATION	PSYCHO. EDUCATION
	GROUP EXERCISE	GROUP EXERCISE

**GAUDENZIA, INC. AND GAUDENZIA FOUNDATION, INC.**

**COMBINED FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2016**

**GAUDENZIA, INC. AND GAUDENZIA FOUNDATION, INC.  
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CliftonLarsonAllen

CliftonLarsonAllen LLP  
CLAAconnect.com

## INDEPENDENT AUDITORS' REPORT

Board of Directors and Officers  
Gaudenzia, Inc. and Gaudenzia Foundation, Inc.  
Norristown, Pennsylvania

### **Report on the Financial Statements**

We have audited the accompanying combined financial statements of Gaudenzia, Inc. and Gaudenzia Foundation, Inc. and their wholly owned subsidiaries (collectively, the "Organization"), which comprise the combined balance sheet as of June 30, 2016, and the related combined statements of operations and changes in net assets, and cash flows for the year then ended, and the related notes to the combined financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these combined 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined financial statements.

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

Board of Directors and Officers  
Gaudenzia, Inc. and Gaudenzia Foundation, Inc.

***Opinion***

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Gaudenzia, Inc. and Gaudenzia Foundation, Inc. and their wholly owned subsidiaries as of June 30, 2016, and the results of their operations, change 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.

***Emphasis of Matter***

As discussed in Note 2, net assets as of July 1, 2015 have been restated to correct an error related to the classification of net assets and revenue recognition. Our opinion is not modified with respect to this matter.

**Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The accompanying supplemental combining financial statements (pages 22-24) are presented for purposes of additional analysis and are not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Plymouth Meeting, Pennsylvania  
March 31, 2017

**GAUDENZIA, INC. AND GAUDENZIA FOUNDATION, INC.  
COMBINED BALANCE SHEET  
JUNE 30, 2016**

**ASSETS**

**CURRENT ASSETS**

Cash and Cash Equivalents	\$ 2,140,766
Restricted Cash:	
Client Custodial Funds	142,087
Donor Restricted	111,543
Assets Limited as to Use under Bond Indenture Agreement - Held by Trustee	195,212
Accounts Receivable for Program Services Less Allowance of \$2,846,581	23,383,072
Other Current Assets	184,581
Prepaid Expenses	139,206
Total Current Assets	<u>26,296,467</u>

**NON-CURRENT ASSETS**

Property and Equipment, Net	43,327,388
Goodwill, Net	1,440,964
Total Non-Current Assets	<u>44,768,352</u>
 Total Assets	 <u>\$ 71,064,819</u>

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Line of Credit	\$ 2,628,626
Current Portion of Long-Term Debt	1,187,402
Accounts Payable	4,928,237
Accrued Expenses	4,389,177
Deferred Revenue	55,379
Client Custodial Funds	144,986
Total Current Liabilities	<u>13,333,807</u>

**NONCURRENT LIABILITIES**

Interest Rate Swap	608,204
Long-Term Debt, Net of Current Portion	14,956,382
Total NonCurrent Liabilities	<u>15,564,586</u>
 Total Liabilities	 28,898,393

**NET ASSETS**

Unrestricted	22,154,748
Temporarily Restricted	20,011,678
Total Net Assets	<u>42,166,426</u>
 Total Liabilities and Net Assets	 <u>\$ 71,064,819</u>

*See accompanying Notes to Combined Financial Statements.*

**GAUDENZIA, INC. AND GAUDENZIA FOUNDATION, INC.  
COMBINED STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS  
YEAR ENDED JUNE 30, 2016**

	Unrestricted	Temporarily Restricted	Total
<b>REVENUES, NET</b>			
Gross Program Service Revenues	\$ 89,456,691	\$ -	\$ 89,456,691
Provision for Bad Debts	(2,156,676)	-	(2,156,676)
Total Net Program Service Revenues	87,300,015	-	87,300,015
Contributions and Grants	689,310	593,896	1,283,206
Capital Grants and Other Revenue	415,150	3,300,000	3,715,150
Net Assets Released from Restriction	1,317,218	(1,317,218)	-
Total Revenues, Net	89,721,693	2,576,678	92,298,371
<b>EXPENSES</b>			
Salaries and Wages	42,186,241	-	42,186,241
Employee Benefits	15,893,249	-	15,893,249
Medical Professional	3,897,195	-	3,897,195
Supplies and Other	22,333,525	-	22,333,525
Depreciation	2,208,314	-	2,208,314
Interest	523,889	-	523,889
Total Expenses	87,042,413	-	87,042,413
<b>OPERATING INCOME</b>	2,679,280	2,576,678	5,255,958
<b>CHANGE IN FAIR VALUE OF INTEREST RATE SWAP</b>	(101,657)	-	(101,657)
<b>EXCESS OF REVENUES OVER EXPENSES AND CHANGE IN NET ASSETS</b>	2,577,623	2,576,678	5,154,301
Net Assets - Beginning of Year (as Restated)	19,577,125	17,435,000	37,012,125
<b>NET ASSETS - END OF YEAR</b>	\$ 22,154,748	\$ 20,011,678	\$ 42,166,426

See accompanying Notes to Financial Statements.

**GAUDENZIA, INC. AND GAUDENZIA FOUNDATION, INC.  
COMBINED STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2016**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Changes in Net Assets	\$ 5,154,301
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	2,208,314
Amortization of Deferred Financing Costs	9,950
Change in Fair Value of Interest Rate Swap	101,657
Provision for Bad Debts	2,156,676
Contributions Restricted for Long-Term Purposes	3,773,871
(Increase) Decrease in Assets:	
Restricted Cash	(994)
Accounts Receivable for Program Services	(5,286,822)
Other	(3,956,565)
Prepaid Expenses	342,401
(Decrease) Increase in Liabilities:	
Accounts Payable	1,143,263
Accrued Expenses	644,613
Client Custodial Funds	(16,101)
Deferred Revenue	49,582
Net Cash Provided by Operating Activities	<u>6,324,146</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of Property and Equipment	(2,983,624)
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**CASH FLOWS FROM FINANCING ACTIVITIES**

Borrowings on Line of Credit, Net	1,937,463
Repayment of Long-Term Debt	(1,660,058)
Contributions Restricted for Long-Term Purposes	(3,773,871)
Net Cash Used by Financing Activities	<u>(3,496,466)</u>

**NET DECREASE IN CASH AND CASH EQUIVALENTS**

(155,944)

Cash and Cash Equivalents - Beginning of Year

2,296,710

**CASH AND CASH EQUIVALENTS - END OF YEAR**

\$ 2,140,766

**SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION**

Cash Paid During the Year for Interest

\$ 523,889

*See accompanying Notes to Financial Statements.*

**GAUDENZIA, INC. AND GAUDENZIA FOUNDATION, INC.**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Operations**

Gaudenzia, Inc. and Gaudenzia Foundation, Inc. and their wholly owned subsidiaries (collectively, the Organization) are private, nonprofit corporations that help people affected by chemical dependency, mental illness, and related conditions to achieve a better quality of life and become productive and accountable individuals. The Organization provides comprehensive treatment and prevention methods, conducts research, and educates the community on the causes, treatment, and prevention of addictions, mental illness, and related conditions. The Organization operates a number of residential and outpatient treatment programs and facilities located in Pennsylvania, Maryland, and Delaware.

For ease of administration, the programs are grouped into three regions and a separate grouping for in-prison programs.

**Basis of Combination**

Gaudenzia Erie, Inc.; Gaudenzia-DRC, Inc.; Gaudenzia Vantage, Inc.; and Shannon House, Inc. are wholly owned subsidiaries of Gaudenzia Foundation, Inc. The accompanying combined financial statements reflect the combination of Gaudenzia, Inc. and Gaudenzia Foundation, Inc., which are under common control. All significant intercompany accounts and transactions have been eliminated in the combination.

**Basis of Presentation**

The accompanying combined financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The combined financial statements are prepared in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 954, *Health Care Organizations*.

**Use of Estimates**

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The most significant management estimates and assumptions related to the determination of the allowance for doubtful accounts, testing of goodwill for impairment, fair value of the interest rate swap, functional allocation of expenses, accrued vacation and the useful lives of property and equipment. Actual results could differ from those estimates.

**GAUDENZIA, INC. AND GAUDENZIA FOUNDATION, INC.  
NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Cash and Cash Equivalents and Restricted Cash**

Cash and cash equivalents include all cash balances and highly liquid investments with an initial maturity of three months or less. The Organization places its temporary cash investments with high credit quality financial institutions. At times, such investments may be in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limit. The Organization has not experienced any losses on these accounts and believes that it is not exposed to any significant credit risk. Restricted cash represents client custodial funds held by the Organization as representative payee and also contributed gift annuities, less accumulated annuity payments to donors.

**Assets Limited as to Use Under Bond Indenture Agreement – Held by Trustee**

Assets limited as to use under bond indenture agreement – held by trustee represents investments held by designated trustees for payment of principal due on the bonds.

These investments consist of cash and equivalents and are carried at fair value, based on quoted market prices. Investment income consisting of interest and dividends is reflected in the combined statement of operations and changes in net assets as a component of other revenue.

**Property and Equipment**

Property and equipment are recorded at cost for assets acquired by purchase and at estimated fair market value (at date of donation) for assets received as gifts. Depreciation expense is computed by using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are depreciated over the shorter of the estimated useful life of the asset or the term of the lease. The estimated useful lives for property and equipment are as follows:

	<u>Years</u>
Buildings and Leasehold Improvements	20 to 25
Household Furniture and Equipment	5 to 10
Office Furniture and Equipment	3 to 5
Automotive Equipment	3 to 5

Expenses for betterments and additions are capitalized. Maintenance and repairs are charged to expense. When depreciable property is retired or otherwise disposed of, the related assets and accumulated depreciation are removed from the accounts and any resultant gain or loss is recognized.

The Organization records impairment losses on property and equipment when events and circumstances indicate that it is probable that the assets are impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amount of those assets. Based on management's estimation process, no impairment losses have been recorded as of June 30, 2016.

**GAUDENZIA, INC. AND GAUDENZIA FOUNDATION, INC.**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Property and Equipment (Continued)**

Under certain program-funded agreements, ownership of property and equipment acquired with capital grants is vested with, and may revert back to, the grantor under certain circumstances (see Note 9).

**Goodwill**

In December 2007, Gaudenzia Foundation, Inc. acquired Shannon House, Inc. for \$4,854,882 and became its sole corporate member. The transaction was accounted for using the acquisition method of accounting. The carrying value of goodwill was determined based on the excess of the purchase price of acquisition over the estimated fair value of tangible and intangible net assets.

The determination of the fair value of the reporting units and the allocation of that value to individual assets and liabilities within those reporting units required the Organization to make significant estimates and assumptions. These estimates and assumptions primarily include, but are not limited to: the selection of appropriate peer group companies; control premiums appropriate for acquisitions in the industries in which the Organization competes; the discount rate; terminal growth rates; and forecasts of revenue, operating income, depreciation and amortization, and capital expenditures.

For its annual goodwill impairment analysis, the Organization utilized ASC 350-20-35, *Testing Goodwill for Impairment*, which provides an entity the option to first perform a qualitative assessment to determine whether it is more-likely-than-not that the fair value of a reporting unit is less than its carrying amount.

This analysis utilizes qualitative factors, such as macroeconomic factors, industry and market considerations, cost factors, overall financial performance, and other relevant entity specific events, in the Organization's qualitative assessment of the goodwill for its single reporting unit at June 30, 2016. If the Organization believes, as a result of its qualitative assessment, that it is not more-likely-than-not that the fair value of a reporting unit is less than its carrying amount, then the first and second steps of the goodwill impairment test are unnecessary.

Due to the inherent uncertainty involved in making these estimates, actual financial results could differ from those estimates. Changes in assumptions concerning future financial results or other underlying assumptions could have a significant impact on either the fair value of the reporting unit or the amount of the goodwill impairment charge.

The Organization performed a qualitative assessment in accordance with ASC 350-20 as of June 30, 2016 and determined that it is not more-likely-than-not that the fair value of the reporting unit is less than its carrying value and, therefore, the goodwill was not impaired at June 30, 2016.



**GAUDENZIA, INC. AND GAUDENZIA FOUNDATION, INC.**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Derivative Financial Instruments**

ASC 815, *Derivatives and Hedging*, provides the disclosure requirements for derivatives and hedging activities with the intent to provide users of financial statements with an enhanced understanding of: (a) how and why an entity uses derivative instruments, (b) how the entity accounts for derivative instruments and related hedged items, and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. Further, qualitative disclosures are required that explain the Organization's objectives and strategies for using derivatives, as well as quantitative disclosures about the fair value of gains and losses on derivative instruments, and disclosures about credit-risk-related contingent features in derivative instruments.

As required by ASC 815, the Organization records all derivatives on the combined balance sheet at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative, whether the Organization has elected to designate a derivative in a hedging relationship and apply hedge accounting and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. The Organization may enter into derivative contracts that are intended to economically hedge certain of its risk, even though hedge accounting does not apply. Currently, the Organization's interest rate swap agreement does not qualify as a hedge for financial reporting purposes. Consequently, the changes in the fair value of the Organization's interest rate swap agreement are included as a component of excess of revenues over expenses in the combined statement of operations and changes in net assets.

The interest rate swap agreement is used by the Organization to manage interest rate exposures and to hedge the changes in cash flows on variable rate revenue bonds. Derivative financial instruments involve, to a varying degree, elements of market and credit risk. The market risk associated with these instruments resulting from interest rate movements is expected to offset the market risk of the liability being hedged.

**Net Assets**

The Organization reports information regarding its financial position and operations to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted – Unrestricted net assets are not subject to donor-imposed restrictions or the donor-imposed restrictions have expired.

Temporarily Restricted – Temporarily restricted net assets are subject to donor-imposed restrictions that permit the Organization to use or expend the assets as specified. The restrictions will be met either by actions of the Organization or the passage of time.

Permanently Restricted – Permanently restricted net assets are subject to donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by the Organization. The related assets available for use are determined by the underlying donor agreements. The Organization has no permanently restricted net assets.

**GAUDENZIA, INC. AND GAUDENZIA FOUNDATION, INC.  
NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Net Program Service Revenues and Allowances**

The Organization receives its funding through contracts with various federal, state, and county programs (collectively, government agencies) and agreements with managed care and insurance organizations (other payors). Net program service revenues from these contracts/agreements generally fall into two categories: cost reimbursement and fee-for-service. For cost reimbursement programs, the Organization determines the reimbursable amounts based on allowable costs, and revenues are recorded as these costs are incurred. For fee-for-service programs, the Organization receives funding under per diem-type contracts or unit prices for outpatient services. The revenues recorded by the Organization under both program categories are reported to and subject to audit by grantors and/or their agents.

The Organization reports its program service revenue at the estimated net realizable value of the amounts due from government agencies and other payors. Federal, state, and local government agencies accounted for approximately 57% of total net program service revenue from program services in 2016.

The Organization continually monitors accounts receivable for collectability issues. The allowance for doubtful accounts results from the unwillingness or inability of government funding agencies and other payors to make payments for services. The allowance is determined by considering a number of factors, including analyzing previous loss history, the nature of the service provided, as well as length of time individual accounts receivable are past due. Accounts receivable are charged off against the allowance for doubtful accounts when management determines that recovery is unlikely and the Organization ceases collection efforts. Payments subsequently received on such receivables are credited to the allowance for doubtful accounts.

Gross program service revenues (before the provision for bad debts) for the year ended June 30, 2016, recognized in the periods from these major payor sources, are as follows:

<u>Gross Program Service Revenues</u>	<u>Government Agencies</u>	<u>Other Payors</u>	<u>Total</u>
2016	\$ 50,891,910	\$ 38,564,781	\$ 89,456,691

The Organization is subject to numerous laws and regulations of federal, state, and local governments. Compliance with these laws and regulations can be subject to government review and interpretation, as well as regulatory actions unknown and unasserted at this time. Government activity in the health care industry has increased with respect to investigations and allegations concerning possible violations of regulations by health care providers, which could result in the imposition of significant fines and penalties, as well as significant repayments of previously billed and collected revenues of client services. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Management believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing.

**GAUDENZIA, INC. AND GAUDENZIA FOUNDATION, INC.**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Contributions and Promises to Give**

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using the Organization's borrowing rate applicable to the year in which the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the timing or nature in which donated assets can be used. When a donor restriction expires, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the combined statement of operations and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as contributions in the accompanying combined financial statements. There were no promises to give at June 30, 2016.

**Excess of Revenues Over Expenses**

The combined statement of operations and changes in net assets include the excess of revenues over expenses. Consistent with industry practice, the Organization excludes certain changes in unrestricted net assets from excess of revenues over expenses, where applicable.

**Charity Care**

In advancement of its charitable mission, the Organization accepts clients with limited or no ability to pay for services. Client revenue is classified as charity care based on certain established policies. These policies define charity care as those services for which no payment is expected. The Organization uses generally accepted poverty income levels to assess a client's ability to pay. Charity care amounts are not included in net client service revenue or accounts receivable from clients. The Organization also provides a variety of services and benefits within the communities it serves, for which no compensation is received.

The Organization's patient acceptance policy is based upon its mission statement and its charitable purposes. This policy results in the Organization's assumption of higher-than-normal credit risk from its clients. To the extent that the Organization realizes additional losses resulting from such higher credit risks and clients are not identified or do not meet the Organization's defined charity care policy, such additional losses are included in the provision for bad debt.

**Income Taxes**

All entities within the Organization have qualified as nonprofit organizations under Section 501(c)(3) of the Internal Revenue Code and, accordingly, no provision for income taxes has been included in the accompanying combined financial statements. The Organization follows the accounting guidance for uncertainties in income tax positions, which requires that a tax position be recognized or derecognized based on a more-likely-than-not threshold. This applies to positions taken or expected to be taken in a tax return.

**GAUDENZIA, INC. AND GAUDENZIA FOUNDATION, INC.**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Income Taxes (Continued)**

The Organization does not believe its combined financial statements include any material uncertain tax positions.

**New Accounting Pronouncements**

During the year ended June 30, 2016, the Organization early adopted the accounting guidance in Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2015-03 *Interest-Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*. ASU 2015-03 requires organizations to present debt issuance costs as a direct deduction from the face amount of the related borrowings, amortize debt issuance costs using the effective interest method over the life of the debt, and record the amortization as a component of interest expense. The adoption of the standard had no effect on previously reported net assets. The Organization has elected to adopt this change in accounting principle as of July 1, 2015, prior to its effective date.

During the year ended June 30, 2016, the Organization early adopted a provision of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-01, *Financial Instruments – Overall: Recognition and Measurement of Financial Assets and Financial Liabilities*. This provision eliminates the requirement for entities, other than public business entities, to disclose the fair values of financial instruments carried at amortized cost, as previously required by Accounting Standards Codification (ASC) 825-10-50. As such, the entity has omitted this disclosure for the year ended June 30, 2016. The early adoption of this provision did not have an impact on the entity's financial position or results of operations.

**Subsequent Events**

In preparing these combined financial statements, the Organization has evaluated the events and transactions for potential recognition or disclosure through March 31, 2017, the date the combined financial statements were available to be issued.

**NOTE 2 RESTATEMENT OF OPENING NET ASSETS**

The Organization receives affordable housing subsidies for construction and/or renovation of properties used for its programs. Net assets at July 1, 2015 have been restated for affordable housing subsidies received during fiscal year 2015 after completing a review of these subsidies, which were recorded in fiscal 2016.

Management has determined these subsidies should be recognized at the time the terms and conditions per the underlying subsidy grant agreements have been met. These funds are temporarily restricted contributions due to the third-party restrictions placed on these subsidies. Management reclassified \$330,033 from unrestricted net assets to temporarily restricted net assets for these subsidies and recognized an additional \$834,967 in temporarily restricted net assets for amounts that met the criteria for revenue recognition in fiscal 2016. The net effect to net assets was \$834,967.

**GAUDENZIA, INC. AND GAUDENZIA FOUNDATION, INC.**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 2 RESTATEMENT OF OPENING NET ASSETS (CONTINUED)**

The change in net assets for the year ended June 30, 2015 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Net Assets - June 30, 2015, as Originally Reported	\$ 19,907,158	\$ 16,270,000	\$ 36,177,158
Cumulative Change in Net Assets - Reclassification of Net Assets	(330,033)	330,033	-
Cumulative Change in Net Assets - Revenue Recognition	-	834,967	834,967
Net Assets - July 1, 2015, as Restated	<u>\$ 19,577,125</u>	<u>\$ 17,435,000</u>	<u>\$ 37,012,125</u>

**NOTE 3 PROPERTY AND EQUIPMENT**

The following is a summary of property and equipment as of June 30, 2016:

Land	\$ 1,218,269
Buildings and Leasehold Improvements	60,104,784
Household Furniture and Equipment	2,017,624
Office Furniture and Equipment	330,425
Automotive Equipment	1,235,207
Construction in Progress	3,539,405
Total	<u>68,445,714</u>
Less: Accumulated Depreciation	(25,118,326)
Total Property and Equipment	<u>\$ 43,327,388</u>

Depreciation expense was \$2,208,314 for the year ended June 30, 2016.

**NOTE 4 LINE OF CREDIT**

In conjunction with the Series 2010 Revenue Bonds (Note 5), the Organization entered into a Line of Credit (LOC) agreement with PNC Bank in the amount of \$3,000,000. The LOC was amended in May 2015 to increase the amount to \$3,500,000, and amended once again in December 2015 to increase the amount to \$4,000,000. Interest per annum is fixed at either the Bank Rate plus 2% or LIBOR plus 3%, multiplied by 67% (3.45% at June 30, 2016), an option with each advance on the LOC. The Organization is subject to compliance with certain nonfinancial and financial covenants set forth in the agreement, including a minimum debt service coverage ratio (as defined) and minimum levels of unrestricted cash and unrestricted net assets (as defined). The Organization was in compliance with all financial covenants as of June 30, 2016. Management believes the agreement is also collateralized by certain eligible accounts receivable. As of June 30, 2016, \$1,900,000 was outstanding under this agreement. This LOC agreement has been extended through December 31, 2017.

**GAUDENZIA, INC. AND GAUDENZIA FOUNDATION, INC.**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 4 LINE OF CREDIT (CONTINUED)**

In May 2015, Gaudenzia entered into a LOC agreement for \$736,000 with another financial institution. Interest is the greater of LIBOR plus 3.30% or 3.77% at June 30, 2016. The original term was one year and has since been extended through February 2018. Amount outstanding at June 30, 2016 is \$728,626.

During fiscal 2016 the Organization entered into a LOC agreement for \$300,000 with another financial institution. Interest is fixed at 3.77% as of June 30, 2016. The LOC matures on December 31, 2017. As of June 30, 2016 there was no outstanding balance.

**NOTE 5 LONG-TERM DEBT**

The following is a summary of long-term debt at June 30, 2016:

<u>Description</u>	
Series 2010 Pennsylvania Economic Development Finance Authority Revenue Bonds (Series 2010 bonds)	\$ 6,778,421
Series 2007 Maryland Health and Higher Educational Facilities Authority Revenue Bonds (Series 2007 bonds)	3,530,000
Mortgage payable with PNC Bank for Gaudenzia, Inc. and Gaudenzia Foundation, Inc.	1,115,803
Note payable with the PHFA for Gaudenzia Vantage, Inc.	150,000
Note payable in monthly principal installments of \$6,000; interest payable monthly at LIBOR plus 2.50% (3.13% at June 30, 2016); collateralized by certain property owned in the State of Delaware	454,045
Note payable with the PHFA for Gaudenzia-DRC, Inc.	1,115,517
Term loans with the Reinvestment Fund for Gaudenzia Foundation, Inc.	3,037,899
Note payable with Capital Bank for Gaudenzia Foundation, Inc.	324,226
Total	<u>16,505,911</u>
Less: Current Portion	(1,187,402)
Less: Deferred Financing Fees	<u>(362,127)</u>
Total Long-Term Debt	<u>\$ 14,956,382</u>

**GAUDENZIA, INC. AND GAUDENZIA FOUNDATION, INC.**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 5 LONG-TERM DEBT (CONTINUED)**

Future maturities of long-term debt at June 30, 2016 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2017	\$ 1,187,402
2018	2,043,050
2019	1,027,021
2020	3,813,733
2021	4,749,751
Thereafter	3,322,827
Total	<u>\$ 16,143,784</u>

**Pennsylvania Economic Development Finance Authority Revenue Bonds**

In December 2010, Gaudenzia Foundation, Inc. issued Revenue Bonds totaling \$9,756,000 through the Pennsylvania Economic Development Finance Authority (the 2010 Bonds). The net proceeds of the 2010 Bonds were used to retire the Series 1999 Montgomery County Industrial Development Authority Bonds, refinance certain notes payable, pay off the existing line of credit, and to fund capital expenditures. The 2010 Bonds bear interest at a rate of LIBOR plus 3%, multiplied by 67% (effective rate of 2.31% at June 30, 2016) and are repayable over a 15-year mortgage amortization. The agreement requires certain real property assets to be pledged as collateral. The Organization is subject to compliance with certain financial covenants set forth in the agreement, including a minimum debt service coverage ratio (as defined) and minimum levels of unrestricted cash and unrestricted net assets (as defined). Management believes the Organization was in compliance with all financial covenants as of June 30, 2016.

**Maryland Health and Higher Educational Facilities Authority Revenue Bonds**

In December 2007, Gaudenzia, Inc.; Gaudenzia Foundation, Inc.; and Shannon House, Inc. issued revenue bonds totaling \$5,500,000 through the Maryland Health and Higher Educational Facilities Authority (the 2007 Bonds). The net proceeds of the 2007 Bonds were used for the payment of a note payable and acquisition of Shannon House, Inc.

The 2007 Bonds bear interest at a rate which is adjustable weekly (30-day LIBOR plus 2.75% or 3.19% at June 30, 2016). The interest rate fluctuates based on market conditions in accordance with a remarketing agreement, as amended with a financial institution, subject to the conversion to a term rate at the borrower's option. Interest is payable monthly.

The 2007 Bonds are secured by a pledge of assets held under the Letter of Credit agreement by the financial institution. The Letter of Credit agreement expires on March 12, 2019. If amounts are outstanding under the Letter of Credit agreement due to a failed remarketing, the amount outstanding is due the earlier of the Letter of Credit agreement expiration date or 367 days where no event of default has occurred. No amounts are outstanding under the Letter of Credit agreement at June 30, 2016.

**GAUDENZIA, INC. AND GAUDENZIA FOUNDATION, INC.**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 5 LONG-TERM DEBT (CONTINUED)**

**Gaudenzia, Inc. and Gaudenzia Foundation, Inc. – PNC Mortgage Payable Agreement**

As required by the agreement between the Organization and the Redevelopment Authority of the City of Philadelphia for the funding related to the construction and renovation of the Shelton Court housing complex (Note 9), the Organization entered into a \$1,500,000 mortgage payable agreement with PNC Bank on August 4, 2011 to fund the additional costs of the project. The principal bears interest at a fixed rate of 4.426%. The agreement requires the housing complex to be pledged as collateral. The original term of the loan was for 5 years, with payments due in monthly installments based on a 15-year amortization schedule and outstanding principal and interest due in full on August 5, 2016. In August 2016 the loan was extended for a period of 5 years and all outstanding principal and interest are due in full in August 2021.

**Gaudenzia Vantage, Inc. – PHFA Loan**

During the year ended June 30, 2005, Gaudenzia Vantage, Inc. entered into a note payable for \$150,000 with the Pennsylvania Housing Finance Agency (PHFA). Borrowings under this note do not bear interest and principal is only required to be paid based upon the surplus of revenues over expenses on the Gaudenzia Vantage, Inc. project.

**Gaudenzia-DRC, Inc. – PHFA Loan**

During fiscal year 2008, funds were drawn and used from a December 7, 2006 loan agreement between the Organization and the PHFA to assist in the rehabilitation of a building in the amount of \$1,800,000. The building is leased by the Organization from the Commonwealth of Pennsylvania. The term of the loan is for 20 years, commencing from the date funds were drawn (December 2007), with a fixed interest rate of 1.0%. Principal and interest are due monthly.

**Gaudenzia Foundation, Inc. Reinvestment Fund Term Loans**

In August 2013, the Organization entered into a loan agreement with The Reinvestment Fund that allowed the Organization to borrow up to \$3,005,000 over a conversion period, with no principal due. Upon completion of the conversion period, which occurred on October 1, 2014, the current borrowings, as well as additional remaining allowable borrowings under the agreement in fiscal year 2015, converted into a permanent loan with a term of 60 months. The proceeds of this loan are to be used to finance the purchase and renovation of certain real properties and improvements. Upon conversion of the loan, principal and interest payments are due in monthly installments based on a 20-year amortization schedule and outstanding principal and interest due at the maturity date. The principal bears interest at a fixed rate of 5.0%. The agreement requires the related real property and improvements to be pledged as collateral. As of June 30, 2016, the Organization has borrowed \$3,005,000 under this agreement.

In January 2015, the Organization entered into a loan agreement with The Reinvestment Fund in the amount of \$220,000. The term of the loan is 7 years, with a fixed rate of 6.16%. Principal and interest payments are due monthly. As of June 30, 2016, the Organization has borrowed \$32,899 under this agreement.



**GAUDENZIA, INC. AND GAUDENZIA FOUNDATION, INC.**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 5 LONG-TERM DEBT (CONTINUED)**

**Gaudenzia Foundation, Inc. Capital Bank Loan**

In May 2015, the Organization entered into a loan agreement with Capital Bank in the amount of \$350,000. The term of the loan is 7½ years, with a fixed rate of 3.50%. Principal and interest payments are due monthly.

**NOTE 6 DERIVATIVE INSTRUMENTS – INTEREST RATE SWAP**

In December 2007, Gaudenzia, Inc.; Gaudenzia Foundation, Inc.; and Shannon House, Inc. (the Entities) entered into an interest rate swap agreement with a financial institution, to reduce the impact of changes in interest rates on their floating rate long-term debt related to the Series 2007 Bonds. The notional amount was \$3,530,000 at June 30, 2016. This agreement effectively changes the interest rate exposure on the Series 2007 Variable Rate Bonds to a fixed rate of 3.51%. The interest rate swap agreement matures at the time the 2007 Variable Rate Bonds mature. Early termination of the interest rate swap agreement is possible under certain circumstances; however, the Entities may be obligated to make a substantial payment to or receive a payment from the financial institution.

ASC Topic 815, as amended and interpreted, establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. As required by ASC Topic 815, the Organization records all derivatives on the combined balance sheet at fair value. The fair value of the interest rate swap agreement at June 30, 2016 was estimated to be \$608,204 due to the financial institution and is separately disclosed in the combined balance sheet. The change in fair value of the interest rate swap resulted in a loss of \$101,657 for the year ended June 30, 2016, and is separately disclosed as a component of the combined statement of operations and changes in net assets. The fair value of the interest rate swap is the estimated amount the Organization would receive or pay to terminate the interest rate swap agreement at the reporting date, taking into account current interest rates and the current creditworthiness of the swap counterparty. The Organization may be exposed to credit loss in the event of nonperformance by the other party to the interest rate swap agreement. However, the Organization does not anticipate nonperformance as its counterparty is rated A2 by Moody's. The swap counterparty is PNC Bank.

**NOTE 7 RETIREMENT PLANS**

Gaudenzia, Inc. and Gaudenzia Foundation, Inc. maintain a defined contribution retirement plan under Section 403(b) of the Internal Revenue Code for all eligible employees. To be eligible to receive matching contributions, employees must have attained the age of 21, worked 1,000 or more hours during the plan year, and be employed on the last day of the plan year. All employees are permitted to contribute up to the limits permitted under tax laws, and Gaudenzia, Inc. and Gaudenzia Foundation, Inc. contribute one-half of the employee's contribution up to 5% of the employee's salary. Retirement plan expense amounted to \$485,431 in 2016.

**GAUDENZIA, INC. AND GAUDENZIA FOUNDATION, INC.**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 7 RETIREMENT PLANS (CONTINUED)**

Gaudenzia Erie, Inc. (Erie) has a defined contribution retirement plan for all full-time employees who have reached 21 years of age with at least two years of service. Erie's contributions are voluntary and are at the discretion of the board of directors and management. Erie's contributions are allocated among the eligible employees in direct proportion to their compensation. During the year ended June 30, 2016, Erie's contributions to the plan amounted to \$96,646.

Gaudenzia-DRC, Inc. has a defined contribution plan for all full-time employees. Expense for the year ended June 30, 2016 totaled \$105,865.

**NOTE 8 COMMITMENTS AND CONTINGENCIES**

**Legal Matters**

The Organization is from time to time subject to routine legal proceedings and claims that arise in the ordinary course of its business. In the opinion of management, after consultation with outside legal counsel, the ultimate disposition of such proceedings is adequately covered by commercial insurance or will not have a materially adverse effect on the Organization's combined financial statements.

**Medical Malpractice Claims**

The Organization, which currently maintains an internal risk management program and carries claims-made malpractice insurance coverage, has estimated no losses for liabilities relating to asserted and unasserted malpractice claims not covered by malpractice insurance based on its own past experience and industry experience data.

**NOTE 9 TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consist of affordable housing subsidiaries that Gaudenzia Foundation, Inc. has received from various funders, which were used for the construction or renovation of transitional housing units that are offered to clients. The subsidies are restricted for use in renovating the properties. Once renovated, the Organization has to provide housing for low-income individuals for a period of time, ranging from 15 to 30 years. If Gaudenzia Foundation, Inc. does not maintain the required low-income housing, then the funding agency may require repayment of the amount provided together with related interest. For the year ended June 30, 2016, Gaudenzia Foundation, Inc. received subsidies of \$3,300,000, which were recorded in the combined financial statements as temporarily restricted capital grant revenues.

In addition to the housing subsidies, the Organization receives other contributions and grants for various program support, which are restricted by donors. For the year ended June 30, 2016 the Organization received \$593,896 of contributions and grants restricted for program support, which were recorded in the combined financial statements as temporarily restricted contributions and grants revenue.

**GAUDENZIA, INC. AND GAUDENZIA FOUNDATION, INC.**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 9 TEMPORARILY RESTRICTED NET ASSETS (CONTINUED)**

As of June 30, 2016, temporarily restricted net assets consisted of the following:

Housing Facility	Amount
Concord Place	\$ 110,000
Winner	350,000
Foundation Springs	1,225,000
Fresh Start	500,000
Gibson Boulevard	950,000
Venango	1,900,000
Shelton Court	4,435,000
Thompson Street	1,390,000
Integrity House York	600,000
Women and Children's Center Baltimore	3,850,000
Delta House	525,000
Vantage	300,000
Park Heights Project	3,500,000
Total Housing Facility	19,635,000
<hr style="border: 0; border-top: 1px solid black; margin: 0;"/>	
Other Program Grants	
St. Mary's	32,782
Eastern Montco Outpatient	173,896
Chambers Hill / CommonGround	100,000
Stabler Foundation - Vehicles	70,000
Total	376,678
Total Temporarily Restricted Net Assets	\$ 20,011,678

**NOTE 10 FUNCTIONAL EXPENSES**

The Organization provides services to individuals from around the country. The costs of providing the various programs and other activities have been summarized on a functional basis. Accordingly, certain management and general expenses comprising administrative overhead were allocated to each program based on the ratio of clinical salaries for each program to total clinical salaries. The following are the functional expenses for the year ended June 30, 2016:

Program Operations	\$ 73,187,016
Administrative and General	13,230,456
Fundraising	624,941
Total	\$ 87,042,413

**GAUDENZIA, INC. AND GAUDENZIA FOUNDATION, INC.**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 11 FAIR VALUE OF FINANCIAL INSTRUMENTS**

The Organization adopted ASC 820, *Fair Value Measurements*, which requires enhanced disclosures about assets and liabilities that are measured and reported at fair value. ASC 820 emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, ASC 820 establishes a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy). The three levels of the fair value hierarchy under ASC 820 are described below:

- Level 1* - Inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2* - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs may include quoted prices for similar assets and liabilities in active markets, as well as inputs that are observable for the asset or liability (other than quoted prices), such as interest rates, foreign exchange rates, and yield curves that are observable at commonly quoted intervals;
- Level 3* - Inputs are unobservable inputs for the asset or liability, which is typically based on an entity's own assumptions, as there is little, if any, related market activity.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The Organization's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

Financial assets and liabilities carried at fair value are classified in the table below in one of the categories described above:

	Level 1	Level 2	Total
<b>Assets:</b>			
Assets Limited as to Use	\$ 195,212	\$ -	\$ 195,212
Mutual Funds	254,141	-	254,141
<b>Total Assets</b>	<b>\$ 449,353</b>	<b>\$ -</b>	<b>\$ 449,353</b>
<b>Liabilities:</b>			
Interest Rate Swap	\$ -	\$ 608,204	\$ 608,204
<b>Total Liabilities</b>	<b>\$ -</b>	<b>\$ 608,204</b>	<b>\$ 608,204</b>

**GAUDENZIA, INC. AND GAUDENZIA FOUNDATION, INC.**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 11 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)**

The Organization had no assets or liabilities that were classified as Level 3 inputs in the fair value hierarchy.

**Assets Limited as to Use**

Assets limited as to use (ALATU) under bond indenture are trustee-held funds designated for the payment of principal due on bonds and consist primarily of short-term liquid investments such as money markets and treasury notes. ALATU are reported at fair value which approximates cost and are considered to be Level 1 in the hierarchy.

**Mutual Funds**

These funds are primarily equity securities and fixed income investments with readily available market prices, and are included in cash and cash equivalents on the accompanying balance sheet.

**Interest Rate Swap**

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

**NOTE 12 SUBSEQUENT EVENT**

In February 2017 the Organization purchased property in Claymont, Delaware for a total consideration of \$1,195,000. The purchase was paid partially in cash, in addition to incurring new debt. The Organization entered into a \$500,000 promissory note with a financial institution. The note calls for interest-only payments for a period of six months at a rate of 7.250%. After this period, principal and interest payments of \$3,997 are due monthly for a period of 11 months, at which time the remaining outstanding principal balance is due. The Organization has no construction commitments related to this property as of March 31, 2017.

**GAUDENZIA, INC. AND GAUDENZIA FOUNDATION, INC.**  
**COMBINING BALANCE SHEET**  
**JUNE 30, 2016**

<b>ASSETS</b>	Gaudenzia, Inc.	Gaudenzia, Foundation, Inc.	Combined
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	\$ 1,110,579	\$ 1,030,187	\$ 2,140,766
Restricted Cash:			
Client Custodial Funds	83,837	58,250	142,087
Donor Restricted	-	111,543	111,543
Assets Limited as to Use under Bond Indenture Agreement - Held by Trustee	-	195,212	195,212
Accounts Receivable for Program Services Less Allowance of \$2,846,581	12,702,347	10,680,725	23,383,072
Due from (to) Related Parties	(154,169)	154,169	-
Other Current Assets	15,475	169,106	184,581
Prepaid Expenses	22,500	116,706	139,206
Total Current Assets	13,780,569	12,515,898	26,296,467
<b>NON-CURRENT ASSETS</b>			
Property and Equipment, Net	-	43,327,388	43,327,388
Goodwill, Net	-	1,440,964	1,440,964
Total Non-Current Assets	-	44,768,352	44,768,352
 Total Assets	 \$ 13,780,569	 \$ 57,284,250	 \$ 71,064,819
<b>LIABILITIES AND NET ASSETS</b>			
<b>CURRENT LIABILITIES</b>			
Line of Credit	\$ -	\$ 2,628,626	\$ 2,628,626
Current Portion of Long-Term Debt	-	1,187,402	1,187,402
Accounts Payable	3,630,446	1,297,791	4,928,237
Accrued Expenses	3,536,759	852,418	4,389,177
Deferred Revenue	-	55,379	55,379
Client Custodial Funds	93,895	51,091	144,986
Total Current Liabilities	7,261,100	6,072,707	13,333,807
<b>NONCURRENT LIABILITIES</b>			
Interest Rate Swap	-	608,204	608,204
Long-Term Debt, Net of Current Portion	-	14,956,382	14,956,382
Total NonCurrent Liabilities	-	15,564,586	15,564,586
 Total Liabilities	 7,261,100	 21,637,293	 28,898,393
<b>NET ASSETS</b>			
Unrestricted	6,519,469	15,635,279	22,154,748
Temporarily Restricted	-	20,011,678	20,011,678
Total Net Assets	6,519,469	35,646,957	42,166,426
 Total Liabilities and Net Assets	 \$ 13,780,569	 \$ 57,284,250	 \$ 71,064,819

**GAUDENZIA, INC. AND GAUDENZIA FOUNDATION, INC.  
COMBINING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS  
YEAR ENDED JUNE 30, 2016**

	Gaudenzia, Inc.	Gaudenzia, Foundation, Inc.	Eliminations	Combined
<b>REVENUES, NET</b>				
Gross Program Service Revenues	\$ 66,726,671	\$ 22,730,020	\$ -	\$ 89,456,691
Provision for Bad Debts	(1,774,681)	(381,995)	-	(2,156,676)
Total Net Program Service Revenues	64,951,990	22,348,025	-	87,300,015
Contributions and Grants	657,863	625,343	-	1,283,206
Capital Grants and Other Revenue	2,836,255	6,747,603	(5,868,708)	3,715,150
Total Revenues, Net	68,446,108	29,720,971	(5,868,708)	92,298,371
<b>EXPENSES</b>				
Salaries and Wages	32,777,208	9,409,033	-	42,186,241
Employee Benefits	11,980,159	3,913,090	-	15,893,249
Medical Professional	3,125,641	771,554	-	3,897,195
Supplies and Other	20,371,779	7,830,454	(5,868,708)	22,333,525
Depreciation	-	2,208,314	-	2,208,314
Interest	55,340	468,549	-	523,889
Total Expenses	68,310,127	24,600,994	(5,868,708)	87,042,413
<b>OPERATING INCOME</b>	135,981	5,119,977	-	5,255,958
<b>CHANGE IN FAIR VALUE OF INTEREST RATE SWAP</b>	-	(101,657)	-	(101,657)
<b>EXCESS OF REVENUES OVER EXPENSES AND CHANGE IN NET ASSETS</b>	135,981	5,018,320	-	5,154,301
Net Assets - Beginning of Year (as Restated)	6,383,488	30,628,637	-	37,012,125
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 6,519,469</u>	<u>\$ 35,646,957</u>	<u>\$ -</u>	<u>\$ 42,166,426</u>

**GAUDENZIA, INC. AND GAUDENZIA FOUNDATION, INC.**  
**COMBINING STATEMENT OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 2016**

	Gaudenzia, Inc.	Gaudenzia, Foundation, Inc.	Combined
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Changes in Net Assets	\$ 135,981	\$ 5,018,320	\$ 5,154,301
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:			
Depreciation	-	2,208,314	2,208,314
Amortization of Deferred Financing Costs	-	9,950	9,950
Change in Fair Value of Interest Rate Swap	-	101,657	101,657
Provision for Bad Debts	1,774,681	381,995	2,156,676
Contributions Restricted for Long-Term Purposes	-	3,773,871	3,773,871
(Increase) Decrease in Assets:			
Restricted Cash	26,158	(27,152)	(994)
Accounts Receivable for Program Services	(2,822,967)	(2,463,855)	(5,286,822)
Other	(3,725)	(3,952,840)	(3,956,565)
Prepaid Expenses	(15,497)	357,898	342,401
(Decrease) Increase in Liabilities:			
Accounts Payable	940,047	203,216	1,143,263
Accrued Expenses	383,270	261,343	644,613
Due to Related Party	202,357	(202,357)	-
Client Custodial Funds	(16,101)	-	(16,101)
Deferred Revenue	(115,000)	164,582	49,582
Net Cash Provided by Operating Activities	489,204	5,834,942	6,324,146
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of Property and Equipment	-	(2,983,624)	(2,983,624)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Borrowings on Line of Credit, Net	-	1,937,463	1,937,463
Repayment of Long-Term Debt	(542,751)	(1,117,307)	(1,660,058)
Contributions Restricted for Long-Term Purposes	-	(3,773,871)	(3,773,871)
Net Cash Used by Financing Activities	(542,751)	(2,953,715)	(3,496,466)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(53,547)	(102,397)	(155,944)
Cash and Cash Equivalents - Beginning of Year	1,164,126	1,132,584	2,296,710
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 1,110,579	\$ 1,030,187	\$ 2,140,766
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>			
Cash Paid During the Year for Interest	\$ 55,340	\$ 468,549	\$ 523,889



**GAUDENZIA, INC. AND GAUDENZIA FOUNDATION, INC.**

**COMBINED FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEARS ENDED JUNE 30, 2017 AND 2016**

CliftonLarsonAllen LLP



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## INDEPENDENT AUDITORS' REPORT

Board of Directors and Officers  
Gaudenzia, Inc. and Gaudenzia Foundation, Inc.  
Norristown, Pennsylvania

### **Report on the Financial Statements**

We have audited the accompanying combined financial statements of Gaudenzia, Inc. and Gaudenzia Foundation, Inc. and their wholly owned subsidiaries (collectively, the Organization), which comprise the combined balance sheets as of June 30, 2017 and 2016, and the related combined statements of operations and changes in net assets, and cash flows for the years then ended, and the related notes to the combined financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these combined financial statements based on our audits. We conducted our audits 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined financial statements.

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

Board of Directors and Officers  
Gaudenzia, Inc. and Gaudenzia Foundation, Inc.

**Opinion**

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Gaudenzia, Inc. and Gaudenzia Foundation, Inc. and their wholly owned subsidiaries as of June 30, 2017 and 2016, and the results of their operations, change in their net assets, and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Report on Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The accompanying supplementary combining financial statements (pages 23-28) are presented for purposes of additional analysis and are not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audits of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Plymouth Meeting, Pennsylvania  
January 4, 2018

**GAUDENZIA, INC. AND GAUDENZIA FOUNDATION, INC.  
COMBINED BALANCE SHEETS  
JUNE 30, 2017 AND 2016**

<b>ASSETS</b>	<u>2017</u>	<u>2016</u>
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 2,194,635	\$ 2,140,766
Restricted Cash:		
Client Custodial Funds	46,009	142,087
Donor Restricted	80,000	111,543
Assets Limited as to Use under Bond Indenture Agreement - Held by Trustee	210,174	195,212
Accounts Receivable for Program Services Less Allowance of \$3,254,586 in 2017 and \$2,287,376 in 2016	14,850,756	16,381,897
Grants Receivable	3,371,810	4,268,029
Other Current Assets	352,672	1,240,112
Prepaid Expenses	63,348	139,206
Total Current Assets	<u>21,169,404</u>	<u>24,618,852</u>
<b>NONCURRENT ASSETS</b>		
Other Receivables, Net	2,359,737	1,677,615
Property and Equipment, Net	48,248,255	43,327,388
Goodwill, Net	1,440,964	1,440,964
Total Noncurrent Assets	<u>52,048,956</u>	<u>46,445,967</u>
Total Assets	<u>\$ 73,218,360</u>	<u>\$ 71,064,819</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Line of Credit	\$ 1,500,000	\$ 2,628,626
Current Portion of Long-Term Debt	1,325,564	1,187,402
Accounts Payable	3,757,570	4,928,237
Accrued Expenses	4,853,378	4,389,177
Deferred Revenue	848,702	55,379
Client Custodial Funds	46,009	144,986
Total Current Liabilities	<u>12,331,223</u>	<u>13,333,807</u>
<b>NONCURRENT LIABILITIES</b>		
Interest Rate Swap	397,592	608,204
Long-Term Debt, Net of Current Portion	14,143,698	14,956,382
Total Noncurrent Liabilities	<u>14,541,290</u>	<u>15,564,586</u>
Total Liabilities	26,872,513	28,898,393
<b>NET ASSETS</b>		
Unrestricted	23,577,945	22,154,748
Temporarily Restricted	22,767,902	20,011,678
Total Net Assets	<u>46,345,847</u>	<u>42,166,426</u>
Total Liabilities and Net Assets	<u>\$ 73,218,360</u>	<u>\$ 71,064,819</u>

See accompanying Notes to Combined Financial Statements.

**GAUDENZIA, INC. AND GAUDENZIA FOUNDATION, INC.  
COMBINED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS  
YEARS ENDED JUNE 30, 2017 AND 2016**

	2017		2016		Total
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted	
<b>REVENUES, NET</b>					
Gross Program Service Revenues	\$ 88,338,043	\$ -	\$ 88,338,043	\$ -	\$ 89,456,691
Provision for Bad Debts	(3,540,869)	-	(3,540,869)	-	(2,156,676)
Total Net Program Service Revenues	84,797,174	-	84,797,174	-	87,300,015
Contributions and Grants	1,119,810	156,119	1,275,929	593,896	1,283,206
Capital Grants and Other Revenue	3,523,213	2,981,783	6,504,996	3,300,000	3,715,150
Net Assets Released from Restriction	381,678	(381,678)	-	(1,317,218)	-
Total Revenues, Net	89,821,875	2,756,224	92,578,099	2,576,678	92,298,371
<b>EXPENSES</b>					
Salaries and Wages	42,988,264	-	42,988,264	-	42,186,241
Employee Benefits	15,218,965	-	15,218,965	-	15,893,249
Medical Professional	4,468,406	-	4,468,406	-	3,897,195
Supplies and Other	23,011,831	-	23,011,831	-	22,280,751
Depreciation	2,309,093	-	2,309,093	-	2,209,592
Interest	612,731	-	612,731	-	575,385
Total Expenses	88,609,290	-	88,609,290	-	87,042,413
<b>OPERATING INCOME</b>	1,212,585	2,756,224	3,968,809	2,576,678	5,255,958
<b>CHANGE IN FAIR VALUE OF INTEREST RATE SWAP</b>	210,612	-	210,612	(101,657)	(101,657)
<b>EXCESS OF REVENUES OVER EXPENSES AND CHANGE IN NET ASSETS</b>					
Net Assets - Beginning of Year	1,423,197	2,756,224	4,179,421	2,576,678	5,154,301
<b>NET ASSETS - END OF YEAR</b>	22,154,748	20,011,678	42,166,426	17,435,000	37,012,125
	\$ 23,577,945	\$ 22,767,902	\$ 46,345,847	\$ 22,154,748	\$ 42,166,426

See accompanying Notes to Combined Financial Statements.

**GAUDENZIA, INC. AND GAUDENZIA FOUNDATION, INC.  
COMBINED STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in Net Assets	\$ 4,179,421	\$ 5,154,301
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	2,309,093	2,209,592
Amortization of Deferred Financing Costs	46,560	9,950
Change in Fair Value of Interest Rate Swap	(210,612)	101,657
Provision for Bad Debts	3,540,869	2,156,676
Contributions Restricted for Long-Term Purposes	5,029,412	3,773,871
(Increase) Decrease in Assets:		
Restricted Cash	127,621	(994)
Assets Limited as to Use under Bond Indenture Agreement - Held by Trustee	(14,962)	-
Accounts Receivable for Program Services	(2,009,728)	157,589
Grant Receivables	896,219	(3,949,273)
Other	887,440	(3,956,565)
Prepaid Expenses	75,858	342,401
Other Receivables	(682,122)	(1,495,138)
(Decrease) Increase in Liabilities:		
Accounts Payable	(1,170,667)	1,143,263
Accrued Expenses	464,201	644,613
Deferred Revenue	793,323	49,582
Client Custodial Funds	(98,977)	(16,101)
Net Cash Provided by Operating Activities	<u>14,162,949</u>	<u>6,325,424</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Property and Equipment	(7,229,960)	(2,984,902)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayments and Borrowings on Line of Credit, Net	(1,128,626)	1,937,463
Repayment of Long-Term Debt	(1,221,082)	(1,660,058)
Contributions Restricted for Long-Term Purposes	<u>(5,029,412)</u>	<u>(3,773,871)</u>
Net Cash Used by Financing Activities	<u>(6,879,120)</u>	<u>(3,496,466)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	53,869	(155,944)
Cash and Cash Equivalents - Beginning of Year	<u>2,140,766</u>	<u>2,296,710</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 2,194,635</u>	<u>\$ 2,140,766</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash Paid During the Year for Interest	<u>\$ 566,171</u>	<u>\$ 523,889</u>

See accompanying Notes to Combined Financial Statements.

**GAUDENZIA, INC. AND GAUDENZIA FOUNDATION, INC.**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Operations**

Gaudenzia, Inc. and Gaudenzia Foundation, Inc. and their wholly owned subsidiaries (collectively, the Organization) are private, nonprofit corporations that help people affected by chemical dependency, mental illness, and related conditions to achieve a better quality of life and become productive and accountable individuals. The Organization provides comprehensive treatment and prevention methods, conducts research, and educates the community on the causes, treatment, and prevention of addictions, mental illness, and related conditions. The Organization operates a number of residential and outpatient treatment programs and facilities located in Pennsylvania, Maryland, and Delaware.

For ease of administration, the programs are grouped into three regions and a separate grouping for in-prison programs.

**Basis of Combination**

Gaudenzia Erie, Inc.; Gaudenzia-DRC, Inc.; Gaudenzia Vantage, Inc.; and Shannon House, Inc. are wholly owned subsidiaries of Gaudenzia Foundation, Inc. The accompanying combined financial statements reflect the combination of Gaudenzia, Inc. and Gaudenzia Foundation, Inc. All significant intercompany accounts and transactions have been eliminated in the combination.

**Basis of Presentation**

The accompanying combined financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The combined financial statements are prepared in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 954, *Health Care Organizations*.

**Use of Estimates**

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The most significant management estimates and assumptions related to the determination of the allowance for doubtful accounts, testing of goodwill for impairment, fair value of the interest rate swap, functional allocation of expenses, accrued vacation and the useful lives of property and equipment. Actual results could differ from those estimates.



**GAUDENZIA, INC. AND GAUDENZIA FOUNDATION, INC.  
NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Cash and Cash Equivalents and Restricted Cash**

Cash and cash equivalents include all cash balances and highly liquid investments with an initial maturity of three months or less. The Organization places its temporary cash investments with high credit quality financial institutions. At times, such investments may be in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limit. The Organization has not experienced any losses on these accounts and believes that it is not exposed to any significant credit risk. Restricted cash represents client custodial funds held by the Organization as representative payee and also contributed gift annuities, less accumulated annuity payments to donors.

**Assets Limited as to Use Under Bond Indenture Agreement – Held by Trustee**

Assets limited as to use under bond indenture agreement – held by trustee represents investments held by designated trustees for payment of principal due on the bonds.

These investments consist of cash and equivalents and are carried at fair value, based on quoted market prices. Investment income consisting of interest and dividends is reflected in the combined statement of operations and changes in net assets as a component of other revenue.

**Property and Equipment**

Property and equipment are recorded at cost for assets acquired by purchase and at estimated fair market value (at date of donation) for assets received as gifts. Depreciation expense is computed by using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are depreciated over the shorter of the estimated useful life of the asset or the term of the lease. The estimated useful lives for property and equipment are as follows:

	<u>Years</u>
Buildings and Leasehold Improvements	20 to 25
Household Furniture and Equipment	5 to 10
Office Furniture and Equipment	3 to 5
Automotive Equipment	3 to 5

Expenses for betterments and additions in excess of \$10,000 are capitalized. Costs below this threshold, in addition to maintenance and repairs, are charged to expense. When depreciable property is retired or otherwise disposed of, the related assets and accumulated depreciation are removed from the accounts and any resultant gain or loss is recognized.

The Organization records impairment losses on property and equipment when events and circumstances indicate that it is probable that the assets are impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amount of those assets. Based on management's estimation process, no impairment losses have been recorded as of June 30, 2017 and 2016.

**GAUDENZIA, INC. AND GAUDENZIA FOUNDATION, INC.**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Property and Equipment (Continued)**

Under certain program-funded agreements, ownership of property and equipment acquired with capital grants is vested with, and may revert back to, the grantor under certain circumstances (see Note 9).

**Goodwill**

In December 2007, Gaudenzia Foundation, Inc. acquired Shannon House, Inc. for \$4,854,882 and became its sole corporate member. The transaction was accounted for using the acquisition method of accounting. The carrying value of goodwill was determined based on the excess of the purchase price of acquisition over the estimated fair value of tangible and intangible net assets.

The determination of the fair value of the reporting units and the allocation of that value to individual assets and liabilities within those reporting units required the Organization to make significant estimates and assumptions. These estimates and assumptions primarily include, but are not limited to: the selection of appropriate peer group companies; control premiums appropriate for acquisitions in the industries in which the Organization competes; the discount rate; terminal growth rates; and forecasts of revenue, operating income, depreciation and amortization, and capital expenditures.

For its annual goodwill impairment analysis, the Organization utilized ASC 350-20-35, *Testing Goodwill for Impairment*, which provides an entity the option to first perform a qualitative assessment to determine whether it is more-likely-than-not that the fair value of a reporting unit is less than its carrying amount.

This analysis utilizes qualitative factors, such as macroeconomic factors, industry and market considerations, cost factors, overall financial performance, and other relevant entity specific events, in the Organization's qualitative assessment of the goodwill for its single reporting unit at June 30, 2017 and 2016. If the Organization believes, as a result of its qualitative assessment, that it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then the first and second steps of the goodwill impairment test are unnecessary.

Due to the inherent uncertainty involved in making these estimates, actual financial results could differ from those estimates. Changes in assumptions concerning future financial results or other underlying assumptions could have a significant impact on either the fair value of the reporting unit or the amount of the goodwill impairment charge.

The Organization performed a qualitative assessment in accordance with ASC 350-20 as of June 30, 2017 and 2016 and determined that it is not more likely than not that the fair value of the reporting unit is less than its carrying value and, therefore, the goodwill was not impaired at June 30, 2017 and 2016.

**GAUDENZIA, INC. AND GAUDENZIA FOUNDATION, INC.**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Derivative Financial Instruments**

ASC 815, *Derivatives and Hedging*, provides the disclosure requirements for derivatives and hedging activities with the intent to provide users of financial statements with an enhanced understanding of: (a) how and why an entity uses derivative instruments, (b) how the entity accounts for derivative instruments and related hedged items, and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. Further, qualitative disclosures are required that explain the Organization's objectives and strategies for using derivatives, as well as quantitative disclosures about the fair value of gains and losses on derivative instruments, and disclosures about credit-risk-related contingent features in derivative instruments.

As required by ASC 815, the Organization records all derivatives on the combined balance sheet at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative, whether the Organization has elected to designate a derivative in a hedging relationship and apply hedge accounting and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. The Organization may enter into derivative contracts that are intended to economically hedge certain of its risk, even though hedge accounting does not apply. Currently, the Organization's interest rate swap agreement does not qualify as a hedge for financial reporting purposes. Consequently, the changes in the fair value of the Organization's interest rate swap agreement are included as a component of excess of revenues over expenses in the combined statement of operations and changes in net assets.

The interest rate swap agreement is used by the Organization to manage interest rate exposures and to hedge the changes in cash flows on variable rate revenue bonds. Derivative financial instruments involve, to a varying degree, elements of market and credit risk. The market risk associated with these instruments resulting from interest rate movements is expected to offset the market risk of the liability being hedged.

**Net Assets**

The Organization reports information regarding its financial position and operations to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

**Unrestricted** – Unrestricted net assets are not subject to donor-imposed restrictions or the donor-imposed restrictions have expired.

**Temporarily Restricted** – Temporarily restricted net assets are subject to donor-imposed restrictions that permit the Organization to use or expend the assets as specified. The restrictions will be met either by actions of the Organization or the passage of time.

**Permanently Restricted** – Permanently restricted net assets are subject to donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by the Organization. The related assets available for use are determined by the underlying donor agreements. The Organization has no permanently restricted net assets.

**GAUDENZIA, INC. AND GAUDENZIA FOUNDATION, INC.  
NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Net Program Service Revenues and Allowances**

The Organization receives its funding through contracts with various federal, state, and county programs (collectively, government agencies) and agreements with managed care and insurance organizations (other payors). Net program service revenues from these contracts/agreements generally fall into two categories: cost reimbursement and fee-for-service. For cost reimbursement programs, the Organization determines the reimbursable amounts based on allowable costs, and revenues are recorded as these costs are incurred. For fee-for-service programs, the Organization receives funding under per diem-type contracts or unit prices for outpatient services. The revenues recorded under both program categories are reported to and subject to audit by grantors and/or their agents.

The Organization reports its program service revenue at the estimated net realizable value of the amounts due from government agencies and other payors. Federal, state, and local government agencies accounted for approximately 54% and 57% of total net program service revenue from program services in 2017 and 2016, respectively.

The Organization continually monitors accounts receivable for collectability issues. The allowance for doubtful accounts results from the unwillingness or inability of government funding agencies and other payors to make payments for services. The allowance is determined by considering a number of factors, including analyzing previous loss history, the nature of the service provided, as well as length of time individual accounts receivable are past due. Accounts receivable are charged off against the allowance for doubtful accounts when management determines that recovery is unlikely and the Organization ceases collection efforts. Payments subsequently received on such receivables are credited to the allowance for doubtful accounts.

Gross program service revenues (before the provision for bad debts) for the years ended June 30, 2017 and 2016, recognized in the periods from these major payor sources, are as follows:

<u>Gross Program Service Revenues</u>	<u>Government Agencies</u>	<u>Other Payers</u>	<u>Total</u>
2017	\$ 47,403,461	\$ 40,934,582	\$ 88,338,043
2016	\$ 50,891,910	\$ 38,564,781	\$ 89,456,691

The Organization is subject to numerous laws and regulations of federal, state, and local governments. Compliance with these laws and regulations can be subject to government review and interpretation, as well as regulatory actions unknown and unasserted at this time. Government activity in the health care industry has increased with respect to investigations and allegations concerning possible violations of regulations by health care providers, which could result in the imposition of significant fines and penalties, as well as significant repayments of previously billed and collected revenues of client services. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Management believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing.

**GAUDENZIA, INC. AND GAUDENZIA FOUNDATION, INC.**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Contributions and Promises to Give**

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as either temporarily or permanently restricted based on the presence of donor stipulations that limit the timing or nature in which donated assets can be used. When a donor restriction expires, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the combined statement of operations and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as contributions in the accompanying combined financial statements. There were no promises to give at June 30, 2017 and 2016.

**Grants Receivable**

Grants receivables consist of amounts related to affordable housing subsidiaries that Gaudenzia Foundation, Inc. has received from various funders, which are used for the construction or renovation of transitional housing units that are offered to clients. The subsidies are restricted for use in renovating the properties.

**Other Receivable**

The Organization has recorded a noncurrent receivable of \$3,146,782 and \$2,236,820 as of June 30, 2017 and 2016, respectively, related to services provided to another entity under a management agreement. Management has determined this to be a noncurrent asset and estimates an allowance for doubtful receivables based on the terms and circumstances of the management agreement. The allowance as of June 30, 2017 and 2016 was \$787,045 and \$559,205, respectively.

**Other Current Assets**

Other current assets consist of escrows, deposits, and nonprogram receivables that are expected to be collected within one year of the balance sheet date.

**Excess of Revenues Over Expenses**

The combined statement of operations and changes in net assets include the excess of revenues over expenses. Consistent with industry practice, the Organization excludes certain changes in unrestricted net assets from excess of revenues over expenses, where applicable.

**Charity Care**

In advancement of its charitable mission, the Organization accepts clients with limited or no ability to pay for services. Client revenue is classified as charity care based on established policies. These policies define charity care as those services for which no payment is expected. The Organization uses generally accepted poverty income levels to assess a client's ability to pay. Charity care amounts are not included in net client service revenue or accounts receivable from clients. The Organization also provides a variety of services and benefits within the communities it serves, for which no compensation is received.

**GAUDENZIA, INC. AND GAUDENZIA FOUNDATION, INC.**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Charity Care (Continued)**

The Organization's patient acceptance policy is based upon its mission statement and its charitable purposes. This policy results in the Organization's assumption of higher-than-normal credit risk from its clients. To the extent that the Organization realizes additional losses resulting from such higher credit risks and clients are not identified or do not meet the Organization's defined charity care policy, such additional losses are included in the provision for bad debt.

**Income Taxes**

All entities within the Organization have qualified as nonprofit organizations under Section 501(c)(3) of the Internal Revenue Code and, accordingly, no provision for income taxes has been included in the accompanying combined financial statements. The Organization follows the accounting guidance for uncertainties in income tax positions, which requires that a tax position be recognized or derecognized based on a more-likely-than-not threshold. This applies to positions taken or expected to be taken in a tax return. The Organization does not believe its combined financial statements include any uncertain tax positions.

**New Accounting Pronouncements**

During the year ended June 30, 2016, the Organization early adopted the accounting guidance in Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2015-03 *Interest-Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*. ASU 2015-03 requires organizations to present debt issuance costs as a direct deduction from the face amount of the related borrowings, amortize debt issuance costs using the effective interest method over the life of the debt, and record the amortization as a component of interest expense. The adoption of the standard had no effect on previously reported net assets. The Organization has elected to adopt this change in accounting principle as of July 1, 2015, prior to its effective date.

During the year ended June 30, 2016, the Organization adopted a provision of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-01, *Financial Instruments – Overall: Recognition and Measurement of Financial Assets and Financial Liabilities*. This provision eliminates the requirement for entities, other than public business entities, to disclose the fair values of financial instruments carried at amortized cost, as previously required by Accounting Standards Codification (ASC) 825-10-50. As such, the entity omitted this disclosure for the year ended June 30, 2016. The adoption of this provision did not impact the entity's financial position or results of operations.

**Financial Statement Reclassifications**

Certain amounts in the prior period presented have been reclassified to conform to the current period combined financial statement presentation. These reclassifications have no effect on previously reported change in net assets.

**Subsequent Events**

In preparing these combined financial statements, the Organization has evaluated the events and transactions for potential recognition or disclosure through January 4, 2018, the date the combined financial statements were available to be issued.

**GAUDENZIA, INC. AND GAUDENZIA FOUNDATION, INC.  
NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

**NOTE 2 PROPERTY AND EQUIPMENT**

The following is a summary of property and equipment as of June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Land	\$ 1,218,269	\$ 1,218,269
Buildings and Leasehold Improvements	66,851,953	60,104,784
Household Furniture and Equipment	330,425	330,425
Office Furniture and Equipment	2,017,624	2,017,624
Automotive Equipment	1,304,254	1,235,207
Construction in Progress	3,953,584	3,539,405
Total	<u>75,676,109</u>	<u>68,445,714</u>
Less: Accumulated Depreciation	<u>(27,427,854)</u>	<u>(25,118,326)</u>
Total Property and Equipment	<u>\$ 48,248,255</u>	<u>\$ 43,327,388</u>

Depreciation expense was \$2,309,093 and \$2,209,592 for the years ended June 30, 2017 and 2016, respectively.

**NOTE 3 LINE OF CREDIT**

In conjunction with the Series 2010 Revenue Bonds (Note 5), the Organization entered into a Line of Credit (LOC) agreement with PNC Bank in the amount of \$3,000,000. The LOC was amended in May 2015 to increase the amount to \$3,500,000, and amended once again in December 2015 to increase the amount to \$4,000,000. Interest per annum is fixed at either the Bank Rate plus 2% or London Interbank Offered Rate (LIBOR) plus 3%, multiplied by 67% (4.22% and 3.45% at June 30, 2017 and 2016, respectively), an option with each advance on the LOC. The Organization is subject to compliance with certain nonfinancial and financial covenants set forth in the agreement, including a minimum debt service coverage ratio (as defined) and minimum levels of unrestricted cash and unrestricted net assets (as defined). The Organization was in compliance with all financial covenants as of June 30, 2017 and 2016. Management believes the agreement is also collateralized by certain eligible accounts receivable. As of June 30, 2017 and 2016, \$1,500,000 and \$1,900,000 was outstanding under this agreement, respectively. In August 2017, this LOC agreement was extended through December 31, 2018 and increased to \$5,000,000.

In May 2015, Gaudenzia entered into a LOC agreement for \$736,000 with another financial institution. Interest is the greater of LIBOR plus 3.30% or 4.52% and 3.77% at June 30, 2017 and 2016, respectively. The original term was one year and has since been extended through February 2018. Amount outstanding at June 30, 2017 and 2016 was zero and \$728,626, respectively.

During fiscal 2016, the Organization entered into a LOC agreement for \$300,000 with another financial institution. Interest is fixed at 3.77% as of June 30, 2016. The LOC is set to mature on February 20, 2018. As of June 30, 2017 and 2016 there was no outstanding balance

**GAUDENZIA, INC. AND GAUDENZIA FOUNDATION, INC.**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**

**NOTE 4 LONG-TERM DEBT**

The following is a summary of long-term debt at June 30, 2017 and 2016:

<u>Description</u>	<u>2017</u>	<u>2016</u>
Series 2010 Pennsylvania Economic Development Finance Authority Revenue Bonds (Series 2010 bonds)	\$ 6,169,186	\$ 6,778,421
Series 2007 Maryland Health and Higher Educational Facilities Authority Revenue Bonds (Series 2007 bonds)	3,335,000	3,530,000
Mortgage payable with PNC Bank for Gaudenzia, Inc. and Gaudenzia Foundation, Inc.	1,025,560	1,115,803
Note payable with the PHFA for Gaudenzia Vantage, Inc.	150,000	150,000
Note payable in monthly principal installments of \$6,000; interest payable monthly at LIBOR plus 2.50% (3.72 & 3.13% at June 30, 2017 & 2016); collateralized by certain property owned in the State of Delaware	388,045	454,045
Note payable with the PHFA for Gaudenzia-DRC, Inc.	1,026,930	1,115,517
Term loans with the Reinvestment Fund for Gaudenzia Foundation, Inc.	2,643,495	3,037,899
Note payable with Capital Bank for Gaudenzia Foundation, Inc.	280,716	324,226
Term loans with Citizens Bank for Gaudenzia Foundation, Inc.	265,694	-
Note payable with First State Community Loan Fund for Gaudenzia Foundation, Inc.	500,000	-
Total	15,784,626	16,505,911
Less: Current Portion	(1,325,564)	(1,187,402)
Less: Deferred Financing Fees	(315,364)	(362,127)
Total Long-Term Debt	<u>\$ 14,143,698</u>	<u>\$ 14,956,382</u>

Future maturities of long-term debt at June 30, 2017 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2018	\$ 1,325,564
2019	1,322,887
2020	4,629,339
2021	1,164,456
2022	3,988,571
Thereafter	3,353,809
Total	<u>\$ 15,784,626</u>



**GAUDENZIA, INC. AND GAUDENZIA FOUNDATION, INC.**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**

**NOTE 4 LONG-TERM DEBT (CONTINUED)**

**Pennsylvania Economic Development Finance Authority Revenue Bonds**

In December 2010, Gaudenzia Foundation, Inc. issued Revenue Bonds totaling \$9,756,000 through the Pennsylvania Economic Development Finance Authority (the 2010 Bonds). The net proceeds of the 2010 Bonds were used to retire the Series 1999 Montgomery County Industrial Development Authority Bonds, refinance certain notes payable, pay off the existing line of credit, and to fund capital expenditures. The 2010 Bonds bear interest at a rate of LIBOR plus 3%, multiplied by 67% (effective rate of 2.38% and 2.31% at June 30, 2017 and 2016, respectively) and are repayable over a 15-year mortgage amortization. The agreement requires certain real property assets to be pledged as collateral. The Organization is subject to compliance with certain financial covenants set forth in the agreement, including a minimum debt service coverage ratio (as defined) and minimum levels of unrestricted cash and unrestricted net assets (as defined). Management believes the Organization was in compliance with all financial covenants as of June 30, 2017 and 2016.

**Maryland Health and Higher Educational Facilities Authority Revenue Bonds**

In December 2007, Gaudenzia, Inc.; Gaudenzia Foundation, Inc.; and Shannon House, Inc. issued revenue bonds totaling \$5,500,000 through the Maryland Health and Higher Educational Facilities Authority (the 2007 Bonds). The net proceeds of the 2007 Bonds were used for the payment of a note payable and acquisition of Shannon House, Inc.

The 2007 Bonds bear interest at a rate which is adjustable weekly (30-day LIBOR plus 2.75% or 3.19% at June 30, 2017 and 2016, respectively). The interest rate fluctuates based on market conditions in accordance with a remarketing agreement, as amended with a financial institution, subject to the conversion to a term rate at the borrower's option. Interest is payable monthly.

The 2007 Bonds are secured by a pledge of assets held under the Letter of Credit agreement by the financial institution. The Letter of Credit agreement expires on March 12, 2019. If amounts are outstanding under the Letter of Credit agreement due to a failed remarketing, the amount outstanding is due the earlier of the Letter of Credit agreement expiration date or 367 days where no event of default has occurred. No amounts are outstanding under the Letter of Credit agreement at June 30, 2017 and 2016.

**Gaudenzia, Inc. and Gaudenzia Foundation, Inc. – PNC Mortgage Payable Agreement**

As required by the agreement between the Organization and the Redevelopment Authority of the City of Philadelphia for the funding related to the construction and renovation of the Shelton Court housing complex (Note 9), the Organization entered into a \$1,500,000 mortgage payable agreement with PNC Bank on August 4, 2011 to fund the additional costs of the project. The principal bears interest at a fixed rate of 4.426%. The agreement requires the housing complex to be pledged as collateral. The original term of the loan was for 5 years, with payments due in monthly installments based on a 15-year amortization schedule and outstanding principal and interest due in full on August 5, 2016. In August 2016 the loan was extended for a period of five years and all outstanding principal and interest are due in full in August 2021.

**GAUDENZIA, INC. AND GAUDENZIA FOUNDATION, INC.**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**

**NOTE 4 LONG-TERM DEBT (CONTINUED)**

**Gaudenzia Vantage, Inc. – PHFA Loan**

During the year ended June 30, 2005, Gaudenzia Vantage, Inc. entered into a note payable for \$150,000 with the Pennsylvania Housing Finance Agency (PHFA). Borrowings under this note do not bear interest and principal is only required to be paid based upon the surplus of revenues over expenses on the Gaudenzia Vantage, Inc. project.

**Gaudenzia-DRC, Inc. – PHFA Loan**

During fiscal year 2008, funds were drawn and used from a December 7, 2006 loan agreement between the Organization and the PHFA to assist in the rehabilitation of a building in the amount of \$1,800,000. The building is leased by the Organization from the Commonwealth of Pennsylvania. The term of the loan is for 20 years, commencing from the date funds were drawn (December 2007), with a fixed interest rate of 1.0%. Principal and interest are due monthly.

**Gaudenzia Foundation, Inc. Reinvestment Fund Term Loans**

In August 2013, the Organization entered into a loan agreement with The Reinvestment Fund that allowed the Organization to borrow up to \$3,005,000 over a conversion period, with no principal due. Upon completion of the conversion period, which occurred on October 1, 2014, the current borrowings, as well as additional remaining allowable borrowings under the agreement in fiscal year 2015, converted into a permanent loan with a term of 60 months. The proceeds of this loan are to be used to finance the purchase and renovation of certain real properties and improvements. Upon conversion of the loan, principal and interest payments are due in monthly installments based on a 20-year amortization schedule and outstanding principal and interest due at the maturity date. The principal bears interest at a fixed rate of 5.0%. The agreement requires the related real property and improvements to be pledged as collateral. As of June 30, 2017 and 2016, the outstanding balances under this agreement were \$2,643,495 and \$3,005,000, respectively.

In January 2015, the Organization entered into a loan agreement with The Reinvestment Fund in the amount of \$220,000. The term of the loan is seven years, with a fixed rate of 6.16%. Principal and interest payments are due monthly. As of June 30, 2017 and 2016, the outstanding balances under this agreement were zero and \$32,899, respectively.

**Gaudenzia Foundation, Inc. Capital Bank Loan**

In May 2015, the Organization entered into a loan agreement with Capital Bank in the amount of \$350,000. The term of the loan is 7½ years, with a fixed rate of 5.44 %. Principal and interest payments are due monthly.

**Gaudenzia Foundation, Inc. Citizens Bank Loan**

In December 2016, the Organization entered into a loan agreement with Citizens Bank in the amount of \$275,000. The term of the loan matures in December 2026, with a fixed rate of 3.50%. Principal and interest payments are due monthly.

**GAUDENZIA, INC. AND GAUDENZIA FOUNDATION, INC.**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**

**NOTE 4 LONG-TERM DEBT (CONTINUED)**

**Gaudenzia Foundation, Inc. First State Community Loan Fund**

In February 2017 the Organization purchased property in Claymont, Delaware for a total consideration of \$1,195,000. The purchase was paid partially in cash, in addition to incurring new debt. The Organization entered into a \$500,000 promissory note with a financial institution. The note calls for interest-only payments for a period of six months at a rate of 7.250%. After this period, principal and interest payments of \$3,997 are due monthly for a period of 11 months, at which time the remaining outstanding principal balance is due.

**NOTE 5 DERIVATIVE INSTRUMENTS – INTEREST RATE SWAP**

In December 2007, Gaudenzia, Inc.; Gaudenzia Foundation, Inc.; and Shannon House, Inc. (the Entities) entered into an interest rate swap agreement with a financial institution, to reduce the impact of changes in interest rates on their floating rate long-term debt related to the Series 2007 Bonds. The notional amounts were \$3,335,000 and \$3,530,000 at June 30, 2017 and 2016, respectively. This agreement effectively changes the interest rate exposure on the Series 2007 Variable Rate Bonds to a fixed rate of 3.51%. The interest rate swap agreement matures at the time the 2007 Variable Rate Bonds mature. Early termination of the interest rate swap agreement is possible under certain circumstances; however, the Entities may be obligated to make a substantial payment to or receive a payment from the financial institution.

ASC Topic 815, as amended and interpreted, establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. As required by ASC Topic 815, the Organization records all derivatives on the combined balance sheet at fair value. The fair value of the interest rate swap agreement at June 30, 2017 and 2016 was estimated to be \$397,592 and \$608,204, respectively, due to the financial institution and is separately disclosed in the combined balance sheets. The change in fair value of the interest rate swap resulted in a gain of \$210,612 and a loss of \$101,657 for the year ended June 30, 2017 and 2016, and is separately disclosed as a component of the combined statement of operations and changes in net assets. The fair value of the interest rate swap is the estimated amount the Organization would receive or pay to terminate the interest rate swap agreement at the reporting date, taking into account current interest rates and the current creditworthiness of the swap counterparty. The Organization may be exposed to credit loss in the event of nonperformance by the other party to the interest rate swap agreement. However, the Organization does not anticipate nonperformance as its counterparty is rated A2 by Moody's. The swap counterparty is PNC Bank.

**GAUDENZIA, INC. AND GAUDENZIA FOUNDATION, INC.**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**

**NOTE 6 RETIREMENT PLANS**

Gaudenzia, Inc. and Gaudenzia Foundation, Inc. maintain a defined contribution retirement plan under Section 403(b) of the Internal Revenue Code for all eligible employees. To be eligible to receive matching contributions, employees must have attained the age of 21, worked 1,000 or more hours during the plan year, and be employed on the last day of the plan year. All employees are permitted to contribute up to the limits permitted under tax laws, and Gaudenzia, Inc. and Gaudenzia Foundation, Inc. contribute one-half of the employee's contribution up to 5% of the employee's salary. Retirement plan expense amounted to \$510,685 and \$485,431 in 2017 and 2016, respectively.

Gaudenzia Erie, Inc. (Erie) has a defined contribution retirement plan for all full-time employees who have reached 21 years of age with at least two years of service. Erie's contributions are voluntary and are at the discretion of the board of directors and management. Erie's contributions are allocated among the eligible employees in direct proportion to their compensation. During the year ended June 30, 2017 and 2016, Erie's contributions to the plan amounted to \$117,681 and \$96,646, respectively.

Gaudenzia-DRC, Inc. has a defined contribution plan for all full-time employees. Expense for the years ended June 30, 2017 and 2016 totaled \$86,438 and \$105,865, respectively.

**NOTE 7 COMMITMENTS AND CONTINGENCIES**

**Legal Matters**

The Organization is from time to time subject to routine legal proceedings and claims that arise in the ordinary course of its business. In the opinion of management, after consultation with outside legal counsel, the ultimate disposition of such proceedings is adequately covered by commercial insurance or will not have a materially adverse effect on the Organization's combined financial statements.

**Medical Malpractice Claims**

The Organization, which currently maintains an internal risk management program and carries claims-made malpractice insurance coverage, has estimated no losses for liabilities relating to asserted and unasserted malpractice claims not covered by malpractice insurance based on its own past experience and industry experience data.

**NOTE 8 TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consist of affordable housing subsidiaries that Gaudenzia Foundation, Inc. has received from various funders, which were used for the construction or renovation of transitional housing units that are offered to clients. The subsidies are restricted for use in renovating the properties. Once renovated, the Organization has to provide housing for low-income individuals for a period of time, ranging from 15 to 30 years. If Gaudenzia Foundation, Inc. does not maintain the required low-income housing, then the funding agency may require repayment of the amount provided together with related interest.

**GAUDENZIA, INC. AND GAUDENZIA FOUNDATION, INC.**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**

**NOTE 8 TEMPORARILY RESTRICTED NET ASSETS (CONTINUED)**

For the years ended June 30, 2017 and 2016, Gaudenzia Foundation, Inc. received subsidies of \$2,981,783 and \$3,300,000, respectively, which were recorded in the combined financial statements as temporarily restricted capital grant revenues.

In addition to the housing subsidies, the Organization receives other contributions and grants for various program support, which are restricted by donors. For the years ended June 30, 2017 and 2016 the Organization received \$156,119 and \$593,896, respectively, of contributions and grants restricted for program support, which were recorded in the combined financial statements as temporarily restricted contributions and grants revenue.

As of June 30, 2017 and 2016, temporarily restricted net assets consisted of the following:

Housing Facility	2017	2016
Concord Place	\$ 110,000	\$ 110,000
Winner	350,000	350,000
Fountain Springs	1,225,000	1,225,000
Fresh Start	500,000	500,000
Gibson Boulevard	950,000	950,000
Venango	1,900,000	1,900,000
Shelton Court	4,435,000	4,435,000
Thompson Street	1,390,000	1,390,000
Integrity House York	600,000	600,000
Women and Children's Center Baltimore	3,850,000	3,850,000
Delta House	800,000	525,000
Vantage	300,000	300,000
Park Heights Project	3,500,000	3,500,000
1822 Housing LP	1,480,000	-
Claymont	720,000	-
Common Ground	506,783	-
Total Housing Facility	22,616,783	19,635,000
<hr/>		
Other Program Grants		
St. Mary's	50,000	32,782
Eastern Montco Outpatient	-	173,896
Chambers Hill / Common Ground	-	100,000
Stabler Foundation - Vehicles	-	70,000
Delta	12,000	-
Concord Place	85,000	-
Partnership for Better Health	4,119	-
Total	151,119	376,678
Total Temporarily Restricted Net Assets	\$ 22,767,902	\$ 20,011,678

**GAUDENZIA, INC. AND GAUDENZIA FOUNDATION, INC.**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**

**NOTE 9 FUNCTIONAL EXPENSES**

The Organization provides services to individuals from around the country. The costs of providing the various programs and other activities have been summarized on a functional basis. Accordingly, certain management and general expenses comprising administrative overhead were allocated to each program based on the ratio of clinical salaries for each program to total clinical salaries. The following are the functional expenses for the year ended June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Program Operations	\$ 76,638,199	\$ 73,187,016
Administrative and General	11,359,631	13,230,456
Fundraising	611,460	624,941
Total	<u>\$ 88,609,290</u>	<u>\$ 87,042,413</u>

**NOTE 10 FAIR VALUE OF FINANCIAL INSTRUMENTS**

The Organization adopted ASC 820, *Fair Value Measurements*, which requires enhanced disclosures about assets and liabilities that are measured and reported at fair value. ASC 820 emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, ASC 820 establishes a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy). The three levels of the fair value hierarchy under ASC 820 are described below:

*Level 1* – Inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities;

*Level 2* – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs may include quoted prices for similar assets and liabilities in active markets, as well as inputs that are observable for the asset or liability (other than quoted prices), such as interest rates, foreign exchange rates, and yield curves that are observable at commonly quoted intervals;

*Level 3* – Inputs are unobservable inputs for the asset or liability, which is typically based on an entity's own assumptions, as there is little, if any, related market activity.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The Organization's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

**GAUDENZIA, INC. AND GAUDENZIA FOUNDATION, INC.**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**

**NOTE 10 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)**

Financial assets and liabilities carried at fair value are classified in the table below in one of the categories described above:

	2017		
	Level 1	Level 2	Total
<b>Assets:</b>			
Assets Limited as to Use	\$ 210,174	\$ -	\$ 210,174
Mutual Funds	275,371	-	275,371
Total Assets	<u>\$ 485,545</u>	<u>\$ -</u>	<u>\$ 485,545</u>
<b>Liabilities:</b>			
Interest Rate Swap	\$ -	\$ 397,592	\$ 397,592
Total Liabilities	<u>\$ -</u>	<u>\$ 397,592</u>	<u>\$ 397,592</u>
	2016		
	Level 1	Level 2	Total
<b>Assets:</b>			
Assets Limited as to Use	\$ 195,212	\$ -	\$ 195,212
Mutual Funds	254,141	-	254,141
Total Assets	<u>\$ 449,353</u>	<u>\$ -</u>	<u>\$ 449,353</u>
<b>Liabilities:</b>			
Interest Rate Swap	\$ -	\$ 608,204	\$ 608,204
Total Liabilities	<u>\$ -</u>	<u>\$ 608,204</u>	<u>\$ 608,204</u>

The Organization had no assets or liabilities that were classified as Level 3 inputs in the fair value hierarchy.

**Assets Limited as to Use**

Assets limited as to use (ALATU) under bond indenture are trustee-held funds designated for the payment of principal due on bonds and consist primarily of short-term liquid investments such as money markets and treasury notes. ALATU are reported at fair value which approximates cost and are considered to be Level 1 in the hierarchy.

**Mutual Funds**

These funds are primarily equity securities and fixed income investments with readily available market prices, and are included in cash and cash equivalents on the accompanying balance sheet.

**GAUDENZIA, INC. AND GAUDENZIA FOUNDATION, INC.  
NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

**NOTE 10 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)**

**Interest Rate Swap**

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

**NOTE 11 RESTATEMENT OF OPENING NET ASSETS**

Net assets as of July 1, 2015 were restated to record affordable housing subsidies received during fiscal year 2015. The Organization received the subsidies for construction and /or renovation of properties used for its programs. Management determined these subsidies should be recognized at the time the terms and conditions of the underlying subsidy grant agreements were met. These funds are temporarily restricted contributions due to the third party restrictions placed on these grants.

As a result, management reclassified \$330,033 of net assets from unrestricted to temporarily restricted as of July 1, 2015, and recognized an additional \$834,967 in temporarily restricted contributions which increased related accounts receivable and temporarily restricted net assets as of July 1, 2015. The net effect on net assets as of July 1, 2015 was an increase of \$834,967.



**GAUDENZIA, INC. AND GAUDENZIA FOUNDATION, INC.**  
**COMBINING BALANCE SHEET**  
**JUNE 30, 2017**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

ASSETS	Gaudenzia, Inc.	Gaudenzia, Foundation, Inc.	Combined
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	\$ 518,649	\$ 1,675,986	\$ 2,194,635
Restricted Cash:			
Client Custodial Funds	21,754	24,255	46,009
Donor Restricted	-	80,000	80,000
Assets Limited as to Use under Bond Indenture Agreement - Held by Trustee	-	210,174	210,174
Accounts Receivable for Program Services Less Allowance of \$3,254,586	11,420,111	3,430,645	14,850,756
Grants Receivable	-	3,371,810	3,371,810
Due from (to) Related Parties	1,776,879	(1,776,879)	-
Other Current Assets	15,475	337,197	352,672
Prepaid Expenses	-	63,348	63,348
Total Current Assets	<u>13,752,868</u>	<u>7,416,536</u>	<u>21,169,404</u>
<b>NONCURRENT ASSETS</b>			
Other Receivables, Net	-	2,359,737	2,359,737
Property and Equipment, Net	-	48,248,255	48,248,255
Goodwill, Net	-	1,440,964	1,440,964
Total Noncurrent Assets	<u>-</u>	<u>52,048,956</u>	<u>52,048,956</u>
Total Assets	<u>\$ 13,752,868</u>	<u>\$ 59,465,492</u>	<u>\$ 73,218,360</u>
<b>LIABILITIES AND NET ASSETS</b>			
<b>CURRENT LIABILITIES</b>			
Line of Credit	\$ -	\$ 1,500,000	\$ 1,500,000
Current Portion of Long-Term Debt	-	1,325,564	1,325,564
Accounts Payable	2,533,518	1,224,052	3,757,570
Accrued Expenses	3,837,861	1,015,517	4,853,378
Deferred Revenue	733,075	115,627	848,702
Client Custodial Funds	21,754	24,255	46,009
Total Current Liabilities	<u>7,126,208</u>	<u>5,205,015</u>	<u>12,331,223</u>
<b>NONCURRENT LIABILITIES</b>			
Interest Rate Swap	-	397,592	397,592
Long-Term Debt, Net of Current Portion	-	14,143,698	14,143,698
Total Noncurrent Liabilities	<u>-</u>	<u>14,541,290</u>	<u>14,541,290</u>
Total Liabilities	7,126,208	19,746,305	26,872,513
<b>NET ASSETS</b>			
Unrestricted	6,475,541	17,102,404	23,577,945
Temporarily Restricted	151,119	22,616,783	22,767,902
Total Net Assets	<u>6,626,660</u>	<u>39,719,187</u>	<u>46,345,847</u>
Total Liabilities and Net Assets	<u>\$ 13,752,868</u>	<u>\$ 59,465,492</u>	<u>\$ 73,218,360</u>

**GAUDENZIA, INC. AND GAUDENZIA FOUNDATION, INC.**  
**COMBINING BALANCE SHEET**  
**JUNE 30, 2016**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

<b>ASSETS</b>	Gaudenzia, Inc.	Gaudenzia, Foundation, Inc.	Combined
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	\$ 1,110,579	\$ 1,030,187	\$ 2,140,766
Restricted Cash:			
Client Custodial Funds	83,837	58,250	142,087
Donor Restricted	-	111,543	111,543
Assets Limited as to Use under Bond Indenture Agreement - Held by Trustee	-	195,212	195,212
Accounts Receivable for Program Services Less Allowance of \$2,287,376	12,702,347	3,679,550	16,381,897
Grants Receivable	-	4,268,029	4,268,029
Due from (to) Related Parties	(154,169)	154,169	-
Other Current Assets	15,475	1,224,637	1,240,112
Prepaid Expenses	22,500	116,706	139,206
Total Current Assets	13,780,569	10,838,283	24,618,852
<b>NONCURRENT ASSETS</b>			
Other Receivables, Net	-	1,677,615	1,677,615
Property and Equipment, Net	-	43,327,388	43,327,388
Goodwill, Net	-	1,440,964	1,440,964
Total Noncurrent Assets	-	46,445,967	46,445,967
 Total Assets	\$ 13,780,569	\$ 57,284,250	\$ 71,064,819
<b>LIABILITIES AND NET ASSETS</b>			
<b>CURRENT LIABILITIES</b>			
Line of Credit	\$ -	\$ 2,628,626	\$ 2,628,626
Current Portion of Long-Term Debt	-	1,187,402	1,187,402
Accounts Payable	3,630,446	1,297,791	4,928,237
Accrued Expenses	3,536,759	852,418	4,389,177
Deferred Revenue	-	55,379	55,379
Client Custodial Funds	93,895	51,091	144,986
Total Current Liabilities	7,261,100	6,072,707	13,333,807
<b>NONCURRENT LIABILITIES</b>			
Interest Rate Swap	-	608,204	608,204
Long-Term Debt, Net of Current Portion	-	14,956,382	14,956,382
Total Noncurrent Liabilities	-	15,564,586	15,564,586
 Total Liabilities	7,261,100	21,637,293	28,898,393
<b>NET ASSETS</b>			
Unrestricted	6,519,469	15,635,279	22,154,748
Temporarily Restricted	-	20,011,678	20,011,678
Total Net Assets	6,519,469	35,646,957	42,166,426
 Total Liabilities and Net Assets	\$ 13,780,569	\$ 57,284,250	\$ 71,064,819

**GAUDENZIA, INC. AND GAUDENZIA FOUNDATION, INC.**  
**COMBINING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS**  
**YEAR ENDED JUNE 30, 2017**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	Gaudenzia, Inc.	Gaudenzia, Foundation, Inc.	Eliminations	Combined
<b>REVENUES, NET</b>				
Gross Program Service Revenues	\$ 69,180,121	\$ 23,465,691	\$ (4,307,769)	\$ 88,338,043
Provision for Bad Debts	(3,122,520)	(418,349)	-	(3,540,869)
Total Net Program Service Revenues	<u>66,057,601</u>	<u>23,047,342</u>	<u>(4,307,769)</u>	<u>84,797,174</u>
Contributions and Grants	631,091	647,838	(3,000)	1,275,929
Capital Grants and Other Revenue	1,846,928	5,887,252	(1,229,184)	6,504,996
Total Revenues, Net	<u>68,535,620</u>	<u>29,582,432</u>	<u>(5,539,953)</u>	<u>92,578,099</u>
<b>EXPENSES</b>				
Salaries and Wages	32,933,447	10,054,817	-	42,988,264
Employee Benefits	10,994,901	4,224,064	-	15,218,965
Medical Professional	3,840,159	628,247	-	4,468,406
Supplies and Other	20,586,845	7,964,939	(5,539,953)	23,011,831
Depreciation	-	2,309,093	-	2,309,093
Interest	73,077	539,654	-	612,731
Total Expenses	<u>68,428,429</u>	<u>25,720,814</u>	<u>(5,539,953)</u>	<u>88,609,290</u>
<b>OPERATING INCOME</b>	107,191	3,861,618	-	3,968,809
<b>CHANGE IN FAIR VALUE OF INTEREST RATE SWAP</b>	-	210,612	-	210,612
<b>EXCESS OF REVENUES OVER EXPENSES AND CHANGE IN NET ASSETS</b>	107,191	4,072,230	-	4,179,421
Net Assets - Beginning of Year	<u>6,519,469</u>	<u>35,646,957</u>	-	<u>42,166,426</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 6,626,660</u>	<u>\$ 39,719,187</u>	<u>\$ -</u>	<u>\$ 46,345,847</u>

**GAUDENZIA, INC. AND GAUDENZIA FOUNDATION, INC.**  
**COMBINING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS**  
**YEAR ENDED JUNE 30, 2016**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	Gaudenzia, Inc.	Gaudenzia, Foundation, Inc.	Eliminations	Combined
<b>REVENUES, NET</b>				
Gross Program Service Revenues	\$ 66,726,671	\$ 22,730,020	\$ -	\$ 89,456,691
Provision for Bad Debts	(1,774,681)	(381,995)	-	(2,156,676)
Total Net Program Service Revenues	<u>64,951,990</u>	<u>22,348,025</u>	-	<u>87,300,015</u>
Contributions and Grants	657,863	625,343	-	1,283,206
Capital Grants and Other Revenue	2,836,255	6,747,603	(5,868,708)	3,715,150
Total Revenues, Net	<u>68,446,108</u>	<u>29,720,971</u>	<u>(5,868,708)</u>	<u>92,298,371</u>
<b>EXPENSES</b>				
Salaries and Wages	32,777,208	9,409,033	-	42,186,241
Employee Benefits	11,980,159	3,913,090	-	15,893,249
Medical Professional	3,125,641	771,554	-	3,897,195
Supplies and Other	20,371,779	7,777,680	(5,868,708)	22,280,751
Depreciation	-	2,209,592	-	2,209,592
Interest	55,340	520,045	-	575,385
Total Expenses	<u>68,310,127</u>	<u>24,600,994</u>	<u>(5,868,708)</u>	<u>87,042,413</u>
<b>OPERATING INCOME</b>	135,981	5,119,977	-	5,255,958
<b>CHANGE IN FAIR VALUE OF INTEREST RATE SWAP</b>	-	(101,657)	-	(101,657)
<b>EXCESS OF REVENUES OVER EXPENSES AND CHANGE IN NET ASSETS</b>	135,981	5,018,320	-	5,154,301
Net Assets - Beginning of Year, as Restated	<u>6,383,488</u>	<u>30,628,637</u>	-	<u>37,012,125</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 6,519,469</u>	<u>\$ 35,646,957</u>	<u>\$ -</u>	<u>\$ 42,166,426</u>

**GAUDENZIA, INC. AND GAUDENZIA FOUNDATION, INC.**  
**COMBINING STATEMENT OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 2017**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	Gaudenzia, Inc.	Gaudenzia, Foundation, Inc.	Combined
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Changes in Net Assets	\$ 107,191	\$ 4,072,230	\$ 4,179,421
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:			
Depreciation	-	2,309,093	2,309,093
Amortization of Deferred Financing Costs	-	46,560	46,560
Change in Fair Value of Interest Rate Swap	-	(210,612)	(210,612)
Provision for Bad Debts	3,122,520	418,349	3,540,869
Contributions Restricted for Long-Term Purposes	-	5,029,412	5,029,412
(Increase) Decrease in Assets:			
Restricted Cash	62,083	65,538	127,621
Assets Limited as to Use under Bond Indenture Agreement - Held by Trustee	-	(14,962)	(14,962)
Accounts Receivable for Program Services	(1,840,284)	(169,444)	(2,009,728)
Grants Receivable	-	896,219	896,219
Due from Related Party	(1,931,048)	1,931,048	-
Other	-	887,440	887,440
Prepaid Expenses	22,500	53,358	75,858
Other Receivables	-	(682,122)	(682,122)
(Decrease) Increase in Liabilities:			
Accounts Payable	(1,096,928)	(73,739)	(1,170,667)
Accrued Expenses	301,102	163,099	464,201
Client Custodial Funds	733,075	60,248	793,323
Deferred Revenue	(72,141)	(26,836)	(98,977)
Net Cash Provided (Used) by Operating Activities	<u>(591,930)</u>	<u>14,754,879</u>	<u>14,162,949</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of Property and Equipment	-	(7,229,960)	(7,229,960)
Net Cash Used by Investing Activities	<u>-</u>	<u>(7,229,960)</u>	<u>(7,229,960)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayments and Borrowings on Line of Credit, Net	-	(1,128,626)	(1,128,626)
Borrowings of Long-Term Debt	-	500,000	500,000
Repayment of Long-Term Debt	-	(1,221,082)	(1,221,082)
Contributions Restricted for Long-Term Purposes	-	(5,029,412)	(5,029,412)
Net Cash Used by Financing Activities	<u>-</u>	<u>(6,879,120)</u>	<u>(6,879,120)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(591,930)	645,799	53,869
Cash and Cash Equivalents - Beginning of Year	<u>1,110,579</u>	<u>1,030,187</u>	<u>2,140,766</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 518,649</u>	<u>\$ 1,675,986</u>	<u>\$ 2,194,635</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>			
Cash Paid During the Year for Interest	<u>\$ 73,077</u>	<u>\$ 493,094</u>	<u>\$ 566,171</u>

**GAUDENZIA, INC. AND GAUDENZIA FOUNDATION, INC.**  
**COMBINING STATEMENT OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 2016**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	Gaudenzia, Inc.	Gaudenzia, Foundation, Inc.	Combined
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Changes in Net Assets	\$ 135,981	\$ 5,018,320	\$ 5,154,301
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:			
Depreciation	-	2,209,592	2,209,592
Amortization of Deferred Financing Costs	-	9,950	9,950
Change in Fair Value of Interest Rate Swap	-	101,657	101,657
Provision for Bad Debts	1,774,681	381,995	2,156,676
Contributions Restricted for Long-Term Purposes	-	3,773,871	3,773,871
(Increase) Decrease in Assets:			
Restricted Cash	26,158	(27,152)	(994)
Accounts Receivable for Program Services	(2,822,967)	2,980,556	157,589
Grants Receivable	-	(3,949,273)	(3,949,273)
Other	(3,725)	(3,952,840)	(3,956,565)
Prepaid Expenses	(15,497)	357,898	342,401
Other Receivables	-	(1,495,138)	(1,495,138)
(Decrease) Increase in Liabilities:			
Accounts Payable	940,047	203,216	1,143,263
Accrued Expenses	383,270	261,343	644,613
Due to Related Party	202,357	(202,357)	-
Deferred Revenue	(115,000)	164,582	49,582
Client Custodial Funds	(16,101)	-	(16,101)
Net Cash Provided by Operating Activities	489,204	5,836,220	6,325,424
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of Property and Equipment	-	(2,984,902)	(2,984,902)
Change in Assets Limited as to Use, Net	-	-	-
Net Cash Used by Investing Activities	-	(2,984,902)	(2,984,902)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Borrowings on Line of Credit, Net	-	1,937,463	1,937,463
Repayment of Long-Term Debt	(542,751)	(1,117,307)	(1,660,058)
Contributions Restricted for Long-Term Purposes	-	(3,773,871)	(3,773,871)
Net Cash Used by Financing Activities	(542,751)	(2,953,715)	(3,496,466)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(53,547)	(102,397)	(155,944)
Cash and Cash Equivalents - Beginning of Year	1,164,126	1,132,584	2,296,710
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 1,110,579	\$ 1,030,187	\$ 2,140,766
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>			
Cash Paid During the Year for Interest	\$ 55,330	\$ 468,549	\$ 523,879



Investment advisory services are offered through CliftonLarsonAllen  
Wealth Advisors, LLC, an SEC-registered investment advisor.





**TABLE B. PROJECT BUDGET - NOT APPLICABLE**

*INSTRUCTION: Estimates for Capital Costs (1.a-e), Financing Costs and Other Cash Requirements (2.a-g), and Working Capital Startup Costs (3) must reflect current costs as of the date of application and include all costs for construction and renovation. Explain the basis for construction cost estimates, renovation cost estimates, contingencies, interest during construction period, and inflation in an attachment to the application. If the project involves services other than level III.7 and III.7D explain the allocation of costs on the levels. NOTE: Inflation should only be included in the Inflation allowance line A.1.e. The value of donated land for the project should be included on Line A.1.d as a funds and on line B.8 as a source of funds*

	III.7 and III.7D	RESIDENTIAL	TOTAL
<b>A. USE OF FUNDS</b>			
<b>1. CAPITAL COSTS</b>			
<b>a. New Construction</b>			
(1) Building			\$0
(2) Fixed Equipment			\$0
(3) Site and Infrastructure			\$0
(4) Architect/Engineering Fees			\$0
(5) Permits (Building, Utilities, Etc.)			\$0
<b>SUBTOTAL</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>b. Renovations</b>			
(1) Building			\$0
(2) Fixed Equipment (not included in construction)			\$0
(3) Architect/Engineering Fees			\$0
(4) Permits (Building, Utilities, Etc.)			\$0
<b>SUBTOTAL</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>c. Other Capital Costs</b>			
(1) Movable Equipment			\$0
(2) Contingency Allowance			\$0
(3) Gross interest during construction period			\$0
(4) Other (Specify/add rows if needed)			\$0
<b>SUBTOTAL</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>TOTAL CURRENT CAPITAL COSTS</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>d. Land Purchase</b>			\$0
<b>e. Inflation Allowance</b>			\$0
<b>TOTAL CAPITAL COSTS</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>2. Financing Cost and Other Cash Requirements</b>			
a. Loan Placement Fees			\$0
b. Bond Discount			\$0
c. CON Application Assistance			\$0
c1. Legal Fees			\$0
c2. Other (Specify/add rows if needed)			
d. Non-CON Consulting Fees			\$0
d1. Legal Fees			\$0
d2. Other (Specify/add rows if needed)			\$0
e. Debt Service Reserve Fund			\$0
i. Other (Specify/add rows if needed)			\$0
<b>SUBTOTAL</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>3. Working Capital Startup Costs</b>			\$0
<b>TOTAL USES OF FUNDS</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>B. Sources of Funds</b>			
1. Cash			\$0
2. Philanthropy (to date and expected)			\$0
3. Authorized Bonds			\$0
4. Interest Income from bond proceeds listed in #3			\$0
5. Mortgage			\$0
6. Working Capital Loans			\$0
7. Grants or Appropriations			\$0
a. Federal			\$0
b. State			\$0
c. Local			\$0
8. Other (Specify/add rows if needed)			\$0
<b>TOTAL SOURCES OF FUNDS</b>			<b>\$0</b>
	<b>III.7 and III.7D</b>	<b>RESIDENTIAL</b>	<b>TOTAL</b>
<b>Annual Lease Costs (if applicable)</b>			
1. Land			\$0
2. Building			\$0
3. Major Movable Equipment			\$0
4. Minor Movable Equipment			\$0
Other (Specify/add rows if needed)			\$0

\* Describe the terms of the lease(s) below, including information on the fair market value of the item(s), and the number of years, annual cost, and the interest rate for the lease.

**TABLE C. STATISTICAL PROJECTIONS - ENTIRE FACILITY**

**INSTRUCTION:** Complete this table for the entire facility, including the proposed project. Indicate on the table if the reporting period is Calendar Year (CY) or Fiscal Year (FY). For sections 4 & 5, the number of beds and occupancy percentage should be reported on the basis of licensed beds. In an attachment to the application, provide an explanation or basis for the projections and specify all assumptions used. Applicants must explain why the assumptions are reasonable.

Indicate CY or FY	Two Most Recent Years (Actual)		Current Year Projected	Projected Years (ending at least two years after project completion and full occupancy) include additional years, if needed in order to be consistent with Tables G and H.							
	FY 16	FY 17		FY 18	FY 19	FY 20	FY 21	FY 22	FY 23	FY 25	FY 26
<b>1. DISCHARGES</b>											
a. Residential	86	160	210	260	260	260	260	260	260	260	260
b. III.7 and III.7D	0	0	241	311	311	311	311	311	311	311	311
c. Other (Specify/add rows of needed)											
<b>TOTAL DISCHARGES</b>	<b>86</b>	<b>160</b>	<b>451</b>	<b>571</b>	<b>571</b>	<b>571</b>	<b>571</b>	<b>571</b>	<b>571</b>	<b>571</b>	<b>571</b>
<b>2. PATIENT DAYS</b>											
a. Residential	9,976	22,214	27,930	34,580	34,580	34,580	34,580	34,580	34,580	34,580	34,580
b. III.7 and III.7D	0	0	4,850	7,952	7,952	7,952	7,952	7,952	7,952	7,952	7,952
c. Other (Specify/add rows of needed)											
<b>TOTAL PATIENT DAYS</b>	<b>9,976</b>	<b>22,214</b>	<b>32,780</b>	<b>42,532</b>	<b>42,532</b>	<b>42,532</b>	<b>42,532</b>	<b>42,532</b>	<b>42,532</b>	<b>42,532</b>	<b>42,532</b>
<b>3. AVERAGE LENGTH OF STAY (patient days divided by discharges)</b>											
a. Residential	116.0	138.8	133.0	133.0	133.0	133.0	133.0	133.0	133.0	133.0	133.0
b. III.7 and III.7D	0.0	0.0	20.1	25.6	25.6	25.6	25.6	25.6	25.6	25.6	25.6
c. Other (Specify/add rows of needed)	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
<b>TOTAL AVERAGE LENGTH OF STAY</b>	<b>116.0</b>	<b>138.8</b>	<b>72.7</b>	<b>74.5</b>	<b>74.5</b>	<b>74.5</b>	<b>74.5</b>	<b>74.5</b>	<b>74.5</b>	<b>74.5</b>	<b>74.5</b>
<b>4. NUMBER OF LICENSED BEDS</b>											
f. Rehabilitation	0	0									
g. Comprehensive Care	0	0									
h. Other 3.5 and 3.3	90	90	90	90	90	90	90	90	90	90	90
Crisis beds	0	10	10	10	10	10	10	10	10	10	10
Halfway House	5	5	25	25	25	25	25	25	25	25	20
<b>TOTAL LICENSED BEDS</b>	<b>95</b>	<b>95</b>	<b>140</b>	<b>140</b>	<b>140</b>	<b>140</b>	<b>140</b>	<b>140</b>	<b>140</b>	<b>140</b>	<b>90</b>
<b>5. OCCUPANCY PERCENTAGE *IMPORTANT NOTE: Leap year formulas should be changed by applicant to reflect 366 days per year.</b>											
a. Residential	78.9%	78.9%	85.0%	85.0%	85.0%	85.0%	85.0%	85.0%	85.0%	85.0%	85.0%
b. III.7 and III.7D	#DIV/0!	#DIV/0!	70.0%	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%
c. Other (Specify/add rows of needed)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>TOTAL OCCUPANCY %</b>	<b>28.8%</b>	<b>64.1%</b>	<b>64.1%</b>	<b>83.2%</b>	<b>83.2%</b>	<b>83.2%</b>	<b>83.2%</b>	<b>83.2%</b>	<b>83.2%</b>	<b>83.2%</b>	<b>129.5%</b>
<b>6. OUTPATIENT VISITS</b>											
a. Residential											
b. III.7 and III.7D											
c. Other (Specify/add rows of needed) PHP											
<b>TOTAL OUTPATIENT VISITS</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

\*include beds dedicated to gynecology and addictions, if separate for acute psychiatric unit.

# Gaudenzia In - Crownsville

**TABLE D. REVENUES & EXPENSES, UNINFLATED - ENTIRE FACILITY**

**INSTRUCTION:** Complete this table for the entire facility, including the proposed project. Table D should reflect current dollars (no inflation). Projected revenues and expenses should be consistent with the projections in Table C and with the costs of Manpower listed in Table G. Manpower. Indicate on the table if the reporting period is Calendar Year (CY) or Fiscal Year (FY). In an attachment to the application, provide an explanation or basis for the projections and specify all assumptions used. Applicants must explain why the assumptions are reasonable. Specify the sources of non-operating income.

Indicate CY or FY	Two Most Recent Years (Actual)		Current Year Projected	Projected Years (ending at least two years after project completion and full occupancy) Add columns if needed in order to document that the hospital will generate excess revenues over total expenses consistent with the Financial Feasibility standard.							
	FY 16	FY 17		FY 18	FY 19	FY 20	FY 21	FY 22	FY 24	FY 25	FY 26
<b>1. REVENUE</b>											
a. Inpatient Services	\$ 750,741	\$ 3,002,965	\$ 5,586,307	\$ 11,915,185	\$ 11,915,185	\$ 11,915,185	\$ 11,915,185	\$ 11,915,185	\$ 11,915,185	\$ 11,915,185	\$ 11,915,185
b. Outpatient Services											
<b>Gross Patient Service Revenues</b>	<b>\$ 750,741</b>	<b>\$ 3,002,965</b>	<b>\$ 5,586,307</b>	<b>\$ 11,915,185</b>	<b>\$ 11,915,185</b>	<b>\$ 11,915,185</b>	<b>\$ 11,915,185</b>	<b>\$ 11,915,185</b>	<b>\$ 11,915,185</b>	<b>\$ 11,915,185</b>	<b>\$ 11,915,185</b>
c. Allowance For Bad Debt	5%	\$ 150,148	\$ 279,315	\$ 595,759	\$ 595,759	\$ 595,759	\$ 595,759	\$ 595,759	\$ 595,759	\$ 595,759	\$ 595,759
d. Contractual Allowance											
e. Charity Care	5%	\$ 150,148	\$ 279,315	\$ 595,759	\$ 595,759	\$ 595,759	\$ 595,759	\$ 595,759	\$ 595,759	\$ 595,759	\$ 595,759
<b>Net Patient Services Revenue</b>	<b>\$ 750,741</b>	<b>\$ 2,702,669</b>	<b>\$ 5,027,677</b>	<b>\$ 10,723,667</b>	<b>\$ 10,723,667</b>	<b>\$ 10,723,667</b>	<b>\$ 10,723,667</b>	<b>\$ 10,723,667</b>	<b>\$ 10,723,667</b>	<b>\$ 10,723,667</b>	<b>\$ 10,723,667</b>
f. Other Operating Revenues (Specify/add rows if needed)											
<b>NET OPERATING REVENUE</b>	<b>\$ 750,741</b>	<b>\$ 2,702,669</b>	<b>\$ 5,027,677</b>	<b>\$ 10,723,667</b>	<b>\$ 10,723,667</b>	<b>\$ 10,723,667</b>	<b>\$ 10,723,667</b>	<b>\$ 10,723,667</b>	<b>\$ 10,723,667</b>	<b>\$ 10,723,667</b>	<b>\$ 10,723,667</b>
<b>2. EXPENSES</b>											
a. Salaries & Wages (including benefits)	\$278,034	\$ 556,068	\$ 1,009,500	\$ 4,379,040	\$ 4,379,040	\$ 4,379,040	\$ 4,379,040	\$ 4,379,040	\$ 4,379,040	\$ 4,379,040	\$ 4,379,040
b. Contractual Services	\$ 30,356	\$ 60,000	\$ 531,760	\$ 531,760	\$ 531,760	\$ 531,760	\$ 531,760	\$ 531,760	\$ 531,760	\$ 531,760	\$ 531,760
c. Interest on Current Debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
d. Interest on Project Debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
e. Current Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
f. Project Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
g. Current Amortization	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
h. Project Amortization	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
i. Supplies	\$267,629	\$ 1,022,382	\$ 928,208	\$ 928,208	\$ 928,208	\$ 928,208	\$ 928,208	\$ 928,208	\$ 928,208	\$ 928,208	\$ 928,208
j. Other Expenses (Specify/add rows if needed)	\$157,880	\$ 274,000	\$ 324,000	\$ 324,000	\$ 324,000	\$ 324,000	\$ 324,000	\$ 324,000	\$ 324,000	\$ 324,000	\$ 324,000
<b>TOTAL OPERATING EXPENSES</b>	<b>\$733,899</b>	<b>\$ 1,912,450</b>	<b>\$ 2,793,468</b>	<b>\$ 6,163,008</b>	<b>\$ 6,163,008</b>	<b>\$ 6,163,008</b>	<b>\$ 6,163,008</b>	<b>\$ 6,163,008</b>	<b>\$ 6,163,008</b>	<b>\$ 6,163,008</b>	<b>\$ 6,163,008</b>
<b>3. INCOME</b>											
a. Income From Operation	\$ 16,842	\$ 790,219	\$ 2,234,209	\$ 4,560,659	\$ 4,560,659	\$ 4,560,659	\$ 4,560,659	\$ 4,560,659	\$ 4,560,659	\$ 4,560,659	\$ 4,560,659
b. Non-Operating Income											
<b>SUBTOTAL</b>	<b>\$ 16,842</b>	<b>\$ 790,219</b>	<b>\$ 2,234,209</b>	<b>\$ 4,560,659</b>	<b>\$ 4,560,659</b>	<b>\$ 4,560,659</b>	<b>\$ 4,560,659</b>	<b>\$ 4,560,659</b>	<b>\$ 4,560,659</b>	<b>\$ 4,560,659</b>	<b>\$ 4,560,659</b>
c. Income Taxes											
<b>NET INCOME (LOSS)</b>	<b>\$ 16,842</b>	<b>\$ 790,219</b>	<b>\$ 2,234,209</b>	<b>\$ 4,560,659</b>	<b>\$ 4,560,659</b>	<b>\$ 4,560,659</b>	<b>\$ 4,560,659</b>	<b>\$ 4,560,659</b>	<b>\$ 4,560,659</b>	<b>\$ 4,560,659</b>	<b>\$ 4,560,659</b>

# Gaudenzia In - Crownsville

**TABLE D. REVENUES & EXPENSES, UNINFLATED - ENTIRE FACILITY**

**INSTRUCTION:** Complete this table for the entire facility, including the proposed project. Table D should reflect current dollars (no inflation). Projected revenues and expenses should be consistent with the projections in Table C and with the costs of Manpower listed in Table G. Manpower. Indicate on the table if the reporting period is Calendar Year (CY) or Fiscal Year (FY). In an attachment to the application, provide an explanation or basis for the projections and specify all assumptions used. Applicants must explain why the assumptions are reasonable. Specify the sources of non-operating income.

Indicate CY or FY	Two Most Recent Years (Actual)		Current Year Projected	Projected Years (ending at least two years after project completion and full occupancy) Add columns if needed in order to document that the hospital will generate excess revenues over total expenses consistent with the Financial Feasibility standard.							
	FY 16	FY 17		FY 18	FY 19	FY 20	FY 21	FY 22	FY 24	FY 25	FY 26
<b>4. PATIENT MIX</b>											
<b>a. Percent of Total Revenue</b>											
1) Medicare											
2) Medicaid			60.0%	70.0%	70.0%	70.0%	70.0%	70.0%	70.0%	70.0%	70.0%
3) Blue Cross											
4) Commercial Insurance											
5) Self-pay											
6) Other		100.0%	40.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%
<b>TOTAL</b>	<b>0.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>b. Percent of Equivalent Inpatient Days</b>											
1) Medicare											
2) Medicaid			60.0%	70.0%	70.0%	70.0%	70.0%	70.0%	70.0%	70.0%	70.0%
3) Blue Cross											
4) Commercial Insurance											
5) Self-pay											
6) Other		100.0%	40.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%
<b>TOTAL</b>	<b>0.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

**TABLE E. STATISTICAL PROJECTIONS - NEW FACILITY OR SERVICE**

**INSTRUCTION:** After consulting with Commission Staff, complete this table for the new facility or service (the proposed project). Indicate on the table if the reporting period is Calendar Year (CY) or Fiscal Year (FY). For sections 4 & 5, the number of beds and occupancy percentage should be reported on the basis of licensed beds. In an attachment to the application, provide an explanation or basis for the projections and specify all assumptions used. Applicants must explain why the assumptions are reasonable.

Indicate CY or FY	Two Most Recent Years (Actual)	Current Year Projected	Projected Years (ending at least two years after project completion and full occupancy) Include additional years, if needed in order to be consistent with Tables G and H.				
<b>1. DISCHARGES</b>							
a. Residential							
b. III.7 and III.7D							
c. Other (Specify)							
<b>TOTAL DISCHARGES</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	
<b>2. PATIENT DAYS</b>							
a. Residential							
b. III.7 and III.7D							
c. Other (Specify)							
<b>TOTAL PATIENT DAYS</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	
<b>3. AVERAGE LENGTH OF STAY (patient days divided by discharges)</b>							
a. Residential	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	
b. III.7 and III.7D	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	
c. Other (Specify)	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	
<b>TOTAL AVERAGE LENGTH OF STAY</b>	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	
<b>4. NUMBER OF LICENSED BEDS</b>							
f. Rehabilitation							
g. Comprehensive Care							
h. Other (Specify)							
<b>TOTAL LICENSED BEDS</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	
<b>5. OCCUPANCY PERCENTAGE *IMPORTANT NOTE: Leap year formulas should be changed by applicant to reflect 366 days per year.</b>							
a. Residential	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	
b. III.7 and III.7D	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	
c. Other (Specify)	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	
<b>TOTAL OCCUPANCY %</b>	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	
<b>6. OUTPATIENT VISITS</b>							
a. Residential							
b. III.7 and III.7D							
c. Other (Specify)							
<b>TOTAL OUTPATIENT VISITS</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	

\* Include beds dedicated to gynecology and addictions, if separate for acute psychiatric unit.

**TABLE F. REVENUES & EXPENSES, UNINFLATED - NEW FACILITY OR SERVICE**

**INSTRUCTION:** After consulting with Commission Staff, complete this table for the new facility or service (the proposed project). Table F should reflect current dollars (no inflation). Projected revenues and expenses should be consistent with the projections in Table E and with the costs of Manpower listed in Table G. Manpower. Indicate on the table if the reporting period is Calendar Year (CY) or Fiscal Year (FY). In an attachment to the application, provide an explanation or basis for the projections and specify all assumptions used. Applicants must explain why the assumptions are reasonable. Specify the sources of non-operating income.

Projected Years (ending at least two years after project completion and full occupancy) Add years, if needed in order to document that the hospital will generate excess revenues over total expenses consistent with the Financial Feasibility standard.									
Indicate CY or FY									
<b>1. REVENUE</b>									
a. Inpatient Services									
b. Outpatient Services									
<b>Gross Patient Service Revenues</b>	\$	-	\$	-	\$	-	\$	-	\$
c. Allowance For Bad Debt									
d. Contractual Allowance									
e. Charity Care									
<b>Net Patient Services Revenue</b>	\$	-	\$	-	\$	-	\$	-	\$
f. Other Operating Revenues (Specify)									
<b>NET OPERATING REVENUE</b>	\$	-	\$	-	\$	-	\$	-	\$
<b>2. EXPENSES</b>									
a. Salaries & Wages (including benefits)									
b. Contractual Services									
c. Interest on Current Debt									
d. Interest on Project Debt									
e. Current Depreciation									
f. Project Depreciation									
g. Current Amortization									
h. Project Amortization									
i. Supplies									
j. Other Expenses (Specify)									
<b>TOTAL OPERATING EXPENSES</b>	\$	-	\$	-	\$	-	\$	-	\$
<b>3. INCOME</b>									
a. Income From Operation	\$	-	\$	-	\$	-	\$	-	\$
b. Non-Operating Income									
<b>SUBTOTAL</b>	\$	-	\$	-	\$	-	\$	-	\$
c. Income Taxes									
<b>NET INCOME (LOSS)</b>	\$	-	\$	-	\$	-	\$	-	\$
<b>4. PATIENT MIX</b>									
<b>a. Percent of Total Revenue</b>									
1) Medicare									
2) Medicaid									
3) Blue Cross									
4) Commercial Insurance									
5) Self-pay									

**TABLE F. REVENUES & EXPENSES, UNINFLATED - NEW FACILITY OR SERVICE**

**INSTRUCTION:** After consulting with Commission Staff, complete this table for the new facility or service (the proposed project). Table F should reflect current dollars (no inflation). Projected revenues and expenses should be consistent with the projections in Table E and with the costs of Manpower listed in Table G. Manpower. Indicate on the table if the reporting period is Calendar Year (CY) or Fiscal Year (FY). In an attachment to the application, provide an explanation or basis for the projections and specify all assumptions used. Applicants must explain why the assumptions are reasonable. Specify the sources of non-operating income.

Projected Years (ending at least two years after project completion and full occupancy) Add years, if needed in order to document that the hospital will generate excess revenues over total expenses consistent with the Financial Feasibility standard.									
Indicate CY or FY									
6) Other									
<b>TOTAL</b>		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>b. Percent of Equivalent Inpatient Days</b>									
<b>Total MSGA</b>									
1) Medicare									
2) Medicaid									
3) Blue Cross									
4) Commercial Insurance									
5) Self-pay									
6) Other									
<b>TOTAL</b>		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

**TABLE G. WORKFORCE INFORMATION**

**INSTRUCTION:** List the facility's existing staffing and changes required by this project. Include all major job categories under each heading provided in the table. The number of Full Time Equivalents (FTEs) be calculated on the basis of 2,080 paid hours per year equals one FTE. In an attachment to the application, explain any factor used in converting paid hours to worked hours. Please ensure that the ions in this table are consistent with expenses provided in uninflated projections in Tables F and G.

Job Category	CURRENT ENTIRE FACILITY			PROJECTED CHANGES AS A RESULT OF THE PROPOSED PROJECT THROUGH THE LAST YEAR OF PROJECTION (CURRENT DOLLARS)			OTHER EXPECTED CHANGES IN OPERATIONS THROUGH THE LAST YEAR OF PROJECTION (CURRENT DOLLARS)			PROJECTED ENTIRE FACILITY THROUGH THE LAST YEAR OF PROJECTION (CURRENT DOLLARS)	
	Current Year FTEs	Average Salary per FTE	Current Year Total Cost	FTEs	Average Salary per FTE	Total Cost (should be consistent with projections in Table D, if submitted).	FTEs	Average Salary per FTE	Total Cost	FTEs	Total Cost (should be consistent with projections in Table D)
<b>1. Regular Employees</b>											
<i>Administration (List general categories, add rows if needed)</i>											
Division Director II	0.8	\$84,000	\$84,000	0.2	\$21,000	\$21,000			\$0	1.0	\$105,000
Program Director	1.0	\$65,000	\$65,000	2.0	\$70,000	\$140,000			\$0	3.0	\$205,000
Administrative Coordinator	2.0	\$33,000	\$66,000	2.0	\$40,000	\$160,000			\$0	4.0	\$226,000
Clinical Director	2.0	\$50,000	\$100,000	2.0	\$55,000	\$220,000			\$0	4.0	\$536,000
<b>Total Administration</b>	<b>5.8</b>		<b>\$315,000</b>	<b>6.2</b>		<b>\$541,000</b>			<b>\$0</b>	<b>12.0</b>	<b>\$856,000</b>
<i>Direct Care Staff (List general categories, add rows if needed)</i>											
Addiction Counselors	7.0	\$38,000	\$38,000	7.0	\$45,000	\$630,000			\$0	14.0	\$668,000
Mental Health Therapists	2.0	\$65,000	\$130,000	3.0	\$65,000	\$325,000			\$0	5.0	\$455,000
Intake Specialists	1.0	\$41,000	\$41,000	2.0	\$41,000	\$123,000			\$0	3.0	\$164,000
Nurses	1.5	\$63,000	\$63,000	9.0	\$73,000	\$766,500			\$0	10.5	\$829,500
<b>Total Direct Care</b>	<b>11.5</b>		<b>\$272,000</b>	<b>21.0</b>		<b>\$1,844,500</b>			<b>\$0</b>	<b>32.5</b>	<b>\$2,116,500</b>
<i>Support Staff (List general categories, add rows if needed)</i>											
House Managers	10.5	\$23,000	\$241,500	13.5	\$24,960	\$599,040			\$0	24.0	\$840,540
Cooks	2.0	\$29,000	\$58,000	0.5	\$16,000	\$16,000			\$0	2.5	\$74,000
Billing Specialists	1.0	\$41,000	\$41,000	3.0	\$45,000	\$135,000			\$0	4.0	\$176,000
Recovery Specialists	2.0	\$41,000	\$82,000	4.0	\$31,000	\$124,000			\$0	6.0	\$206,000
Director of Admissions				1.0	\$65,000	\$65,000				1.0	\$65,000
IT Support				1.0	\$45,000	\$45,000				1.0	\$45,000
<b>Total Support</b>	<b>15.5</b>		<b>\$422,500</b>	<b>23.0</b>	<b>\$226,960</b>	<b>\$226,960</b>			<b>\$0</b>	<b>38.5</b>	<b>\$1,406,540</b>
<b>REGULAR EMPLOYEES TOTAL</b>	<b>32.8</b>		<b>#####</b>			<b>\$0</b>			<b>\$0</b>	<b>83.0</b>	<b>\$4,379,040</b>
<b>2. Contractual Employees</b>											
<i>Administration (List general categories, add rows if needed)</i>											
			\$0			\$0			\$0	0.0	\$0
			\$0			\$0			\$0	0.0	\$0
			\$0			\$0			\$0	0.0	\$0
<b>Total Administration</b>			<b>\$0</b>			<b>\$0</b>			<b>\$0</b>	<b>0.0</b>	<b>\$0</b>
<i>Direct Care Staff (List general categories, add rows if needed)</i>											
Nurse Practitioner	0.0		\$0	1.0	\$117,000	\$117,000			\$0	1.0	\$117,000
Medical Director	0.2	\$68,460	\$68,460	0.3	\$102,960	\$102,960			\$0	0.5	\$171,420
Psychiatrist	0.1	\$40,560	\$40,560	0.4	\$202,780	\$202,780			\$0	0.5	\$243,340
			\$0			\$0			\$0	0.0	\$0
<b>Total Direct Care Staff</b>	<b>1.9</b>		<b>\$0</b>			<b>\$0</b>			<b>\$0</b>	<b>1.9</b>	<b>\$531,760</b>
<i>Support Staff (List general categories, add rows if needed)</i>											
			\$0			\$0			\$0	0.0	\$0
			\$0			\$0			\$0	0.0	\$0
			\$0			\$0			\$0	0.0	\$0
<b>Total Support Staff</b>			<b>\$0</b>			<b>\$0</b>			<b>\$0</b>	<b>0.0</b>	<b>\$0</b>
<b>CONTRACTUAL EMPLOYEES TOTAL</b>			<b>\$0</b>			<b>\$0</b>			<b>\$0</b>	<b>1.9</b>	<b>\$531,760</b>
<i>Benefits (State method of calculating benefits below):</i>											
<b>32% of Salary and Fringe</b>											
<b>TOTAL COST</b>	<b>32.8</b>		<b>#####</b>	<b>0.0</b>		<b>\$0</b>	<b>0.0</b>		<b>\$0</b>		<b>\$4,910,800</b>



Explanations for the Tables

- Table B: The building is leased to Gaudenzia for \$1 per year for 15 years (3-5 year renewable terms). Gaudenzia has renovated the building almost entirely at its own expense, approximately \$750,000. Anne Arundel County has financially contributed \$265,000 over the past 2 years, in two grants. We have no debt on the property and we maintain utilities and landscaping.
- Table C: The census assumptions are based on 17 years of experience managing a 3.7 and 3.7D program in Baltimore City very similar in size to what we hope to open in Crownsville. Until this fiscal year of length of stay 6.8 days for 3.7 D and 25 days for 3.7 care are based on that experience. In addition we can anticipate our completion and premature discharge numbers for Crownsville also from that experience and are staffing model is based on optimizing length of stay.
- Table D: Our revenue projections are based on the medicaid rates published by Beacon Health and our existing contracts with BHA (8507 Contract) as well as Anne Arundel County (Crisis beds and Halfway House). Our expenses are based on a combination of our existing program at Crownsville what we know the expenses to be for 3.7 and 3.7D at a similar sized program in Baltimore. The expenses for this upcoming fiscal year however are not completely known yet. Based on the new COMAR 10.63 regs we will be adding mental health therapists and urinalysis testing to the facility's budget. In addition until now there are many unknowns for us still based on the new regs, adjusting to fee for service billing via Beacon and understanding the increased flow of individuals into treatment from our recent addition of 10 Crisis beds. We must increase our salaries to regain competitive salaries with outpatient programs who received rate increases prior to the residential programs. In the next few months we anticipate adjusting our salaries significantly to hire the additional staff we will need to staff our programs and our expenses will increase significantly.
- Table E: Our staffing projections are based on the patient counselor ratios that exceed best practice expectations for each level of care. Eight to one for the 3.7D and 3.7 and 12 to one for 3.5 and 3.3 levels of care. A position that needs 24 hour staffing is calculated at 5.5 FTE's for a 24 hour period. We also always have male and female staff scheduled for every shift and have same sex staff for gender specific units such as the female Halfway house. There are staffing savings based on sharing Cooks, House Managers, Medical staff and billing specialists.