PSCH, Inc. and Affiliates

Combined Financial Statements and Supplementary Information

Year Ended June 30, 2014

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Supplementary Information
Year Ended June 30, 2014

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Contents

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Independent Auditor's Report

The Board of Directors
PSCH, Inc. and Affiliates
Flushing, New York

We have audited the accompanying combined financial statements of PSCH, Inc. and Affiliates ("PSCH and Affiliates"), which comprise the combined statement of financial position as of June 30, 2014, and the related combined statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's 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 auditor's 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.

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of PSCH, Inc. and Affiliates as of June 30, 2014, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The accompanying supplementary schedules 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.

Report on Summarized Comparative Information

We have previously audited PSCH, Inc. and Affiliates' 2013 combined financial statements and our report, dated January 30, 2014, expressed an unmodified opinion on those audited combined financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014 is consistent, in all material respects, with the audited combined financial statements from which it has been derived.

BDO USA, LLP

November 25, 2014

PSCH, Inc. and Affiliates

Combined Statement of Financial Position
(with comparative totals for 2013)

June 30,	**2014**	2013
Assets		
Current:		
Cash and cash equivalents	**$ 3,668,119**	$ 732,735
Investments, at fair value	**15,969,242**	16,354,271
Accounts receivable, net of allowance for doubtful accounts of $3,181,875 and $5,604,045	**14,400,494**	27,158,562
Prepaid expenses and other assets	**1,818,892**	1,707,275
Due from governmental agencies	**5,879,458**	4,393,436
Funds held for others	**684,657**	749,511
Total Current Assets	**42,420,862**	51,095,790
Deferred Financing Costs	**4,158,674**	4,505,020
Debt Service Reserve	**5,785,847**	6,120,554
Replacement Reserve	**22,335**	19,986
Assets Whose Use is Limited	**400,801**	347,359
Fixed Assets, Net	**64,981,056**	67,493,878
	$117,769,575	$129,582,587
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable and accrued expenses	**$ 11,590,989**	$ 12,640,890
Accrued compensation	**7,656,531**	8,664,234
Tenant deposits - held in trust	**1,132**	1,132
Due to governmental agencies, current portion	**3,772,097**	1,366,336
Funds held for others	**684,657**	749,511
Loans payable, current portion	**107,573**	112,797
Bonds payable, current portion	**770,971**	663,113
Mortgages payable, current portion	**1,979,056**	2,003,804
Lines of credit	**11,155,000**	8,232,945
Total Current Liabilities	**37,718,006**	34,434,762
Due to Governmental Agencies, Net of Current Portion	**11,781,440**	15,535,579
Loans Payable, Net of Current Portion	**1,562,429**	1,700,579
Bonds Payable , Net of Current Portion	**35,143,715**	36,011,752
Mortgages Payable, Net of Current Portion	**17,587,132**	19,711,477
Capital Advances From Funding Sources	**12,945,049**	12,476,728
Total Liabilities	**116,737,771**	119,870,877
Commitments and Contingencies		
Net Assets:		
Unrestricted	**1,031,804**	9,711,710
	$117,769,575	$129,582,587

See accompanying notes to combined financial statements.

PSCH, Inc. and Affiliates

Combined Statement of Activities
(with comparative totals for 2013)

Year ended June 30,	**2014**	2013
Revenue and Other Support:		
Fee for service	**$ 78,347,252**	$ 79,761,697
New York State and New York City	**14,941,891**	15,268,791
Medicare and other insurance	**10,617,361**	12,261,421
Janitorial services	**1,414,780**	1,191,195
Contract revenue	**6,546,873**	5,398,389
Client fees	**6,762,848**	6,062,764
Prior year income	**1,354,829**	2,730,921
Rental income	**61,371**	196,511
Total Revenue and Other Support	**120,047,205**	122,871,689
Expenses:		
Program services:		
Developmental disabilities services	**42,312,880**	39,477,061
Mental health services	**30,134,939**	26,683,751
Clinic services	**41,180,937**	40,602,423
Total Program Services	**113,628,756**	106,763,235
Supporting services:		
Management and general	**19,750,116**	21,533,761
Total Expenses	**133,378,872**	128,296,996
Change in Net Assets Before Support and Nonoperating Revenues	**(13,331,667)**	(5,425,307)
Support and Nonoperating Revenues:		
Contributions	**517,342**	368,123
Realized and unrealized gains on investments	**1,474,404**	720,609
Interest and dividend income	**401,663**	399,493
Other income	**1,719,014**	1,313,225
Total Support and Nonoperating Revenues	**4,112,423**	2,801,450
Change in Net Assets From Continuing Operations	**(9,219,244)**	(2,623,857)
Discontinued Operations	**(379,735)**	(248,696)
Gain on Sale of Fixed Assets	**919,073**	-
Change in Net Assets	**(8,679,906)**	(2,872,553)
Net Assets, Beginning of Year	**9,711,710**	12,584,263
Net Assets, End of Year	**$ 1,031,804**	$ 9,711,710

See accompanying notes to combined financial statements.

PSCH, Inc. and Affiliates

Combined Statement of Functional Expenses
(with comparative totals for 2013)

Year ended June 30,

	PSCH, Inc.											
	Program Services				Supporting Services						Combined Total	
	Developmental Disabilities Services	Mental Health Services	Clinic Services	Total Program Services	Management and General	Total	PCC	PKC	Other Affiliates	Eliminations	**2014**	2013
Salaries and Related Expenses:												
Salaries	$20,334,998	$10,196,426	$3,604,452	$34,135,876	$ 7,021,064	$41,156,940	$4,862,661	$14,205,975	$1,630,072	$ -	**$ 61,855,648**	$ 61,151,896
Payroll taxes and employee benefits	4,795,802	2,504,325	752,996	8,053,123	2,235,569	10,288,692	900,279	3,280,255	431,948	-	**14,901,174**	15,391,912
Total Salaries and Related Expenses	25,130,800	12,700,751	4,357,448	42,188,999	9,256,633	51,445,632	5,762,940	17,486,230	2,062,020	-	**76,756,822**	76,543,808
Other Expenses:												
Independent clinicians	400,856	294,678	2,395,371	3,090,905	64,035	3,154,940	830	119,203	-	-	**3,274,973**	2,476,522
Food and program supplies	1,884,580	1,520,796	42,119	3,447,495	39,571	3,487,066	43,881	737,327	846	-	**4,269,120**	4,771,283
Day habilitation expense	3,436,676	-	-	3,436,676	-	3,436,676	-	-	-	-	**3,436,676**	2,547,207
Consumer transportation	2,222,741	148,519	125,074	2,496,334	-	2,496,334	4,134	2,672	147,346	-	**2,650,486**	2,659,179
Repairs and maintenance	894,227	748,552	161,130	1,803,909	269,933	2,073,842	154,458	481,182	21,313	(682,242)	**2,048,553**	1,623,925
Travel and conferences	348,392	269,693	35,412	653,497	342,547	996,044	3,837	300,368	-	-	**1,300,249**	1,373,830
Insurance	1,241,343	571,028	119,528	1,931,899	353,723	2,285,622	124,818	391,436	9,009	-	**2,810,885**	2,474,532
Professional fees	-	11,685	63,824	75,509	1,400,523	1,476,032	388,421	1,056,275	101,398	(10,707)	**3,011,419**	3,399,483
Rent	408,384	6,850,035	364,520	7,622,939	619,657	8,242,596	100,388	2,071,453	42,568	(1,528,279)	**8,928,726**	7,749,629
Utilities	1,292,087	1,083,670	274,380	2,650,137	871,211	3,521,348	166,570	724,920	21,654	-	**4,434,492**	4,363,413
Interest expense	825,508	653,052	326,504	1,805,064	757,336	2,562,400	346,195	1,307,040	-	-	**4,215,635**	4,396,785
Interest expense - OMH projects	-	860,340	-	860,340	-	860,340	-	-	-	-	**860,340**	-
Computer operations	773,393	519,886	166,477	1,459,756	696,568	2,156,324	56,196	167,827	6,611	-	**2,386,958**	2,323,012
Supplies	70,893	74,731	44,128	189,752	166,189	355,941	52,174	60,712	106,217	-	**575,044**	649,234
Equipment rental	43,544	41,140	37,826	122,510	247,714	370,224	28,380	89,411	-	-	**488,015**	1,080,073
Facility tax assessment	809,669	-	-	809,669	-	809,669	-	-	-	-	**809,669**	814,847
Real estate taxes	13,992	177,766	20,463	212,221	3,227	215,448	-	-	-	-	**215,448**	170,931
Public relations	910	1,000	990	2,900	253,810	256,710	27,846	465	-	-	**285,021**	389,901
Miscellaneous	285,720	219,952	50,792	556,464	393,819	950,283	24,478	131,557	135,489	-	**1,241,807**	779,996
Payroll processing	-	-	-	-	6,436	6,436	-	-	-	-	**6,436**	414,150
Bad debt expense	816,168	996,687	732,905	2,545,760	-	2,545,760	458,176	2,483,138	-	-	**5,487,074**	3,193,558
Total Expenses Before Depreciation and Amortization	40,899,883	27,743,961	9,318,891	77,962,735	15,742,932	93,705,667	7,743,722	27,611,216	2,654,471	(2,221,228)	**129,493,848**	124,195,298
Depreciation and Amortization	1,307,596	884,970	188,066	2,380,632	508,049	2,888,681	354,072	620,378	21,893	-	**3,885,024**	4,101,698
Total Expenses	**$42,207,479**	**$28,628,931**	**$9,506,957**	**$80,343,367**	**$16,250,981**	**$96,594,348**	**$8,097,794**	**$28,231,594**	**$2,676,364**	**$(2,221,228)**	**$133,378,872**	$128,296,996

See accompanying notes to combined financial statements.

PSCH, Inc. and Affiliates

Combined Statement of Cash Flows
(with comparative totals for 2013)

Year ended June 30,	**2014**	2013
Cash Flows From Operating Activities:		
Change in net assets	**$(8,679,906)**	$(2,872,553)
Adjustment to reconcile change in assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	**3,885,024**	4,101,698
Bad debt expense	**5,487,074**	3,193,558
Unrealized gain on investments	**(713,531)**	(257,484)
Realized gain on investments	**(760,873)**	(463,125)
Loss on discontinued operations	**379,735**	248,696
Gain on sale of fixed assets	**(919,073)**	-
(Increase) decrease in:		
Accounts receivable	**4,301,841**	(11,479,632)
Other receivables	**-**	(23,285)
Prepaid expenses and other assets	**(327,587)**	162,388
Due from government agencies	**(1,486,022)**	824,160
Due from affiliates	**(737,552)**	-
Deferred financing costs	**142,106**	38,509
Assets whose use is limited	**34,577**	(285,095)
Funds held for others	**55,185**	-
Increase (decrease) in:		
Accounts payable and accrued expenses	**533,145**	38,406
Accrued compensation	**(1,007,703)**	(129,140)
Due to governmental agencies	**(1,348,378)**	(823,602)
Due to others	**45,509**	(400)
Due to (from) affiliates	**1,840,725**	(2,767)
Cash overdraft	**-**	129,894
Net Cash Provided By (Used In) Operating Activities	**724,296**	(7,599,774)
Cash Flows From Investing Activities:		
Purchases of investments	**(6,066,392)**	(11,531,981)
Proceeds from investments	**7,925,825**	12,254,112
Proceeds on sale of fixed assets	**1,226,210**	47,754
Replacement reserve	**(2,349)**	(3,517)
Purchase of fixed assets	**(1,445,247)**	(2,679,019)
Disposal of fixed assets	**53,273**	12,818
Net Cash Provided By (Used In) Investing Activities	**1,691,320**	(1,899,833)
Cash Flows From Financing Activities:		
Decrease in asset held for others	**-**	(400)
Repayment of loans payable	**(158,398)**	(177,857)
Proceeds from mortgages payable	**-**	1,338,446
Repayment of mortgages payable	**(2,149,093)**	(1,930,338)
Repayment of bonds payable	**(809,805)**	(618,761)
Proceeds from line of credit	**7,775,000**	4,702,000
Payments on lines of credit	**(4,852,945)**	(19,055)
Debt service reserve	**246,688**	-
Capital advance from funding source	**468,321**	1,346,280
Net Cash Provided By Financing Activities	**519,768**	4,640,315
Net Increase (Decrease) in Cash and Cash Equivalents	**2,935,384**	(4,859,292)
Cash and Cash Equivalents, Beginning of Year	**732,735**	5,592,027
Cash and Cash Equivalents, End of Year	**$ 3,668,119**	$ 732,735
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	**$ 2,562,202**	$ 2,464,301

See accompanying notes to combined financial statements.

1. Organization and Business

PSCH, Inc. is a comprehensive human service agency whose mission is to empower individuals and families with diverse needs to realize their full potential for achieving meaningful goals, guided by principles of independence, wellness, safety and recovery.

The accompanying combined financial statements include the following organizations (collectively "PSCH and Affiliates") which are related through common board membership:

- PSCH, Inc. ("PSCH") headquartered in Flushing, New York, and operating locations throughout the counties of Brooklyn, Queens, Bronx and Staten Island is a not-for-profit agency formed to provide services to individuals with developmental disabilities and persons with mental illness. The primary sources of revenue are service fees paid by the New York State Office for People With Developmental Disabilities ("OPWDD") and the Office of Mental Health ("OMH"). PSCH is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code ("IRC").

- Pederson-Krag Center ("PKC") was established to provide mental health and substance abuse diagnostic and treatment services for adults and children in various treatment modalities and at several locations in Suffolk County, New York. In addition, Pederson-Krag Real Property Holding Corporation (the "Corporation") was established to own, lease, purchase, construct or renovate real property to further the charitable purposes of PKC.

- Peninsula Counseling Center ("PCC") was established as a community mental health and alcoholism outpatient treatment center serving residents predominately residing in communities located in the southwest portion of Nassau County, New York.

- PSCH Clean Corp. ("PSCH Clean") is a for-profit, wholly-owned subsidiary of PSCH and performs industrial cleaning for various commercial clients employing the graduates of PSCH. The primary sources of revenue are private cleaning contracts. PSCH Clean also conducts training programs for individuals with mental illness and/or developmental disabilities, many of which graduate and are employed by PSCH Clean.

- PSCH 78TH Street Ozone Park Housing Development Fund Corporation ("Ozone Park"), organized under the Not-For-Profit Corporation Law of the State of New York, owns and operates condominiums for developmentally disabled persons. Ozone Park is a Section 811 project regulated by the United States Department of Housing and Urban Development ("HUD"). Ozone Park receives housing assistance payments for tenants, pursuant to Section 8 of the National Housing Act.

- Glendale Pharmacy, Inc. ("Glendale Pharmacy") is a for-profit, wholly-owned subsidiary of PSCH and is a registered pharmacy with the University of the State of New York Education Department. On February 22, 2013, the pharmacy was sold to Stat Rx Pharmacy, Inc. and is in the process of being wound down.

- PSCH New Jersey Inc. ("PSCH-NJ") is a not-for-profit agency which operated programs for individuals with developmental disabilities in the State of New Jersey. The primary sources of revenue had been service fees paid by the State of New Jersey Department of Human Services, Division of Developmental Disabilities ("NJDHS"). PSCH-NJ is exempt from Federal income tax under Section 501(c)(3) of the IRC. In June 2012, PSCH-NJ discontinued operations and is in the process of being wound down.

- Astrocare, Inc. ("Astrocare") was a diagnostic and treatment center designed to meet and coordinate the health needs of individuals with developmental disabilities and was supported primarily by clinic services paid by Medicaid. Astrocare is exempt from Federal income tax under Section 501(c)(3) of the IRC. In April 2012, Astrocare discontinued operations and is in the process of being wound down.

- Partnership for Organizational Excellence Inc. ("POE") is a for-profit, wholly-owned subsidiary of PSCH. POE provided consulting services to community-based organizations that improve performance, manage costs and address challenges and regulations in the healthcare industry. POE is currently not operational.

PSCH is related to three other organizations, PSCH Cypress Avenue Housing Development Fund Corporation ("Cypress Avenue"), Dewitt Supportive Housing, L.P. ("Dewitt") and Abbey Manor Special Needs Apartments, LP. ("Abbey"); however, they are not presented in these combined financial statements since they do not meet the criteria for combination. PSCH participates in OMH projects with these organizations and is a guarantor for the Abbey project.

Financial Condition

As shown in the accompanying combined financial statements, PSCH and Affiliates have incurred an operating loss (before support and nonoperating revenues) of approximately $13.3 million as of June 30 2014. PSCH and Affiliates overall had positive working capital of approximately $5.4 million; however, the Affiliates had a working capital deficiency of $7.6 million. Management has instituted plans to improve operations for the future, including refinancing of existing debt; service line analysis of non-performing businesses for possible elimination; revenue cycle reorganization; and review of insurance and benefit plans.

2. Summary of Significant Accounting Policies

Basis of Accounting

The combined financial statements of PSCH and Affiliates have been prepared on the accrual basis of accounting.

Use of Estimates

In preparing combined financial statements in conformity with U.S. generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combined financial statements, and revenues and expenses during the reporting period. Actual results will differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments purchased with a maturity of three months or less, other than those held in marketable securities portfolios and long-term investments.

Cash and cash equivalents are maintained with domestic financial institutions at a level to meet anticipated operating cash needs, and are maintained in Federal Deposit Insurance Corporation ("FDIC") insured accounts at credit qualified financial institutions. At times, such amounts may exceed the FDIC insurance limits. It is the policy of PSCH and Affiliates to monitor the strength of the financial institutions. Management does not believe the credit risk related to these deposits to be significant.

Investments and Assets Limited as to Use

Investment in equity securities with readily determinable fair values and all investments in debt securities are classified as trading securities, and are measured at fair value in the accompanying combined statement of financial position.

Assets limited as to use include assets set aside by PSCH for future long-term purposes.

Net investment income (including realized and unrealized gains on trading investments, interest and dividends) is included in the combined statement of activities in the caption, "change in net assets from continuing operations", unless the income is restricted by donor or law.

Accounts Receivable and Revenue

Accounts receivable have been adjusted to the estimated amounts expected to be collected. These estimated amounts are subject to further adjustments upon review by third party payors. Such receivables do not bear interest.

PSCH and Affiliates receive substantially all their revenue for services provided from third party reimbursement agencies. This revenue is based on predetermined rates and is subject to audit and retroactive adjustment by the respective third party or their fiscal intermediary. In the opinion of management, retroactive adjustments, if any, would not be material to the financial position or results of operations of PSCH and Affiliates. Total Medicaid revenue, which is included as fee for service revenue in the combined statement of activities, amounted to $78,347,252 as of June 30, 2014.

The allowance for doubtful accounts is based upon accounts specifically identified by management as to their uncertainty with regards to collectability. While management uses the best information available to make its evaluation, future adjustments to the allowance may be necessary if there are significant changes in economic conditions.

Deferred Financing Costs

Deferred financing costs relate to preoperative costs incurred by PSCH and Affiliates in opening new facilities to run programs. Medicaid and OPWDD advance PSCH and Affiliates for said costs based on a budget submitted prior to the start-up of the project. The final payment is based upon actual expenditures. Deferred financing costs are amortized over the lease term or contract period.

Fixed Assets

Fixed assets are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from 2 to 40 years. Leasehold improvements and equipment under capital leases are amortized over the lesser of the lease term or the estimated useful lives of the related assets. Such amortization is included in depreciation and amortization in the accompanying combined statement of functional expenses.

Leases are classified as capital or operating leases in accordance with the terms of the underlying lease agreement. Equipment under capital lease is recorded as assets and the related obligation as liabilities at the present value of future minimum lease payments. Lease payments under operating leases are charged directly to rental expense and are included in rent within the accompanying combined statement of functional expenses.

Impairment of Long-Lived Assets

Long-lived assets, such as property, equipment and purchased intangibles subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future net cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of would be separately presented in the statement of financial position and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The assets and liabilities of a disposed group classified as held for sale would be presented separately in the appropriate asset and liability sections of the combined statement of financial position. There were no impairment charges recognized for the year ended June 30, 2014.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use has been limited by donors to a specific time period or purpose. Generally, the donors of these assets restrict the income earned on related investments for a specific time period or purpose. Permanently restricted net assets have been restricted by the donors to be maintained in perpetuity.

Performance Indicator

The combined statement of activities includes change in net assets from continuing operations as the performance indicator. Other changes in unrestricted net assets, which are excluded from change in net assets from continuing operations, include discontinued operations and gain on sale of fixed assets.

Contributions

Unconditional promises to give include cash and other assets to PSCH and Affiliates and are reported at fair value at the date the promise is received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions upon which they depend are substantially met. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets.

Related Party Transactions

Certain entities provide services and advances to other entities within PSCH and Affiliates. These receivables are noninterest bearing and due on demand. The receivables and payables are eliminated in combination, as are any reserves created after evaluation of the related party’s ability to repay.

Income Tax Status

PSCH and most of its Affiliates are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. PSCH and Affiliates account for uncertain tax positions in accordance with Accounting Standards Codification (“ASC”) 740, “Income Taxes”. Management annually reviews its tax positions and has determined that there are no material uncertain tax positions that require recognition in the combined financial statements, using a threshold of more likely than not of being sustained.

Cost Allocation Methodology

Common costs incurred for the administration of the various programs are allocated directly to respective programs as incurred and/or utilizing predetermined allocation rates established by management.

Concentration of Credit Risk

PSCH and Affiliates provide services throughout their facilities located throughout Long Island and the boroughs of New York City. PSCH and Affiliates grant credit without collateral to consumers, most of whom are local residents, and routinely obtain assignment of or are otherwise entitled to receive the consumer's benefits payable under their health insurance program.

Reclassifications

Certain prior year balances have been reclassified to be consistent with the current year financial statement presentation.

3. Investments at Fair Value

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

The Financial Accounting Standards Board ("FASB") ASC 820, "Fair Value Measurement", also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include cash and cash equivalents and debt and equity securities that are traded in an active exchange market, as well as U.S. Treasury securities.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted market prices that are traded less frequently than exchange-traded instruments. This category generally includes certain U.S. government and agency mortgage-backed debt securities, and corporate debt securities.

Level 3 - Unobservable inputs supported by little or no market activity that are significant to the fair value of the asset or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. This category generally includes certain private debt and equity instruments and alternative investments.

The following discussion describes the valuation methodologies used for financial assets measured at fair value. The techniques utilized in estimating the fair values are affected by assumptions used, including discount rates and estimates of the amount and timing of future cash flows. Care should be exercised in deriving conclusions about PSCH and Affiliates' business, its value, or financial position based on the fair value of financial assets presented.

Fair values for PSCH and Affiliates' fixed-maturity and equity securities are based on prices provided by their investment managers and their custodian banks. Both the investment managers and the custodian banks use a variety of pricing sources to determine market valuations. Each designates specific pricing services or indexes for each sector of the market based upon the provider's expertise.

Fair value of alternative investments is estimated based on net asset value per share, as provided by external investment managers or in audited financial statements when available. Valuations provided by external investment managers include estimates, appraisals, assumptions, and methods that are reviewed by management. Management believes that differences that may exist between fair value and net asset value are not material to the overall combined financial statements.

PSCH and Affiliates' investments are summarized as follows:

	Cost and Fair Value Measurement at Reporting Date Using				
	Cost	Fair Value	Level 1	Level 2	Level 3
Money market funds	$ 429,663	$ 429,663	$ 429,663	$-	$ -
Equity	6,101,013	7,144,433	7,144,433	-	-
Mutual funds	4,245,268	4,618,503	4,618,503	-	-
Bonds	776,883	777,301	777,301	-	-
Government securities	2,002,594	1,996,572	1,996,572	-	-
Alternative investments	889,382	1,002,770	-	-	1,002,770
Balance at June 30, 2014	$14,444,803	$15,969,242	$14,966,472	$-	$1,002,770

PSCH has alternative investments classified as Level 3 that can be redeemed at month end, quarter end, or year end with appropriate notice. Management fees and incentive fees are charged by the investment entities at annual rates of .0.5% to 1.5% plus an incentive allocation, usually 20% of profits.

The following table sets forth changes in the assets measured at fair value using Level 3 inputs on a recurring basis for the year ended June 30, 2014:

Alternative Investments	
Balance at July 1, 2013	$1,044,753
Purchases	7,644
Sales	(111,500)
Unrealized gain	61,873
Balance at June 30, 2014	$1,002,770

Investment income consists of the following:

Realized gains	$ 760,873
Unrealized gains	713,531
Interest and dividend income	401,663
	$1,874,879

Margin Election

PSCH and Affiliates' investment holdings allow for the establishment of margin accounts which allow borrowing of funds to be collateralized by account assets. See Note 10.

Net Asset Value

The following table for June 30, 2014 sets forth a summary of PSCH's investments with a reported NAV:

	Fair Value Estimated Using NAV Per Share at June 30, 2014				
Investments	Fair Value	Unfunded Commitments	Redemption Frequency	Other Redemption Restrictions	Redemption Notice Period
Hatteras Multi-Strategy TEI Fund, L.P.	$147,103	None	Quarterly	5% early redemption fee within 1 year	65 days
Alternative Investment Partners, Absolute Return Fund	463,280	None	Quarterly	None	95 days
Polaris Futures Fund L.P.	168,675	None	Monthly	None	None
Skybridge Multi-ADSR	223,712	None	Quarterly	None	None

4. Debt Service Reserve

Under the terms of various mortgages, deposits were made with the bond trustees and such amounts are to be held in reserve to be withdrawn to satisfy the future remaining installments of the mortgages. Interest earned on this reserve fund will be used to reduce payment obligations under the mortgages. The debt service reserve amounts are as follows:

PSCH	$3,886,885
PKC	1,430,957
PCC	468,005
Total	$5,785,847

5. Assets Whose Use is Limited

Assets whose use is limited consisting of cash and cash equivalents at June 30, 2014 amount to $400,801 and are maintained in the following restricted bond funds:

(a) *Bond Fund* – PSCH is required to make payments into the Bond Fund in accordance with the bond amortization schedule for the purpose of satisfying the principal and interest payments of the bond.

(b) Escrow Funds – Assets whose use is limited are comprised of assets set aside under the terms of escrow agreements, under the control of the OMH, PSCH and the escrow agent, to be used for capital replacements.

6. Fixed Assets, Net

Fixed assets, net, consisted of the following:

June 30, 2014	
Land	$ 11,111,422
Buildings	31,617,410
Building improvements	46,518,303
Leasehold improvements	647,432
Furniture, fixtures and equipment	11,785,272
Software	2,013,676
Vehicles	3,987,091
Total fixed assets	107,680,606
Add: Construction-in-progress	1,930,295
Less: Accumulated depreciation and amortization	(44,629,845)
Fixed assets, net	$ 64,981,056

The costs to complete construction-in-progress at June 30, 2014 for PSCH and its Affiliates amount to $8,936,916 and $32,641, respectively.

7. Loans Payable

Loans payable consists of the following:

(a) PCC

In December 2009, PCC secured a term loan in the amount of $1,000,000 which requires monthly installments of approximately $9,367, including interest at 7.67% per annum, until the loan matures on December 19, 2024. The loan is secured by the second lien on PCC's facility. The outstanding balance at June 30, 2014 was $808,842.

(b) PKC

In December 2009, PKC entered into a term loan with HSBC Bank in the amount of $990,666. The loan is payable in monthly installments, maturing December 2024, bearing interest at 7.61% per annum. The outstanding balance at June 30, 2014 was $861,160.

Required principal payments on the aforementioned loans at PCC and PKC are as follows:

2015	$ 107,573
2016	113,985
2017	125,269
2018	135,181
2019	145,876
Thereafter	1,042,118
	$1,670,002

8. Bonds Payable

Bonds payable consists of the following:

(a) PSCH

June 30, 2014	
Series 2003 bond payable to New York City IDA, due July 1, 2033, including interest of 6.20%, secured by related property	$ 7,632,174
Series 2011-B bond payable to the Dormitory Authority of the State of New York, due July 1, 2031, including interest of 7.00%, secured by related property	8,525,000
Total	$16,157,174

The interest expense incurred on the bonds during the year ended June 30, 2014 amounted to approximately $1,108,000.

(b) PCC

In January 2008, PCC refinanced the short-term financing with Civic Facility Revenue Series 2008 Industrial Development Agency ("IDA") Bonds dated January 30, 2008 in the amount of $6,120,000. The Series 2008-A Bonds in the amount of $620,000, due November 1, 2018, bear interest at a fixed rate of 5.75%. The Series 2008-B Bonds in the amount of $4,075,000, due November 1, 2038, bear interest at a fixed rate of 6.50%.

Proceeds from the bonds were used to finance the acquisition, renovation, and furnishings of the buildings.

The bonds are secured by a mortgage and security interest in the facility of PCC.

The interest expense incurred on the bonds during the year ended June 30, 2014 amounted to approximately $288,000.

Total bonds outstanding at June 30, 2014 amounted to $4,500,000.

(c) PKC

On April 1, 2000, PKC entered into certain agreements, including an installment sale agreement, with the Suffolk County IDA and a banking institution, as trustee, whereby PKC received $2,900,000 in proceeds through the issuance of Civic Facility Revenue Bonds Series 2000 for $2,545,000 maturing on April 1, 2030 and $355,000 which matured on April 1, 2010. Proceeds from the bonds were used to finance the acquisition, renovation and refurbishing of the Smithtown facility. Interest on the bonds maturing in 2030 is payable quarterly at 7.62% until April 1, 2010, at which point, the interest rate changed to 8.125% until final maturity in 2030.

On June 1, 2001, PKC entered into another agreement with the IDA and a bank institution, as trustee, whereby PKC received $595,000 in proceeds through the issuance of Civic Facility Revenue Bonds Series 2001 for $575,000 tax-exempt bonds maturing on April 1, 2016 and $20,000 taxable bonds which matured on June 1, 2006. Proceeds from the bonds were used to finance the renovation and equipping of the Smithtown facility. Interest is payable quarterly at 8.375% until April 1, 2016 on the 2001 tax-exempt bonds.

On February 18, 2005, PKC entered into another agreement with the IDA and a bank institution, as trustee, whereby PKC received $6,225,000 in proceeds through the issuance of Civic Facility Revenue Bonds Series 2005 A&B for $920,000 maturing on February 1, 2015, and $5,305,000 maturing on February 1, 2035. Proceeds from the bonds were used to finance the purchase of the Coram facility. Interest on the bonds is payable semi-annually at 6.40% until February 1, 2015, at which time the interest rate changes to 7.20% until final maturity on February 1, 2035.

On November 23, 2005, PKC entered into another agreement with the IDA and a bank institution, as trustee, whereby PKC received $6,970,000 in proceeds through the issuance of Civic Facility Revenue Bonds Series 2005 C&D for $985,000 maturing on November 1, 2015 and $5,985,000 maturing on November 1, 2035. Proceeds from the bonds were used to finance the purchase of the Coram facility. Interest on the bonds is payable semi-annually at 6.375% until November 1, 2015, at which time the interest rate changes to 7.00% until final maturity on November 1, 2035.

The IDA bonds are secured by mortgage and security agreements, the corporate guarantee of PKC, the debt service reserve funds of approximately $1,434,000, and the facilities including improvements and equipment.

As of December 31, 2005, PKC assumed liability for New York State Medical Care Facilities Finance Agency ("MCFFA") Mental Health Services Facilities Improvement Revenue Bonds, 1991 Series D with a remaining principal of $345,000. This debt was recorded in conjunction with the transfer of title to PKC of a group home. The MCFFA bonds require semi-annual principal and interest payments, at a rate of 7.40% until maturity on February 15, 2018. Such payments are funded by the New York State Office of Mental Health. PKC recognizes revenue for the funded amounts, and records interest and depreciation expense on the bonds and related building, respectively.

On December 29, 2009, PKC entered in a $1,225,700 Mortgage and Security Agreement with the Dormitory Authority of the State of New York, payable semi-annually, bearing interest at 5.29% through December 2033.

The interest expense incurred on the bonds during the year ended June 30, 2014 amounted to approximately $1,307,000.

Total bonds outstanding at June 30, 2014 amounted to $15,257,512.

Scheduled principal payments under the agreements are as follows:

	PSCH	Affiliates	Total
2015	$ 265,000	$ 505,971	$ 770,971
2016	300,000	538,004	838,004
2017	320,000	533,389	853,389
2018	340,000	545,642	885,642
2019	365,000	560,935	925,935
Thereafter	14,567,174	17,073,571	31,640,745
	$16,157,174	$19,757,512	$35,914,686

PSCH is required to maintain certain financial covenants in accordance with bond obligations. These covenants have been met as of June 30, 2014.

9. Mortgages Payable

(a) Mortgages payable as of June 30, 2014 consist of:

June 30, 2014	
PSCH:	
Mortgage payable to OPWDD, due August 15, 2017, payable in semi-annual installments including interest of 7.58%, secured by related property	$ 1,152,563
Mortgage payable to OPWDD, due August 15, 2017, payable in semi-annual installments including interest of 6.38%, secured by related property	802,226
Mortgage payable to OPWDD, due August 15, 2018, payable in semi-annual installments including interest of 6.42%, secured by related property	1,063,500
Mortgage payable to OPWDD, due August 15, 2015, payable in semi-annual installments including interest of 7.68%, secured by related property	80,400
Mortgage payable to OPWDD, due August 15, 2017, payable in semi-annual installments including interest of 7.58%, secured by related property	218,238
Mortgage payable to OPWDD, due August 15, 2017, payable in semi-annual installments including interest of 7.58%, secured by related property	243,900
Mortgage payable to OPWDD, due August 15, 2018, payable in semi-annual installments including interest of 6.41%, secured by related property	235,500
Mortgage payable to OPWDD, due February 15, 2018, payable in semi-annual installments including interest of 6.40%, secured by related property	182,250
Mortgage payable to OPWDD, due February 15, 2018, payable in semi-annual installments including interest of 5.65%, secured by related property	184,750
Mortgage payable to Citibank, due April 6, 2022, payable in semi-annual installments including interest of 7.16%, secured by related property	581,039
Mortgage payable to Citibank, due April 6, 2022, payable in semi-annual installments including interest of 7.16%, secured by related property	354,110
Mortgage payable to Citibank, due June 17, 2034, payable in semi-annual installments including interest of 5.50%, secured by related property	424,985
Mortgage payable to Citibank, due June 17, 2024, payable in semi-annual installments including interest of 5.35%, secured by related property	693,640
Mortgage payable to Citibank, due June 17, 2032, payable in semi-annual installments including interest of 5.50%, secured by related property	453,960
Mortgage payable to OMH due December 1, 2032, payable in semi-annual installments including interest of 5.00%, secured by related property	5,656,007
Mortgage payable to OMH due December 1, 2033, payable in semi-annual installments including interest of 5.19%, secured by related property	5,850,971
Mortgage payable to HSBC due September 22, 2018, payable in semi-annual installments including interest of 4.80%, secured by related property	238,420
Mortgage payable to Citibank due October 14, 2019, payable in monthly installments including interest of 4.5%, secured by related property	228,260
Mortgage payable to HSBC due November 11, 2021, payable in monthly installments including interest of 4.85%, secured by related property	921,469
Total mortgages payable	19,566,188
Less: Current maturities	(1,979,056)
Total PSCH	$17,587,132

Scheduled payments under the agreement are as follows:

2015	$ 1,979,056
2016	2,016,490
2017	2,096,256
2018	1,244,225
2019	839,494
Thereafter	11,390,667
Total	$19,566,188

10. Lines of Credit

PSCH established a margin account with Morgan Stanley, one of its investment brokers, which allows PSCH to borrow funds collateralized by assets in the related investment accounts. Interest is charged at 2.65%. At June 30, 2014, total outstanding borrowings were $3,275,000.

PSCH has a promissory note with JP Morgan with an available limit of $4,500,000. The funds are collateralized by assets in the related investment accounts. Interest is charged at the fixed rate per annum equal to the Adjusted LIBOR Rate plus 1.25% which was 4.50% at June 30, 2014. At June 30, 2014, there were outstanding borrowings of $4,400,000 against this note.

PCC has available a working capital line of credit in the amount of $500,000. There were outstanding borrowings of $500,000 under the line at June 30, 2014. The line matures on May 31, 2015. The line bears interest at prime (3.25% at June 30, 2014) plus 1%, with a minimum interest rate of 4%.

At June 30, 2014, PKC has a bank line of credit in the amount of $3,000,000, of which $2,980,000 was outstanding. Borrowings under the line of credit bear interest at prime plus 0.50%, which was 3.75% at June 30, 2014. The line of credit is secured by accounts receivable of PKC and can be terminated by either party with 90 days' notice.

11. Capital Advances From Funding Sources

Capital advances from funding sources consist of the following:

PSCH	$12,175,609
Ozone Park	769,440
Total	$12,945,049

PSCH

PSCH received advance funds from OMH for the construction and rehabilitation of several residences which amounted to $12,175,609.

Ozone Park

The first advance for the construction of 6 condominiums amounted to $571,539. The advance is secured by a mortgage on the property located in Queens County. The mortgage bears no interest and is to be repaid only if the property is not used for the purposes specified by HUD for no less than 40 years which expires January 1, 2045.

In addition, another capital advance received from OPWDD to construct a building amounted to $197,901. This amount reflects the liability to OPWDD if the building were to fail to operate the site as a residential facility for the developmentally disabled until January 1, 2025.

12. Leased Facilities

Pursuant to several lease agreements, PSCH and Affiliates are obligated for minimum annual rentals payable to nonrelated entities as indicated below. PSCH and Affiliates are obligated for certain operating costs at these sites. The future minimum commitments to all nonrelated parties are as follows:

Year ending June 30,	
2015	$3,594,040
2016	1,058,005
2017	343,088
2018	312,494
2019	312,494
Thereafter	57,123
Total	$5,677,244

Rent expense for the year ended June 30, 2014 amounted to $8,928,726.

13. Pension Plans

(a) *Profit-Sharing Plan*

PSCH has an employee profit-sharing plan covering all full-time employees which provides for retirement benefits to all participants. Employees become eligible to participate on January 1st or July 1st, following the completion of a year of service and attaining age 21. To be eligible for a contribution allocation each plan year an employee must complete a year of service and be employed by PSCH as of the last day of the plan year. Pension expense for the current year for PSCH and Affiliates amounted to $124,173.

(b) *403(b) Plan*

PSCH has a 403(b) tax-deferred annuity plan whereby participants in the plan may elect to defer a portion of their salary to the plan. Employees become eligible to participate upon date of hire by directing PSCH to make the aforementioned salary reduction contributions.

(c) *PCC Pension Plan*

PCC sponsors a defined contribution pension plan for all hourly and salaried employees who complete 1,000 hours and one year of service. PCC may make discretionary contributions at amounts to be determined annually.

(d) PKC Profit Sharing Plan

PKC sponsors a defined contribution profit sharing plan covering all eligible employees. PKC may contribute a discretionary contribution based upon a percentage of each participant's current year's annual salary. Participants become fully vested after completing two years of service.

14. Affiliate Transactions

As discussed in Note 1, PSCH has six wholly-owned subsidiaries and two sponsored organizations. During the fiscal year ended June 30, 2014, PSCH recognized rental income of $3,342 from PSCH Clean and $10,707 in management fees from Ozone Park. In addition, PSCH paid PSCH Clean $682,242 for cleaning services during the same period. PSCH provided back office services in the following amounts to the Affiliates: PKC – $755,991; PSCH Clean – $89,841; PCC – $199,009; and POE – $14,650. The amounts due to PSCH from the various entities consist primarily of operating advances. Of this balance, PSCH has recorded an allowance of $1,476,817 representing the entire amount due from PKC and Glendale Pharmacy as management does not believe the debt is collectable.

Balances relating to combining entities are eliminated in combination.

15. Discontinued Operations

(a) As of June 28, 2012, the operations of PSCH – NJ were transferred to other providers. During fiscal years 2013 and 2014, operations wound down for this corporation.

(b) OMH approved the closure of Astrocare's clinics operated in the Bronx and Kings counties of New York and the transfer of the sponsorship of all programs, clinics and satellite offices to PSCH. It is expected the remaining accounts will be closed out in fiscal year 2015.

(c) Due to the ongoing financial pressures faced by Glendale Pharmacy, a decision was made to exit the business. Stat Rx Pharmacy, Inc. purchased the business on February 22, 2013. The remaining accounts will be closed out during fiscal year 2015.

16. Commitments and Contingencies

Reimbursement Contingencies

PSCH and Affiliates have agreements with third party payors that provide for payments at amounts that are different than established rates. Revenue and other support for the year ended June 30, 2014 increased by $1,354,829 for retroactive adjustments to payment rates and changes in estimates to reflect the most recent information available.

New York State Medicaid Program

In April 2014, New York State finalized a waiver with the Federal government that will allow the state to reinvest $8 billion in Federal savings generated by Medicaid Redesign Team ("MRT") reforms. The MRT waiver amendment will transform the state's health care system and ensure access to quality care for all Medicaid members. The Medicaid 1115 waiver amendment will enable New York to facilitate innovation and lower health care costs over the long term, especially for essential safety net providers. The waiver allows the state to reinvest over a five-year period $8 billion of the $17.1 billion in Federal savings generated by MRT reforms. The waiver amendment dollars will address critical issues throughout the state and allow for comprehensive reform through the Delivery System Reform Incentive Payment ("DSRIP") program. The DSRIP program will promote community-level collaborations and focus on system reform. Safety net providers will be required to collaborate to implement innovative projects focusing on system transformation, clinical improvement and population health improvement.

Healthcare Regulatory Environment

As a result of recently enacted Federal healthcare reform legislation, substantial changes are anticipated in the U.S. healthcare delivery system. Such legislation includes numerous provisions affecting the delivery of healthcare services, the financing of healthcare cost, reimbursement of healthcare providers and the legal obligation of health insurers, providers and employers. These provisions are currently slated to take effect at specific times over approximately the next decade.

The healthcare industry is subject to extensive governmental regulation through numerous and complex laws, some of which are ambiguous and subject to varying interpretation. The Federal government, and many states, including the State of New York, has aggressively increased enforcement under a number of such laws that are often referred to as Medicare and Medicaid "antifraud and abuse" legislation. For many years, PSCH and Affiliates have maintained a corporate compliance program to monitor the organization's compliance with applicable laws, including the so-called "antifraud and abuse" rules. Noncompliance with such rules could result in repayments of amounts improperly reimbursed, substantial monetary fines, civil and criminal penalties, and exclusion from the Medicare and Medicaid programs.

Other

(a) Pursuant to contractual relationships between Ozone Park and certain governmental funding sources, these funding sources have the right to examine the books and records of Ozone Park. The amount of any disallowance by a funding source cannot be determined at this time although management believes that such amounts, if any, would be immaterial.

(b) Ozone Park must operate the site as a residential facility for the developmentally disabled for a period of forty years through November 2045. In addition, the status of ownership for each entity must remain the same for this period.

(c) PSCH, PSCH Clean, PKC and Astrocare were previously members of the now terminated and insolvent Community Residence Insurance Saving Plan Self-Insurance Trust for Workers' Compensation ("CRISP"). Due to financial deficits, the Workers' Compensation Board ("WCB") of New York State assumed the administration of CRISP. WCB has been charged with facilitating the extinguishment of the liabilities of the trust and performed a review to reconstruct and allocate the deficit amounts of CRISP's former members. PSCH, PSCH Clean, PKC and Astrocare received an assessment based on this review for fiscal years 2006 – 2011 which management is disputing based on insufficient information. PSCH, PSCH Clean, PKC and Astrocare are requesting that CRISP and WCB furnish additional information and documentation to clarify the basis and the calculation of the assessment. As such, a provision for the amount of the full liability has not been recorded in the accompanying combined financial statements. In view of the numerous unanswered questions concerning the basis and calculation of the assessment, PSCH, PSCH Clean, PKC and Astrocare believe that they cannot reasonably estimate an amount due.

(d) On September 23, 2013, the PKC 401(k) Profit Sharing Plan (the "Plan") received notification from the IRS that the Plan has been selected for examination for the plan year ended December 31, 2011. As of November 27, 2013, the IRS has not formally commenced its examination. Approximately $637,000 has been accrued on the combining statement of financial position related to liabilities of the Plan. PKC may be subject to additional liabilities in connection with this examination; however, amounts cannot be reasonably estimated at this time.

17. Subsequent Events

PSCH has begun the process to obtain financing amounting to approximately $34,000,000 for the purpose of reducing overall debt service and lowering interest costs. Included in this transaction is the refinancing of various bonds and loans and additional amounts for capital improvements and working capital. As of the date of the combined financial statements, the transaction has not been completed; however, it is expected to occur during fiscal year 2015.

PSCH and Affiliates have performed subsequent event procedures through November 25, 2014, which is the date the combined financial statements were available to be issued. There were no subsequent events requiring adjustment to the combined financial statements.

Supplementary Information

PSCH, Inc. and Affiliates

Combining Statement of Financial Position
(with comparative totals for 2013)

June 30,

	PSCH, Inc.	PCC	PKC	Other Affiliates	Eliminations	Combined 2014	Combined 2013
Assets							
Current:							
Cash and cash equivalents	$ 2,430,552	$ 609,771	$ 543,505	$ 84,291	$ -	**$ 3,668,119**	$ 732,735
Investments at fair value	15,969,242	-	-	-		**15,969,242**	16,354,271
Accounts receivable, net of allowance for doubtful accounts $3,181,875 and $5,604,045	9,012,941	1,322,373	2,689,533	1,375,647		**14,400,494**	27,158,562
Prepaid expenses and other assets	1,486,036	64,584	220,534	47,738		**1,818,892**	1,707,275
Due from governmental agencies	4,026,924	452,863	1,399,671	-		**5,879,458**	4,393,436
Due from affiliates, net of allowance for doubtful accounts $1,476,817 and $1,476,817	5,926,205	1,718	-	159,193	(6,087,116)	**-**	-
Assets held for others	655,245	29,412		-		**684,657**	749,511
Total Current Assets	39,507,145	2,480,721	4,853,243	1,666,869	(6,087,116)	**42,420,862**	51,095,790
Deferred Financing Costs	2,079,823	346,335	1,732,516	-		**4,158,674**	4,505,020
Debt Service Reserve	3,886,885	468,005	1,430,957	-		**5,785,847**	6,120,554
Replacement Reserve	-	-	-	22,335		**22,335**	19,986
Assets Whose Use is Limited	400,801			-		**400,801**	347,359
Fixed Assets, Net	44,549,213	6,013,714	13,673,414	744,715		**64,981,056**	67,493,878
	$90,423,867	**$9,308,775**	**$21,690,130**	**$2,433,919**	**$(6,087,116)**	**$117,769,575**	$129,582,587

PSCH, Inc. and Affiliates

Combining Statement of Financial Position
(with comparative totals for 2013)

June 30,

	PSCH, Inc.	PCC	PKC	Other Affiliates	Eliminations	Combined 2014	Combined 2013
Liabilities and Net Assets (Deficit)							
Current Liabilities:							
Accounts payable and accrued expenses	$ 9,207,860	$ 336,761	$ 1,853,388	$ 192,980	$ -	**11,590,989**	$12,640,890
Accrued compensation	5,091,976	174,992	2,262,806	126,757	-	**7,656,531**	8,664,234
Due to affiliates	159,193	549,648	3,735,059	3,120,033	(7,563,933)	**-**	-
Tenant deposits - held in trust	-	-		1,132	-	**1,132**	1,132
Due to governmental agencies, current portion	2,260,580	200,000	1,000,000	311,517	-	**3,772,097**	1,366,336
Funds held for others	655,245	29,412	-	-	-	**684,657**	749,511
Loan payable, current portion	-	51,843	55,730	-	-	**107,573**	112,797
Bonds payable, current portion	265,000	75,000	430,971	-	-	**770,971**	663,113
Mortgages payable, current portion	1,979,056	-	-	-	-	**1,979,056**	2,003,804
Line of credit	7,675,000	500,000	2,980,000	-	-	**11,155,000**	8,232,945
Total Current Liabilities	27,293,910	1,917,656	12,317,954	3,752,419	(7,563,933)	**37,718,006**	34,434,762
Due to Governmental Agencies, Net of Current Portion	6,440,966	1,491,228	3,849,246	-	-	**11,781,440**	15,535,579
Loans Payable, Net of Current Portion	-	756,999	805,430	-	-	**1,562,429**	1,700,579
Bonds Payable , Net of Current Portion	15,892,174	4,425,000	14,826,541	-	-	**35,143,715**	36,011,752
Mortgages Payable, Net of Current Portion	17,587,132	-	-	-	-	**17,587,132**	19,711,477
Capital Advances From Funding Sources	12,175,609	-	-	769,440	-	**12,945,049**	12,476,728
Total Liabilities	79,389,791	8,590,883	31,799,171	4,521,859	(7,563,933)	**116,737,771**	119,870,877
Commitments and Contingencies							
Net Assets (Deficit):							
Unrestricted	11,034,076	717,892	(10,109,041)	(2,087,940)	1,476,817	**1,031,804**	9,711,710
	$90,423,867	**$9,308,775**	**$21,690,130**	**$2,433,919**	**$(6,087,116)**	**$117,769,575**	$129,582,587

PSCH, Inc. and Affiliates

Combining Statement of Activities
(with comparative totals for 2013)

Year ended June 30,

	PSCH, Inc.	PCC	PKC	Other Affiliates	Eliminations	Combined 2014	Combined 2013
Revenue and Other Support:							
Fee for service	$61,026,597	$1,643,599	$15,677,056	$ -	$ -	**$ 78,347,252**	$ 79,761,697
New York State and New York City	14,941,891	-	-	-		**14,941,891**	15,268,791
Medicare and other insurance	6,021,808	2,800,815	1,794,738	-		**10,617,361**	12,261,421
Janitorial services	-	-	-	2,097,022	(682,242)	**1,414,780**	1,191,195
Contract revenue	-	1,354,613	5,101,089	91,171	-	**6,546,873**	5,398,389
Client fees	6,290,100	230,937	241,811	-		**6,762,848**	6,062,764
Prior year income (expenses)	577,644	(170,296)	1,285,436	(337,955)	-	**1,354,829**	2,730,921
Rental income	2,793	-	-	61,920	(3,342)	**61,371**	196,511
	88,860,833	5,859,668	24,100,130	1,912,158	(685,584)	**120,047,205**	122,871,689
Expenses:							
Program services:							
Developmental disabilities services	42,207,479	-	-	105,401	-	**42,312,880**	39,477,061
Mental health services	28,628,931	-	-	2,188,250	(682,242)	**30,134,939**	26,683,751
Clinic services	9,506,957	7,263,211	25,939,048	-	(1,528,279)	**41,180,937**	40,602,423
Total Program Services	80,343,367	7,263,211	25,939,048	2,293,651	(2,210,521)	**113,628,756**	106,763,235
Supporting services:							
Management and general	16,250,981	834,583	2,292,546	382,713	(10,707)	**19,750,116**	21,533,761
Total Expenses	96,594,348	8,097,794	28,231,594	2,676,364	(2,221,228)	**133,378,872**	128,296,996
Change in Net Assets Before Support and Nonoperating Revenues and Expenses	(7,733,515)	(2,238,126)	(4,131,464)	(764,206)	1,535,644	**(13,331,667)**	(5,425,307)
Support and Nonoperating Revenues and Expenses:							
Contributions	-	208,184	309,158	-	-	**517,342**	368,123
Realized and unrealized gains on investments	1,474,404	-	-	-	-	**1,474,404**	720,609
Interest and dividend income	400,475	1,188	-	-	-	**401,663**	399,493
Other income (expenses)	1,396,706	(139,762)	1,997,693	21	(1,535,644)	**1,719,014**	1,313,225
Total Support and Nonoperating Revenues	3,271,585	69,610	2,306,851	21	(1,535,644)	**4,112,423**	2,801,450
Change in Net Assets From Continuing Operations	(4,461,930)	(2,168,516)	(1,824,613)	(764,185)	-	**(9,219,244)**	(2,623,857)
Discontinued Operations	-	-	-	(379,735)	-	**(379,735)**	(248,696)
Gain on Sale of Fixed Assets	919,073	-	-	-	-	**919,073**	-
Change in Net Assets	(3,542,857)	(2,168,516)	(1,824,613)	(1,143,920)	-	**(8,679,906)**	(2,872,553)
Net Assets (Deficit), Beginning of Year	14,576,933	2,886,408	(8,284,428)	(944,020)	1,476,817	**9,711,710**	11,107,446
Net Assets (Deficit), End of Year	**$11,034,076**	**$ 717,892**	**$(10,109,041)**	**$(2,087,940)**	**$1,476,817**	**$ 1,031,804**	$ 9,711,710