UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2019

Or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from __________ to __________

Commission File Number: 001-35331

Acadia Healthcare Company, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**45-2492228**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

6100 Tower Circle, Suite 1000
Franklin, Tennessee 37067
(Address, including zip code, of registrant's principal executive offices)

(615) 861-6000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐	Non-accelerated filer	☐
Smaller reporting company	☐	Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, $.01 par value	ACHC	NASDAQ Global Select Market

At November 6, 2019, there were 88,569,587 shares of the registrant's common stock outstanding.

ACADIA HEALTHCARE COMPANY, INC.
QUARTERLY REPORT ON FORM 10-Q
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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

Acadia Healthcare Company, Inc.
Condensed Consolidated Balance Sheets
(Unaudited)

	September 30, 2019	December 31, 2018
	(In thousands, except share and per share amounts)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 92,900	$ 50,510
Accounts receivable, net	350,225	318,087
Other current assets	93,788	81,820
Total current assets	536,913	450,417
Property and equipment, net	3,131,419	3,107,766
Goodwill	2,424,241	2,396,412
Intangible assets, net	89,028	88,990
Deferred tax assets	3,371	3,468
Derivative instrument assets	—	60,524
Operating lease right-of-use assets	479,881	—
Other assets	63,272	64,927
Total assets	$ 6,728,125	$ 6,172,504
LIABILITIES AND EQUITY		
Current liabilities:		
Current portion of long-term debt	$ 41,287	$ 34,112
Accounts payable	131,472	117,740
Accrued salaries and benefits	117,683	113,299
Current portion of operating lease liabilities	28,010	—
Other accrued liabilities	139,754	151,226
Total current liabilities	458,206	416,377
Long-term debt	3,133,635	3,159,375
Deferred tax liabilities	63,154	80,372
Operating lease liabilities	478,894	—
Derivative instrument liabilites	15,896	—
Other liabilities	125,285	154,267
Total liabilities	4,275,070	3,810,391
Redeemable noncontrolling interests	32,364	28,806
Equity:		
Preferred stock, $0.01 par value; 10,000,000 shares authorized, no shares issued	—	—
Common stock, $0.01 par value; 180,000,000 shares authorized; 87,655,556 and 87,444,473 issued and outstanding at September 30, 2019 and December 31, 2018, respectively	877	874
Additional paid-in capital	2,554,808	2,541,987
Accumulated other comprehensive loss	(507,994)	(462,377)
Retained earnings	373,000	252,823
Total equity	2,420,691	2,333,307
Total liabilities and equity	$ 6,728,125	$ 6,172,504

See accompanying notes.

Acadia Healthcare Company, Inc.
Condensed Consolidated Statements of Income
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
	(In thousands, except per share amounts)			
Revenue	$ 777,251	$ 760,916	$ 2,327,230	$ 2,268,895
Salaries, wages and benefits (including equity-based compensation expense of $4,039, $5,225, $14,322 and $19,273, respectively)	428,601	417,917	1,288,399	1,246,186
Professional fees	62,152	59,509	177,588	166,988
Supplies	30,790	29,461	91,661	88,958
Rents and leases	20,134	19,866	60,860	60,390
Other operating expenses	92,975	90,464	281,517	265,977
Depreciation and amortization	40,620	39,659	122,277	119,360
Interest expense, net	46,644	46,651	143,384	137,706
Debt extinguishment costs	—	—	—	940
Transaction-related expenses	5,775	2,353	15,308	10,008
Total expenses	727,691	705,880	2,180,994	2,096,513
Income before income taxes	49,560	55,036	146,236	172,382
Provision for income taxes	6,837	8,757	25,801	16,339
Net income	42,723	46,279	120,435	156,043
Net income attributable to noncontrolling interests	(157)	(47)	(258)	(156)
Net income attributable to Acadia Healthcare Company, Inc.	$ 42,566	$ 46,232	$ 120,177	$ 155,887
Earnings per share attributable to Acadia Healthcare Company, Inc. stockholders:				
Basic	$ 0.49	$ 0.53	$ 1.37	$ 1.79
Diluted	$ 0.48	$ 0.53	$ 1.37	$ 1.78
Weighted-average shares outstanding:				
Basic	87,649	87,344	87,591	87,233
Diluted	87,859	87,537	87,805	87,386

See accompanying notes.

Acadia Healthcare Company, Inc.
Condensed Consolidated Statements of Comprehensive (Loss) Income
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
	(In thousands)			
Net income	$ 42,723	$ 46,279	$ 120,435	$ 156,043
Other comprehensive loss:				
Foreign currency translation loss	(59,975)	(31,959)	(66,112)	(82,778)
Gain on derivative instruments, net of tax of $5.0 million, $2.4 million, $10.7 million and $5.6 million, respectively	11,598	7,380	20,495	16,434
Other comprehensive loss	(48,377)	(24,579)	(45,617)	(66,344)
Comprehensive (loss) income	(5,654)	21,700	74,818	89,699
Comprehensive income attributable to noncontrolling interests	(157)	(47)	(258)	(156)
Comprehensive (loss) income attributable to Acadia Healthcare Company, Inc.	$ (5,811)	$ 21,653	$ 74,560	$ 89,543

See accompanying notes.

Acadia Healthcare Company, Inc.
Condensed Consolidated Statements of Equity
(Unaudited)
(In thousands)

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total
	Shares	Amount				
Balance at December 31, 2017	87,060	$ 871	$ 2,517,545	$ (374,118)	$ 428,573	$ 2,572,871
Common stock issued under stock incentive plans	228	2	94	—	—	96
Common stock withheld for minimum statutory taxes	—	—	(2,126)	—	—	(2,126)
Equity-based compensation expense	—	—	6,919	—	—	6,919
Other comprehensive income	—	—	—	72,727	—	72,727
Other	—	—	313	—	—	313
Net income attributable to Acadia Healthcare Company, Inc.	—	—	—	—	50,819	50,819
Balance at March 31, 2018	87,288	873	2,522,745	(301,391)	479,392	2,701,619
Common stock issued under stock incentive plans	42	—	128	—	—	128
Common stock withheld for minimum statutory taxes	—	—	(232)	—	—	(232)
Equity-based compensation expense	—	—	7,129	—	—	7,129
Other comprehensive loss	—	—	—	(114,492)	—	(114,492)
Other	—	—	313	—	—	313
Net income attributable to Acadia Healthcare Company, Inc.	—	—	—	—	58,836	58,836
Balance at June 30, 2018	87,330	873	2,530,083	(415,883)	538,228	2,653,301
Common stock issued under stock incentive plans	33	1	19	—	—	20
Common stock withheld for minimum statutory taxes	—	—	(158)	—	—	(158)
Equity-based compensation expense	—	—	5,225	—	—	5,225
Other comprehensive loss	—	—	—	(24,579)	—	(24,579)
Other	—	—	208	—	—	208
Net income attributable to Acadia Healthcare Company, Inc.	—	—	—	—	46,232	46,232
Balance at September 30, 2018	87,363	874	2,535,377	(440,462)	584,460	2,680,249
Common stock issued under stock incentive plans	81	—	130	—	—	130
Common stock withheld for minimum statutory taxes	—	—	(1,265)	—	—	(1,265)
Equity-based compensation expense	—	—	2,728	—	—	2,728
Other comprehensive loss	—	—	—	(21,915)	—	(21,915)
Other	—	—	5,017	—	—	5,017
Net loss attributable to Acadia Healthcare Company, Inc.	—	—	—	—	(331,637)	(331,637)
Balance at December 31, 2018	87,444	874	2,541,987	(462,377)	252,823	2,333,307
Common stock issued under stock incentive plans	149	2	291	—	—	293
Common stock withheld for minimum statutory taxes	—	—	(1,620)	—	—	(1,620)
Equity-based compensation expense	—	—	6,101	—	—	6,101
Other comprehensive income	—	—	—	35,791	—	35,791
Net income attributable to Acadia Healthcare Company, Inc.	—	—	—	—	29,471	29,471
Balance at March 31, 2019	87,593	876	2,546,759	(426,586)	282,294	2,403,343
Common stock issued under stock incentive plans	52	—	68	—	—	68
Common stock withheld for minimum statutory taxes	—	—	(356)	—	—	(356)
Equity-based compensation expense	—	—	4,182	—	—	4,182
Other comprehensive loss	—	—	—	(33,031)	—	(33,031)
Net income attributable to Acadia Healthcare Company, Inc.	—	—	—	—	48,140	48,140
Balance at June 30, 2019	87,645	876	2,550,653	(459,617)	330,434	2,422,346
Common stock issued under stock incentive plans	10	1	153	—	—	154
Common stock withheld for minimum statutory taxes	—	—	(37)	—	—	(37)
Equity-based compensation expense	—	—	4,039	—	—	4,039
Other comprehensive loss	—	—	—	(48,377)	—	(48,377)
Net income attributable to Acadia Healthcare Company, Inc.	—	—	—	—	42,566	42,566
Balance at September 30, 2019	87,655	$ 877	$ 2,554,808	$ (507,994)	$ 373,000	$ 2,420,691

See accompanying notes.

Acadia Healthcare Company, Inc.
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Nine Months Ended September 30,	
	2019	2018
	(In thousands)	
Operating activities:		
Net income	$ 120,435	$ 156,043
Adjustments to reconcile net income to net cash provided by continuing operating activities:		
Depreciation and amortization	122,277	119,360
Amortization of debt issuance costs	8,926	7,763
Equity-based compensation expense	14,322	19,273
Deferred income taxes	5,150	(1,738)
Debt extinguishment costs	—	940
Other	4,444	3,025
Change in operating assets and liabilities:		
Accounts receivable, net	(32,956)	(43,252)
Other current assets	(3,912)	3,021
Other assets	530	3,868
Accounts payable and other accrued liabilities	(35,610)	9,230
Accrued salaries and benefits	4,813	11,049
Other liabilities	5,110	149
Net cash provided by continuing operating activities	213,529	288,731
Net cash used in discontinued operating activities	—	(2,548)
Net cash provided by operating activities	213,529	286,183
Investing activities:		
Cash paid for acquisitions, net of cash acquired	(44,900)	—
Cash paid for capital expenditures	(202,722)	(249,989)
Cash paid for real estate acquisitions	(6,976)	(9,391)
Settlement of foreign currency derivatives	105,008	—
Other	12,398	(3,114)
Net cash used in investing activities	(137,192)	(262,494)
Financing activities:		
Borrowings on revolving credit facility	76,573	—
Principal payments on revolving credit facility	(76,573)	—
Principal payments on long-term debt	(24,738)	(31,492)
Common stock withheld for minimum statutory taxes, net	(1,498)	(2,272)
Other	(5,923)	(6,973)
Net cash used in financing activities	(32,159)	(40,737)
Effect of exchange rate changes on cash	(1,788)	(1,314)
Net increase (decrease) in cash and cash equivalents	42,390	(18,362)
Cash and cash equivalents at beginning of the period	50,510	67,290
Cash and cash equivalents at end of the period	$ 92,900	$ 48,928
Effect of acquisitions:		
Assets acquired, excluding cash	48,594	—
Liabilities assumed	(3,694)	—
Cash paid for acquisitions, net of cash acquired	$ 44,900	$ —

See accompanying notes.

Acadia Healthcare Company, Inc.
Notes to Condensed Consolidated Financial Statements
September 30, 2019
(Unaudited)

1. Description of Business and Basis of Presentation

Description of Business

Acadia Healthcare Company, Inc. (the "Company") develops and operates inpatient psychiatric facilities, residential treatment centers, group homes, substance abuse facilities and facilities providing outpatient behavioral healthcare services to serve the behavioral health and recovery needs of communities throughout the United States ("U.S."), the United Kingdom ("U.K.") and Puerto Rico. At September 30, 2019, the Company operated 589 behavioral healthcare facilities with approximately 18,000 beds in 40 states, the U.K. and Puerto Rico.

During the nine months ended September 30, 2019, the Company commenced a review of strategic alternatives including those related to its U.K. operations and a potential sale of such operations. The likelihood and form of strategic alternative that the Company may pursue for its U.K. operations remains uncertain.

Basis of Presentation

The business of the Company is conducted through limited liability companies, partnerships and C-corporations. The Company's consolidated financial statements include the accounts of the Company and all subsidiaries controlled by the Company through its direct or indirect ownership of majority interests and exclusive rights granted to the Company as the controlling member of an entity. All intercompany accounts and transactions have been eliminated in consolidation.

The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial information. Accordingly, they do not include all of the information and notes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for fair presentation of our financial position and results of operations have been included. The Company's fiscal year ends on December 31 and interim results are not necessarily indicative of results for a full year or any other interim period. The condensed consolidated balance sheet at December 31, 2018 has been derived from the audited financial statements as of that date. The information contained in these condensed consolidated financial statements should be read in conjunction with the Company's consolidated financial statements and notes thereto for the fiscal year ended December 31, 2018 included in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission (the "SEC") on March 1, 2019. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Certain reclassifications have been made to prior years to conform to the current year presentation.

2. Recently Issued Accounting Standards

In August 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") ASU 2018-15, "*Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*" ("ASU 2018-15"). ASU 2018-15 requires a customer in a cloud computing arrangement that is a service contract to follow the internal-use software guidance in ASC 350-402 to determine which implementation costs to capitalize as assets. ASU 2018-15 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2019. Early adoption is permitted. Management is evaluating the impact of ASU 2018-15 on the Company's consolidated financial statements.

In August 2017, FASB issued ASU 2017-12, *"Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities"* ("ASU 2017-12"). ASU 2017-12 amends the hedge accounting model to enable entities to better portray the economics of their risk management activities in the financial statements and simplifies the application of hedge accounting in certain situations. ASU 2017-12 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2018. Early adoption is permitted. The Company adopted ASU 2017-02 on January 1, 2019. There is no significant impact on the Company's consolidated financial statements.

In March 2016, the FASB issued ASU 2016-02, "*Leases*" ("ASU 2016-02"). ASU 2016-02's core principle is to increase transparency and comparability among organizations by recognizing lease assets and liabilities on the balance sheet and disclosing key information. ASU 2016-02 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2018. ASU 2016-02 requires application either retrospectively to each prior reporting period presented in the financial statements or retrospectively at the beginning of the period of adoption. The Company adopted ASU 2016-02 retrospectively at the beginning of the period of adoption. Prior periods have not been adjusted. On January 1, 2019, the Company recorded right-of-use assets and lease liabilities of $500.3 million and $526.6 million, respectively, as described in Note 8 – Leases.

3. Revenue

Revenue is primarily derived from services rendered to patients for inpatient psychiatric and substance abuse care, outpatient psychiatric care and residential treatment. The services provided by the Company have no fixed duration and can be terminated by the patient or the facility at any time, and therefore, each treatment is its own stand-alone contract.

As our performance obligations relate to contracts with a duration of one year or less, the Company elected the optional exemption in Accounting Standards Codification ("ASC") ASC 606-10-50-14(a). Therefore, the Company is not required to disclose the transaction price for the remaining performance obligations at the end of the reporting period or when the Company expects to recognize the revenue. The Company has minimal unsatisfied performance obligations at the end of the reporting period as our patients typically are under no obligation to remain admitted in our facilities.

The Company disaggregates revenue from contracts with customers by service type and by payor within each of the Company's segments.

U.S. Facilities

The Company's facilities in the United States (the "U.S. Facilities") and services provided by the U.S. Facilities can generally be classified into the following categories: acute inpatient psychiatric facilities; specialty treatment facilities; residential treatment centers; and outpatient community-based facilities.

Acute inpatient psychiatric facilities. Acute inpatient psychiatric facilities provide a high level of care in order to stabilize patients that are either a threat to themselves or to others. The acute setting provides 24-hour observation, daily intervention and monitoring by psychiatrists.

Specialty treatment facilities. Specialty treatment facilities include residential recovery facilities, eating disorder facilities and comprehensive treatment centers. The Company provides a comprehensive continuum of care for adults with addictive disorders and co-occurring mental disorders. Inpatient, including detoxification and rehabilitation, partial hospitalization and outpatient treatment programs give patients access to the least restrictive level of care.

Residential treatment centers. Residential treatment centers treat patients with behavioral disorders in a non-hospital setting, including outdoor programs. The facilities balance therapy activities with social, academic and other activities.

Outpatient community-based facilities. Outpatient community-based programs are designed to provide therapeutic treatment to children and adolescents who have a clinically-defined emotional, psychiatric or chemical dependency disorder while enabling the youth to remain at home and within their community.

The table below presents total U.S. revenue attributed to each category (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Acute inpatient psychiatric facilities	$ 233,141	$ 208,885	$ 678,866	$ 608,311
Specialty treatment facilities	201,169	198,107	595,473	575,536
Residential treatment centers	69,681	72,351	216,989	218,041
Outpatient community-based facilities	5,392	9,283	15,828	30,613
Revenue	$ 509,383	$ 488,626	$ 1,507,156	$ 1,432,501

The Company receives payments from the following sources for services rendered in our U.S. Facilities: (i) state governments under their respective Medicaid and other programs; (ii) commercial insurers; (iii) the federal government under the Medicare program administered by the Centers for Medicare and Medicaid Services ("CMS"); and (iv) individual patients and clients.

The Company determines the transaction price based on established billing rates reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients and implicit price concessions. Contractual adjustments and discounts are based on contractual agreements, discount policies and historical experience. Implicit price concessions are based on historical collection experience. Most of our U.S. Facilities have contracts containing variable consideration. However, it is unlikely a significant reversal of revenue will occur when the uncertainty is resolved, and therefore, the Company has included the variable consideration in the estimated transaction price. Subsequent changes resulting from a patient's ability to pay are recorded as bad debt expense, which is included as a component of other operating expenses in the condensed consolidating statements of income. Bad debt expense for the three and nine months ended September 30, 2019 and 2018 was not significant.

The following table presents revenue by payor type and as a percentage of revenue in our U.S. Facilities (in thousands):

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2019		2018		2019		2018	
	Amount	%	Amount	%	Amount	%	Amount	%
Commercial	$ 140,315	27.5%	$ 146,439	30.0%	$ 426,659	28.3%	$ 431,337	30.1%
Medicare	76,906	15.1%	73,528	15.0%	223,027	14.8%	210,307	14.7%
Medicaid	256,370	50.3%	229,390	46.9%	750,631	49.8%	668,236	46.6%
Self-Pay	30,626	6.0%	33,559	6.9%	91,982	6.1%	103,845	7.3%
Other	5,166	1.1%	5,710	1.2%	14,857	1.0%	18,776	1.3%
Revenue	$ 509,383	100.0%	$ 488,626	100.0%	$ 1,507,156	100.0%	$ 1,432,501	100.0%

U.K. Facilities

The Company's facilities located in the United Kingdom (the "U.K. Facilities") and services provided by the U.K. Facilities can generally be classified into the following categories: healthcare facilities; education and children's services; and adult care facilities.

Healthcare facilities. Healthcare facilities provide psychiatric treatment and nursing for sufferers of mental disorders, including for patients whose risk of harm to others and risk of escape from hospitals cannot be managed safely within other mental health settings. In order to manage the risks involved with treating patients, the facility is managed through the application of a range of security measures depending on the level of dependency and risk exhibited by the patient.

Education and children's services. Education and children's services provide specialist education for children and young people with special educational needs, including autism, Asperger's Syndrome, social, emotional and mental health, and specific learning difficulties, such as dyslexia. The division also offers standalone children's homes for children that require 52-week residential care to support complex and challenging behavior and fostering services.

Adult care facilities. Adult care focuses on care of individuals with a variety of learning difficulties, mental health illnesses and adult autism spectrum disorders. It also includes long-term, short-term and respite nursing care to high-dependency elderly individuals who are physically frail or suffering from dementia. Care is provided in a number of settings, including in residential care homes and through supported living.

The table below presents total U.K. revenue attributed to each category (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Healthcare facilities	$ 148,138	$ 150,589	$ 455,399	$ 464,098
Education and Children's Services	43,388	45,795	135,652	141,945
Adult Care facilities	76,342	75,906	229,023	230,351
Revenue	$ 267,868	$ 272,290	$ 820,074	$ 836,394

On an annual basis, the Company receives payments from approximately 500 public funded sources in the U.K. (including the National Health Service ("NHS"), Clinical Commissioning Groups ("CCGs") and local authorities in England, Scotland and Wales) and individual patients and clients. The Company determines the transaction price based on established billing rates by payor reduced by implicit price concessions. Implicit price concessions are insignificant in the U.K. Facilities.

The following table presents revenue by payor type and as a percentage of revenue in our U.K. Facilities (in thousands):

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2019		2018		2019		2018	
	Amount	%	Amount	%	Amount	%	Amount	%
U.K. public funded sources	$ 242,747	90.6%	$ 245,919	90.3%	$ 740,492	90.3%	$ 756,094	90.4%
Self-Pay	24,430	9.1%	26,159	9.6%	77,895	9.5%	78,499	9.4%
Other	691	0.3%	212	0.1%	1,687	0.2%	1,801	0.2%
Revenue	$ 267,868	100.0%	$ 272,290	100.0%	$ 820,074	100.0%	$ 836,394	100.0%

The Company's contract liabilities primarily consist of unearned revenue in our U.K. Facilities due to the timing of payments received mainly in our education and children's services and healthcare facilities. Contract liabilities are included in other accrued liabilities on the condensed consolidated balance sheets. A summary of the activity in unearned revenue in the U.K. Facilities is as follows (in thousands):

Balance at December 31, 2018	$ 31,239
Payments received	128,866
Revenue recognized	(124,067)
Foreign currency translation loss	(1,791)
Balance at September 30, 2019	$ 34,247

4. Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share for the three and nine months ended September 30, 2019 and 2018 (in thousands, except per share amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Numerator:				
Net income attributable to Acadia Healthcare Company, Inc.	$ 42,566	$ 46,232	$ 120,177	$ 155,887
Denominator:				
Weighted average shares outstanding for basic earnings per share	87,649	87,344	87,591	87,233
Effect of dilutive instruments	210	193	214	153
Shares used in computing diluted earnings per common share	87,859	87,537	87,805	87,386
Earnings per share attributable to Acadia Healthcare Company, Inc. stockholders:				
Basic	$ 0.49	$ 0.53	$ 1.37	$ 1.79
Diluted	$ 0.48	$ 0.53	$ 1.37	$ 1.78

Approximately 1.9 million and 1.6 million shares of common stock issuable upon exercise of outstanding stock option awards were excluded from the calculation of diluted earnings per share for the three months ended September 30, 2019 and 2018, respectively, because their effect would have been anti-dilutive. Approximately 2.4 million and 1.9 million shares of common stock issuable upon exercise of outstanding stock option awards were excluded from the calculation of diluted earnings per share for the nine months ended September 30, 2019 and 2018, respectively, because their effect would have been anti-dilutive.

5. Acquisitions

The Company's strategy is to acquire and develop behavioral healthcare facilities and improve operating results within its facilities and its other behavioral healthcare operations.

On April 1, 2019, the Company completed the acquisition of Bradford Recovery Center ("Bradford"), a specialty treatment facility with 46 beds located in Millerton, Pennsylvania for cash consideration of approximately $4.5 million.

On February 15, 2019, the Company completed the acquisition of Whittier Pavilion ("Whittier"), an inpatient psychiatric facility with 71 beds located in Haverhill, Massachusetts, for cash consideration of approximately $17.9 million. Also on February 15, 2019, the Company completed the acquisition of Mission Treatment ("Mission Treatment") for cash consideration of approximately $22.5 million. Mission Treatment operates nine comprehensive treatment centers in California, Nevada, Arizona and Oklahoma.

Transaction-related expenses

Transaction-related expenses primarily relate to termination, restructuring, strategic review and other acquisition-related costs. Transaction-related expenses for the three and nine months ended September 30, 2019 and 2018 were as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Termination, restructuring and strategic review costs	$ 5,541	$ 1,443	$ 13,858	$ 6,844
Legal, accounting and other acquisition-related costs	234	910	1,450	3,164
	$ 5,775	$ 2,353	$ 15,308	$ 10,008

6. Property and Equipment

Property and equipment consisted of the following at September 30, 2019 and December 31, 2018 (in thousands):

	September 30, 2019	December 31, 2018
Land	$ 437,214	$ 430,771
Building and improvements	2,555,105	2,423,594
Equipment	462,865	444,538
Construction in progress	231,581	294,848
	3,686,765	3,593,751
Less: accumulated depreciation	(555,346)	(485,985)
Property and equipment, net	$ 3,131,419	$ 3,107,766

During the first quarter of 2019, the Company closed a 168-bed residential treatment center in Albuquerque, New Mexico. The Company is currently evaluating options for the future use of this property. During the third quarter of 2019, the Company closed a 108-bed residential treatment center in Butte, Montana, which was recorded as assets held for sale within other assets on the condensed consolidated balance sheets at September 30, 2019. The Company has recorded assets held for sale of $22.9 million and $17.0 million at September 30, 2019 and December 31, 2018, respectively.

7. Other Intangible Assets

Other identifiable intangible assets and related accumulated amortization consisted of the following at September 30, 2019 and December 31, 2018 (in thousands):

	Gross Carrying Amount		Accumulated Amortization	
	September 30, 2019	December 31, 2018	September 30, 2019	December 31, 2018
Intangible assets subject to amortization:				
Contract intangible assets	$ 2,100	$ 2,100	$ (2,100)	$ (2,100)
Non-compete agreements	1,131	1,147	(1,131)	(1,147)
	3,231	3,247	(3,231)	(3,247)
Intangible assets not subject to amortization:				
Licenses and accreditations	12,586	12,343	—	—
Trade names	59,412	60,109	—	—
Certificates of need	17,030	16,538	—	—
	89,028	88,990	—	—
Total	$ 92,259	$ 92,237	$ (3,231)	$ (3,247)

All of the Company’s definite-lived intangible assets are fully amortized. The Company’s licenses and accreditations, trade names and certificate of need intangible assets have indefinite lives and are, therefore, not subject to amortization.

8. Leases

The Company’s lease portfolio primarily consists of finance and operating real estate leases integral for facility operations. The original terms of the leases typically range from five to 30 years with optional renewal periods. A minimal portion of the Company’s lease portfolio consists of non-real estate leases, including copiers and equipment, which generally have lease terms of one to three years and have insignificant lease obligations.

In March 2016, the FASB issued ASU 2016-02. ASU 2016-02’s core principle is to increase transparency and comparability among organizations by recognizing lease assets and liabilities on the balance sheet and disclosing key information. The Company adopted ASU 2016-02 retrospectively at the beginning of the period of adoption. Prior periods have not been adjusted.

The Company has elected the package of practical expedients offered in the transition guidance which allows management not to reassess lease identification, lease classification and initial direct costs. The Company also elected the accounting policy practical expedients by class of underlying asset to: (i) combine associated lease and non-lease components into a single lease component; and (ii) exclude recording short-term leases as right-of-use assets and liabilities on the condensed consolidated balance sheets. Non-lease components, which are not significant overall, are combined with lease components.

On January 1, 2019, the Company recorded right-of-use assets and lease liabilities on the condensed consolidated balance sheet of $500.3 million and $526.6 million, respectively, for non-cancelable real estate operating leases with original lease terms in excess of one year. Finance leases remained on the condensed consolidated balance sheets as required by previous accounting guidance. The Company reviews service agreements for embedded leases and records right-of-use assets and liabilities as necessary.

Operating lease liabilities were recorded as the present value of remaining lease payments not yet paid for the lease term discounted using the incremental borrowing rate associated with each lease. Operating lease right-of-use assets represent operating lease liabilities adjusted for prepayments, accrued lease payments, lease incentives and initial direct costs. Certain of the Company’s leases include renewal or termination options. Calculation of operating lease right-of-use assets and liabilities include the initial lease term unless it is reasonably certain a renewal or termination option will be exercised. Variable components of lease payments fluctuating with a future index or rate, as well as those related to common area maintenance costs, are not included in determining lease payments and are expensed as incurred. Most of the Company’s leases do not contain implicit borrowing rates, and therefore, incremental borrowing rates were calculated based on information available at the later of the lease commencement date or January 1, 2019. Incremental borrowing rates reflect the Company’s estimated interest rates for collateralized borrowings over similar lease terms.

Lease Position

At September 30, 2019, the Company recorded the following on the condensed consolidated balance sheet (in thousands):

Right-of-Use Assets	Balance Sheet Classification	September 30, 2019
Finance lease right-of-use assets	Property and equipment, net	$ 44,326
Operating lease right-of-use assets	Operating lease right-of-use assets	479,881
Total		$ 524,207

Lease Liabilities	Balance Sheet Classification	September 30, 2019
Current:		
Finance lease liabilities	Other accrued liabilities	$ 6,684
Operating lease liabilities	Current portion of operating lease liabilities	28,010
Noncurrent:		
Finance lease liabilities	Other liabilities	43,776
Operating lease liabilities	Operating lease liabilities	478,894
Total		$ 557,364

Weighted-average remaining lease terms and discount rates at September 30, 2019 were as follows:

Weighted-average remaining lease term (in years):	
Finance	7.1
Operating	19.4
Weighted-average discount rate:	
Finance	6.4%
Operating	6.3%

Lease Costs

The Company recorded the following lease costs for the three and nine months ended September 30, 2019 (in thousands):

	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2019
Finance lease costs:		
Depreciation of leased assets	1,036	3,295
Interest of lease liabilities	977	2,973
Total finance lease costs	$ 2,013	$ 6,268
Operating lease costs	15,873	48,639
Variable lease costs	1,229	3,159
Short term lease costs	1,378	4,308
Other lease costs	1,654	4,754
Total rents and leases	$ 20,134	$ 60,860
Total lease costs	$ 22,147	$ 67,128

Other

Undiscounted cash flows for finance and operating leases recorded on the condensed consolidated balance sheet were as follows at September 30, 2019 (in thousands):

	Finance Leases	Operating Leases
For the three months ending December 31, 2019	$ 1,926	$ 15,052
2020	7,071	58,702
2021	35,262	55,092
2022	2,386	50,379
2023	1,194	46,893
Thereafter	26,094	691,763
Total minimum lease payments	73,933	917,881
Less: amount of lease payments representing interest	23,473	410,977
Present value of future minimum lease payments	50,460	506,904
Less: Current portion of lease liabilities	6,684	28,010
Noncurrent lease liabilities	$ 43,776	$ 478,894

Supplemental data for the nine months ended September 30, 2019 was as follows (in thousands):

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows for operating leases	$ 45,576
Operating cash flows for finance leases	$ 2,973
Financing cash flows for finance leases	$ 2,701
Right-of-use assets obtained in exchange for lease obligations:	
Operating leases	$ 15,623
Finance leases	$ 2,457

9. Long-Term Debt

Long-term debt consisted of the following (in thousands):

	September 30, 2019	December 31, 2018
Amended and Restated Senior Credit Facility:		
Senior Secured Term A Loans	$ 351,500	$ 365,750
Senior Secured Term B Loans	1,362,424	1,372,912
Senior Secured Revolving Line of Credit	—	—
6.125% Senior Notes due 2021	150,000	150,000
5.125% Senior Notes due 2022	300,000	300,000
5.625% Senior Notes due 2023	650,000	650,000
6.500% Senior Notes due 2024	390,000	390,000
Other long-term debt	5,110	5,953
Less: unamortized debt issuance costs, discount and premium	(34,112)	(41,128)
	3,174,922	3,193,487
Less: current portion	(41,287)	(34,112)
Long-term debt	$ 3,133,635	$ 3,159,375

Amended and Restated Senior Credit Facility

The Company entered into a senior secured credit facility (the “Senior Secured Credit Facility”) on April 1, 2011. On December 31, 2012, the Company entered into an Amended and Restated Credit Agreement (the “Amended and Restated Credit Agreement”) which amended and restated the Senior Secured Credit Facility (the “Amended and Restated Senior Credit Facility”).

The Company has amended the Amended and Restated Credit Agreement from time to time as described in the Company's prior filings with the SEC.

On March 22, 2018, the Company entered into a Second Repricing Facilities Amendment (the "Second Repricing Facilities Amendment") to the Amended and Restated Credit Agreement. The Second Repricing Facilities Amendment (i) replaced the Term Loan B Facility Tranche B-1 (the "Tranche B-1 Facility") and the Term Loan B Facility Tranche B-2 (the "Tranche B-2 Facility") with a new Term Loan B facility Tranche B-3 (the "Tranche B-3 Facility") and a new Term Loan B facility Tranche B-4 (the "Tranche B-4 Facility"), respectively, and (ii) reduced the Applicable Rate from 2.75% to 2.50% in the case of Eurodollar Rate loans and reduced the Applicable Rate from 1.75% to 1.50% in the case of Base Rate Loans.

On March 29, 2018, the Company entered into a Third Repricing Facilities Amendment to the Amended and Restated Credit Agreement (the "Third Repricing Facilities Amendment", and together with the Second Repricing Facilities Amendment, the "Repricing Facilities Amendments"). The Third Repricing Facilities Amendment replaced the existing revolving credit facility and Term Loan A facility ("TLA Facility") with a new revolving credit facility and TLA Facility, respectively. The Company's line of credit on its revolving credit facility remains at $500.0 million and the Third Repricing Facility Amendment reduced the size of the TLA Facility from $400.0 million to $380.0 million to reflect the then current outstanding principal. The Third Repricing Facilities Amendment reduced the Applicable Rate by 25 basis points for the revolving credit facility and the TLA Facility by amending the definition of "Applicable Rate."

In connection with the Repricing Facilities Amendments, the Company recorded a debt extinguishment charge of $0.9 million, including the discount and write-off of deferred financing costs, which was recorded in debt extinguishment costs in the condensed consolidated statements of income.

On February 6, 2019, the Company entered into the Eleventh Amendment (the "Eleventh Amendment") to the Amended and Restated Credit Agreement. The Eleventh Amendment, among other things, amended the definition of "Consolidated EBITDA" to remove the cap on non-cash charges, losses and expenses related to the impairment of goodwill, which in turn provided increased flexibility to the Company in terms of the Company's financial covenants.

On February 27, 2019, the Company entered into the Twelfth Amendment (the "Twelfth Amendment") to the Amended and Restated Credit Agreement. The Twelfth Amendment, among other things, modified certain definitions, including "Consolidated EBITDA", and increased our permitted Maximum Consolidated Leverage Ratio, thereby providing increased flexibility to the Company in terms of the Company's financial covenants.

The Company had $485.1 million of availability under the revolving line of credit and had standby letters of credit outstanding of $14.9 million related to security for the payment of claims required by its workers' compensation insurance program at September 30, 2019. Borrowings under the revolving line of credit are subject to customary conditions precedent to borrowing. The Amended and Restated Credit Agreement requires quarterly term loan principal repayments of our TLA Facility of $4.8 million for December 31, 2019, $7.1 million for March 31, 2020 to December 31, 2020, and $9.5 million for March 31, 2021 to September 30, 2021, with the remaining principal balance of the TLA Facility due on the maturity date of November 30, 2021. The Company is required to repay the Tranche B-3 Facility in equal quarterly installments of $1.2 million on the last business day of each March, June, September and December, with the outstanding principal balance of the Tranche B-3 Facility due on February 11, 2022. The Company is required to repay the Tranche B-4 Facility in equal quarterly installments of approximately $2.3 million on the last business day of each March, June, September and December, with the outstanding principal balance of the Tranche B-4 Facility due on February 16, 2023. On April 17, 2018, the Company made an additional payment of $15.0 million, including $5.1 million on the Tranche B-3 Facility and $9.9 million on the Tranche B-4 Facility.

Borrowings under the Amended and Restated Senior Credit Facility are guaranteed by each of the Company's wholly-owned domestic subsidiaries (other than certain excluded subsidiaries) and are secured by a lien on substantially all of the assets of the Company and such subsidiaries. Borrowings with respect to the TLA Facility and the Company's revolving credit facility (collectively, "Pro Rata Facilities") under the Amended and Restated Credit Agreement bear interest at a rate tied to Acadia's Consolidated Leverage Ratio (defined as consolidated funded debt net of up to $50.0 million of unrestricted and unencumbered cash to consolidated EBITDA, in each case as defined in the Amended and Restated Credit Agreement). The Applicable Rate (as defined in the Amended and Restated Credit Agreement) for the Pro Rata Facilities was 2.50% for Eurodollar Rate Loans (as defined in the Amended and Restated Credit Agreement) and 1.50% for Base Rate Loans (as defined in the Amended and Restated Credit Agreement) at September 30, 2019. Eurodollar Rate Loans with respect to the Pro Rata Facilities bear interest at the Applicable Rate plus the Eurodollar Rate (as defined in the Amended and Restated Credit Agreement) (based upon the LIBOR Rate (as defined in the Amended and Restated Credit Agreement) prior to commencement of the interest rate period). Base Rate Loans with respect to the Pro Rata Facilities bear interest at the Applicable Rate plus the highest of (i) the federal funds rate plus 0.50%, (ii) the prime rate and

(iii) the Eurodollar Rate plus 1.00%. At September 30, 2019, the Pro Rata Facilities bore interest at a rate of LIBOR plus 2.50%. In addition, the Company is required to pay a commitment fee on undrawn amounts under the revolving line of credit.

The Amended and Restated Credit Agreement requires the Company and its subsidiaries to comply with customary affirmative, negative and financial covenants, including a fixed charge coverage ratio, consolidated leverage ratio and senior secured leverage ratio. The Company may be required to pay all of its indebtedness immediately if it defaults on any of the numerous financial or other restrictive covenants contained in any of its material debt agreements. At September 30, 2019, the Company was in compliance with such covenants.

Senior Notes

6.125% Senior Notes due 2021

On March 12, 2013, the Company issued $150.0 million of 6.125% Senior Notes due 2021 (the “6.125% Senior Notes”). The 6.125% Senior Notes mature on March 15, 2021 and bear interest at a rate of 6.125% per annum, payable semi-annually in arrears on March 15 and September 15 of each year.

5.125% Senior Notes due 2022

On July 1, 2014, the Company issued $300.0 million of 5.125% Senior Notes due 2022 (the “5.125% Senior Notes”). The 5.125% Senior Notes mature on July 1, 2022 and bear interest at a rate of 5.125% per annum, payable semi-annually in arrears on January 1 and July 1 of each year.

5.625% Senior Notes due 2023

On February 11, 2015, the Company issued $375.0 million of 5.625% Senior Notes due 2023 (the “5.625% Senior Notes”). On September 21, 2015, the Company issued $275.0 million of additional 5.625% Senior Notes. The additional notes formed a single class of debt securities with the 5.625% Senior Notes issued in February 2015. Giving effect to this issuance, the Company has outstanding an aggregate of $650.0 million of 5.625% Senior Notes. The 5.625% Senior Notes mature on February 15, 2023 and bear interest at a rate of 5.625% per annum, payable semi-annually in arrears on February 15 and August 15 of each year.

6.500% Senior Notes due 2024

On February 16, 2016, the Company issued $390.0 million of 6.500% Senior Notes due 2024 (the “6.500% Senior Notes”). The 6.500% Senior Notes mature on March 1, 2024 and bear interest at a rate of 6.500% per annum, payable semi-annually in arrears on March 1 and September 1 of each year, beginning on September 1, 2016.

The indentures governing the 6.125% Senior Notes, 5.125% Senior Notes, 5.625% Senior Notes and 6.500% Senior Notes (together, the “Senior Notes”) contain covenants that, among other things, limit the Company’s ability and the ability of its restricted subsidiaries to: (i) pay dividends, redeem stock or make other distributions or investments; (ii) incur additional debt or issue certain preferred stock; (iii) transfer or sell assets; (iv) engage in certain transactions with affiliates; (v) create restrictions on dividends or other payments by the restricted subsidiaries; (vi) merge, consolidate or sell substantially all of the Company’s assets; and (vii) create liens on assets.

The Senior Notes issued by the Company are guaranteed by each of the Company’s subsidiaries that guarantee the Company’s obligations under the Amended and Restated Senior Credit Facility. The guarantees are full and unconditional and joint and several.

The Company may redeem the Senior Notes at its option, in whole or part, at the dates and amounts set forth in the indentures.

10. Equity-Based Compensation

Equity Incentive Plans

The Company issues stock-based awards, including stock options, restricted stock and restricted stock units, to certain officers, employees and non-employee directors under the Acadia Healthcare Company, Inc. Incentive Compensation Plan (the “Equity Incentive Plan”). At September 30, 2019, a maximum of 8,200,000 shares of the Company’s common stock were authorized for issuance as stock options, restricted stock and restricted stock units or other share-based compensation under the Equity Incentive Plan, of which 2,784,810 were available for future grant. Stock options may be granted for terms of up to ten years. The Company recognizes expense on all share-based awards on a straight-line basis over the requisite service period of the entire award. Grants to

employees generally vest in annual increments of 25% each year, commencing one year after the date of grant. The exercise prices of stock options are equal to the most recent closing price of the Company's common stock on the most recent trading date prior to the date of grant.

The Company recognized $4.0 million and $5.2 million in equity-based compensation expense for the three months ended September 30, 2019 and 2018, respectively, and $14.3 million and $19.3 million for the nine months ended September 30, 2019 and 2018, respectively. At September 30, 2019, there was $41.1 million of unrecognized compensation expense related to unvested options, restricted stock and restricted stock units, which is expected to be recognized over the remaining weighted average vesting period of 1.3 years.

At September 30, 2019, there were no warrants outstanding and exercisable. The Company recognized a deferred income tax benefit of $1.3 million and $1.4 million for the three months ended September 30, 2019 and 2018, respectively, related to equity-based compensation expense. The Company recognized a deferred income tax benefit of $4.1 million and $5.2 million for the nine months ended September 30, 2019 and 2018, respectively, related to equity-based compensation expense.

Stock Options

Stock option activity during 2018 and 2019 was as follows (aggregate intrinsic value in thousands):

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Options outstanding at January 1, 2018	974,566	$ 47.89	7.46	$ 3,802
Options granted	374,700	37.54	9.21	246
Options exercised	(20,989)	17.83	N/A	383
Options cancelled	(128,737)	50.83	N/A	N/A
Options outstanding at December 31, 2018	1,199,540	44.64	7.26	2,717
Options granted	605,200	28.50	9.47	1,213
Options exercised	(48,621)	21.14	N/A	496
Options cancelled	(322,589)	41.29	N/A	N/A
Options outstanding at September 30, 2019	1,433,530	$ 39.35	7.81	$ 1,731
Options exercisable at December 31, 2018	534,164	$ 44.98	5.73	$ 2,386
Options exercisable at September 30, 2019	529,639	$ 47.97	6.02	$ 658

Fair values are estimated using the Black-Scholes option pricing model. The following table summarizes the grant-date fair value of options and the assumptions used to develop the fair value estimates for options granted during the nine months ended September 30, 2019 and year ended December 31, 2018:

	September 30, 2019	December 31, 2018
Weighted average grant-date fair value of options	$ 17.59	$ 13.67
Risk-free interest rate	2.4%	2.2%
Expected volatility	38%	37%
Expected life (in years)	5.0	5.1

The Company's estimate of expected volatility for stock options is based upon the volatility of our stock price over the expected life of the award. The risk-free interest rate is the approximate yield on U.S. Treasury Strips having a life equal to the expected option life on the date of grant. The expected life is an estimate of the number of years an option will be held before it is exercised.

Other Stock-Based Awards

Restricted stock activity during 2018 and 2019 was as follows:

	Number of Shares	Weighted Average Grant-Date Fair Value
Unvested at January 1, 2018	809,868	$ 50.19
Granted	480,137	36.84
Cancelled	(88,989)	47.57
Vested	(395,959)	50.41
Unvested at December 31, 2018	805,057	$ 42.40
Granted	700,937	28.77
Cancelled	(353,646)	33.32
Vested	(250,392)	47.16
Unvested at September 30, 2019	901,956	$ 34.05

Restricted stock unit activity during 2018 and 2019 was as follows:

	Number of Units	Weighted Average Grant-Date Fair Value
Unvested at January 1, 2018	360,909	$ 50.04
Granted	285,358	42.26
Cancelled	(89,173)	55.44
Vested	(72,983)	49.64
Unvested at December 31, 2018	484,111	$ 44.52
Granted	234,408	34.54
Cancelled	(267,161)	45.20
Vested	—	—
Unvested at September 30, 2019	451,358	$ 38.94

Restricted stock awards are time-based vesting awards that vest over a period of three or four years and are subject to continuing service of the employee or non-employee director over the ratable vesting periods. The fair values of the restricted stock awards were determined based on the closing price of the Company's common stock on the trading date immediately prior to the grant date.

Restricted stock units are granted to employees and are subject to Company performance compared to pre-established targets and Company performance compared to peers. In addition to Company performance, these performance-based restricted stock units are subject to the continuing service of the employee during the two- or three-year period covered by the awards. The performance condition for the restricted stock units is based on the Company's achievement of annually established targets for diluted earnings per share. Additionally, the number of shares issuable pursuant to restricted stock units granted during 2019 and 2018 are subject to adjustment based on the Company's three-year annualized total stockholder return relative to a peer group consisting of S&P 1500 companies within the Healthcare Providers & Services 6 digit GICS industry group and selected other companies deemed to be peers. The number of shares issuable at the end of the applicable vesting period of restricted stock units ranges from 0% to 200% of the targeted units based on the Company's actual performance compared to the targets and, for 2019 and 2018 awards, performance compared to peers.

The fair values of restricted stock units were determined based on the closing price of the Company's common stock on the trading date immediately prior to the grant date for units subject to performance conditions, or at its Monte-Carlo simulation value for units subject to market conditions.

11. Income Taxes

The provision for income taxes for the three months ended September 30, 2019 and 2018 reflects effective tax rates of 13.8% and 15.9%, respectively. The decrease in the effective rate for the three months ended September 30, 2019 was primarily attributable

to the release of an income tax uncertainty reserve related to the deductibility of equity-based compensation and the taxable gain on the foreign currency derivatives settlement in August 2019, which allowed the Company to deduct more interest.

The provision for income taxes for the nine months ended September 30, 2019 and 2018 reflects effective tax rates of 17.6% and 9.5%, respectively. The increase in the effective tax rate for the nine months ended September 30, 2019 was primarily attributable to a discrete benefit of $10.5 million recorded during the nine months ended September 30, 2018 related to a change in the provisional amount recorded at December 31, 2017 in connection with the Tax Cuts and Jobs Act (the "Tax Act").

12. Derivatives

The Company entered into foreign currency forward contracts during the three and nine months ended September 30, 2019 and 2018 in connection with certain transfers of cash between the U.S. and U.K. under the Company's cash management and foreign currency risk management programs. Foreign currency forward contracts limit the economic risk of changes in the exchange rate between U.S. Dollars ("USD") and British Pounds ("GBP") associated with cash transfers.

In May 2016, the Company entered into multiple cross currency swap agreements with an aggregate notional amounts of $650.0 million to manage foreign currency risk by effectively converting a portion of its fixed-rate USD-denominated senior notes, including the semi-annual interest payments thereafter, to fixed-rate GBP-denominated debt of £449.3 million. In August 2019, the Company terminated its existing net investment cross currency swap derivatives of $105.0 million. Cash received from the termination of the cross currency swap derivatives is included in investing activities in the condensed consolidated statement of cash flows. The related gain from this termination is included in accumulated other comprehensive loss in accordance with ASC 815-30-40-1.

In August 2019, the Company also entered into multiple cross currency swap agreements with an aggregate notional amount of $650.0 million to manage foreign currency risk by effectively converting a portion of its fixed-rate USD-denominated senior notes, including the semi-annual interest payments thereunder, to fixed-rate GBP-denominated debt of £538.1 million. During the term of the swap agreements, the Company will receive semi-annual interest payments in USD from the counterparties at fixed interest rates, and the Company will make semi-annual interest payments in GBP to the counterparties at fixed interest rates. The interest payments under the cross-currency swap agreements result in £25.4 million of annual cash flows from the Company's U.K. business being converted to $35.8 million.

The Company has designated the cross currency swap agreements and forward contracts entered into during 2018 and the nine months ended September 30, 2019 as qualifying hedging instruments and is accounting for these derivatives as net investment hedges. The fair values of these derivatives at September 30, 2019 and December 31, 2018 of $(15.9) million and $60.5 million, respectively, are recorded as derivative instrument liabilities and assets, respectively, on the condensed consolidated balance sheets. During the three months ended September 30, 2019, the Company elected the spot method for recording its net investment hedges. Gains and losses resulting from the settlement of the excluded components are recorded in interest expense on the condensed consolidated statements of income. Gains and losses resulting from fair value adjustments to the cross currency swap agreements are recorded in accumulated other comprehensive loss as the swaps are effective in hedging the designated risk. Cash flows related to the cross currency swap derivatives are included in operating activities in the condensed consolidated statements of cash flows.

13. Fair Value Measurements

The carrying amounts reported for cash and cash equivalents, accounts receivable, other current assets, accounts payable and other current liabilities approximate fair value because of the short-term maturity of these instruments.

The carrying amounts and fair values of the Company's Amended and Restated Senior Credit Facility, 6.125% Senior Notes, 5.125% Senior Notes, 5.625% Senior Notes, 6.500% Senior Notes, other long-term debt and derivative instruments at September 30, 2019 and December 31, 2018 were as follows (in thousands):

	Carrying Amount		Fair Value	
	September 30, 2019	December 31, 2018	September 30, 2019	December 31, 2018
Amended and Restated Senior Credit Facility	$ 1,694,623	$ 1,715,338	$ 1,694,623	$ 1,715,338
6.125% Senior Notes due 2021	$ 149,101	$ 148,657	$ 149,287	$ 147,542
5.125% Senior Notes due 2022	$ 297,554	$ 296,946	$ 299,786	$ 283,583
5.625% Senior Notes due 2023	$ 644,393	$ 643,289	$ 656,475	$ 609,516
6.500% Senior Notes due 2024	$ 384,141	$ 383,304	$ 399,507	$ 369,888
Other long-term debt	$ 5,110	$ 5,953	$ 5,110	$ 5,953
Derivative instrument (liabilities) assets	$ (15,896)	$ 60,524	$ (15,896)	$ 60,524

The Company's Amended and Restated Senior Credit Facility, 6.125% Senior Notes, 5.125% Senior Notes, 5.625% Senior Notes, 6.500% Senior Notes and other long-term debt were categorized as Level 2 in the GAAP fair value hierarchy. Fair values were based on trading activity among the Company's lenders and the average bid and ask price as determined using published rates.

The fair values of the derivative instruments were categorized as Level 2 in the GAAP fair value hierarchy and were based on observable market inputs including applicable exchange rates and interest rates.

14. Commitments and Contingencies

Professional and General Liability

A portion of the Company's professional liability risks are insured through a wholly-owned insurance subsidiary. The Company is self-insured for professional liability claims up to $3.0 million per claim and has obtained reinsurance coverage from a third party to cover claims in excess of the retention limit. The reinsurance policy has a coverage limit of $75.0 million in the aggregate. The Company's reinsurance receivables are recognized consistent with the related liabilities and include known claims and any incurred but not reported claims that are covered by current insurance policies in place.

Legal Proceedings

The Company is, from time to time, subject to various claims, lawsuits, governmental investigations and regulatory actions, including claims for damages for personal injuries, medical malpractice, overpayments, breach of contract, securities law violations, tort and employment related claims. In these actions, plaintiffs request a variety of damages, including, in some instances, punitive and other types of damages that may not be covered by insurance. In addition, healthcare companies are subject to numerous investigations by various governmental agencies. Certain of the Company's individual facilities have received, and from time to time, other facilities may receive, subpoenas, civil investigative demands, audit requests and other inquiries from, and may be subject to investigation by, federal and state agencies. These investigations can result in repayment obligations, and violations of the False Claims Act can result in substantial monetary penalties and fines, the imposition of a corporate integrity agreement and exclusion from participation in governmental health programs. In addition, the federal False Claims Act permits private parties to bring qui tam, or "whistleblower," suits against companies that submit false claims for payments to, or improperly retain overpayments from, the government. Some states have adopted similar state whistleblower and false claims provisions.

On April 1, 2019, a consolidated complaint was filed against the Company and certain former and current officers in the lawsuit styled *St. Clair County Employees' Retirement System v. Acadia Healthcare Company, Inc., et al.*, Case No. 3:19-cv-00988, which is pending in the United States District Court for the Middle District of Tennessee. The complaint purports to be brought on behalf of a class consisting of all persons (other than defendants) who purchased securities of the Company between April 30, 2014 and November 15, 2018, and alleges that defendants violated Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 (the "Exchange Act") and Rule 10b-5 promulgated thereunder. At this time, we are not able to quantify any potential liability in connection with this litigation because the case is in its early stages.

On February 21, 2019, a purported stockholder filed a related derivative action on behalf of the Company against certain former and current officers and directors in the lawsuit styled *Davydov v. Joey A. Jacobs, et al.*, Case No. 3:19-cv-00167, which is pending in the United States District Court for the Middle District of Tennessee. The complaint alleges claims for violations of Section 10(b) and 14(a) of the Exchange Act, breach of fiduciary duty, waste of corporate assets, and unjust enrichment. On May 23, 2019, a purported stockholder filed a second related derivative action on behalf of the Company against certain former and current officers and directors in the lawsuit styled *Beard v. Jacobs, et al.*, Case No. 3:19-cv-0441, which is pending the United States District Court for the Middle District of Tennessee. The complaint alleges claims for violations of Sections 10(b), 14(a), and 21D of the Exchange Act, breach of fiduciary duty, waste of corporate assets, unjust enrichment, and insider selling. On June 11, 2019, the *Davydov* and *Beard* actions were consolidated and ordered stayed pending a ruling on the motion to dismiss that was filed in the *St. Clair County v. Acadia Healthcare* case described above. At this time, we are not able to quantify any potential liability in connection with this litigation because the cases are in their early stages.

During the second quarter of 2019, the Company reached a settlement with the U.S. Attorney's Office for the Southern District of West Virginia relating to the manner in which seven of our comprehensive treatment centers in West Virginia had historically billed lab claims to the West Virginia Medicaid Program. The Company paid the government $17.0 million during the three months ended June 30, 2019 and entered into a corporate integrity agreement with the Office of Inspector General imposing customary compliance obligations on our subsidiary, CRC Health.

In the fall of 2017, the Office of Inspector General issued subpoenas to three of the Company's facilities requesting certain documents from January 2013 to the date of the subpoenas. The U.S. Attorney's Office for the Middle District of Florida issued a civil investigative demand to one of the Company's facilities in December 2017 requesting certain documents from November 2012 to the date of the demand. In April 2019, the Office of Inspector General issued subpoenas relating to six additional facilities requesting certain documents and information from January 2013 to the date of the subpoenas. The government's investigation of each of these facilities is focused on claims not eligible for payment because of alleged violations of certain regulatory requirements relating to, among other things, medical necessity, admission eligibility, discharge decisions, length of stay and patient care issues. The Company is cooperating with the government's investigation but is not able to quantify any potential liability in connection with these investigations.

15. Noncontrolling Interests

Noncontrolling interests in the consolidated financial statements represents the portion of equity held by noncontrolling partners in the Company's non-wholly owned subsidiaries. At September 30, 2019, the Company operated five facilities through non-wholly owned subsidiaries and owns between 60% and 85% of the equity interests, and noncontrolling partners own the remaining equity interests. The initial value of the noncontrolling interests is based on the fair value of contributions, and the Company consolidates the operations of each facility based on its equity ownership and its control of the entity. The noncontrolling interests are reflected as redeemable noncontrolling interests on the condensed consolidated balance sheets based on put rights that could require the Company to purchase the noncontrolling interests upon the occurrence of a change in control.

The components of redeemable noncontrolling interests are as follows (in thousands):

Balance at December 31, 2018	$	28,806
Acquisition of redeemable noncontrolling interests		3,300
Net income attributable to noncontrolling interests		258
Balance at September 30, 2019	$	32,364

16. Other Current Assets

Other current assets consisted of the following (in thousands):

	September 30, 2019		December 31, 2018	
Prepaid expenses	$	28,495	$	30,802
Other receivables		17,485		19,205
Cost report receivable		12,485		10,340
Notes receivable		11,875		—
Workers' compensation deposits – current portion		10,000		10,000
Income taxes receivable		5,001		2,380
Inventory		4,337		5,055
Insurance receivable – current portion		2,049		2,049
Other		2,061		1,989
Other current assets	$	93,788	$	81,820

17. Other Accrued Liabilities

Other accrued liabilities consisted of the following (in thousands):

	September 30, 2019	December 31, 2018
Accrued expenses	$ 47,067	$ 44,938
Unearned income	35,278	32,154
Income taxes payable	25,318	3,041
Accrued interest	11,134	32,838
Finance lease liabilities	6,684	445
Accrued property taxes	6,537	4,136
Insurance liability – current portion	4,956	4,956
Accrued legal settlements	—	22,076
Other	2,780	6,642
Other accrued liabilities	$ 139,754	$ 151,226

18. Segment Information

The Company operates in one line of business, which is operating acute inpatient psychiatric facilities, specialty treatment facilities, residential treatment centers and facilities providing outpatient behavioral healthcare services. As management reviews the operating results of its U.S. Facilities and its U.K. Facilities separately to assess performance and make decisions, the Company's operating segments include our U.S. Facilities and U.K. Facilities. At September 30, 2019, the U.S. Facilities segment included 224 behavioral healthcare facilities with approximately 9,300 beds in 40 states and Puerto Rico, and the U.K. Facilities segment included 365 behavioral healthcare facilities with approximately 8,700 beds in the U.K.

The following tables set forth the financial information by operating segment, including a reconciliation of Segment EBITDA to income before income taxes (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Revenue:				
U.S. Facilities	$ 509,383	$ 488,626	$ 1,507,156	$ 1,432,501
U.K. Facilities	267,868	272,290	820,074	836,394
Corporate and Other	—	—	—	—
	$ 777,251	$ 760,916	$ 2,327,230	$ 2,268,895
Segment EBITDA (1):				
U.S. Facilities	$ 127,087	$ 128,537	$ 381,491	$ 375,663
U.K. Facilities	40,726	40,735	126,617	146,081
Corporate and Other	(21,175)	(20,348)	(66,581)	(62,075)
	$ 146,638	$ 148,924	$ 441,527	$ 459,669

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Segment EBITDA (1)	$ 146,638	$ 148,924	$ 441,527	$ 459,669
Less:				
Equity-based compensation expense	(4,039)	(5,225)	(14,322)	(19,273)
Transaction-related expenses	(5,775)	(2,353)	(15,308)	(10,008)
Debt extinguishment costs	—	—	—	(940)
Interest expense, net	(46,644)	(46,651)	(143,384)	(137,706)
Depreciation and amortization	(40,620)	(39,659)	(122,277)	(119,360)
Income before income taxes	$ 49,560	$ 55,036	$ 146,236	$ 172,382

	U.S. Facilities	U.K. Facilities	Corporate and Other	Consolidated
Goodwill:				
Balance at January 1, 2019	$ 2,044,837	$ 351,575	$ —	$ 2,396,412
Increase from 2019 acquisitions	36,567	—	—	36,567
Increase from contribution of redeemable noncontrolling interests	3,300	—	—	3,300
Foreign currency translation loss	—	(12,038)	—	(12,038)
Balance at September 30, 2019	$ 2,084,704	$ 339,537	$ —	$ 2,424,241

	September 30, 2019	December 31, 2018
Assets (2):		
U.S. Facilities	$ 4,032,623	$ 3,779,040
U.K. Facilities	2,472,274	2,175,809
Corporate and Other	223,228	217,655
	$ 6,728,125	$ 6,172,504

(1) Segment EBITDA is defined as income before provision for income taxes, equity-based compensation expense, transaction-related expenses, debt extinguishment costs, interest expense and depreciation and amortization. The Company uses Segment EBITDA as an analytical indicator to measure the performance of the Company's segments and to develop strategic objectives and operating plans for those segments. Segment EBITDA is commonly used as an analytical indicator within the health care industry, and also serves as a measure of leverage capacity and debt service ability. Segment EBITDA should not be considered as a measure of financial performance under GAAP, and the items excluded from Segment EBITDA are significant components in understanding and assessing financial performance. Because Segment EBITDA is not a measurement determined in accordance with GAAP and is thus susceptible to varying calculations, Segment EBITDA, as presented, may not be comparable to other similarly titled measures of other companies.

(2) Assets include property and equipment for the U.S. Facilities of $1.4 billion, U.K. Facilities of $1.6 billion and corporate and other of $57.2 million at September 30, 2019. Assets include property and equipment for the U.S. Facilities of $1.4 billion, U.K. Facilities of $1.7 billion and corporate and other of $44.9 million at December 31, 2018.

19. Accumulated Other Comprehensive Loss

The components of accumulated other comprehensive loss are as follows (in thousands):

	Foreign Currency Translation Adjustments	Change in Fair Value of Derivative Instruments	Pension Plan	Total
Balance at December 31, 2018	$ (504,528)	$ 43,966	$ (1,815)	$ (462,377)
Foreign currency translation (loss) gain	(66,174)	—	62	(66,112)
Gain on derivative instruments, net of tax of $10.7 million	—	20,495	—	20,495
Balance at September 30, 2019	$ (570,702)	$ 64,461	$ (1,753)	$ (507,994)

20. Financial Information for the Company and Its Subsidiaries

The Company conducts substantially all of its business through its subsidiaries. The 6.125% Senior Notes, 5.125% Senior Notes, 5.625% Senior Notes and 6.500% Senior Notes are jointly and severally guaranteed on an unsecured senior basis by all of the Company's subsidiaries that guarantee the Company's obligations under the Amended and Restated Senior Credit Facility. Presented below is condensed consolidating financial information for the Company and its subsidiaries at September 30, 2019 and December 31, 2018, and for the three and nine months ended September 30, 2019 and 2018. The information segregates the parent company (Acadia Healthcare Company, Inc.), the combined wholly-owned subsidiary guarantors, the combined non-guarantor subsidiaries and eliminations.

Acadia Healthcare Company, Inc.
Condensed Consolidating Balance Sheets
September 30, 2019
(In thousands)

	Parent	Combined Subsidiary Guarantors	Combined Non-Guarantors	Consolidating Adjustments	Total Consolidated Amounts
Current assets:					
Cash and cash equivalents	$ —	$ 63,066	$ 29,834	$ —	$ 92,900
Accounts receivable, net	—	282,407	67,818	—	350,225
Other current assets	—	78,992	14,796	—	93,788
Total current assets	—	424,465	112,448	—	536,913
Property and equipment, net	—	1,313,560	1,817,859	—	3,131,419
Goodwill	—	1,991,944	432,297	—	2,424,241
Intangible assets, net	—	58,410	30,618	—	89,028
Deferred tax assets	1,999	—	3,371	(1,999)	3,371
Investment in subsidiaries	5,369,355	—	—	(5,369,355)	—
Operating lease right-of-use assets	—	99,517	380,364	—	479,881
Other assets	251,289	55,571	4,681	(248,269)	63,272
Total assets	$ 5,622,643	$ 3,943,467	$ 2,781,638	$ (5,619,623)	$ 6,728,125
Current liabilities:					
Current portion of long-term debt	$ 41,287	$ —	$ —	$ —	$ 41,287
Accounts payable	—	93,817	37,655	—	131,472
Accrued salaries and benefits	—	87,206	30,477	—	117,683
Current portion of operating lease liabilities	—	17,595	10,415	—	28,010
Other accrued liabilities	11,134	48,150	80,470	—	139,754
Total current liabilities	52,421	246,768	159,017	—	458,206
Long-term debt	3,133,635	—	248,269	(248,269)	3,133,635
Deferred tax liabilities	—	17,419	47,734	(1,999)	63,154
Operating lease liabilities	—	87,700	391,194	—	478,894
Derivative instrument liabilities	15,896	—	—	—	15,896
Other liabilities	—	110,037	15,248	—	125,285
Total liabilities	3,201,952	461,924	861,462	(250,268)	4,275,070
Redeemable noncontrolling interests	—	—	32,364	—	32,364
Total equity	2,420,691	3,481,543	1,887,812	(5,369,355)	2,420,691
Total liabilities and equity	$ 5,622,643	$ 3,943,467	$ 2,781,638	$ (5,619,623)	$ 6,728,125

Acadia Healthcare Company, Inc.
Condensed Consolidating Balance Sheets
December 31, 2018
(In thousands)

	Parent	Combined Subsidiary Guarantors	Combined Non-Guarantors	Consolidating Adjustments	Total Consolidated Amounts
Current assets:					
Cash and cash equivalents	$ —	$ 32,471	$ 18,039	$ —	$ 50,510
Accounts receivable, net	—	248,218	69,869	—	318,087
Other current assets	—	60,160	21,660	—	81,820
Total current assets	—	340,849	109,568	—	450,417
Property and equipment, net	—	1,219,803	1,887,963	—	3,107,766
Goodwill	—	1,936,057	460,355	—	2,396,412
Intangible assets, net	—	56,611	32,379	—	88,990
Deferred tax assets – noncurrent	1,841	—	3,468	(1,841)	3,468
Derivative instruments	60,524	—	—	—	60,524
Investment in subsidiaries	5,190,771	—	—	(5,190,771)	—
Other assets	306,495	52,824	9,548	(303,940)	64,927
Total assets	$ 5,559,631	$ 3,606,144	$ 2,503,281	$ (5,496,552)	$ 6,172,504
Current liabilities:					
Current portion of long-term debt	$ 34,112	$ —	$ —	$ —	$ 34,112
Accounts payable	—	79,463	38,277	—	117,740
Accrued salaries and benefits	—	84,150	29,149	—	113,299
Other accrued liabilities	32,837	42,062	76,327	—	151,226
Total current liabilities	66,949	205,675	143,753	—	416,377
Long-term debt	3,159,375	—	303,940	(303,940)	3,159,375
Deferred tax liabilities – noncurrent	—	31,874	50,339	(1,841)	80,372
Other liabilities	—	107,866	46,401	—	154,267
Total liabilities	3,226,324	345,415	544,433	(305,781)	3,810,391
Redeemable noncontrolling interests	—	—	28,806	—	28,806
Total equity	2,333,307	3,260,729	1,930,042	(5,190,771)	2,333,307
Total liabilities and equity	$ 5,559,631	$ 3,606,144	$ 2,503,281	$ (5,496,552)	$ 6,172,504

Acadia Healthcare Company, Inc.
Condensed Consolidating Statement of Comprehensive Income (Loss)
Three Months Ended September 30, 2019
(In thousands)

	Parent	Combined Subsidiary Guarantors	Combined Non-Guarantors	Consolidating Adjustments	Total Consolidated Amounts
Revenue	$ —	$ 476,722	$ 300,529	$ —	$ 777,251
Salaries, wages and benefits	4,039	258,166	166,396	—	428,601
Professional fees	—	27,955	34,197	—	62,152
Supplies	—	20,291	10,499	—	30,790
Rents and leases	—	8,771	11,363	—	20,134
Other operating expenses	—	60,730	32,245	—	92,975
Depreciation and amortization	—	20,588	20,032	—	40,620
Interest expense, net	19,109	22,876	4,659	—	46,644
Transaction-related expenses	—	4,326	1,449	—	5,775
Total expenses	23,148	423,703	280,840	—	727,691
(Loss) income before income taxes	(23,148)	53,019	19,689	—	49,560
Equity in earnings of subsidiaries	60,296	—	—	(60,296)	—
(Benefit from) provision for income taxes	(5,575)	15,273	(2,861)	—	6,837
Net income (loss)	42,723	37,746	22,550	(60,296)	42,723
Net income attributable to noncontrolling interests	—	—	(157)	—	(157)
Net income (loss) attributable to Acadia Healthcare Company, Inc.	$ 42,723	$ 37,746	$ 22,393	$ (60,296)	$ 42,566
Other comprehensive income:					
Foreign currency translation loss	—	—	(59,975)	—	(59,975)
Gain on derivative instruments	11,598	—	—	—	11,598
Other comprehensive income (loss)	11,598	—	(59,975)	—	(48,377)
Comprehensive income (loss) attributable to Acadia Healthcare Company, Inc.	$ 54,321	$ 37,746	$ (37,582)	$ (60,296)	$ (5,811)

Acadia Healthcare Company, Inc.
Condensed Consolidating Statement of Comprehensive Income (Loss)
Three Months Ended September 30, 2018
(In thousands)

	Parent	Combined Subsidiary Guarantors	Combined Non-Guarantors	Consolidating Adjustments	Total Consolidated Amounts
Revenue	$ —	$ 458,061	$ 302,855	$ —	$ 760,916
Salaries, wages and benefits	5,225	245,599	167,093	—	417,917
Professional fees	—	24,152	35,357	—	59,509
Supplies	—	19,139	10,322	—	29,461
Rents and leases	—	8,294	11,572	—	19,866
Other operating expenses	—	57,495	32,969	—	90,464
Depreciation and amortization	—	18,857	20,802	—	39,659
Interest expense, net	17,225	22,768	6,658	—	46,651
Transaction-related expenses	—	702	1,651	—	2,353
Total expenses	22,450	397,006	286,424	—	705,880
(Loss) income before income taxes	(22,450)	61,055	16,431	—	55,036
Equity in earnings of subsidiaries	62,854	—	—	(62,854)	—
(Benefit from) provision for income taxes	(5,875)	11,666	2,966	—	8,757
Net income (loss)	46,279	49,389	13,465	(62,854)	46,279
Net income attributable to noncontrolling interests	—	—	(47)	—	(47)
Net income (loss) attributable to Acadia Healthcare Company, Inc.	$ 46,279	$ 49,389	$ 13,418	$ (62,854)	$ 46,232
Other comprehensive (loss) income:					
Foreign currency translation loss	—	—	(31,959)	—	(31,959)
Gain on derivative instruments	7,380	—	—	—	7,380
Other comprehensive income (loss)	7,380	—	(31,959)	—	(24,579)
Comprehensive income (loss) attributable to Acadia Healthcare Company, Inc.	$ 53,659	$ 49,389	$ (18,541)	$ (62,854)	$ 21,653

Acadia Healthcare Company, Inc.
Condensed Consolidating Statement of Comprehensive Income (Loss)
Nine Months Ended September 30, 2019
(In thousands)

	Parent	Combined Subsidiary Guarantors	Combined Non-Guarantors	Consolidating Adjustments	Total Consolidated Amounts
Revenue	$ —	$ 1,416,790	$ 910,440	$ —	$ 2,327,230
Salaries, wages and benefits	14,322	767,764	506,313	—	1,288,399
Professional fees	—	79,663	97,925	—	177,588
Supplies	—	59,753	31,908	—	91,661
Rents and leases	—	25,890	34,970	—	60,860
Other operating expenses	—	181,639	99,878	—	281,517
Depreciation and amortization	—	60,210	62,067	—	122,277
Interest expense, net	58,825	69,380	15,179	—	143,384
Transaction-related expenses	—	12,122	3,186	—	15,308
Total expenses	73,147	1,256,421	851,426	—	2,180,994
(Loss) income before income taxes	(73,147)	160,369	59,014	—	146,236
Equity in earnings of subsidiaries	174,337	—	—	(174,337)	—
(Benefit from) provision for income taxes	(19,245)	57,636	(12,590)	—	25,801
Net income (loss)	120,435	102,733	71,604	(174,337)	120,435
Net gain attributable to noncontrolling interests	—	—	(258)	—	(258)
Net income (loss) attributable to Acadia Healthcare Company, Inc.	$ 120,435	$ 102,733	$ 71,346	$ (174,337)	$ 120,177
Other comprehensive (loss) income:					
Foreign currency translation loss	—	—	(66,112)	—	(66,112)
Gain on derivative instruments	20,495	—	—	—	20,495
Other comprehensive income (loss)	20,495	—	(66,112)	—	(45,617)
Comprehensive income (loss) attributable to Acadia Healthcare Company, Inc.	$ 140,930	$ 102,733	$ 5,234	$ (174,337)	$ 74,560

Acadia Healthcare Company, Inc.
Condensed Consolidating Statement of Comprehensive Income (Loss)
Nine Months Ended September 30, 2018
(In thousands)

	Parent	Combined Subsidiary Guarantors	Combined Non-Guarantors	Consolidating Adjustments	Total Consolidated Amounts
Revenue	$ —	$ 1,347,468	$ 921,427	$ —	2,268,895
Salaries, wages and benefits	19,273	724,650	502,263	—	1,246,186
Professional fees	—	73,100	93,888	—	166,988
Supplies	—	57,143	31,815	—	88,958
Rents and leases	—	24,844	35,546	—	60,390
Other operating expenses	—	168,923	97,054	—	265,977
Depreciation and amortization	—	55,640	63,720	—	119,360
Interest expense, net	47,307	69,954	20,445	—	137,706
Debt extinguishment costs	940	—	—	—	940
Transaction-related expenses	—	7,382	2,626	—	10,008
Total expenses	67,520	1,181,636	847,357	—	2,096,513
(Loss) income before income taxes	(67,520)	165,832	74,070	—	172,382
Equity in earnings of subsidiaries	206,204	—	—	(206,204)	—
(Benefit from) provision for income taxes	(17,359)	22,985	10,713	—	16,339
Net income (loss)	156,043	142,847	63,357	(206,204)	156,043
Net income attributable to noncontrolling interests	—	—	(156)	—	(156)
Net income (loss) attributable to Acadia Healthcare Company, Inc.	$ 156,043	$ 142,847	$ 63,201	$ (206,204)	$ 155,887
Other comprehensive (loss) income:					
Foreign currency translation loss	—	—	(82,778)	—	(82,778)
Gain on derivative instruments	16,434	—	—	—	16,434
Other comprehensive income (loss)	16,434	—	(82,778)	—	(66,344)
Comprehensive income (loss) attributable to Acadia Healthcare Company, Inc.	$ 172,477	$ 142,847	$ (19,577)	$ (206,204)	$ 89,543

Acadia Healthcare Company, Inc.
Condensed Consolidating Statement of Cash Flows
Nine Months Ended September 30, 2019
(In thousands)

	Parent	Combined Subsidiary Guarantors	Combined Non-Guarantors	Consolidating Adjustments	Total Consolidated Amounts
Operating activities:					
Net income (loss)	$ 120,435	$ 102,733	$ 71,604	$ (174,337)	$ 120,435
Adjustments to reconcile net income (loss) to net cash (used in) provided by continuing operating activities:					
Equity in earnings of subsidiaries	(174,337)	—	—	174,337	—
Depreciation and amortization	—	60,210	62,067	—	122,277
Amortization of debt issuance costs	8,926	—	—	—	8,926
Equity-based compensation expense	14,322	—	—	—	14,322
Deferred income taxes	(158)	4,517	791	—	5,150
Other	2,606	1,643	195	—	4,444
Change in operating assets and liabilities:					
Accounts receivable, net	—	(28,918)	(4,038)	—	(32,956)
Other current assets	—	(2,845)	(1,067)	—	(3,912)
Other assets	3,847	(1,136)	1,666	(3,847)	530
Accounts payable and other accrued liabilities	—	(29,543)	(6,067)	—	(35,610)
Accrued salaries and benefits	—	2,008	2,805	—	4,813
Other liabilities	—	16,058	(10,948)	—	5,110
Net cash (used in) provided by operating activities	(24,359)	124,727	117,008	(3,847)	213,529
Investing activities:					
Cash paid for acquisitions, net of cash acquired	—	(44,900)	—	—	(44,900)
Cash paid for capital expenditures	—	(135,242)	(67,480)	—	(202,722)
Cash paid for real estate acquisitions	—	(6,976)	—	—	(6,976)
Settlement of foreign currency derivatives	105,008	—	—	—	105,008
Other	—	7,615	4,783	—	12,398
Net cash provided by (used in) investing activities	105,008	(179,503)	(62,697)	—	(137,192)
Financing activities:					
Borrowings on revolving credit facility	76,573	—	—	—	76,573
Principal payments on revolving credit facility	(76,573)	—	—	—	(76,573)
Principal payments on long-term debt	(24,738)	—	(3,847)	3,847	(24,738)
Common stock withheld for minimum statutory taxes, net	(1,498)	—	—	—	(1,498)
Other	(2,375)	(1,580)	(1,968)	—	(5,923)
Cash (used in) provided by intercompany activity	(52,038)	86,951	(34,913)	—	—
Net cash (used in) provided by in financing activities	(80,649)	85,371	(40,728)	3,847	(32,159)
Effect of exchange rate changes on cash	—	—	(1,788)	—	(1,788)
Net increase in cash and cash equivalents	—	30,595	11,795	—	42,390
Cash and cash equivalents at beginning of the period	—	32,471	18,039	—	50,510
Cash and cash equivalents at end of the period	$ —	$ 63,066	$ 29,834	$ —	$ 92,900

Acadia Healthcare Company, Inc.
Condensed Consolidating Statement of Cash Flows
Nine Months Ended September 30, 2018
(In thousands)

	Parent	Combined Subsidiary Guarantors	Combined Non-Guarantors	Consolidating Adjustments	Total Consolidated Amounts
Operating activities:					
Net income (loss)	$ 156,043	$ 142,847	$ 63,357	$ (206,204)	$ 156,043
Adjustments to reconcile net income (loss) to net cash (used in) provided by continuing operating activities:					
Equity in earnings of subsidiaries	(206,204)	—	—	206,204	—
Depreciation and amortization	—	55,640	63,720	—	119,360
Amortization of debt issuance costs	8,065	—	(302)	—	7,763
Equity-based compensation expense	19,273	—	—	—	19,273
Deferred income taxes	74	(2,398)	586	—	(1,738)
Debt extinguishment costs	940	—	—	—	940
Other	1,948	1,219	(142)	—	3,025
Change in operating assets and liabilities:					
Accounts receivable, net	—	(39,644)	(3,608)	—	(43,252)
Other current assets	—	7,898	(4,877)	—	3,021
Other assets	4,596	3,763	105	(4,596)	3,868
Accounts payable and other accrued liabilities	—	7,835	1,395	—	9,230
Accrued salaries and benefits	—	11,100	(51)	—	11,049
Other liabilities	—	4,548	(4,399)	—	149
Net cash (used in) provided by continuing operating activities	(15,265)	192,808	115,784	(4,596)	288,731
Net cash used in discontinued operating activities	—	(2,548)	—	—	(2,548)
Net cash (used in) provided by operating activities	(15,265)	190,260	115,784	(4,596)	286,183
Investing activities:					
Cash paid for capital expenditures	—	(149,402)	(100,587)	—	(249,989)
Cash paid for real estate acquisitions	—	(9,391)	—	—	(9,391)
Other	—	(5,718)	2,604	—	(3,114)
Net cash used in investing activities	—	(164,511)	(97,983)	—	(262,494)
Financing activities:					
Principal payments on long-term debt	(31,492)	(169)	(4,427)	4,596	(31,492)
Common stock withheld for minimum statutory taxes, net	(2,272)	—	—	—	(2,272)
Other	(1,742)	(2,885)	(2,346)	—	(6,973)
Cash provided by (used in) intercompany activity	50,771	(37,257)	(13,514)	—	—
Net cash provided by (used in) in financing activities	15,265	(40,311)	(20,287)	4,596	(40,737)
Effect of exchange rate changes on cash	—	—	(1,314)	—	(1,314)
Net decrease in cash and cash equivalents	—	(14,562)	(3,800)	—	(18,362)
Cash and cash equivalents at beginning of the period	—	46,860	20,430	—	67,290
Cash and cash equivalents at end of the period	$ —	$ 32,298	$ 16,630	$ —	$ 48,928

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

This Quarterly Report on Form 10-Q contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include any statements that address future results or occurrences. In some cases you can identify forward-looking statements by terminology such as "may," "might," "will," "would," "should," "could" or the negative thereof. Generally, the words "anticipate," "believe," "continue," "expect," "intend," "estimate," "project," "plan" and similar expressions identify forward-looking statements. In particular, statements about our expectations, beliefs, plans, objectives, assumptions or future events or performance contained are forward-looking statements.

We have based these forward-looking statements on our current expectations, assumptions, estimates and projections. While we believe these expectations, assumptions, estimates and projections are reasonable, such forward-looking statements are only predictions and involve known and unknown risks, uncertainties and other factors, many of which are outside of our control, which could cause our actual results, performance or achievements to differ materially from any results, performance or achievements expressed or implied by such forward-looking statements. These risks, uncertainties and other factors include, but are not limited to:

- our significant indebtedness, our ability to meet our debt obligations, and our ability to incur substantially more debt;
- difficulties in successfully integrating the operations of acquired facilities or realizing the potential benefits and synergies of our acquisitions and joint ventures;
- our ability to implement our business strategies in the U.S. and the U.K.;
- our ability to successfully implement the strategic initiatives that we adopted following our review of our business in early 2019;
- potential difficulties operating our business in light of political and economic instability in the U.K. and globally relating to the U.K.'s departure from the European Union;
- the impact of fluctuations in foreign exchange rates, including the devaluations of the GBP relative to the USD;
- the impact of payments received from the government and third-party payors on our revenue and results of operations including the significant dependence of our U.K. facilities on payments received from the NHS;
- our ability to recruit and retain quality psychiatrists and other physicians, nurses, counselors and other medical support personnel;
- the impact of competition for staffing on our labor costs and profitability;
- the impact of increases to our labor costs in the U.S. and the U.K.;
- the occurrence of patient incidents, which could result in negative media coverage, adversely affect the price of our securities and result in incremental regulatory burdens and governmental investigations;
- our future cash flow and earnings;
- our restrictive covenants, which may restrict our business and financing activities;
- our ability to make payments on our financing arrangements;
- the impact of the economic and employment conditions in the U.S. and the U.K. on our business and future results of operations;
- compliance with laws and government regulations;
- the impact of claims brought against us or our facilities including claims for damages for personal injuries, medical malpractice, overpayments, breach of contract, securities law violations, tort and employee related claims;
- the impact of governmental investigations, regulatory actions and whistleblower lawsuits;
- the impact of healthcare reform in the U.S. and abroad, including the potential repeal, replacement or modification of the Patient Protection and Affordable Care Act;
- the impact of adverse weather conditions, including the effects of hurricanes;
- the impact of our highly competitive industry on patient volumes;
- our dependence on key management personnel, key executives and local facility management personnel;

- our acquisition, joint venture and de novo strategies, which expose us to a variety of operational and financial risks, as well as legal and regulatory risks;
- the impact of state efforts to regulate the construction or expansion of healthcare facilities on our ability to operate and expand our operations;
- our potential inability to extend leases at expiration;
- the impact of controls designed to reduce inpatient services on our revenue;
- the impact of different interpretations of accounting principles on our results of operations or financial condition;
- the impact of environmental, health and safety laws and regulations, especially in locations where we have concentrated operations;
- the impact of an increase in uninsured and underinsured patients or the deterioration in the collectability of the accounts of such patients on our results of operations;
- the risk of a cyber-security incident and any resulting violation of laws and regulations regarding information privacy or other negative impact;
- the impact of laws and regulations relating to privacy and security of patient health information and standards for electronic transactions;
- our ability to cultivate and maintain relationships with referral sources;
- the impact of a change in the mix of our U.S. and U.K. earnings, adverse changes in our effective tax rate and adverse developments in tax laws generally;
- changes in interpretations, assumptions and expectations regarding the Tax Act, including additional guidance that may be issued by federal and state taxing authorities;
- failure to maintain effective internal control over financial reporting;
- the impact of fluctuations in our operating results, quarter to quarter earnings and other factors on the price of our securities;
- the impact of the trend for insurance companies and managed care organizations to enter into sole source contracts on our ability to obtain patients;
- the impact of value-based purchasing programs on our revenue; and
- those risks and uncertainties described from time to time in our filings with the SEC.

Given these risks and uncertainties, you are cautioned not to place undue reliance on such forward-looking statements. These risks and uncertainties may cause our actual future results to be materially different than those expressed in our forward-looking statements. These forward-looking statements are made only as of the date of this Quarterly Report on Form 10-Q. We do not undertake and specifically decline any obligation to update any such statements or to publicly announce the results of any revisions to any such statements to reflect future events or developments.

Overview

Our business strategy is to acquire and develop behavioral healthcare facilities and improve our operating results within our facilities and our other behavioral healthcare operations. We strive to improve the operating results of our facilities by providing high-quality services, expanding referral networks and marketing initiatives while meeting the increased demand for behavioral healthcare services through expansion of our current locations as well as developing new services within existing locations. At September 30, 2019, we operated 589 behavioral healthcare facilities with approximately 18,000 beds in 40 states, the U.K. and Puerto Rico. During the nine months ended September 30, 2019, we acquired 11 facilities and added 414 beds (exclusive of acquisitions), including 254 added to existing facilities and 160 added through the opening of two de novo facilities. For the year ending December 31, 2019, we expect to add approximately 650 total beds exclusive of acquisitions.

We are the leading publicly traded pure-play provider of behavioral healthcare services, with operations in the U.S. and the U.K. Management believes that we are positioned as a leading platform in a highly fragmented industry under the direction of an experienced management team that has significant industry expertise. Management expects to take advantage of several strategies that are more accessible as a result of our increased size and geographic scale, including continuing a national marketing strategy to attract

new patients and referral sources, increasing our volume of out-of-state referrals, providing a broader range of services to new and existing patients and clients and selectively pursuing opportunities to expand our facility and bed count in the U.S. through acquisitions, de novo facilities, joint ventures and bed additions in existing facilities.

During the nine months ended September 30, 2019, we commenced a review of strategic alternatives including those related to our U.K. operations and a potential sale of such operations. The likelihood and form of strategic alternative that we may pursue for our U.K. operations remains uncertain.

Acquisitions

On April 1, 2019, the Company completed the acquisition of Bradford, a specialty treatment facility with 46 beds located in Millerton, Pennsylvania for cash consideration of approximately $4.5 million.

On February 15, 2019, the Company completed the acquisition of Whittier, an inpatient psychiatric facility with 71 beds located in Haverhill, Massachusetts, for cash consideration of approximately $17.9 million. Also on February 15, 2019, the Company completed the acquisition of Mission Treatment for cash consideration of approximately $22.5 million. Mission Treatment operates nine comprehensive treatment centers in California, Nevada, Arizona and Oklahoma.

Results of Operations

The following table illustrates our consolidated results of operations for the respective periods shown (dollars in thousands):

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2019		2018		2019		2018	
	Amount	%	Amount	%	Amount	%	Amount	%
Revenue	$777,251	100.0%	$760,916	100.0%	$2,327,230	100.0%	$2,268,895	100.0%
Salaries, wages and benefits	428,601	55.1%	417,917	54.9%	1,288,399	55.4%	1,246,186	54.9%
Professional fees	62,152	8.0%	59,509	7.8%	177,588	7.6%	166,988	7.4%
Supplies	30,790	4.0%	29,461	3.9%	91,661	3.9%	88,958	3.9%
Rents and leases	20,134	2.6%	19,866	2.6%	60,860	2.6%	60,390	2.7%
Other operating expenses	92,975	12.0%	90,464	11.9%	281,517	12.1%	265,977	11.7%
Depreciation and amortization	40,620	5.2%	39,659	5.2%	122,277	5.3%	119,360	5.3%
Interest expense	46,644	6.0%	46,651	6.1%	143,384	6.2%	137,706	6.1%
Debt extinguishment costs	—	0.0%	—	0.0%	—	0.0%	940	0.0%
Transaction-related expenses	5,775	0.7%	2,353	0.3%	15,308	0.7%	10,008	0.4%
Total expenses	727,691	93.6%	705,880	92.7%	2,180,994	93.8%	2,096,513	92.4%
Income before income taxes	49,560	6.4%	55,036	7.3%	146,236	6.2%	172,382	7.6%
Provision for income taxes	6,837	0.9%	8,757	1.2%	25,801	1.1%	16,339	0.7%
Net income	42,723	5.5%	46,279	6.1%	120,435	5.1%	156,043	6.9%
Net income attributable to noncontrolling interests	(157)	0.0%	(47)	0.0%	(258)	0.0%	(156)	0.0%
Net income attributable to Acadia Healthcare Company, Inc.	$ 42,566	5.5%	$ 46,232	6.1%	$ 120,177	5.1%	$ 155,887	6.9%

Segments

At September 30, 2019, the U.S. Facilities segment included 224 behavioral healthcare facilities with approximately 9,300 beds in 40 states and Puerto Rico, and the U.K. Facilities segment included 365 behavioral healthcare facilities with approximately 8,700 beds in the U.K.

The following table sets forth percent changes in same facility operating data for our U.S. Facilities for the three and nine months ended September 30, 2019 compared to the same periods in 2018:

	Three Months Ended	Nine Months Ended
U.S. Same Facility Results (a)		
Revenue growth	4.9%	5.9%
Patient days growth	2.8%	3.5%
Admissions growth	4.7%	4.9%
Average length of stay change (b)	-1.8%	-1.3%
Revenue per patient day growth	2.0%	2.3%
EBITDA margin change (c,d)	-140 bps	-50 bps

(a) Results for the periods presented include facilities we have operated more than one year and exclude certain closed services.
(b) Average length of stay is defined as patient days divided by admissions.
(c) Segment EBITDA is defined as income before provision for income taxes, equity-based compensation expense, transaction-related expenses, debt extinguishment costs, interest expense and depreciation and amortization. Management uses Segment EBITDA as an analytical indicator to measure the performance of our segments and to develop strategic objectives and operating plans for those segments. Segment EBITDA is commonly used as an analytical indicator within the health care industry, and also serves as a measure of leverage capacity and debt service ability. Segment EBITDA should not be considered as a measure of financial performance under GAAP, and the items excluded from Segment EBITDA are significant components in understanding and assessing financial performance. Because Segment EBITDA is not a measurement determined in accordance with GAAP and is thus susceptible to varying calculations, Segment EBITDA, as presented, may not be comparable to other similarly titled measures of other companies.
(d) During the three months ended September 30, 2019, certain of our U.S. facilities faced operational issues that negatively affected U.S. EBITDA margin. We believe these operational issues are temporary.

The following table sets forth percent changes in same facility operating data for our U.K. Facilities for the three and nine months ended September 30, 2019 compared to the same periods in 2018:

	Three Months Ended	Nine Months Ended
U.K. Same Facility Results (a,c)		
Revenue growth	4.0%	4.2%
Patient days growth	-1.1%	-0.1%
Admissions growth	-1.5%	-2.4%
Average length of stay change (b)	0.5%	2.3%
Revenue per patient day growth	5.1%	4.3%
EBITDA margin change (d,e)	-30 bps	-270 bps

(a) Results for the periods presented include facilities we have operated more than one year and exclude the elderly care division and certain closed services.
(b) Average length of stay is defined as patient days divided by admissions.
(c) Revenue and revenue per patient day for the three and nine months ended September 30, 2018 is adjusted to reflect the foreign currency exchange rate for the comparable periods of 2019 in order to eliminate the effect of changes in the exchange rate.
(d) See definition of Segment EBITDA in U.S. Same Facility Results table above.
(e) For the nine months ended September 30, 2019, U.K. EBITDA margin was affected by lower census and higher operating expenses including labor in particular.

Three months ended September 30, 2019 compared to the three months ended September 30, 2018

Revenue. Revenue increased $16.3 million, or 2.1%, to $777.3 million for the three months ended September 30, 2019 from $760.9 million for the three months ended September 30, 2018 resulting from same facility revenue growth of 4.6% offset by $14.6 million as a result of the decrease in the exchange rate between USD and GBP. During the three months ended September 30, 2019, we generated $509.4 million of revenue, or 65.5% of our total revenue, from our U.S. Facilities and $267.9 million of revenue, or 34.5% of our total revenue, from our U.K. Facilities. During the three months ended September 30, 2018, we generated $488.6 million of revenue, or 64.2% of our total revenue, from our U.S. Facilities and $272.3 million of revenue, or 35.8% of our total revenue, from our U.K. Facilities.

U.S. same facility revenue increased by $23.2 million, or 4.9%, for the three months ended September 30, 2019 compared to the three months ended September 30, 2018, resulting from same facility growth in patient days of 2.8% and an increase in same facility revenue per day of 2.0%. Consistent with the same facility patient day growth in 2018, the growth in same facility patient days for the three months ended September 30, 2019 compared to the three months ended September 30, 2018, resulted from the addition of beds to our existing facilities and ongoing demand for our services. U.K. same facility revenue increased by $9.3 million, or 4.0%, for the three months ended September 30, 2019 compared to the three months ended September 30, 2018, resulting from an increase in same facility revenue per day of 5.1% offset by a decline in same facility patient days of 1.1%.

Salaries, wages and benefits. Salaries, wages and benefits (“SWB”) expense was $428.6 million for the three months ended September 30, 2019 compared to $417.9 million for the three months ended September 30, 2018, an increase of $10.7 million. SWB expense included $4.0 million and $5.2 million of equity-based compensation expense for the three months ended September 30, 2019 and 2018, respectively. Excluding equity-based compensation expense, SWB expense was $424.6 million, or 54.6% of revenue, for the three months ended September 30, 2019, compared to $412.7 million, or 54.2% of revenue, for the three months ended September 30, 2018. Same facility SWB expense was $386.0 million for the three months ended September 30, 2019, or 52.0% of revenue, compared to $364.4 million for the three months ended September 30, 2018, or 51.4% of revenue.

Professional fees. Professional fees were $62.2 million for the three months ended September 30, 2019, or 8.0% of revenue, compared to $59.5 million for the three months ended September 30, 2018, or 7.8% of revenue. Same facility professional fees were $54.2 million for the three months ended September 30, 2019, or 7.3% of revenue, compared to $50.3 million, for the three months ended September 30, 2018, or 7.1% of revenue.

Supplies. Supplies expense was $30.8 million for the three months ended September 30, 2019, or 4.0% of revenue, compared to $29.5 million for the three months ended September 30, 2018, or 3.9% of revenue. Same facility supplies expense was $28.8 million for the three months ended September 30, 2019, or 3.9% of revenue, compared to $27.0 million for the three months ended September 30, 2018, or 3.8% of revenue.

Rents and leases. Rents and leases were $20.1 million for the three months ended September 30, 2019, or 2.6% of revenue compared to $19.9 million for the three months ended September 30, 2018, or 2.6% of revenue. Same facility rents and leases were $16.4 million for the three months ended September 30, 2019, or 2.2% of revenue, compared to $15.4 million for the three months ended September 30, 2018, or 2.2% of revenue.

Other operating expenses. Other operating expenses consisted primarily of purchased services, utilities, insurance, travel and repairs and maintenance expenses. Other operating expenses were $93.0 million for the three months ended September 30, 2019, or 12.0% of revenue, compared to $90.5 million for the three months ended September 30, 2018, or 11.9% of revenue. Same facility other operating expenses were $86.9 million for the three months ended September 30, 2019, or 11.7% of revenue, compared to $82.9 million for the three months ended September 30, 2018, or 11.7% of revenue.

Depreciation and amortization. Depreciation and amortization expense was $40.6 million for the three months ended September 30, 2019, or 5.2% of revenue, compared to $39.7 million for the three months ended September 30, 2018, or 5.2% of revenue.

Interest expense. Interest expense was $46.6 million for the three months ended September 30, 2019 compared to $46.7 million for the three months ended September 30, 2018.

Transaction-related expenses. Transaction-related expenses were $5.8 million for the three months ended September 30, 2019 compared to $2.4 million for the three months ended September 30, 2018. Transaction-related expenses primarily relate to

termination, restructuring, strategic review and other acquisition-related costs incurred in the respective periods, as summarized below (in thousands):

	Three Months Ended September 30,	
	2019	2018
Termination, restructuring and strategic review costs	$ 5,541	$ 1,443
Legal, accounting and other acquisition-related costs	234	910
	$ 5,775	$ 2,353

Provision for income taxes. For the three months ended September 30, 2019, the provision for income taxes was $6.8 million, reflecting an effective tax rate of 13.8%, compared to $8.8 million, reflecting an effective tax rate of 15.9%, for the three months ended September 30, 2018. The decrease in the effective tax rate for the three months ended September 30, 2019 was primarily attributable to the release of an income tax uncertainty reserve related to the deductibility of equity-based compensation and the taxable gain on the foreign currency derivatives settlement in August 2019, which allowed us to deduct more interest.

Nine months ended September 30, 2019 compared to the nine months ended September 30, 2018

Revenue. Revenue increased $58.3 million, or 2.6%, to $2.3 billion for the nine months ended September 30, 2019 from $2.3 billion for the nine months ended September 30, 2018 resulting from same facility revenue growth of 5.3% offset by $48.3 million as a result of the decrease in the exchange rate between USD and GBP. During the nine months ended September 30, 2019, we generated $1.5 billion of revenue, or 64.8% of our total revenue, from our U.S. Facilities and $820.1 million of revenue, or 35.2% of our total revenue, from our U.K. Facilities. During the nine months ended September 30, 2018, we generated $1.4 billion of revenue, or 63.1% of our total revenue, from our U.S. Facilities and $836.4 million of revenue, or 36.9% of our total revenue, from our U.K. Facilities.

U.S. same facility revenue increased by $81.2 million, or 5.9%, for the nine months ended September 30, 2019 compared to the nine months ended September 30, 2018, resulting from same facility growth in patient days of 3.5% and an increase in same facility revenue per day of 2.3%. Consistent with the same facility patient day growth in 2018, the growth in same facility patient days for the nine months ended September 30, 2019 compared to the nine months ended September 30, 2018, resulted from the addition of beds to our existing facilities and ongoing demand for our services. U.K. same facility revenue increased by $30.1 million, or 4.2%, for the nine months ended September 30, 2019 compared to the nine months ended September 30, 2018, resulting from an increase in same facility revenue per day of 4.3% offset by a slight decline in same facility patient days of 0.1%.

Salaries, wages and benefits. Salaries, wages and benefits (“SWB”) expense was $1.3 billion for the nine months ended September 30, 2019 compared to $1.2 billion for the nine months ended September 30, 2018, an increase of $42.2 million. SWB expense included $14.3 million and $19.3 million of equity-based compensation expense for the nine months ended September 30, 2019 and 2018, respectively. Excluding equity-based compensation expense, SWB expense was $1.3 billion, or 54.7% of revenue, for the nine months ended September 30, 2019, compared to $1.2 billion, or 54.1% of revenue, for the nine months ended September 30, 2018. Same facility SWB expense was $1.1 billion for the nine months ended September 30, 2019, or 51.8% of revenue, compared to $1.1 billion for the nine months ended September 30, 2018, or 51.2% of revenue.

Professional fees. Professional fees were $177.6 million for the nine months ended September 30, 2019, or 7.6% of revenue, compared to $167.0 million for the nine months ended September 30, 2018, or 7.4% of revenue. Same facility professional fees were $153.9 million for the nine months ended September 30, 2019, or 7.0% of revenue, compared to $139.1 million, for the nine months ended September 30, 2018, or 6.6% of revenue.

Supplies. Supplies expense was $91.7 million for the nine months ended September 30, 2019, or 3.9% of revenue, compared to $89.0 million for the nine months ended September 30, 2018, or 3.9% of revenue. Same facility supplies expense was $85.2 million for the nine months ended September 30, 2019, or 3.8% of revenue, compared to $80.9 million for the nine months ended September 30, 2018, or 3.8% of revenue.

Rents and leases. Rents and leases were $60.9 million for the nine months ended September 30, 2019, or 2.6% of revenue, compared to $60.4 million for the nine months ended September 30, 2018, or 2.7% of revenue. Same facility rents and leases were $49.2 million for the nine months ended September 30, 2019, or 2.2% of revenue, compared to $46.6 million for the nine months ended September 30, 2018, or 2.2% of revenue.

Other operating expenses. Other operating expenses consisted primarily of purchased services, utilities, insurance, travel and repairs and maintenance expenses. Other operating expenses were $281.5 million for the nine months ended September 30, 2019, or

12.1% of revenue, compared to $266.0 million for the nine months ended September 30, 2018, or 11.7% of revenue. Same facility other operating expenses were $260.7 million for the nine months ended September 30, 2019, or 11.8% of revenue, compared to $242.1 million for the nine months ended September 30, 2018, or 11.5% of revenue.

Depreciation and amortization. Depreciation and amortization expense was $122.3 million for the nine months ended September 30, 2019, or 5.3% of revenue, compared to $119.4 million for the nine months ended September 30, 2018, or 5.3% of revenue.

Interest expense. Interest expense was $143.4 million for the nine months ended September 30, 2019 compared to $137.7 million for the nine months ended September 30, 2018. The increase in interest expense was primarily a result of higher interest rates applicable to our variable-rate debt slightly offset by the lower interest rates as a result of the Repricing Facilities Amendments to the Amended and Restated Credit Agreement.

Debt extinguishment costs. Debt extinguishment costs for the nine months ended September 30, 2018 represent $0.6 million of cash charges and $0.3 million of non-cash charges recorded in connection with the Repricing Facilities Amendments to the Amended and Restated Credit Agreement.

Transaction-related expenses. Transaction-related expenses were $15.3 million for the nine months ended September 30, 2019 compared to $10.0 million for the nine months ended September 30, 2018. Transaction-related expenses primarily relate to termination, restructuring, strategic review and other acquisition-related costs incurred in the respective periods, as summarized below (in thousands):

	Nine Months Ended September 30,	
	2019	2018
Termination, restructuring and strategic review costs	$ 13,858	$ 6,844
Legal, accounting and other acquisition-related costs	1,450	3,164
	$ 15,308	$ 10,008

Provision for income taxes. For the nine months ended September 30, 2019, the provision for income taxes was $25.8 million, reflecting an effective tax rate of 17.6%, compared to the provision for income taxes of $16.3 million, reflecting an effective tax rate of 9.5%, for the nine months ended September 30, 2018. The increase in the effective tax rate for the nine months ended September 30, 2019 was primarily attributable to a discrete benefit of $10.5 million during the nine months ended September 30, 2018 related to the change in the provisional amount recorded at December 31, 2017 in connection with the Tax Act.

Revenue

Our revenue is primarily derived from services rendered to patients for inpatient psychiatric and substance abuse care, outpatient psychiatric care and adolescent residential treatment. We receive payments from the following sources for services rendered in our facilities: (i) state governments under their respective Medicaid and other programs; (ii) commercial insurers; (iii) the federal government under the Medicare program administered by CMS; (iv) publicly funded sources in the U.K. (including the NHS, CCGs and local authorities in England, Scotland and Wales) and (v) individual patients and clients. We determine the transaction price based on established billing rates reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients and implicit price concessions. Contractual adjustments and discounts are based on contractual agreements, discount policies and historical experience. Implicit price concessions are based on historical collection experience.

The following table presents revenue by payor type and as a percentage of revenue in our U.S. Facilities for the three and nine months ended September 30, 2019 and 2018 (dollars in thousands):

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2019		2018		2019		2018	
	Amount	%	Amount	%	Amount	%	Amount	%
Commercial	$ 140,315	27.5%	$ 146,439	30.0%	$ 426,659	28.3%	$ 431,337	30.1%
Medicare	76,906	15.1%	73,528	15.0%	223,027	14.8%	210,307	14.7%
Medicaid	256,370	50.3%	229,390	46.9%	750,631	49.8%	668,236	46.6%
Self-Pay	30,626	6.0%	33,559	6.9%	91,982	6.1%	103,845	7.3%
Other	5,166	1.1%	5,710	1.2%	14,857	1.0%	18,776	1.3%
Revenue	$ 509,383	100.0%	$ 488,626	100.0%	$ 1,507,156	100.0%	$ 1,432,501	100.0%

The following table presents revenue by payor type and as a percentage of revenue in our U.K. Facilities for the three and nine months ended September 30, 2019 and 2018 (dollars in thousands):

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2019		2018		2019		2018	
	Amount	%	Amount	%	Amount	%	Amount	%
U.K. public funded sources	$ 242,747	90.6%	$ 245,919	90.3%	$ 740,492	90.3%	$ 756,094	90.4%
Self-Pay	24,430	9.1%	26,159	9.6%	77,895	9.5%	78,499	9.4%
Other	691	0.3%	212	0.1%	1,687	0.2%	1,801	0.2%
Revenue	$ 267,868	100.0%	$ 272,290	100.0%	$ 820,074	100.0%	$ 836,394	100.0%

The following tables present a summary of our aging of accounts receivable at September 30, 2019 and December 31, 2018:

September 30, 2019

	Current	30-90	90-150	>150	Total
Commercial	16.5%	6.1%	3.3%	5.5%	31.4%
Medicare	10.7%	1.4%	0.4%	0.9%	13.4%
Medicaid	24.5%	5.0%	3.2%	7.1%	39.8%
U.K. public funded sources	6.8%	0.4%	0.0%	0.0%	7.2%
Self-Pay	1.6%	1.5%	1.4%	2.7%	7.2%
Other	0.7%	0.1%	0.1%	0.1%	1.0%
Total	60.8%	14.5%	8.4%	16.3%	100.0%

December 31, 2018

	Current	30-90	90-150	>150	Total
Commercial	14.8%	6.3%	2.7%	5.3%	29.1%
Medicare	9.8%	1.8%	0.6%	0.9%	13.1%
Medicaid	22.4%	6.4%	3.4%	7.4%	39.6%
U.K. public funded sources	6.0%	2.4%	0.0%	0.0%	8.4%
Self-Pay	1.8%	1.7%	1.7%	3.2%	8.4%
Other	0.4%	0.3%	0.2%	0.5%	1.4%
Total	55.2%	18.9%	8.6%	17.3%	100.0%

Liquidity and Capital Resources

Cash provided by continuing operating activities for the nine months ended September 30, 2019 was $213.5 million compared to $288.7 million for the nine months ended September 30, 2018. The decrease in cash provided by continuing operating activities was primarily attributable to the decline in earnings in our U.K. Facilities, legal settlement payments and an increase in net cash paid for taxes. Days sales outstanding were 41 days at September 30, 2019 compared to 39 at December 31, 2018, respectively. At September 30, 2019 and December 31, 2018, we had working capital of $78.7 million and $34.0 million, respectively.

Cash used in investing activities for the nine months ended September 30, 2019 was $137.2 million compared to $262.5 million for the nine months ended September 30, 2018. Cash used in investing activities for the nine months ended September 30, 2019 primarily consisted of cash paid for acquisitions of $44.9 million, $202.7 million of cash paid for capital expenditures, $7.0 million of cash paid for real estate offset by settlement of foreign currency derivatives of $105.0 million and other of $12.4 million. Cash paid for capital expenditures for the nine months ended September 30, 2019 consisted of $61.6 million of routine capital expenditures and $141.1 million of expansion capital expenditures. We define expansion capital expenditures as those that increase the capacity of our facilities or otherwise enhance revenue. Routine or maintenance capital expenditures were 2.6% of revenue for the nine months ended September 30, 2019. Cash used in investing activities for the nine months ended September 30, 2018 primarily consisted of $250.0 million of cash paid for capital expenditures, $9.4 million of cash paid for real estate and other of $3.1 million. Cash paid for capital expenditures for the nine months ended September 30, 2018 consisted of $53.0 million of cash paid for routine capital expenditures and $197.0 million of expansion capital expenditures.

Cash used in financing activities for the nine months ended September 30, 2019 was $32.2 million compared to $40.7 million for the nine months ended September 30, 2018. Cash used in financing activities for the nine months ended September 30, 2019 consisted of borrowings on revolving credit facility of $76.6 million offset by principal payments of long-term debt of $24.7 million, principal payments on revolving credit facility of $76.6 million, common stock withheld for minimum statutory taxes of $1.5 million and other of $5.9 million. Cash used in financing activities for the nine months ended September 30, 2018 primarily consisted of principal payments of long-term debt of $31.5 million, common stock withheld for minimum statutory taxes of $2.3 million and other of $7.0 million.

We had total available cash and cash equivalents of $92.9 million and $50.5 million at September 30, 2019 and December 31, 2018, respectively, of which approximately $28.9 million and $18.0 million was held by our foreign subsidiaries, respectively. Our strategic plan does not require the repatriation of foreign cash in order to fund our operations in the U.S., and it is our current intention to permanently reinvest our foreign cash and cash equivalents outside of the U.S.

Amended and Restated Senior Credit Facility

We entered into the Senior Secured Credit Facility on April 1, 2011. On December 31, 2012, we entered into the Amended and Restated Credit Agreement which amended and restated the Senior Secured Credit Facility. We have amended the Amended and Restated Credit Agreement from time to time as described in our prior filings with the SEC.

On March 22, 2018, we entered into a Second Repricing Facilities Amendment to the Amended and Restated Credit Agreement. The Second Repricing Facilities Amendment (i) replaced the Tranche B-1 Facility and the Tranche B-2 Facility with a new Tranche B-3 Facility and a new Tranche B-4 Facility, respectively, and (ii) reduced the Applicable Rate from 2.75% to 2.50% in the case of Eurodollar Rate loans and reduced the Applicable Rate from 1.75% to 1.50% in the case of Base Rate Loans.

On March 29, 2018, we entered into a Third Repricing Facilities Amendment to the Amended and Restated Credit Agreement. The Third Repricing Facilities Amendment replaced the existing revolving credit facility and TLA Facility with a new revolving credit facility and TLA Facility, respectively. Our line of credit on the revolving credit facility remains at $500.0 million and the Third Repricing Facility Amendment reduced the size of the TLA Facility from $400.0 million to $380.0 million to reflect the then current outstanding principal. The Third Repricing Facilities Amendment reduced the Applicable Rate for the revolving credit facility and the TLA Facility by amending the definition of “Applicable Rate” and replacing the rate table therein with the table set forth below.

In connection with the Repricing Facilities Amendments, we recorded a debt extinguishment charge of $0.9 million, including the discount and write-off of deferred financing costs, which was recorded in debt extinguishment costs in the condensed consolidated statements of income.

On February 6, 2019, we entered into the Eleventh Amendment to the Amended and Restated Credit Agreement. The Eleventh Amendment, among other things, amended the definition of “Consolidated EBITDA” to remove the cap on non-cash charges, losses

and expenses related to the impairment of goodwill, which in turn provided increased flexibility to us in terms of our financial covenants.

On February 27, 2019, we entered into the Twelfth Amendment to the Amended and Restated Credit Agreement. The Twelfth Amendment, among other things, modified certain definitions, including "Consolidated EBITDA", and increased our permitted Maximum Consolidated Leverage Ratio, thereby providing increased flexibility to us in terms of our financial covenants.

We had $485.1 million of availability under the revolving line of credit and had standby letters of credit outstanding of $14.9 million related to security for the payment of claims required by our workers' compensation insurance program at September 30, 2019. Borrowings under the revolving line of credit are subject to customary conditions precedent to borrowing. The Amended and Restated Credit Agreement requires quarterly term loan principal repayments of our TLA Facility of $4.8 million for December 31, 2019, $7.1 million for March 31, 2020 to December 31, 2020, and $9.5 million for March 31, 2021 to September 30, 2021, with the remaining principal balance of the TLA Facility due on the maturity date of November 30, 2021. We are required to repay the Tranche B-3 Facility in equal quarterly installments of $1.2 million on the last business day of each March, June, September and December, with the outstanding principal balance of the Tranche B-3 Facility due on February 11, 2022. We are required to repay the Tranche B-4 Facility in equal quarterly installments of approximately $2.3 million on the last business day of each March, June, September and December, with the outstanding principal balance of the Tranche B-4 Facility due on February 16, 2023. On April 17, 2018, we made an additional payment of $15.0 million, including $5.1 million on the Tranche B-3 Facility and $9.9 million on the Tranche B-4 Facility.

Borrowings under the Amended and Restated Credit Agreement are guaranteed by each of our wholly-owned domestic subsidiaries (other than certain excluded subsidiaries) and are secured by a lien on substantially all of the Company and such subsidiaries' assets. Borrowings with respect to the TLA Facility and our revolving credit facility (collectively, "Pro Rata Facilities") under the Amended and Restated Credit Agreement bear interest at a rate tied to our Consolidated Leverage Ratio (defined as consolidated funded debt net of up to $50.0 million of unrestricted and unencumbered cash to consolidated EBITDA, in each case as defined in the Amended and Restated Credit Agreement). The Applicable Rate (as defined in the Amended and Restated Credit Agreement) for the Pro Rata Facilities was 2.50% for Eurodollar Rate Loans (as defined in the Amended and Restated Credit Agreement) and 1.50% for Base Rate Loans (as defined in the Amended and Restated Credit Agreement) at September 30, 2019. Eurodollar Rate Loans with respect to the Pro Rata Facilities bear interest at the Applicable Rate plus the Eurodollar Rate (as defined in the Amended and Restated Credit Agreement) (based upon the LIBOR Rate (as defined in the Amended and Restated Credit Agreement) prior to commencement of the interest rate period). Base Rate Loans with respect to the Pro Rata Facilities bear interest at the Applicable Rate plus the highest of (i) the federal funds rate plus 0.50%, (ii) the prime rate and (iii) the Eurodollar Rate plus 1.0%. At September 30, 2019, the Pro Rata Facilities bore interest at a rate of LIBOR plus 2.50%. In addition, we are required to pay a commitment fee on undrawn amounts under our revolving credit facility.

The interest rates and the unused line fee on unused commitments related to the Pro Rata Facilities are based upon the following pricing tiers:

Pricing Tier	Consolidated Leverage Ratio	Eurodollar Rate Loans	Base Rate Loans	Commitment Fee
1	< 3.50:1.0	1.50%	0.50%	0.20%
2	>3.50:1.0 but < 4.00:1.0	1.75%	0.75%	0.25%
3	>4.00:1.0 but < 4.50:1.0	2.00%	1.00%	0.30%
4	>4.50:1.0 but < 5.25:1.0	2.25%	1.25%	0.35%
5	>5.25:1.0	2.50%	1.50%	0.40%

Eurodollar Rate Loans with respect to the Tranche B-3 Facility bear interest at the Tranche B-3 Facility Applicable Rate (as defined below) plus the Eurodollar Rate (subject to a floor of 0.75% and based upon the LIBOR Rate prior to commencement of the interest rate period). Base Rate Loans bear interest at the Tranche B-3 Facility Applicable Rate plus the highest of (i) the federal funds rate plus 0.50%, (ii) the prime rate and (iii) the Eurodollar Rate plus 1.0%. As used herein, the term "Tranche B-3 Facility Applicable Rate" means, with respect to Eurodollar Rate Loans, 2.50%, and with respect to Base Rate Loans, 1.50%. The Tranche B-4 Facility bears interest as follows: Eurodollar Rate Loans bear interest at the Applicable Rate (as defined in the Amended and Restated Credit Agreement) plus the Eurodollar Rate (subject to a floor of 0.75% and based upon the LIBOR Rate prior to commencement of the interest rate period) and Base Rate Loans bear interest at the Applicable Rate plus the highest of (i) the federal funds rate plus 0.50%, (ii) the prime rate and (iii) the Eurodollar Rate plus 1.0%. As used herein, the term "Applicable Rate" means, with respect to Eurodollar Rate Loans, 2.50%, and with respect to Base Rate Loans, 1.50%.

The lenders who provided the Tranche B-3 Facility and Tranche B-4 Facility are not entitled to benefit from our maintenance of the financial covenants under the Amended and Restated Credit Agreement. Accordingly, if we fail to maintain the financial covenants, such failure shall not constitute an event of default under the Amended and Restated Credit Agreement with respect to the Tranche B-3 Facility or Tranche B-4 Facility until and unless the Amended and Restated Senior Credit Facility is accelerated or the commitment of the lenders to make further loans is terminated.

The Amended and Restated Credit Agreement requires us and our subsidiaries to comply with customary affirmative, negative and financial covenants, including a fixed charge coverage ratio, consolidated leverage ratio and consolidated senior secured leverage ratio. We may be required to pay all of our indebtedness immediately if we default on any of the numerous financial or other restrictive covenants contained in any of our material debt agreements. Set forth below is a brief description of such covenants, all of which are subject to customary exceptions, materiality thresholds and qualifications:

a) the affirmative covenants include the following: (i) delivery of financial statements and other customary financial information; (ii) notices of events of default and other material events; (iii) maintenance of existence, ability to conduct business, properties, insurance and books and records; (iv) payment of taxes; (v) lender inspection rights; (vi) compliance with laws; (vii) use of proceeds; (viii) further assurances; and (ix) additional collateral and guarantor requirements.

b) the negative covenants include limitations on the following: (i) liens; (ii) debt (including guaranties); (iii) investments; (iv) fundamental changes (including mergers, consolidations and liquidations); (v) dispositions; (vi) sale leasebacks; (vii) affiliate transactions; (viii) burdensome agreements; (ix) restricted payments; (x) use of proceeds; (xi) ownership of subsidiaries; (xii) changes to line of business; (xiii) changes to organizational documents, legal name, state of formation, form of entity and fiscal year; (xiv) prepayment or redemption of certain senior unsecured debt; and (xv) amendments to certain material agreements. We are generally not permitted to issue dividends or distributions other than with respect to the following: (w) certain tax distributions; (x) the repurchase of equity held by employees, officers or directors upon the occurrence of death, disability or termination subject to cap of $500,000 in any fiscal year and compliance with certain other conditions; (y) in the form of capital stock; and (z) scheduled payments of deferred purchase price, working capital adjustments and similar payments pursuant to the merger agreement or any permitted acquisition.

c) The financial covenants include maintenance of the following:

- the fixed charge coverage ratio may not be less than 1.25:1.00 as of the end of any fiscal quarter;
- the consolidated leverage ratio may not be greater than the following levels as of the end of each fiscal quarter listed below:

	March 31	June 30	September 30	December 31
2019	6.25x	6.25x	6.25x	6.00x
2020	5.75x	5.75x	5.75x	5.50x
2021	5.25x	5.25x	5.00x	5.00x

- the consolidated senior secured leverage ratio may not be greater than 3.50x as of the end of each fiscal quarter.

At September 30, 2019, we were in compliance with all of the above covenants.

Senior Notes

6.125% Senior Notes Due 2021

On March 12, 2013, we issued $150.0 million of 6.125% Senior Notes due 2021. The 6.125% Senior Notes mature on March 15, 2021 and bear interest at a rate of 6.125% per annum, payable semi-annually in arrears on March 15 and September 15 of each year.

5.125% Senior Notes due 2022

On July 1, 2014, we issued $300.0 million of 5.125% Senior Notes due 2022. The 5.125% Senior Notes mature on July 1, 2022 and bear interest at a rate of 5.125% per annum, payable semi-annually in arrears on January 1 and July 1 of each year.

5.625% Senior Notes due 2023

On February 11, 2015, we issued $375.0 million of 5.625% Senior Notes due 2023. On September 21, 2015, we issued $275.0 million of additional 5.625% Senior Notes. The additional notes formed a single class of debt securities with the 5.625%

Senior Notes issued in February 2015. Giving effect to this issuance, we have outstanding an aggregate of $650.0 million of 5.625% Senior Notes. The 5.625% Senior Notes mature on February 15, 2023 and bear interest at a rate of 5.625% per annum, payable semi-annually in arrears on February 15 and August 15 of each year.

6.500% Senior Notes due 2024

On February 16, 2016, we issued $390.0 million of 6.500% Senior Notes due 2024. The 6.500% Senior Notes mature on March 1, 2024 and bear interest at a rate of 6.500% per annum, payable semi-annually in arrears on March 1 and September 1 of each year, beginning on September 1, 2016.

The indentures governing the Senior Notes contain covenants that, among other things, limit our ability and the ability of our restricted subsidiaries to: (i) pay dividends, redeem stock or make other distributions or investments; (ii) incur additional debt or issue certain preferred stock; (iii) transfer or sell assets; (iv) engage in certain transactions with affiliates; (v) create restrictions on dividends or other payments by the restricted subsidiaries; (vi) merge, consolidate or sell substantially all of our assets; and (vii) create liens on assets.

The Senior Notes issued by us are guaranteed by each of our subsidiaries that guarantee our obligations under the Amended and Restated Senior Credit Facility. The guarantees are full and unconditional and joint and several.

We may redeem the Senior Notes at our option, in whole or part, at the dates and amounts set forth in the indentures.

Contractual Obligations

The following table presents a summary of contractual obligations at September 30, 2019 (dollars in thousands):

	Payments Due by Period				
	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years	Total
Long-term debt (a)	$ 207,253	$ 1,542,818	$ 1,986,134	$ —	$ 3,736,205
Operating lease liabilities (b)	59,379	107,433	93,093	657,976	917,881
Finance lease liabilities	7,319	38,868	2,395	25,351	73,933
Total obligations and commitments	$ 273,951	$ 1,689,119	$ 2,081,622	$ 683,327	$ 4,728,019

(a) Amounts include required principal and interest payments. The projected interest payments reflect the interest rates in place on our variable-rate debt at September 30, 2019.
(b) Amounts exclude variable components of lease payments.

Off-Balance Sheet Arrangements

At September 30, 2019, we had standby letters of credit outstanding of $14.9 million related to security for the payment of claims as required by our workers' compensation insurance program.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk

Our interest expense is sensitive to changes in market interest rates. Our long-term debt outstanding at September 30, 2019 was composed of $1.5 billion of fixed-rate debt and $1.7 billion of variable-rate debt with interest based on LIBOR plus an applicable margin. A hypothetical 10% increase in interest rates (which would equate to a 0.46% higher rate on our variable rate debt) would decrease our net income and cash flows by $4.9 million on an annual basis based upon our borrowing level at September 30, 2019.

LIBOR and certain other interest "benchmarks" may be subject to regulatory guidance and/or reform that could cause interest rates under our current or future debt agreements to perform differently than in the past or cause other unanticipated consequences. The U.K.'s Financial Conduct Authority, which regulates LIBOR, has announced that it intends to stop encouraging or requiring banks to submit rates for the calculation of LIBOR rates after 2021, and it is unclear if LIBOR will cease to exist or if new methods of calculating LIBOR will evolve. If LIBOR ceases to exist or if the methods of calculating LIBOR change from their current form, interest rates on our current or future debt obligations may be adversely affected. Management continues to evaluate new and existing contracts for the potential impact of the discontinuation of LIBOR.

Foreign Currency Risk

The functional currency for our U.K. facilities is the British pound or GBP. Our revenue and earnings are sensitive to changes in the GBP to USD exchange rate from the translation of our earnings into USD at exchange rates that may fluctuate. Based upon the level of our U.K. operations relative to the Company as a whole, a hypothetical 10% change in the exchange rate (which would equate to an increase or decrease in the exchange rate of 0.13) would cause a change in our net income of $7.2 million on an annual basis.

In May 2016, we entered into multiple cross currency swap agreements with an aggregate notional amount of $650.0 million to manage foreign currency exchange risk by effectively converting a portion of our fixed-rate USD denominated senior notes, including the semi-annual interest payments thereunder, to fixed-rate, GBP-denominated debt of £449.3 million. In August 2019, we terminated our existing net investment cross currency swap derivatives of $105.0 million. Cash received from the termination of the cross currency swap derivatives is included in investing activities in the condensed consolidated statement of cash flows. The related gain from this termination is included in accumulated other comprehensive loss in accordance with ASC 815-30-40-1.

In August 2019, we also entered into multiple cross currency swap agreements with an aggregate notional amount of $650.0 million to manage foreign currency risk by effectively converting a portion of our fixed-rate USD-denominated senior notes, including the semi-annual interest payments thereunder, to fixed-rate GBP-denominated debt of £538.1 million. During the term of the swap agreements, we will receive semi-annual interest payments in USD from the counterparties at fixed interest rates, and we will make semi-annual interest payments in GBP to the counterparties at fixed interest rates. The interest payments under the cross-currency swap agreements result in £25.4 million of annual cash flows from our U.K. business being converted to $35.8 million (at a 1.41 exchange rate). The cross currency swap agreements limit the impact of changes in the exchange rate on our cash flows and leverage.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this report, our management conducted an evaluation, with the participation of our chief executive officer and chief financial officer, of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Based on this evaluation, our chief executive officer and chief financial officer have concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to management, including our chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting during the three months ended September 30, 2019 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

We are, from time to time, subject to various claims, lawsuits, governmental investigations and regulatory actions, including claims for damages for personal injuries, medical malpractice, overpayments, breach of contract, securities law violations, tort and employment related claims. In these actions, plaintiffs request a variety of damages, including, in some instances, punitive and other types of damages that may not be covered by insurance. In addition, healthcare companies are subject to numerous investigations by various governmental agencies. Certain of our individual facilities have received, and from time to time, other facilities may receive, subpoenas, civil investigative demands, audit requests and other inquiries from, and may be subject to investigation by, federal and state agencies. These investigations can result in repayment obligations, and violations of the False Claims Act can result in substantial monetary penalties and fines, the imposition of a corporate integrity agreement and exclusion from participation in governmental health programs. In addition, the federal False Claims Act permits private parties to bring qui tam, or “whistleblower,” suits against companies that submit false claims for payments to, or improperly retain overpayments from, the government. Some states have adopted similar state whistleblower and false claims provisions.

On April 1, 2019, a consolidated complaint was filed against the Company and certain former and current officers in the lawsuit styled *St. Clair County Employees’ Retirement System v. Acadia Healthcare Company, Inc., et al.*, Case No. 3:19-cv-00988, which is pending in the United States District Court for the Middle District of Tennessee. The complaint purports to be brought on behalf of a class consisting of all persons (other than defendants) who purchased securities of the Company between April 30, 2014 and November 15, 2018, and alleges that defendants violated Sections 10(b) and 20(a) of the Exchange Act and Rule 10b-5 promulgated thereunder. At this time, we are not able to quantify any potential liability in connection with this litigation because the case is in its early stages.

On February 21, 2019, a purported stockholder filed a related derivative action on behalf of the Company against certain former and current officers and directors in the lawsuit styled *Davydov v. Joey A. Jacobs, et al.*, Case No. 3:19-cv-00167, which is pending in the United States District Court for the Middle District of Tennessee. The complaint alleges claims for violations of Section 10(b) and 14(a) of the Exchange Act, breach of fiduciary duty, waste of corporate assets, and unjust enrichment. On May 23, 2019, a purported stockholder filed a second related derivative action on behalf of the Company against certain former and current officers and directors in the lawsuit styled *Beard v. Jacobs, et al.*, Case No. 3:19-cv-0441, which is pending the United States District Court for the Middle District of Tennessee. The complaint alleges claims for violations of Sections 10(b), 14(a), and 21D of the Exchange Act, breach of fiduciary duty, waste of corporate assets, unjust enrichment, and insider selling. On June 11, 2019, the *Davydov* and *Beard* actions were consolidated and ordered stayed pending a ruling on the motion to dismiss that was filed in the *St. Clair County v. Acadia Healthcare* case described above. At this time, we are not able to quantify any potential liability in connection with this litigation because the cases are in their early stages.

In the fall of 2017, Office of Inspector General issued subpoenas to three of our facilities requesting certain documents from January 2013 to the date of the subpoenas. The U.S. Attorney’s Office for the Middle District of Florida issued a civil investigative demand to one of our facilities in December 2017 requesting certain documents from November 2012 to the date of the demand. In April 2019, the Office of Inspector General issued subpoenas relating to six additional facilities requesting certain documents and information from January 2013 to the date of the subpoenas. The government’s investigation of each of these facilities is focused on claims not eligible for payment because of alleged violations of certain regulatory requirements relating to, among other things, medical necessity, admission eligibility, discharge decisions, length of stay and patient care issues. We are cooperating with the government’s investigation but are not able to quantify any potential liability in connection with these investigations.

Item 1A. Risk Factors

In addition to the other information set forth in this report, an investor should carefully consider the factors discussed in Part I, “Item 1A. Risk Factors” in the Company’s Annual Report on Form 10-K for the year ended December 31, 2018. The risks, as described in in the Company’s Annual Report on Form 10-K for the year ended December 31, 2018, are not the only risks facing the Company. Additional risks and uncertainties not currently known to management or that management currently deems immaterial also may materially, adversely affect the Company’s business, financial condition, operating results or cash flows.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

During the three months ended September 30, 2019, the Company withheld shares of Company common stock to satisfy employee minimum statutory tax withholding obligations payable upon the vesting of restricted stock, as follows:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
July 1 – July 31	549	$ 33.45	—	—
August 1 – August 31	779	27.68	—	—
September 1 – September 30	175	31.94	—	—
Total	1,503			

Item 6. Exhibits

Exhibit No.	Exhibit Description
3.1	Amended and Restated Certificate of Incorporation, as amended. (1)
3.2	Amended and Restated Bylaws of the Company, as amended. (1)
10.1	Employment Agreement, dated July 31, 2019, by and between Acadia Management Company, Inc. and John S. Hollinsworth. (2)
10.2	Employment Agreement, dated August 6, 2019, by and between Acadia Management Company, Inc. and Laurence L. Harrod. (3)
31.1*	Certification of the Chief Executive Officer of the Company pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of the Chief Financial Officer of the Company pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32*	Certification of Chief Executive Officer and Chief Financial Officer of the Company pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS**	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the inline XBRL document.
101.SCH**	Inline XBRL Taxonomy Extension Schema Document.
101.CAL**	Inline XBRL Taxonomy Calculation Linkbase Document.
101.DEF**	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB**	Inline XBRL Taxonomy Label Linkbase Document.
101.PRE**	Inline XBRL Taxonomy Presentation Linkbase Document.
104	The cover page from the Company’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2019, has been formatted in Inline XBRL.

(1) Incorporated by reference to exhibits filed with the Company’s Current Report on Form 8-K filed May 25, 2017 (File No. 001-35331).
(2) Incorporated by reference to exhibits filed with the Company’s Amendment No. 1 to the Current Report on Form 8-K filed August 6, 2019 (File No. 001-35331).
(3) Incorporated by reference to exhibits filed with the Company’s Current Report on Form 8-K filed August 6, 2019 (File No. 001-35331).
* Filed herewith.
** The XBRL related information in Exhibit 101 to this quarterly report on Form 10-Q shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to liability of that section and shall not be incorporated by reference into any filing or other document pursuant to the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such filing or document.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Acadia Healthcare Company, Inc.

By: /s/ David M. Duckworth
David M. Duckworth
Chief Financial Officer

Dated: November 6, 2019

Exhibit 31.1

**CERTIFICATION OF CEO PURSUANT TO
RULE 13a-14(a)/15d-14(a), AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Debra K. Osteen, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Acadia Healthcare Company, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 6, 2019

/s/ Debra K. Osteen
Debra K. Osteen
Chief Executive Officer and Director

Exhibit 31.2

CERTIFICATION OF CFO PURSUANT TO
RULE 13a-14(a)/15d-14(a), AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, David M. Duckworth, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Acadia Healthcare Company, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: November 6, 2019

/s/ David M. Duckworth
David M. Duckworth
Chief Financial Officer

Exhibit 32

CERTIFICATIONS OF CEO AND CFO PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Acadia Healthcare Company, Inc. (the “Company”) for the quarterly period ended September 30, 2019, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Debra K. Osteen, Chief Executive Officer of the Company, and I, David M. Duckworth, Chief Financial Officer of the Company, each certify, for the purpose of complying with 18 U.S.C. Section 1350 and Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 (the “Exchange Act”), as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Date: November 6, 2019

/s/ Debra K. Osteen
Debra K. Osteen
Chief Executive Officer and Director

/s/ David M. Duckworth
David M. Duckworth
Chief Financial Officer