ACADIA

HEALTHCARE

2013 ANNUAL REPORT

ABOUT THE COMPANY

Acadia Healthcare Company, Inc. (Nasdaq: ACHC) is a provider of inpatient behavioral healthcare services. Acadia operates a network of 52 behavioral healthcare facilities with more than 4,200 licensed beds in 24 states and Puerto Rico as of March 31, 2014. Acadia provides psychiatric and chemical dependency services to its patients in a variety of settings, including inpatient psychiatric hospitals, residential treatment centers, outpatient clinics and therapeutic school-based programs.

FINANCIAL HIGHLIGHTS

	Year Ended December 31,	
(In thousands, except per share amounts)	2013	2012
Revenue	$ 713,408	$ 407,461
Adjusted EBITDA[1]	$ 145,334	$ 80,959
Income from continuing operations	$ 43,270	$ 20,504
Adjusted income from continuing operations[1]	$ 53,573	$ 25,588
Net income	$ 42,579	$ 20,403
Income from continuing operations per diluted share	$ 0.86	$ 0.53
Adjusted income from continuing operations per diluted share[1]	$ 1.07	$ 0.66
Net income per diluted share	$ 0.85	$ 0.53
Weighted average diluted shares outstanding	50,261	38,696
Cash and cash equivalents	$ 4,569	$ 49,399
Working capital	30,436	69,130
Property and equipment, net	370,109	236,942
Total assets	1,224,659	983,413
Total debt	617,136	473,318
Stockholders' equity	480,710	432,550

[1] Please see pages IV-V for a reconciliation of GAAP and non-GAAP results.

LETTER TO STOCKHOLDERS

Fellow Stockholders:

We are pleased to report that Acadia's strong operating and financial performance for 2013 again differentiated the Company within the inpatient behavioral healthcare industry. Through outstanding execution of our organic growth and acquisition strategies, we produced an increase of 75% in revenue for 2013, 10% in same facility revenue and more than 100% in income from continuing operations. With a proven business model, a highly experienced management team and continuing access to capital, we are confident in Acadia's ability to produce further significant long-term profitable growth.

The inpatient behavioral healthcare industry has favorable dynamics, which have contributed to both our historic and expected growth. Industry demand is growing steadily due to an expanding national population and increasing awareness of, and access to, behavioral healthcare. Overall industry capacity has not expanded at the same pace as demand, leading to increasing occupancy and a positive pricing environment. Substantial barriers to entry have resulted in an industry that remains highly fragmented, although consolidation pressures are increasing.

Given these favorable dynamics, our business strategy is to acquire and develop inpatient behavioral healthcare facilities to meet the rising demand for high quality care. For 2013, we added nearly 1,000 licensed beds through our dual acquisition and organic growth strategies, an increase of more than 30% from the end of 2012. We brought 674 licensed beds to Acadia through the acquisition of seven facilities in 2013. We also added 325 beds organically, including 223 beds added to existing facilities and 102 beds added through the opening of two de novo facilities.

These new beds, as well as full year results from the more than 1,200 beds added in 2012, were primarily responsible for our 75.1% growth in revenue to $713.4 million for 2013 from $407.5 million for 2012. In addition, the 10.0% increase in our same facility revenue for 2013 compared with 2012 is largely attributable to the 179 new beds added to facilities in our same facility base in 2013, complemented by our ongoing initiatives to increase market share and improve capacity utilization.

The growth in same facility revenue generated increased operating leverage, which we augmented with operating performance improvements. This combination drove a 140 basis point increase in our same facility EBITDA margin to 26.4% for 2013 from 25.0% for 2012. This margin expansion contributed to a 79.5% increase in Acadia's consolidated adjusted EBITDA to $145.3 million, or 20.4% of revenue, for 2013 from $81.0 million, or 19.9% of revenue, for 2012.

Income from continuing operations for 2013 was $43.3 million, or $0.86 per diluted share, compared with $20.5 million, or $0.53 per diluted share, for 2012. Adjusted income from continuing operations increased 109.4% for 2013 to $53.6 million from $25.6 million for 2012, while adjusted income from continuing operations per diluted share grew 62.1% to $1.07 from $0.66. Per share results reflect a 29.9% increase in weighted average shares outstanding for 2013 from 2012, primarily due to Acadia's public equity offerings in 2012. The 2013 results for adjusted income from continuing operations exclude debt extinguishment costs of $9.4 million and transaction-related expenses of $7.2 million, and the 2012 results exclude transaction-related expenses of $8.1 million.

For 2014, we expect to continue producing significant profitable growth. Our pipeline of potential facility acquisitions remains strong, and we have already completed the purchase of a 68-bed acute inpatient psychiatric facility in Riverside, California, effective as of January 1, 2014. We will also continue to add beds organically, with a general goal of adding a number of beds in any given year at least equal to 5% of our total licensed beds at the end of the prior year. Similar to 2013, we expect to exceed this goal in 2014 through the addition of at least 300 beds, most of which will be added to existing facilities. In 2014 and the years ahead, we also plan to open one or two de novo facilities per year.

The Company is well positioned to fund its growth strategies for 2014. Our ratio of total net debt to trailing 12 months adjusted EBITDA was 4.2 at the end of 2013, and we generated significant net cash from continuing operations, with growth of 90.4% to $65.3 million for 2013. In February 2014, we completed an expansion and extension of our senior secured credit facility, which increased the revolving credit component of the facility to $300 million from $100 million and extended the maturity of the facility to February 2019. Our availability under the revolving credit facility at the end of February was approximately $232 million.

Our strong performance for 2013 validated both the long-term opportunities before us and our ability to execute on these opportunities to drive long-term growth in earnings and stockholder value. Our confidence in achieving these financial goals is fundamentally supported by the dedicated men and women in each of our facilities who provide high quality, healthcare services to our patients and their families. In our day-to-day focus on operating this growing business, we never forget that these outstanding professionals are truly saving lives every day. It is a privilege to work with such people who through their skills and compassion do so much for the patients and their families for whom we provide care.

In closing, we also thank you, our fellow stockholders, for your investment in Acadia and the confidence in our future your investment represents.

Best regards,

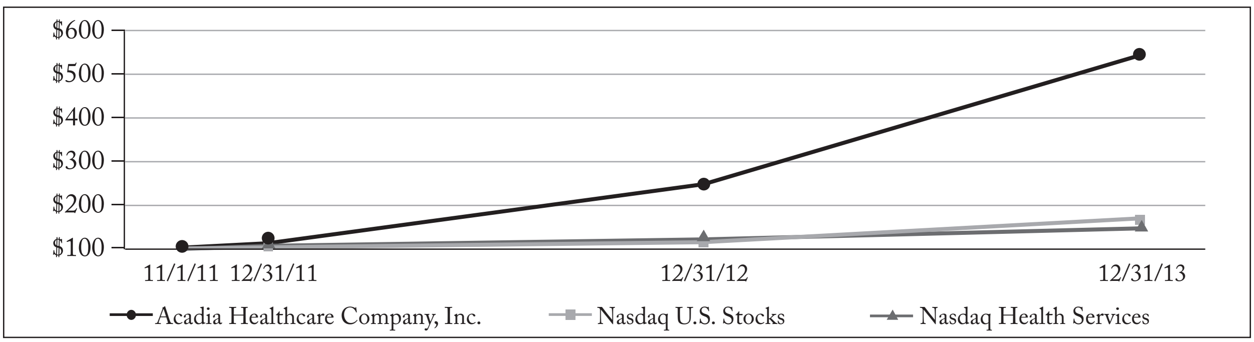
Joey Jacobs
Chairman and Chief Executive Officer

COMPARATIVE PERFORMANCE GRAPH

The following graphs compare the yearly percentage change in cumulative total stockholder return on the Company's common stock with (a) the performance of a broad equity market indicator, and (b) the performance of a published industry index or peer group. The graphs assume the investment on November 1, 2011, the date that the Company's common stock began trading on the NASDAQ Global Market, of $100 and that all dividends were reinvested at the time they were paid. The table following each graph presents the corresponding data for November 1, 2011, and each subsequent fiscal year end.

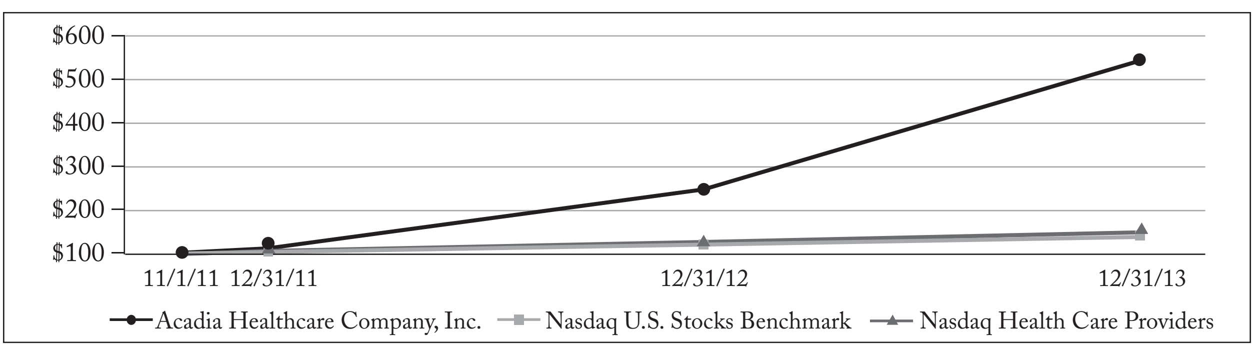
As a result of a change in the total return data made available to Acadia through our provider, our performance graphs going forward will be using comparable indices provided by NASDAQ OMX Global Indexes. The first graph below presents the comparisons using the previous indices and the second graph below presents the comparisons using the indices provided by NASDAQ OMX Global Indexes.

Comparison of Cumulative Total Returns - Old Indices



	11/1/2011	12/31/2011	12/31/2012	12/31/13
Acadia Healthcare Company, Inc.	$ 100.0	$ 110.8	$ 259.4	$ 525.9
Nasdaq U.S. Stocks	$ 100.0	$ 100.6	$ 119.0	$ 165.8
Nasdaq Health Services	$ 100.0	$ 103.5	$ 124.4	$ 160.9

Comparison of Cumulative Total Returns - New Indices



	11/1/2011	12/31/2011	12/31/2012	12/31/13
Acadia Healthcare Company, Inc.	$ 100.0	$ 110.8	$ 259.4	$ 525.9
Nasdaq U.S. Stocks Benchmark	$ 100.0	$ 103.6	$ 120.6	$ 161.0
Nasdaq Health Care Providers	$ 100.0	$ 104.9	$ 118.7	$ 163.9

ACADIA HEALTHCARE COMPANY, INC.

Reconciliation of Net Income to Adjusted EBITDA (Unaudited)

(In thousands)	Year Ended December 31, 2013	2012
Net income	**$ 42,579**	$ 20,403
Loss from discontinued operations	**691**	101
Provision for income taxes	**25,975**	12,325
Interest expense, net	**37,250**	29,769
Depreciation and amortization	**17,090**	7,982
EBITDA	**123,585**	70,580
Adjustments:		
Equity-based compensation expense [(a)]	**5,249**	2,267
Debt extinguishment costs [(b)]	**9,350**	–
Transaction-related expenses [(c)]	**7,150**	8,112
Adjusted EBITDA	**$ 145,334**	$ 80,959

Reconciliation of Adjusted Income from Continuing Operations to Income from Continuing Operations (Unaudited)

(In thousands, except share and per share amounts)	Year Ended December 31, 2013	2012
Income from continuing operations	**$ 43,270**	$ 20,504
Provision for income taxes	**25,975**	12,325
Income from continuing operations before income taxes	**69,245**	32,829
Adjustments to income from continuing operations:		
Debt extinguishment costs [(b)]	**9,350**	–
Transaction-related expenses [(b)]	**7,150**	8,112
Income tax provision/benefit reflecting tax effect of adjustments to income from continuing operations [(d)]	**(32,172)**	(15,353)
Adjusted income from continuing operations	**$ 53,573**	$ 25,588
Weighted-average shares outstanding - diluted	**50,261**	38,696
Adjusted income from continuing operations per diluted share	**$ 1.07**	$ 0.66

Footnotes

We have included certain financial measures in this annual report, including EBITDA, Adjusted EBITDA and Adjusted income from continuing operations, which are "non-GAAP financial measures" as defined under the rules and regulations promulgated by the SEC. We define EBITDA as net income adjusted for loss (income) from discontinued operations, net interest expense, income tax provision and depreciation and amortization. We define Adjusted EBITDA as EBITDA adjusted for equity-based compensation expense, transaction-related expenses, and debt extinguishment costs.

EBITDA, Adjusted EBITDA and Adjusted income from continuing operations are supplemental measures of our performance and are not required by, or presented in accordance with, generally accepted accounting principles in the United States ("GAAP"). EBITDA, Adjusted EBITDA and Adjusted income from continuing operations are not measures of our financial performance under GAAP and should not be considered as alternatives to net income or any other performance measures derived in accordance with GAAP or as an alternative to cash flow from operating activities as measures of our liquidity. Our measurements of EBITDA, Adjusted EBITDA and Adjusted income from continuing operations may not be comparable to similarly titled measures of other companies. We have included information concerning EBITDA, Adjusted EBITDA and Adjusted income from continuing operations in this report, because we believe that such information is used by certain investors as measures of a company's historical performance. We believe these measures are frequently used by securities analysts, investors and other interested parties in the evaluation of issuers of equity securities, many of which present EBITDA, Adjusted EBITDA and Adjusted income from continuing operations when reporting their results. Our presentation of EBITDA, Adjusted EBITDA and Adjusted income from continuing operations should not be construed as an inference that our future results will be unaffected by unusual or nonrecurring items.

(a) Represents the equity-based compensation expense of Acadia.

(b) Represents debt extinguishment costs related to the repayment of $52.5 million of the Company's 12.875% Senior Notes due 2018 on March 12, 2013, including a prepayment premium of $6.8 million and the write-off of $2.6 million of deferred financing costs.

(c) Represents transaction-related expenses incurred by Acadia related to acquisitions.

(d) Represents the income tax provision adjusted to reflect the tax effect of the adjustments to income from continuing operations based on effective tax rates.

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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2013

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.)**

830 Crescent Centre Drive, Suite 610
Franklin, Tennessee 37067
(Address, including zip code, of registrant's principal executive offices)

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

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

Title of each Class	Name of exchange on which registered
Common Stock, $.01 par value	**NASDAQ Global Market**

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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

Large accelerated filer ☒	Accelerated filer ☐
Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☐

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

As of June 28, 2013, the aggregate market value of the shares of common stock of the registrant held by non-affiliates was approximately $1.2 billion, based on the closing price of the registrant's common stock reported on the NASDAQ Global Market of $33.07 per share.

As of February 21, 2014, there were 50,557,452 shares of the registrant's common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement for its 2014 annual meeting of stockholders to be held on May 22, 2014 are incorporated by reference into Part III of this Form 10-K.

ACADIA HEALTHCARE COMPANY, INC.
ANNUAL REPORT ON FORM 10-K
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PART I

Unless the context otherwise requires, all references in this Annual Report on Form 10-K to "Acadia," "the Company," "we," "us" or "our" mean Acadia Healthcare Company, Inc. and its consolidated subsidiaries.

Item 1. Business.

Overview

Our business strategy is to acquire and develop inpatient behavioral healthcare facilities and improve our operating results within our inpatient 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 December 31, 2013, we operated 51 behavioral healthcare facilities with approximately 4,200 licensed beds in 23 states and Puerto Rico. During the year ended December 31, 2013, we acquired seven facilities with an aggregate of 694 licensed beds including a 75-bed facility under construction, which opened on October 1, 2013. In addition, we added 325 new beds during the year ended December 31, 2013, including opening two newly-developed facilities with a combined 102 licensed beds. We expect to add over 300 total beds during 2014 (exclusive of acquisitions).

We are the leading publicly traded pure-play provider of inpatient behavioral healthcare services based upon number of licensed beds in the United States. Management believes that the acquisitions described below position the Company 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.

Acadia was formed as a limited liability company in the State of Delaware in 2005, and converted to a corporation on May 13, 2011. Our common stock is listed for trading on The NASDAQ Global Market under the symbol "ACHC." Our principal executive offices are located at 830 Crescent Centre Drive, Suite 610, Franklin, Tennessee 37067, and our telephone number is (615) 861-6000.

Acquisitions

On January 1, 2014, we completed the acquisition of Pacific Grove Hospital ("Pacific Grove"), an inpatient psychiatric facility with 68 licensed beds located in Riverside, California, for cash consideration of $10.5 million.

On December 1, 2013, we completed the acquisition of the assets of Cascade Behavioral Hospital ("Cascade"), an inpatient psychiatric facility with 63 licensed beds located in Tukwila, Washington, for cash consideration of $19.6 million.

On October 1, 2013, we completed the acquisition of the assets of Longleaf Hospital ("Longleaf"), an inpatient psychiatric facility with 68 licensed beds located in Alexandria, Louisiana, for cash consideration of $8.3 million.

On August 1, 2013, we completed the acquisition of The Refuge, a Healing Place ("The Refuge"), an inpatient psychiatric facility near Ocala, Florida, with 87 licensed beds, for cash consideration of $14.1 million.

On May 1, 2013, we completed the acquisition of two facilities from United Medical Corporation (the "UMC Facilities"), including San Juan Capestrano Hospital in San Juan, Puerto Rico, which is licensed for 108 beds and has a certificate of need for 100 additional beds, and a 75-bed inpatient behavioral healthcare hospital in Tampa, Florida, which opened on October 1, 2013, for cash consideration of $99.4 million.

On January 31, 2013, we completed the acquisition of DMC-Memphis, Inc. d/b/a Delta Medical Center ("Delta"), a facility with 243 licensed beds located in Memphis, Tennessee with the majority of operating beds dedicated to inpatient psychiatric patients, for cash consideration of $23.0 million.

On January 1, 2013, we completed the acquisition of the assets of Greenleaf Center ("Greenleaf"), an inpatient psychiatric facility with 50 licensed beds located in Valdosta, Georgia, for cash consideration of $6.3 million.

On December 31, 2012, we completed the acquisition of Behavioral Centers of America, LLC (“BCA”) for total cash consideration of $143.0 million, which excluded severance costs of $0.7 million recorded in transaction-related expenses in the consolidated statements of operations. We used the net proceeds from the December 2012 sale of Acadia common stock and borrowings under our amended and restated senior credit facility dated December 31, 2012 (as amended from time to time, the “Amended and Restated Senior Credit Facility”) to fund the acquisition. In the BCA acquisition, we acquired three inpatient psychiatric facilities and one psychiatric hospital within a hospital. The facilities are located in Ohio, Michigan and Texas and have an aggregate of 278 licensed inpatient beds.

On December 31, 2012, we completed the acquisition of AmiCare Behavioral Centers, LLC (“AmiCare”) for total cash consideration of $112.6 million, which excluded severance costs of $2.1 million recorded in transaction-related expenses in the consolidated statements of operations. We used the net proceeds from the December 2012 sale of Acadia common stock and borrowings under our Amended and Restated Senior Credit Facility to fund the acquisition. In the AmiCare acquisition, we acquired four inpatient psychiatric facilities in Arkansas that have an aggregate of 330 licensed inpatient beds.

On November 11, 2012, we purchased 100% of the membership interests of The Pavilion at HealthPark, LLC (“Park Royal”), an inpatient psychiatric facility with 76 licensed beds located in Fort Myers, Florida, for cash consideration of $10.6 million and the assumption of debt with a fair value of $25.6 million. Also, we may make additional payments of up to $7.0 million, contingent upon achievement of certain financial targets over the four-year period ending December 31, 2016.

On August 31, 2012, we completed the acquisition of the assets of Timberline Knolls, LLC (“Timberline Knolls”), an inpatient behavioral health facility with 122 licensed beds located outside of Chicago in Lemont, Illinois. The total consideration of $75.6 million paid for the business and related assets represents total payments of $89.8 million less amounts paid for transactions that were deemed to be separate from the business combination. Additionally, in connection with this acquisition, we funded an employment retention bonus of $1.2 million.

On March 1, 2012, we completed the acquisition of three inpatient psychiatric hospitals (the “Haven Facilities”) from Haven Behavioral Healthcare Holdings, LLC with a combined 166 licensed beds at the acquisition date for $90.5 million of cash consideration. Also on March 1, 2012, we amended our senior secured credit agreement (“Senior Secured Credit Facility”) to provide an incremental $25.0 million of term loans and increase the revolving line of credit by $45.0 million, from $30.0 million to $75.0 million. We used the net proceeds from the December 2011 sale of our common stock, the incremental term loans of $25.0 million and a $5.0 million borrowing under the revolving line of credit to fund the acquisition of the Haven Facilities.

For the years ended December 31, 2013 and 2012, we generated revenue of $713.4 million and $407.5 million, respectively. On a pro forma basis for the years ended December 31, 2013 and 2012, giving effect to the Haven Facilities, Timberline Knolls, Park Royal, AmiCare, BCA, Greenleaf, Delta, UMC Facilities, The Refuge, Longleaf and Cascade acquisitions (collectively the “2012 and 2013 Acquisitions”) described above as if such acquisitions had been completed as of January 1, 2012, we would have generated pro forma revenue of $753.6 million and $683.7 million, respectively. See Pro Forma Financial Information and Note 4 – Acquisitions in the Consolidated Financial Statements for additional details about pro forma information.

During 2011, we completed our acquisition of PHC, Inc. d/b/a Pioneer Behavioral Health (“PHC”), a leading national provider of inpatient and outpatient mental health and drug and alcohol addiction treatment programs in Delaware, Michigan, Nevada, Pennsylvania, Utah and Virginia, and Youth and Family Centered Services, Inc. (“YFCS”), the largest private, for-profit provider of behavioral health, education and long-term support services exclusively for abused and neglected children and adolescents.

Financing Transactions

On February 13, 2014, we entered into a Fourth Amendment (the “Fourth Amendment”) to our Amended and Restated Credit Agreement, dated December 31, 2012 (the “Amended and Restated Credit Agreement”), to increase the size of our Amended and Restated Senior Credit Facility and extend the maturity date thereof, which resulted in our having a revolving line of credit of up to $300.0 million and term loans of $300.0 million. The Fourth Amendment also reduced the interest rates applicable to the Amended and Restated Senior Credit Facility and provided increased flexibility to us in terms of our financial and other restrictive covenants. The Company had $46.1 million of availability under the revolving line of credit as of December 31, 2013.

On March 12, 2013, we issued $150.0 million of 6.125% Senior Notes due 2021 (the “6.125% 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, beginning on September 15, 2013.

On March 12, 2013, we redeemed $52.5 million of the 12.875% Senior Notes due 2018 (the “12.875% Senior Notes”) using a portion of the net proceeds of our December 2012 equity offering pursuant to the provision in the indenture permitting an optional redemption with equity proceeds of up to 35% of the principal amount of 12.875% Senior Notes. The 12.875% Senior Notes were redeemed at a redemption price of 112.875% of the principal amount thereof plus accrued and unpaid interest to, but not including, the redemption date in accordance with the provisions of the indenture governing the 12.875% Senior Notes. As part of the redemption of 35% of the 12.875% Senior Notes, the Company recorded a debt extinguishment charge of $9.4 million, including the premium and write-off of deferred financing costs, which was recorded in debt extinguishment costs in the consolidated statements of operations.

On December 31, 2012, we amended and restated our existing senior secured credit agreement, to provide a revolving line of credit of $100.0 million and term loans of $300.0 million, which resulted in debt proceeds of $151.1 million. We used $151.1 million of the term loans partially to fund the acquisition of BCA and AmiCare on December 31, 2012. The credit agreement was amended further in 2013 and 2014 as disclosed above and in our other filings with the Securities and Exchange Commission ("SEC").

On December 12, 2012, we completed the offering of 7,000,000 shares of Acadia common stock and on December 24, 2012, we completed the offering of 1,050,000 shares of Acadia common stock sold pursuant to the exercise of the over-allotment option that the Company granted to the underwriters as part of the offering at a price of $22.50 per share. The net proceeds to us from the sale of the shares, after deducting the underwriting discount of $6.3 million and additional offering-related expenses of $1.0 million, were $172.8 million. We used the net proceeds principally to fund the acquisitions of AmiCare and BCA on December 31, 2012.

On May 21, 2012, we completed the offering of 9,487,500 shares of Acadia common stock (including shares sold pursuant to the exercise of the over-allotment option that the Company granted to the underwriters as part of the offering) at a price of $15.50 per share. The net proceeds to us from the sale of the shares, after deducting the underwriting discount of $6.4 million and additional offering-related expenses of $0.7 million, were $139.0 million. We used the net offering proceeds to fund the acquisition of Timberline Knolls and acquisitions of certain facilities previously leased.

On December 20, 2011, we completed the offering of 9,583,332 shares of Acadia common stock (including shares sold pursuant to the exercise of the over-allotment option that the Company granted to the underwriters as part of the offering) at a price of $7.50 per share. The net proceeds to us from the sale of the shares, after deducting the underwriting discount of $3.8 million and additional-offering related expenses of $0.9 million, were $67.2 million.

Competitive Strengths

Management believes the following strengths differentiate us from other providers of behavioral healthcare services:

Premier operational management team with track record of success. Our management team has approximately 170 combined years of experience in acquiring, integrating and operating a variety of behavioral health facilities. Following the sale of Psychiatric Solutions, Inc. ("PSI") to Universal Health Services, Inc. ("UHS") in November 2010, certain of PSI's key former executive officers joined Acadia in February 2011. The extensive national experience and operational expertise of our management team gives us what management believes to be the premier leadership team in the behavioral healthcare industry. Our management team strives to use its years of experience operating behavioral healthcare facilities to generate strong cash flow and grow a profitable business.

Favorable industry and legislative trends. According to the National Institute of Mental Health, approximately 6% of people in the United States suffer from a seriously debilitating mental illness and over 20% of children, either currently or at some point during their life, have had a seriously debilitating mental disorder. Management believes the market for behavioral services will continue to grow due to increased awareness of mental health and substance abuse conditions and treatment options. According to a 2008 report by the Substance Abuse and Mental Health Services Administration of the U.S. Department of Health and Human Services, national expenditures on mental health and substance abuse treatment are expected to reach $239 billion in 2014, up from $121 billion in 2003, representing a compound annual growth rate of 6.4%.

While the growing awareness of mental health and substance abuse conditions is expected to accelerate demand for services, recent healthcare reform is expected to increase access to industry services as more people obtain insurance coverage. A key aspect of reform legislation is the extension of mental health parity protections established into law by the Mental Health Parity and Addiction Equity Act of 2008 (the "MHPAEA"). The MHPAEA provides for equal coverage between psychiatric or mental health services and conventional medical health services and forbids employers and insurers from placing stricter limits on mental healthcare compared to other health conditions.

Leading platform in attractive healthcare niche. We are a leading behavioral healthcare platform in an industry that is undergoing consolidation in an effort to reduce costs and expand programs to better serve the growing need for inpatient behavioral healthcare services. In addition, the behavioral healthcare industry has significant barriers to entry, including (i) significant initial capital outlays required to open new facilities, (ii) expertise required to deliver highly specialized services safely and effectively, and (iii) high regulatory hurdles that require market entrants to be knowledgeable of state and federal laws and facilities to be licensed with local agencies.

Diversified revenue and payor bases. As of December 31, 2013, we operated 51 facilities in 23 states and Puerto Rico. Our payor, patient/client and geographic diversity mitigates the potential risk associated with any single facility. For the year ended December 31, 2013, we received 48% of our revenue from Medicaid, 25% from commercial payors, 22% from Medicare, and 5% from self-pay and other payors. As we receive Medicaid payments from 30 states, the District of Columbia and Puerto Rico, management does not believe that we are significantly affected by changes in reimbursement policies in any one state. Substantially all of our Medicaid payments relate to the care of children and adolescents. Management believes that children and adolescents are a patient class that is less susceptible to reductions in reimbursement rates. No facility accounted for more than 6% of revenue for the year ended December 31, 2013. Additionally, no state accounted for more than 17% of revenue for the year ended December 31, 2013. Management believes that our geographic diversity mitigates the impact of any financial or budgetary pressure that may arise in a particular state where we operate.

Strong cash flow generation and low capital requirements. We generate strong free cash flow by profitably operating our business and by actively managing our working capital. Moreover, as the behavioral healthcare business does not typically require the procurement and replacement of expensive medical equipment, our maintenance capital expenditure requirements are generally less than that of other facility-based healthcare providers. For the year ended December 31, 2013, our maintenance capital expenditures amounted to 2.3% of our revenue. In addition, our accounts receivable management is less complex than medical/surgical hospital providers because behavioral healthcare facilities have fewer billing codes and generally are paid on a per diem basis.

Business Strategy

We are committed to providing the communities we serve with high quality, cost-effective behavioral healthcare services, while growing our business, increasing profitability and creating long-term value for our stockholders. To achieve these objectives, we have aligned our activities around the following growth strategies:

Increase margins by enhancing programs and improving performance at existing facilities. Management believes we can improve efficiencies and increase operating margins by utilizing our management's expertise and experience within existing programs and their expertise in improving performance at underperforming facilities. Management believes the efficiencies can be realized by investing in growth in strong markets, addressing capital-constrained facilities that have underperformed and improving management systems. Furthermore, our recent acquisitions of additional facilities give us an opportunity to develop a marketing strategy in many markets which should help us increase the geographic footprint from which our existing facilities attract patients and referrals.

Opportunistically pursue acquisitions. We have established a national platform for becoming the leading dedicated provider of high quality behavioral healthcare services in the U.S. Our industry is highly fragmented, and we selectively seek opportunities to expand and diversify our base of operations by acquiring additional facilities. Management believes there are a number of acquisition candidates available at attractive valuations, and we have a number of potential acquisitions in various stages of development and consideration. Management believes our focus on inpatient behavioral healthcare and history of completing acquisitions provides us with a strategic advantage in sourcing, evaluating and closing acquisitions. We leverage our management team's expertise to identify and integrate acquisitions based on a disciplined acquisition strategy that focuses on quality of service, return on investment and strategic benefits. We also have a comprehensive post-acquisition strategic plan to facilitate the integration of acquired facilities that includes improving facility operations, retaining and recruiting psychiatrists and other healthcare professionals and expanding the breadth of services offered by the facilities.

Drive organic growth of existing facilities. We seek to increase revenue at our facilities by providing a broader range of services to new and existing patients and clients. In addition, management intends to increase licensed bed counts in our existing facilities, with a focus on increasing the number of acute psychiatric beds. During the year ended December 31, 2013, we added 223 beds to our existing facilities and opened a 60-bed facility and a 42-bed facility. We expect to add over 300 total beds during 2014 (exclusive of acquisitions). Furthermore, management believes that opportunities exist to leverage out-of-state referrals to increase volume and minimize payor concentration, especially with respect to our youth and adolescent focused services and our substance abuse services.

Types of Facilities and Services

Our facilities and services can generally be classified into the following categories: acute inpatient psychiatric and specialty facilities; residential treatment centers; outpatient community-based services; and other behavioral services. The table below presents the percentage of our total revenue attributed to each category for the year ended December 31, 2013:

Facility/Service	Revenue for the Year Ended December 31, 2013
Acute inpatient psychiatric and specialty facilities..........	66%
Residential treatment centers...	29%
Outpatient community-based services.............................	5%

Description of Facilities

Acute Inpatient Psychiatric and Specialty 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. Generally, due to shorter lengths of stay, the related higher patient turnover, and the special security and health precautions required, acute inpatient psychiatric facilities have lower average occupancy than residential treatment centers. Our facilities that offer acute care services provide evaluation and crisis stabilization of patients with severe psychiatric diagnoses through a medical delivery that incorporates structured and intensive medical and behavioral therapies with 24-hour monitoring by a psychiatrist, psychiatric trained nurses, therapists and other direct care staff. Lengths of stay for crisis stabilization and acute care range from three to five days and from five to twelve days, respectively. Our specialty facilities provide a comprehensive continuum of care for adults with addictive disorders and co-occurring mental disorders. Our detoxification, inpatient, partial hospitalization and outpatient treatment programs are cost-effective and give patients access to the least restrictive level of care. All programs offer individualized treatment in a supportive and nurturing environment.

As of December 31, 2013, we operated 35 facilities that provided acute care/specialty services in addition to other services.

Residential Treatment Centers

Residential treatment centers treat patients with behavioral disorders in a non-hospital setting. The facilities balance therapy activities with social, academic and other activities. Because the setting is less intensive, demands on staffing, security and oversight are generally lower than inpatient psychiatric facilities. In contrast to acute care psychiatric facilities, occupancy in residential treatment centers can be managed more easily given a longer length of stay. Over time, however, residential treatment centers have continued to serve increasingly severe patients who would have been treated in acute care facilities in earlier years.

We provide residential treatment care through a medical model residential treatment facility, which offers intensive, medically-driven interventions and individualized treatment regimens designed to deal with moderate to high level patient acuity. Children and adolescents admitted to these facilities typically have had multiple prior failed treatment plans, severe physical, sexual and emotional abuse, termination of parental custody, substance abuse, marked deficiencies in social, interpersonal and academic skills and a wide range of psychiatric disorders. Treatment typically is provided by an interdisciplinary team coordinating psychopharmacological, individual, group and family therapy, along with specialized accredited educational programs in both secure and unlocked environments. Lengths of stay range from three months to several years.

Certain of our residential treatment centers provide group home, therapeutic group home and therapeutic foster care programs. Our group home programs provide family-style living for youths in a single house or apartment within residential communities where supervision and support are provided by 24-hour staff. The goal of a group home program is to teach family living and social skills through individual and group counseling sessions within a real life environment. The residents are encouraged to take responsibility for the home and their health as well as actively take part in community functions. Most attend an accredited and licensed on-premises school or a local public school. We also operate therapeutic group homes that provide comprehensive treatment services for seriously, emotionally disturbed adolescents. The ultimate goal is to reunite or place these children with their families or prepare them, when appropriate, for permanent placement with a relative or an adoptive family. We also manage therapeutic foster care programs, which are considered the least restrictive form of therapeutic placement for children and adolescents with emotional disorders. Children and adolescents in our therapeutic foster care programs often are part of the child welfare or juvenile justice system. Care is delivered in private homes with experienced foster parents who are trained to work with children and adolescents with special needs.

As of December 31, 2013, we operated 16 facilities that provided residential treatment care, in addition to other services.

Outpatient Community-Based Services

Our community-based services can be divided into two age groups: children and adolescents (seven to 18 years of age) and young children (three months to six years of age). 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. Many patients who participate in community-based programs have transitioned out of a residential facility or have a disorder that does not require placement in a facility that provides 24-hour care.

Community-based programs developed for these age groups provide a unique array of therapeutic services to a very high-risk population of children. These children suffer from severe congenital, neurobiological, speech/motor and early onset psychiatric disorders. These services are provided in clinics and employ a treatment model that is consistent with our interdisciplinary medical treatment approach. Depending on their individual needs and treatment plan, children receive speech, physical, occupational and psychiatric interventions that are coordinated with services provided by their referring primary care physician. The children generally receive treatment during regular business hours.

As of December 31, 2013, we operated five facilities that primarily provided community-based services.

Other Behavioral Services

We provide management, administrative and help line services through contracts with major railroads and a call center contract with Wayne County, Michigan.

We also provide inpatient contract management services whereby we manage behavioral health care programs within third-party medical/surgical hospitals.

Facilities

The following table summarizes the services provided by, and information regarding, our facilities as of January 31, 2014.

Facility	Date Acquired / Opened	Type of Facility or Key Service [(1)]	City	State	# of Licensed Beds	Owned / Leased
Vermilion Behavioral Health Systems	06/06	IPF	Lafayette	LA	78	Leased
Acadia Montana	09/06	RTC	Butte	MT	92	Owned
Abilene Behavioral Health	11/07	IPF	Abilene	TX	92	Owned
RiverWoods Behavioral Health System	09/08	IPF	Riverdale	GA	75	Owned
Acadiana Addiction Center	03/09	IPF	Lafayette	LA	41	Leased
The Village	11/09	RTC	Louisville	TN	145	Leased
Ascent Children's Health Services	04/11	CBS	Jonesboro	AR	N/A	Owned
Casa Grande [(2)]	04/11	RTC	Casa Grande	AZ	32	Owned
Desert Hills	04/11	RTC	Albuquerque	NM	124	Owned
Lakeland Behavioral Health System	04/11	IPF and RTC	Springfield	MO	202	Owned
Millcreek of Arkansas	04/11	RTC	Fordyce	AR	172	Owned
Millcreek of Magee	04/11	RTC	Magee	MS	233	Owned
Millcreek of Pontotoc	04/11	RTC	Pontotoc	MS	51	Owned
Oasis Behavioral Health	04/11	IPF and RTC	Chandler	AZ	87	Owned
Options Behavioral Health System	04/11	IPF and RTC	Indianapolis	IN	82	Leased
Resource Treatment Facility	04/11	RTC	Indianapolis	IN	102	Leased
Resolute Treatment Center	04/11	RTC	Indianapolis	IN	86	Leased
Southwood Hospital	04/11	IPF and RTC	Pittsburgh	PA	118	Owned
Detroit Behavioral Institute – Capstone Academy	11/11	RTC	Detroit	MI	98	Owned
Harmony Healthcare [(3)]	11/11	CBS	Various locations	NV	N/A	Leased
Harbor Oaks Hospital	11/11	IPF	New Baltimore	MI	71	Owned
Highland Ridge Hospital	11/11	IPF	Midvale	UT	83	Owned
MeadowWood Behavioral Health System	11/11	IPF	New Castle	DE	78	Owned
Mount Regis	11/11	IPF	Salem	VA	25	Owned
Seven Hills Hospital	11/11	IPF	Las Vegas	NV	58	Owned
Wellplace	11/11	CBS	Monroeville	PA	N/A	Leased
Blue Ridge Mountain Recovery Center	02/12	IPF	Ball Ground	GA	50	Owned
Red River Hospital	03/12	IPF	Wichita Falls	TX	74	Owned
Rolling Hills Psychiatric Hospital	03/12	IPF	Ada	OK	60	Owned
Sonora Behavioral Health	03/12	IPF	Tucson	AZ	72	Owned
Timberline Knolls	09/12	IPF	Lemont	IL	140	Owned
Park Royal Hospital	11/12	IPF	Fort Myers	FL	103	Owned
Piney Ridge Center	12/12	RTC	Fayetteville	AR	112	Owned
Riverview Behavioral Health	12/12	IPF	Texarkana	AR	62	Owned
Vantage Point	12/12	IPF	Fayetteville	AR	92	Owned
Valley Behavioral Health System	12/12	IPF	Fort Smith	AR	75	Owned
Cedar Crest Hospital & RTC	12/12	IPF and RTC	Killeen	TX	94	Owned
Ohio Hospital for Psychiatry	12/12	IPF	Columbus	OH	90	Owned
StoneCrest Center	12/12	IPF	Detroit	MI	90	Owned
Ten Lakes Center	12/12	IPF	Dennison	OH	16	Owned
Greenleaf	1/13	IPF	Valdosta	GA	50	Owned
Delta Medical Center	1/13	IPF and MS	Memphis	TN	243	Owned
Lakeview Behavioral Health	4/13	IPF	Norcross	GA	60	Owned
San Juan Capestrano Hospital	5/13	IPF	Rio Piedras	Puerto Rico	108	Owned
The Refuge	8/13	IPF	Ocklawaha	FL	87	Owned
Longleaf Hospital	10/13	IPF	Alexandria	LA	68	Owned
North Tampa Behavioral Hospital	10/13	IPF	Wesley Chapel	FL	75	Owned
Rebound Behavioral Health	10/13	IPF	Lancaster	SC	42	Owned
Cascade Behavioral Hospital	12/13	IPF	Tukwila	WA	63	Owned
Pacific Grove Hospital	1/14	IPF	Riverside	CA	68	Owned

(1) The following definitions apply to the services listed in this column: "IPF" means acute inpatient psychiatric/specialty facility; "RTC" means residential treatment care; "CBS" means outpatient community-based services; and "MS" means medical/surgical facility.

(2) Closed for renovation prior to 2011. Re-opened during first quarter 2012.
(3) Three outpatient clinics, two located in Las Vegas and one in Henderson.

Sources of Revenue

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 the Centers for Medicare and Medicaid Services ("CMS"); and (iv) individual patients and clients. Revenue is recorded in the period in which services are provided at established billing rates less contractual adjustments based on amounts reimbursable by Medicare or Medicaid under provisions of cost or prospective reimbursement formulas or amounts due from other third-party payors at contractually determined rates. See – Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Revenue and Accounts Payable for additional disclosure. Other information related to our revenues, income and other operating information is provided in our Consolidated Financial Statements.

Regulation

Overview

The healthcare industry is subject to numerous laws, regulations and rules including, among others, those related to government healthcare program participation requirements, various licensure and accreditation standards, reimbursement for patient services, health information privacy and security rules, and government healthcare program fraud and abuse provisions. Providers that are found to have violated any of these laws and regulations may be excluded from participating in government healthcare programs, subjected to significant fines or penalties and/or required to repay amounts received from the government for previously billed patient services. Management believes we are in substantial compliance with all applicable laws and regulations and is not aware of any material pending or threatened investigations involving allegations of wrongdoing.

Licensing and Certification

All of our facilities must comply with various federal, state and local licensing and certification regulations and undergo periodic inspection by licensing agencies to certify compliance with such regulations. The initial and continued licensure of our facilities and certification to participate in government healthcare programs depends upon many factors including various state licensure regulations relating to quality of care, environment of care, equipment, services, staff training, personnel and the existence of adequate policies, procedures and controls. Federal, state and local agencies survey our facilities on a regular basis to determine whether the facilities are in compliance with regulatory operating and health standards and conditions for participating in government healthcare programs.

Certificates of Need

Many of the states in which we operate facilities have enacted certificate of need ("CON") laws that regulate the construction or expansion of certain healthcare facilities, certain capital expenditures or changes in services or bed capacity. Failure to obtain CON approval of certain activities can result in: our inability to complete an acquisition, expansion or replacement; the imposition of civil or criminal sanctions; the inability to receive Medicare or Medicaid reimbursement; or the revocation of a facility's license, any of which could harm our business.

Utilization Review

Federal regulations require the treatment of patients in government healthcare programs be reviewed to confirm efficient utilization of facilities and services. The regulations require Quality Improvement Organizations ("QIOs") to review the appropriateness of Medicare and Medicaid patient admissions and discharges, the quality of care provided, the validity of diagnosis related group classifications and the appropriateness of length of stay. QIOs may deny payment for services provided, assess fines, or recommend to the Department of Health and Human Services that a provider that is in substantial non-compliance with the Medicare Conditions of Participation be excluded from participating in the Medicare program.

Audits

Government healthcare program participating healthcare facilities are subject to federal and state audits to validate the accuracy of claims submitted to the government healthcare programs. If these audits identify overpayments, we could be required to make substantial repayments, subject to various administrative appeal rights. Several of our facilities have undergone claims audits related to their receipt of government healthcare program payments during the last several years with no material overpayments identified. However, potential liability from future federal or state audits could ultimately exceed established reserves, and any excess could potentially be substantial. Further, Medicare and Medicaid regulations also provide for withholding Medicare and Medicaid payments in certain circumstances, which could adversely affect our cash flow.

The Anti-Kickback Statute and Stark Law

A provision of the Social Security Act known as the Anti-Kickback Statute prohibits healthcare providers and others from directly or indirectly soliciting, receiving, offering or paying money or other remuneration to other individuals and entities in return for using, referring, ordering, recommending or arranging for such referrals or orders of services or other items paid for by a government healthcare program. The Anti-Kickback Statute may be found to have been violated if only one purpose of the payment or remuneration is to induce referrals. A provider is not required to have actual knowledge or specific intent to commit a violation of the Anti-Kickback Statute to be found guilty of violating the law.

The Office of the Inspector General of the Department of Health and Human Services has issued regulations that provide “safe harbors” from federal Anti-Kickback Statute liability for various activities. The fact that conduct or a business arrangement does not fall within a safe harbor or exception does not automatically render the conduct or business arrangement illegal under the Anti-Kickback Statute. However, conduct and business arrangements falling outside the safe harbors may lead to increased scrutiny by government enforcement authorities.

Although management believes that our arrangements with physicians and other referral sources comply with current law and available interpretations, there can be no assurance that all arrangements comply with an available safe harbor or that regulatory authorities enforcing these laws will determine these financial arrangements do not violate the Anti-Kickback Statute or other applicable laws.

These laws and regulations are extremely complex and, in many cases, we do not have the benefit of regulatory or judicial interpretation. It is possible that different interpretations or enforcement of these laws and regulations could subject our current or past practices to allegations of impropriety or illegality or could require us to make changes in our arrangements relating to facilities, equipment, personnel, services, capital expenditure programs and operating expenses. A determination that we have violated one or more of these laws, or the public announcement that we are being investigated for possible violations of one or more of these laws, could have a material adverse effect on our business, financial condition or results of operations. In addition, we cannot predict whether other federal or state legislation or regulations will be adopted, what form such legislation or regulations may take or what their impact on us may be.

If we are deemed to have failed to comply with the Anti-Kickback Statute or other applicable laws and regulations, we could be subjected to liabilities, including criminal penalties, civil penalties, and exclusion of one or more facilities from participation in the government healthcare programs. The imposition of such penalties could have a material adverse effect on our business, financial condition or results of operations.

The Social Security Act also includes a provision regarding physician self-referrals, commonly known as the “Stark Law.” This law prohibits physicians from referring Medicare patients to healthcare entities in which they or any of their immediate family members have an ownership or other financial interest for the furnishing of any “designated health services.” A violation of the Stark Law may result in a denial of payment, require refunds to the Medicare program, civil monetary penalties of up to $15,000 for each violation, civil monetary penalties of up to $100,000 for circumvention schemes, civil monetary penalties of up to $10,000 for each day that entity fails to report required information, exclusion from the government healthcare programs, and additionally could result in penalties for false claims. There are ownership and compensation arrangement exceptions for many customary financial arrangements between physicians and facilities, including the employment exception, personal services exception, lease exception and certain recruitment exceptions. Our financial arrangements with physicians are structured to comply with the statutory exceptions to the Stark Law and subsequent regulations. However, future Stark Law regulations may enforce provisions of this law in a manner different from the manner in which we have interpreted them. We cannot predict the effect such future regulations will have on us.

Federal False Claims Act and Other Fraud and Abuse Provisions

The Social Security Act also imposes criminal and civil penalties for submitting false claims to the government healthcare programs. False claims include, but are not limited to, billing for services not rendered, billing for services without adequate documentation, misrepresenting the services rendered in order to obtain higher reimbursement, knowingly retaining overpayments and committing cost report fraud. Like the Anti-Kickback Statute, these provisions are very broad.

Violations of the federal False Claims Act are punishable by fines of up to three times the actual damages sustained by the government, plus mandatory civil penalties. There are many potential bases for liability under the False Claims Act. The Fraud Enforcement and Recovery Act of 2009 has expanded the number of actions for which liability may attach under the False Claims Act, eliminating requirements that false claims be presented to federal officials or directly involve federal funds. The Fraud Enforcement and Recovery Act also clarifies that a false claim violation occurs upon the knowing retention of overpayments. In addition, recent changes to the Anti-Kickback Statute have made violations of that law punishable under the civil False Claims Act.

A current trend affecting the healthcare industry is the increased use of the False Claims Act, and, in particular, actions being brought by individuals on the government's behalf under the False Claims Act's qui tam, or whistleblower, provisions. Whistleblower provisions allow private individuals to bring actions on behalf of the government by alleging that the defendant has defrauded the federal government. Further, a number of states have adopted their own false claims provisions as well as their own whistleblower provisions whereby a private party may file a civil lawsuit on behalf of the state.

Further, the Health Insurance Portability and Accountability Act ("HIPAA") broadened the scope of the fraud and abuse laws by adding several criminal provisions for healthcare fraud offenses that apply to all health benefit programs, whether or not payments under such programs are paid pursuant to federal programs. HIPAA also introduced enforcement mechanisms to prevent fraud and abuse under Medicare. There are civil penalties for prohibited conduct, including, but not limited to, billing for medically unnecessary products or services.

HIPAA Administrative Simplification and Privacy and Security Requirements

The administrative simplification provisions of HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act ("HITECH"), require the use of uniform electronic data transmission standards for healthcare claims and payment transactions submitted or received electronically. These provisions are intended to encourage electronic commerce in the healthcare industry. HIPAA also established federal rules protecting the privacy and security of individually identifiable patient health information ("PHI"). The privacy and security regulations control the use and disclosure of PHI and the rights of patients to understand and control how such PHI is used and disclosed. Violations of HIPAA can result in both criminal and civil fines and penalties.

The HIPAA security regulations require healthcare providers to implement administrative, physical and technical safeguards to protect the confidentiality, integrity and availability of PHI. HITECH has strengthened certain HIPAA rules regarding the use and disclosure of PHI, extended certain HIPAA provisions to business associates, and created security breach notification requirements. HITECH has also increased maximum penalties for violations of HIPAA privacy rules. Management believes that we have been in material compliance with the HIPAA regulations and have developed our policies and procedures to ensure ongoing compliance.

Mental Health Parity Legislation

The MHPAEA was signed into law in October 2008 and requires health insurance plans that offer mental health and addiction coverage to provide that coverage on par with financial and treatment coverage offered for other illnesses. The MHPAEA has some limitations because health plans that do not already cover mental health treatments will not be required to do so, and health plans are not required to provide coverage for every mental health condition published in the Diagnostic and Statistical Manual of Mental Disorders by the American Psychiatric Association. The MHPAEA also contains a cost exemption which operates to exempt a group health plan from the MHPAEA's requirements if compliance with the MHPAEA becomes too costly.

The MHPAEA specifically directed the Secretaries of Labor, Health and Human Services and the Treasury to issue regulations to implement the legislation. Although regulations regarding how the MHPAEA was to be implemented were issued on February 2, 2010 in the form of an interim final rule, final regulations have not yet been published and interpretative guidance from the regulators has been limited to date.

Patient Protection and Affordable Care Act

On March 23, 2010, President Obama signed into law the Patient Protection and Affordable Care Act (the "PPACA"). The Healthcare and Education Reconciliation Act of 2010 (the "Reconciliation Act"), which contains a number of amendments to the PPACA, was signed into law on March 30, 2010. Two primary goals of the PPACA, combined with the Reconciliation Act (collectively referred to as the "Health Reform Legislation"), are to provide for increased access to coverage for healthcare and to reduce healthcare-related expenses.

On June 28, 2012, the United States Supreme Court upheld the constitutionality of the requirement in PPACA that individuals maintain health insurance or pay a penalty under Congress's taxing power. The Supreme Court upheld the PPACA provision expanding Medicaid eligibility to new populations as constitutional, but only so long as the expansion of the Medicaid program is optional for the states. States that choose not to expand their Medicaid programs to newly eligible populations in PPACA can only lose the new federal Medicaid funding in PPACA but not their eligibility for existing federal Medicaid matching payments.

The Health Reform Legislation expands coverage of uninsured individuals and provides for significant reductions in the growth of Medicare program payments, material decreases in Medicare and Medicaid disproportionate share hospital payments, and the establishment of programs where reimbursement is tied in part to patient outcomes. Based on Congressional Budget Office estimates, the Health Reform Legislation, as enacted, is expected to expand health insurance coverage to approximately 32 to 34 million additional individuals through a combination of public program expansion and private sector health insurance reforms.

Some of the most significant changes will expand the categories of individuals eligible for Medicaid coverage and permit individuals with relatively higher incomes to qualify. The federal government reimburses the majority of a state's Medicaid expenses, and it conditions its payment on the state meeting certain requirements. The federal government currently requires that states provide coverage for only limited categories of low-income adults under 65 years old (e.g., women who are pregnant, and the blind or disabled). In addition, the income level required for individuals and families to qualify for Medicaid varies widely from state to state. While the Health Reform Legislation will greatly expand the number of adults who are eligible for Medicaid, it may not impact our business as Medicaid generally does not reimburse for care provided to adults treated in freestanding behavioral health facilities.

Risk Management and Insurance

The healthcare industry in general continues to experience an increase in the frequency and severity of litigation and claims. As is typical in the healthcare industry, we could be subject to claims that our services have resulted in injury to our patients or clients or other adverse effects. In addition, resident, visitor and employee injuries could also subject us to the risk of litigation. While management believes that quality care is provided to patients and clients in our facilities and that we materially comply with all applicable regulatory requirements, an adverse determination in a legal proceeding or government investigation could have a material adverse effect on our business, financial condition or results of operations.

Acadia maintains workers compensation insurance coverage on a claims-made basis with a $500,000 deductible per claim. We maintain coverage for general and professional liability claims with a $250,000 deductible and an aggregate limit of $35 million. Certain of our facilities are fully insured with no deductible.

Environmental Matters

We are subject to various federal, state and local environmental laws that: (i) regulate certain activities and operations that may have environmental or health and safety effects, such as the handling, storage, transportation, treatment and disposal of medical waste products generated at our facilities, the identification and warning of the presence of asbestos-containing materials in buildings, as well as the removal of such materials, the presence of other hazardous substances in the indoor environment, and protection of the environment and natural resources in connection with the development or construction of our facilities; (ii) impose liability for costs of cleaning up, and damages to natural resources from, past spills, waste disposals on and off-site, or other releases of hazardous materials or regulated substances; and (iii) regulate workplace safety. Some of our facilities generate infectious or other hazardous medical waste due to the illness or physical condition of our patients. The management of infectious medical waste is subject to regulation under various federal, state and local environmental laws, which establish management requirements for such waste. These requirements include record-keeping, notice and reporting obligations. Each of our facilities has an agreement with a waste management company for the disposal of medical waste. The use of such companies, however, does not completely protect us from violations of medical waste laws or from related third-party claims for clean-up costs.

From time to time, our operations have resulted in, or may result in, non-compliance with, or liability pursuant to, environmental or health and safety laws or regulations. Management believes that our operations are generally in compliance with environmental and health and safety regulatory requirements or that any non-compliance will not result in a material liability or cost to achieve compliance. Historically, the costs of achieving and maintaining compliance with environmental laws and regulations at our facilities have not been material. However, we cannot assure you that future costs and expenses required for us to comply with any new or changes in existing environmental and health and safety laws and regulations or new or discovered environmental conditions will not have a material adverse effect on our business, financial condition or results of operations.

We have not been notified of and management is otherwise currently not aware of any contamination at our currently or formerly operated facilities for which we could be liable under environmental laws or regulations for the investigation and remediation of such contamination and we currently are not undertaking any remediation or investigation activities in connection with any contamination conditions. There may, however, be environmental conditions currently unknown to us relating to our prior, existing or future sites or operations or those of predecessor companies whose liabilities we may have assumed or acquired which could have a material adverse effect on our business.

New laws, regulations or policies or changes in existing laws, regulations or policies or their enforcement, future spills or accidents or the discovery of currently unknown conditions or non-compliances may give rise to investigation and remediation liabilities, compliance costs, fines and penalties, or liability and claims for alleged personal injury or property damage due to substances or materials used in our operations, any of which may have a material adverse effect on our business, financial condition or results of operations.

Competition

The healthcare industry is highly competitive. Our principal competitors include other behavioral health service companies, including UHS. We also compete against hospitals and general healthcare facilities that provide mental health services. An important part of our business strategy is to continue making targeted acquisitions of other behavioral health facilities. However, reduced capacity, the passage of mental health parity legislation and increased demand for mental health services are likely to attract other potential buyers, including diversified healthcare companies and possibly other pure-play behavioral healthcare companies.

In addition to the competition we face for acquisitions, we must also compete for patients. Patients are referred to our behavioral healthcare facilities through a number of different sources, including healthcare practitioners, public programs, other treatment facilities, managed care organizations, unions, emergency departments, judicial officials, social workers, police departments and word of mouth from previously treated patients and their families, among others. These referral sources may instead refer patients to hospitals that are able to provide a full suite of medical services or to other behavioral healthcare centers.

Employees

As of December 31, 2013, we had approximately 11,000 employees, of which approximately 7,500 were employed full-time. Approximately 900 of our employees, at six of our 51 facilities, are represented by labor unions who are covered by collective bargaining agreements. We are not currently renegotiating the collective bargaining agreements for any of these facilities. Organizing activities by labor unions and certain potential changes in federal labor laws and regulations could increase the likelihood of employee unionization in the future.

Typically, our inpatient facilities are staffed by a chief executive officer, medical director, director of nursing, chief financial officer, clinical director and director of performance improvement. Psychiatrists and other physicians working in our facilities are licensed medical professionals who are generally not employed by us and work in our facilities as independent contractors or medical staff members.

Seasonality of Demand for Services

Due to the large number of children and adolescent patients served, our inpatient behavioral healthcare facilities typically experience lower patient volumes and revenue during the summer months, holidays and other periods when school is out of session.

Pro Forma Financial Information

This report contains certain unaudited information, including revenue and operating statistics based on revenue, that is presented on a pro forma basis assuming that acquisitions we completed during 2012 and 2013 occurred as of an earlier date. The unaudited pro forma information gives effect to each acquisition as if it occurred on January 1, 2012. Management believes that the pro forma financial information is helpful given the rapid growth of Acadia through acquisitions. The unaudited pro forma financial information has been prepared using the acquisition method of accounting for business combinations under Generally Accepted Accounting Principles (“GAAP”). The unaudited pro forma financial information is for illustrative purposes only and does not purport to represent what our financial condition or results of operations actually would have been had the events in fact occurred on the assumed date or to project our financial condition or results of operations for any future date or future period. The unaudited pro forma financial information should be read in conjunction with the consolidated financial statements and notes thereto elsewhere in this report and the financial statements of Acadia and the acquired companies in other reports that we have filed with the SEC.

Available Information

Our Internet website address is www.acadiahealthcare.com. We make available our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports free of charge on our website on the Investor Relations webpage under the caption “SEC Filings” as soon as reasonably practicable after such material is electronically filed with, or furnished to, the SEC. The public may read and copy materials filed with the SEC at the Public Reference Room of the SEC at 100 F Street, NE, Washington, D. C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-732-0330. The SEC maintains a website that contains reports, proxy and information statements, and other information regarding issuers that file or furnish information electronically with the SEC at www.sec.gov. Our website and the information contained therein or linked thereto are not intended to be incorporated into this Annual Report on Form 10-K.

Item 1A. Risk Factors

Any of the following risks could materially and adversely affect our business, financial condition or results of operations. These risks should be carefully considered before making an investment decision regarding us. The risks and uncertainties described below are not the only ones we face and there may be additional risks that we are not presently aware of or that we currently consider not likely to have a significant impact. If any of the following risks actually occurred, our business, financial condition and operating results could suffer, and the trading price of our common stock could decline.

Fluctuations in our operating results, quarter to quarter earnings and other factors, including incidents involving our patients and negative media coverage, may result in significant decreases in the price of our common stock.

The stock markets experience volatility that is often unrelated to operating performance. These broad market fluctuations may adversely affect the trading price of our common stock and, as a result, there may be significant volatility in the market price of our common stock. If we are unable to operate our facilities as profitably as we have in the past or as our stockholders expect us to in the future, the market price of our common stock will likely decline as stockholders could sell shares of our common stock when it becomes apparent that the market expectations may not be realized. In addition to our operating results, many economic and seasonal factors outside of our control could have an adverse effect on the price of our common stock and increase fluctuations in our quarterly earnings. These factors include certain of the risks discussed herein, demographic changes, operating results of other healthcare companies, changes in our financial estimates or recommendations of securities analysts, speculation in the press or investment community, the possible effects of war, terrorist and other hostilities, adverse weather conditions, the level of seasonal illnesses, managed care contract negotiations and terminations, changes in general conditions in the economy or the financial markets or other developments affecting the healthcare industry. An incident involving one or more of our patients could result in negative media coverage and adversely affect the trading price of our common stock.

We have been and could become the subject of negative media coverage as a result of incidents involving one or more of our patients. If we were to receive such negative publicity or unfavorable media attention, whether warranted or unwarranted, the trading price of our common stock and reputation could be significantly, adversely affected. In addition, we may become subject to increased regulatory burdens, governmental investigations and may be required to pay large judgments or fines.

Our revenues and results of operations are significantly affected by payments received from the government and third-party payors.

A significant portion of our revenues is from government healthcare programs, principally Medicare and Medicaid. For the year ended December 31, 2013, Acadia derived approximately 70% of its revenues from the Medicare and Medicaid programs.

Changes in these government programs in recent years have resulted in limitations on reimbursement and, in some cases, reduced levels of reimbursement for healthcare services. Payments from federal and state government healthcare programs are subject to statutory and regulatory changes, administrative rulings, interpretations and determinations, requirements for utilization review, and federal and state funding restrictions, all of which could materially increase or decrease program payments, as well as affect the cost of providing service to patients and the timing of payments to facilities. We are unable to predict the effect of recent and future policy changes on our operations. In addition, since most states operate with balanced budgets and since the Medicaid program is often a state’s largest program, some states can be expected to enact or consider enacting legislation formulated to reduce their Medicaid expenditures. Furthermore, the current economic downturn has increased the budgetary pressures on the federal government and many state governments, which may negatively affect the availability of taxpayer funds for Medicare and Medicaid programs. If the rates paid or the scope of services covered by government payors are reduced, there could be a material adverse effect on our business, financial condition and results of operations.

In addition to changes in government reimbursement programs, our ability to negotiate favorable contracts with private payors, including managed care providers, significantly affects the financial condition and operating results of our facilities. Management expects third-party payors to aggressively manage reimbursement levels and cost controls. Reductions in reimbursement amounts received from third-party payors could have a material adverse effect on our business, financial condition and results of operations.

Our substantial debt could adversely affect our financial health and prevent us from fulfilling our obligations under our financing arrangements.

As of December 31, 2013, we had $617.1 million of total debt, which included $346.0 million of debt under our Amended and Restated Senior Credit Facility, $96.2 million (net of a discount of $1.3 million) of debt under our 12.875% Senior Notes, $150.0 million of debt under our 6.125% Senior Notes due 2021 (together with the 12.875% Senior Notes, the "Senior Notes") and $24.9 million (including a premium of $2.1 million) of Lee County (Florida) Industrial Development Authority Healthcare Facilities Revenue Bonds, Series 2010 with stated interest rates of 9.0% and 9.5% ("9.0% and 9.5% Revenue Bonds"). Our substantial debt could have important consequences to our business. For example, it could:

- increase our vulnerability to general adverse economic and industry conditions;
- make it more difficult for us to satisfy our other financial obligations;
- restrict us from making strategic acquisitions or cause us to make non-strategic divestitures;
- require us to dedicate a substantial portion of our cash flow from operations to payments on our debt (including scheduled repayments on our outstanding term loan borrowings under the Amended and Restated Senior Credit Facility), thereby reducing the availability of our cash flow to fund working capital, capital expenditures and other general corporate purposes;
- expose us to interest rate fluctuations because the interest on the Amended and Restated Senior Credit Facility is imposed at variable rates;
- make it more difficult for us to satisfy our obligations to our lenders, resulting in possible defaults on and acceleration of such debt;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;
- place us at a competitive disadvantage compared to our competitors that have less debt;
- limit our ability to borrow additional funds; and
- limit our ability to pay dividends, redeem stock or make other distributions.

In addition, the terms of our financing arrangements contain restrictive covenants that limit our ability to engage in activities that may be in our long-term best interests. Our failure to comply with those covenants could result in an event of default which, if not cured or waived, could result in the acceleration of all of our debts, including the Amended and Restated Senior Credit Facility and Senior Notes.

Despite our current debt level, we may incur significant additional amounts of debt, which could further exacerbate the risks associated with our substantial debt.

We may incur substantial additional debt, including additional notes and other secured debt, in the future. Although the indentures governing our outstanding Senior Notes and our Amended and Restated Senior Credit Facility contain restrictions on the incurrence of additional debt, these restrictions are subject to a number of significant qualifications and exceptions, and under certain circumstances, the amount of debt that could be incurred in compliance with these restrictions could be substantial. If new debt is added to our existing debt levels, the related risks that we now face would intensify and we may not be able to meet all our debt obligations.

Servicing our debt will require a significant amount of cash. Our ability to generate sufficient cash to service our debt depends on many factors beyond our control.

Our ability to make payments on and to refinance our debt, to fund planned capital expenditures and to maintain sufficient working capital will depend on our ability to generate cash in the future. This, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control.

We cannot assure you that our business will generate sufficient cash flow from operations or that future borrowings will be available to us under the Amended and Restated Senior Credit Facility or from other sources in an amount sufficient to enable us to service our debt or to fund our other liquidity needs. If our cash flow and capital resources are insufficient to allow us to make scheduled payments on our debt, we may need to reduce or delay capital expenditures, sell assets, seek additional capital or restructure or refinance all or a portion of our debt on or before the maturity thereof, any of which could have a material adverse effect on our business, financial condition or results of operations. We cannot assure you that we will be able to refinance any of our debt on commercially reasonable terms or at all, or that the terms of that debt will allow any of the above alternative measures or that these measures would satisfy our scheduled debt service obligations. If we are unable to generate sufficient cash flow to repay or refinance our debt on favorable terms, it could significantly adversely affect our financial condition and the value of our outstanding debt. Our ability to restructure or refinance our debt will depend on the condition of the capital markets and our financial condition. Any refinancing of our debt could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business operations.

We are subject to a number of restrictive covenants, which may restrict our business and financing activities.

Our financing arrangements impose, and the terms of any future debt may impose, operating and other restrictions on us. Such restrictions affect, and in many respects limit or prohibit, among other things, our and our subsidiaries' ability to:

- incur or guarantee additional debt and issue certain preferred stock;
- pay dividends on our common stock or redeem, repurchase or retire our equity interests or subordinated debt;
- transfer or sell our assets:
- make certain payments or investments;
- make capital expenditures;
- create certain liens on assets;
- create restrictions on the ability of our subsidiaries to pay dividends or make other payments to us;
- engage in certain transactions with our affiliates; and
- merge or consolidate with other companies.

The Amended and Restated Senior Credit Facility also requires us to meet certain financial ratios, including a fixed charge coverage ratio and a consolidated leverage ratio.

The restrictions may prevent us from taking actions that management believes would be in the best interests of our business, and may make it difficult for us to successfully execute our business strategy or effectively compete with companies that are not similarly restricted. We also may incur future debt obligations that might subject us to additional restrictive covenants that could affect our financial and operational flexibility. Our ability to comply with these covenants in future periods will largely depend on the pricing of our products and services, our success at implementing cost reduction initiatives and our ability to successfully implement our overall business strategy. We cannot assure you that we will be granted waivers or amendments to our financing arrangements if for any reason we are unable to comply with our financial covenants. The breach of any of these covenants and restrictions could result in a default under the indentures governing the Senior Notes or under the Amended and Restated Senior Credit Facility, which could result in an acceleration of our debt.

If we default on our obligations to pay our debt, we may not be able to make payments on our financing arrangements.

Any default under the agreements governing our debt, including a default under the Amended and Restated Senior Credit Facility, and the remedies sought by the holders of such debt, could adversely affect our ability to pay the principal, premium, if any, and interest on the Senior Notes and substantially decrease the market value of the Senior Notes. If we are unable to generate sufficient cash flows and are otherwise unable to obtain funds necessary to meet required payments of principal, premium, if any, and interest on our debt, or if we otherwise fail to comply with the various covenants, including financial and operating covenants, in the instruments governing our debt (including the Amended and Restated Senior Credit Facility and the indentures governing the Senior Notes), we would be in default under the terms of the agreements governing such debt. In the event of such default, the holders of such debt could elect to declare all the funds borrowed thereunder to be due and payable, the lenders under the Amended and Restated Senior Credit Facility could elect to terminate their commitments or cease making further loans and institute foreclosure proceedings against our assets, or we could be forced to apply all available cash flows to repay such debt, and, in any such case, we could ultimately be forced into bankruptcy or liquidation. Because the indentures governing the Senior Notes and the agreement governing the Amended and Restated Senior Credit Facility have customary cross-default provisions, if the debt under the Senior Notes or under the Amended and Restated Senior Credit Facility is accelerated, we may be unable to repay or refinance the amounts due.

A worsening of the economic and employment conditions in the United States could materially affect our business and future results of operations.

During periods of high unemployment, governmental entities often experience budget deficits as a result of increased costs and lower than expected tax collections. These budget deficits at the federal, state and local levels have decreased, and may continue to decrease, spending for health and human service programs, including Medicare and Medicaid, which are significant payor sources for our facilities. In periods of high unemployment, we also face the risk of potential declines in the population covered under private insurance, patient decisions to postpone or decide against receiving behavioral healthcare services, potential increases in the uninsured and underinsured populations we serve and further difficulties in collecting patient co-payment and deductible receivables.

Furthermore, the availability of liquidity and capital resources to fund the continuation and expansion of many business operations worldwide has been limited in recent years. Our ability to access the capital markets on acceptable terms may be severely restricted at a time when we would like, or need, access to those markets, which could have a negative impact on our growth plans, our flexibility to react to changing economic and business conditions and our ability to refinance existing debt (including debt under our Amended and Restated Senior Credit Facility and the Senior Notes). The current economic downturn or other economic conditions could also adversely affect the counterparties to our agreements, including the lenders under the Amended and Restated Senior Credit Facility, causing them to fail to meet their obligations to us.

If we fail to comply with extensive laws and government regulations, we could suffer penalties or be required to make significant changes to our operations.

Our industry is required to comply with extensive and complex laws and regulations at the federal, state and local government levels relating to, among other things: billing practices and prices for services; relationships with physicians and other referral sources; necessity and quality of medical care; condition and adequacy of facilities; qualifications of medical and support personnel; confidentiality, maintenance and security issues associated with health-related information and PHI; the screening, stabilization and/or transfer of patients who have emergency medical conditions; certification, licensure and accreditation of our facilities; operating policies and procedures; activities regarding competitors; and addition or expansion of facilities and services.

Among these laws are the Anti-Kickback Statute, the Stark Law, the federal False Claims Act and similar state laws. These laws, and particularly the Anti-Kickback Statute and the Stark Law, impact the relationships that we may have with physicians and other potential referral sources. We have a variety of financial relationships with physicians and other professionals who refer patients to our facilities, including employment contracts, leases and professional service agreements. The Office of the Inspector General of the Department of Health and Human Services has issued certain exceptions and safe harbor regulations that outline practices that are deemed acceptable under the Stark Law and Anti-Kickback Statute. While we endeavor to comply with applicable exceptions and safe harbors, certain of our current arrangements with physicians and other potential referral sources may not qualify for safe harbor protection. Failure to meet a safe harbor does not mean that the arrangement necessarily violates the Anti-Kickback Statute, but may subject the arrangements to greater scrutiny. We cannot offer assurances that practices that are outside of a safe harbor will not be found to violate the Anti-Kickback Statute. Allegations of violations of the Stark Law and Anti-Kickback Statute may be brought under the federal Civil Monetary Penalty Law, which requires a lower burden of proof than other fraud and abuse laws.

These laws and regulations are extremely complex, and, in many cases, we do not have the benefit of regulatory or judicial interpretation. In the future, it is possible that different interpretations of these laws and regulations could subject our current or past practices to allegations of impropriety or illegality or could require us to make changes in our arrangements for facilities, equipment, personnel, services, capital expenditure programs and operating expenses. A determination that we have violated one or more of these laws could subject us to liabilities, including civil penalties, exclusion of one or more facilities from participation in the government healthcare programs and, for violations of certain laws and regulations, criminal penalties. Even the public announcement that we are being investigated for possible violations of these laws could cause our reputation to suffer and have a material adverse effect on our business, financial condition or results of operations. In addition, we cannot predict whether other legislation or regulations at the federal or state level will be adopted, what form such legislation or regulations may take or what their impact on us may be.

The construction and operation of healthcare facilities are subject to extensive federal, state and local regulation relating to, among other things, the adequacy of medical care, equipment, personnel, operating policies and procedures, fire prevention, rate-setting, compliance with building codes and environmental protection. Additionally, such facilities are subject to periodic inspection by government authorities to assure their continued compliance with these various standards. If we fail to adhere to these standards, we could be subject to monetary and operational penalties.

Many of our facilities are also accredited by third-party accreditation agencies such as The Joint Commission. If any of our existing healthcare facilities lose their accreditation or any of our new facilities fail to receive accreditation, such facilities could become ineligible to receive reimbursement under Medicare or Medicaid.

We may be required to spend substantial amounts to comply with legislative and regulatory initiatives relating to privacy and security of patient health information.

There are currently numerous legislative and regulatory initiatives at the federal and state levels addressing patient privacy and information security concerns. In particular, federal regulations issued under HIPAA require our facilities to comply with standards to protect the privacy, security and integrity of PHI. These regulations have imposed extensive administrative requirements, technical and physical information security requirements, restrictions on the use and disclosure of PHI and related financial information and have provided patients with additional rights with respect to their health information. Compliance with these regulations requires substantial expenditures, which could negatively impact our business, financial condition or results of operations. In addition, our management has spent, and may spend in the future, substantial time and effort on compliance measures.

Violations of the privacy and security regulations could subject our inpatient facilities to civil penalties of up to $81.5 million per calendar year for each violation of the privacy and security regulations as well as criminal penalties.

We may be subject to liabilities from claims brought against our facilities.

We are subject to medical malpractice lawsuits and other legal actions in the ordinary course of business. Some of these actions may involve large claims, as well as significant defense costs. We cannot predict the outcome of these lawsuits or the effect that findings in such lawsuits may have on us. All professional and general liability insurance we purchase is subject to policy limitations. Management believes that, based on our past experience and actuarial estimates, our insurance coverage is adequate considering the claims arising from the operations of our facilities. While we continuously monitor our coverage, our ultimate liability for professional and general liability claims could change materially from our current estimates. If such policy limitations should be partially or fully exhausted in the future, or payments of claims exceed our estimates or are not covered by our insurance, it could have a material adverse effect on our business, financial condition or results of operations.

We have been and could become the subject of governmental investigations, regulatory actions and whistleblower lawsuits.

Healthcare companies are subject to numerous investigations by various governmental agencies. Certain of our facilities have received, and other facilities may receive, government inquiries from, and may be subject to investigation by, federal and state agencies. Depending on whether the underlying conduct in these or future inquiries or investigations could be considered systemic, their resolution could have a material adverse effect on our business, financial condition and results of operations.

Further, under the federal False Claims Act, private parties are permitted to bring qui tam or “whistleblower” lawsuits against companies that submit false claims for payments to, or improperly retain overpayments from, the government. Because qui tam lawsuits are filed under seal, we could be named in one or more such lawsuits of which we are not aware.

We are subject to uncertainties regarding recent health reform and budget legislation.

The expansion of health insurance coverage under the Health Reform Legislation may increase the number of patients using our facilities who have either private or public program coverage. In addition, a disproportionately large percentage of new Medicaid coverage is likely to be in states that currently have relatively low income eligibility requirements and may include states where we have facilities. Furthermore, as a result of the Health Reform Legislation, there may be a reduction in uninsured patients, which should reduce our expense from uncollectible accounts receivable.

Notwithstanding the foregoing, the Health Reform Legislation makes a number of other changes to Medicare and Medicaid which management believes may have an adverse impact on us. The various provisions in the Health Reform Legislation that directly or indirectly affect reimbursement are scheduled to take effect over a number of years. Health Reform Legislation provisions are likely to be affected by the incomplete nature of implementing regulations or expected forthcoming interpretive guidance, gradual implementation or future legislation. Further, Health Reform Legislation provisions, such as those creating the Medicare Shared Savings Program and the Independent Payment Advisory Board, create certain flexibilities in how healthcare may be reimbursed by federal programs in the future. Thus, we cannot predict the impact of the Health Reform Legislation on our future reimbursement at this time.

The Health Reform Legislation also contains provisions aimed at reducing fraud and abuse in healthcare. The Health Reform Legislation amends several existing laws, including the federal Anti-Kickback Statute and the False Claims Act, making it easier for government agencies and private plaintiffs to prevail in lawsuits brought against healthcare providers. Congress revised the intent requirement of the Anti-Kickback Statute to provide that a person is not required to "have actual knowledge or specific intent to commit a violation of the Anti-Kickback Statute in order to be found guilty of violating such law. The Health Reform Legislation also provides that any claims for items or services that violate the Anti-Kickback Statute are also considered false claims for purposes of the federal civil False Claims Act. The Health Reform Legislation provides that a healthcare provider that knowingly retains an overpayment in excess of 60 days is subject to the federal civil False Claims Act.

The impact of the Health Reform Legislation on each of our facilities may vary. We cannot predict the impact the Health Reform Legislation may have on our business, results of operations, cash flow, capital resources and liquidity, or whether we will be able to adapt successfully to the changes required by the Health Reform Legislation.

We operate in a highly competitive industry, and competition may lead to declines in patient volumes.

The healthcare industry is highly competitive, and competition among healthcare providers (including hospitals) for patients, physicians and other healthcare professionals has intensified in recent years. There are other healthcare facilities that provide behavioral and other mental health services comparable to at least some of those offered by our facilities in each of the geographical areas in which we operate. Some of our competitors are owned by tax-supported governmental agencies or by nonprofit corporations and may have certain financial advantages not available to us, including endowments, charitable contributions, tax-exempt financing and exemptions from sales, property and income taxes.

If our competitors are better able to attract patients, recruit and retain physicians and other healthcare professionals, expand services or obtain favorable managed care contracts at their facilities, we may experience a decline in patient volume and our results of operations may be adversely affected.

The trend by insurance companies and managed care organizations to enter into sole source contracts may limit our ability to obtain patients.

Insurance companies and managed care organizations are entering into sole source contracts with healthcare providers, which could limit our ability to obtain patients since we do not offer the range of services required for these contracts. Moreover, private insurers, managed care organizations and, to a lesser extent, Medicaid and Medicare, are beginning to carve-out specific services, including mental health and substance abuse services, and establish small, specialized networks of providers for such services at fixed reimbursement rates. Continued growth in the use of carve-out arrangements could materially adversely affect our business to the extent we are not selected to participate in such networks or if the reimbursement rate is not adequate to cover the cost of providing the service.

Our performance depends on our ability to recruit and retain quality psychiatrists and other physicians.

The success and competitive advantage of our facilities depends, in part, on the number and quality of the psychiatrists and other physicians on the medical staffs of our facilities and our maintenance of good relations with those medical professionals. Although we employ psychiatrists and other physicians at many of our facilities, psychiatrists and other physicians generally are not employees of our facilities, and, in a number of our markets, they have admitting privileges at competing hospitals providing acute or inpatient behavioral health services. Such physicians (including psychiatrists) may terminate their affiliation with us at any time or admit their patients to competing healthcare facilities or hospitals. If we are unable to attract and retain sufficient numbers of quality psychiatrists and other physicians by providing adequate support personnel and facilities that meet the needs of those psychiatrists and other physicians, they may stop referring patients to our facilities and our results of operations may decline.

It may become difficult for us to attract and retain an adequate number of psychiatrists and other physicians to practice in certain of the communities in which our facilities are located. Our failure to recruit psychiatrists and other physicians to these communities or the loss of such medical professionals in these communities could make it more difficult to attract patients to our facilities and thereby may have a material adverse effect on our business, financial condition or results of operations. Additionally, our ability to recruit psychiatrists and other physicians is closely regulated. The form, amount and duration of assistance we can provide to recruited psychiatrists and other physicians is limited by the Stark Law, the Anti-Kickback Statute, state anti-kickback statutes, and related regulations. For example, the Stark Law requires, among other things, that recruitment assistance can be provided only to psychiatrists and other physicians who meet certain geographic and practice relocation requirements, that the amount of assistance cannot be changed during the term of the recruitment agreement, and that the recruitment payments cannot generally benefit psychiatrists and other physicians currently in practice in the community beyond recruitment costs actually incurred by them.

Our facilities face competition for staffing that may increase our labor costs and reduce our profitability.

Our operations depend on the efforts, abilities, and experience of our management and medical support personnel, including our therapists, nurses, pharmacists and mental health technicians, as well as our psychiatrists and other professionals. We compete with other healthcare providers in recruiting and retaining qualified management, physicians (including psychiatrists) and support personnel responsible for the daily operations of our business, financial condition or results of operations.

The nationwide shortage of nurses and other medical support personnel has been a significant operating issue facing us and other healthcare providers. This shortage may require us to enhance wages and benefits to recruit and retain nurses and other medical support personnel or require us to hire more expensive temporary or contract personnel. In addition, certain of our facilities are required to maintain specified staffing levels. To the extent we cannot meet those levels, we may be required to limit the services provided by these facilities, which would have a corresponding adverse effect on our net operating revenues.

Increased labor union activity is another factor that could adversely affect our labor costs. As of January 31, 2014, labor unions represented employees at only six of our 52 facilities. To the extent that a greater portion of our employee base unionizes, it is possible that our labor costs could increase materially.

We cannot predict the degree to which we will be affected by the future availability or cost of attracting and retaining talented medical support staff. If our general labor and related expenses increase, we may not be able to raise our rates correspondingly. Our failure either to recruit and retain qualified management, psychiatrists, therapists, nurses and other medical support personnel or control our labor costs could have a material adverse effect on our results of operations.

We depend heavily on key management personnel, and the departure of one or more of our key executives or a significant portion of our local facility management personnel could harm our business.

The expertise and efforts of our senior executives and the chief executive officer, chief financial officer, medical director, physicians and other key members of our facility management personnel are critical to the success of our business. The loss of the services of one or more of our senior executives or of a significant portion of our facility management personnel could significantly undermine our management expertise and our ability to provide efficient, quality healthcare services at our facilities, which could harm our business.

We could face risks associated with, or arising out of, environmental, health and safety laws and regulations.

We are subject to various federal, state and local laws and regulations that:

- regulate certain activities and operations that may have environmental or health and safety effects, such as the generation, handling and disposal of medical wastes;
- impose liability for costs of cleaning up, and damages to natural resources from, past spills, waste disposals on and off-site, or other releases of hazardous materials or regulated substances; and
- regulate workplace safety.

Compliance with these laws and regulations could increase our costs of operation. Violation of these laws may subject us to significant fines, penalties or disposal costs, which could negatively impact our results of operations, financial condition or cash flows. We could be responsible for the investigation and remediation of environmental conditions at currently or formerly operated or leased sites, as well as for associated liabilities, including liabilities for natural resource damages, third party property damage or personal injury resulting from lawsuits that could be brought by the government or private litigants, relating to our operations, the operations of facilities or the land on which our facilities are located. We may be subject to these liabilities regardless of whether we lease or own the facility, and regardless of whether such environmental conditions were created by us or by a prior owner or tenant, or by a third party or a neighboring facility whose operations may have affected such facility or land. That is because liability for contamination under certain environmental laws can be imposed on current or past owners or operators of a site without regard to fault. We cannot assure you that environmental conditions relating to our prior, existing or future sites or those of predecessor companies whose liabilities we may have assumed or acquired will not have a material adverse effect on our business, financial condition or results of operations.

Our acquisition strategy exposes us to a variety of operational and financial risks.

A principal element of our business strategy is to grow by acquiring other companies and assets in the behavioral healthcare industry. Growth, especially rapid growth, through acquisitions exposes us to a variety of operational and financial risks. We summarize the most significant of these risks below.

Integration risks

We must integrate our acquisitions with our existing operations. This process includes the integration of the various components of our business and of the businesses we have acquired or may do so in the future, including the following:

- additional psychiatrists, other physicians and employees who are not familiar with our operations;
- patients who may elect to switch to another behavioral healthcare provider;
- regulatory compliance programs; and
- disparate operating, information and record keeping systems and technology platforms.

Integrating a new facility could be expensive and time consuming and could disrupt our ongoing business, negatively affect cash flow and distract management and other key personnel from day-to-day operations.

We may not be able to combine successfully the operations of recently acquired facilities with our operations, and, even if such integration is accomplished, we may never realize the potential benefits of the acquisition. The integration of acquisitions with our operations requires significant attention from management, may impose substantial demands on our operations or other projects and may impose challenges on the combined business including, but not limited to, consistencies in business standards, procedures, policies, business cultures and internal controls and compliance. Certain acquisitions involve a capital outlay, and the return that we achieved on any capital invested may be less than the return that we would achieve on our other projects or investments. If we fail to complete the integration of recently acquired facilities, we may never fully realize the potential benefits of the related acquisitions.

Benefits may not materialize

When evaluating potential acquisition targets, we identify potential synergies and cost savings that we expect to realize upon the successful completion of the acquisition and the integration of the related operations. We may, however, be unable to achieve or may otherwise never realize the expected benefits. Our ability to realize the expected benefits from potential cost savings and revenue improvement opportunities is subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control, such as changes to government regulation governing or otherwise impacting the behavioral healthcare industry, reductions in reimbursement rates from third-party payors, reductions in service levels under our contracts, operating difficulties, client preferences, changes in competition and general economic or industry conditions. If we are unsuccessful in implementing these improvements or if we do not achieve our expected results, it may adversely impact our business, financial condition or results of operations.

Assumptions of unknown liabilities

Facilities that we acquire may have unknown or contingent liabilities, including, but not limited to, liabilities for failure to comply with healthcare laws and regulations. Although we typically attempt to exclude significant liabilities from our acquisition transactions and seek indemnification from the sellers of such facilities for at least a portion of these matters, we may experience difficulty enforcing those obligations or we may incur material liabilities for the past activities of acquired facilities. Such liabilities and related legal or other costs and/or resulting damage to a facility's reputation could negatively impact our business, financial condition or results of operations.

Competing for acquisitions

We face competition for acquisition candidates primarily from other for-profit healthcare companies, as well as from not-for-profit entities. Some of our competitors may have greater resources than we do. As a result, we may pay more to acquire a target business or may agree to less favorable deal terms than we would have otherwise. Our principal competitors for acquisitions have included UHS, Aurora Behavioral Health Care and private equity firms. Also, suitable acquisitions may not be accomplished due to unfavorable terms.

Further, the cost of an acquisition could result in a dilutive effect on our results of operations, depending on various factors, including the amount paid for an acquired facility, the acquired facility's results of operations, the fair value of assets acquired and liabilities assumed, effects of subsequent legislation and limits on rate increases. In addition, we may have to pay cash, incur debt, or issue equity securities to pay for any such acquisition, which could adversely affect our financial results, result in dilution to our stockholders, result in increased fixed obligations or impede our ability to manage our operations.

Managing growth

Some of the facilities we have acquired or may acquire in the future may have had significantly lower operating margins prior to the time of our acquisition or may have had operating losses prior to such acquisition. If we fail to improve the operating margins of the facilities we acquire, operate such facilities profitably or effectively integrate the operations of the acquired facilities, our results of operations could be negatively impacted.

State efforts to regulate the construction or expansion of healthcare facilities could impair our ability to operate and expand our operations.

A majority of the states in which we operate facilities have enacted CON laws that regulate the construction or expansion of healthcare facilities, certain capital expenditures or changes in services or bed capacity. In giving approval for these actions, these states consider the need for additional or expanded healthcare facilities or services. Our failure to obtain necessary state approval could (i) result in our inability to acquire a targeted facility, complete a desired expansion or make a desired replacement, (ii) make a facility ineligible to receive reimbursement under the Medicare or Medicaid programs or (iii) result in the revocation of a facility's license or impose civil or criminal penalties on us, any of which could harm our business.

In addition, significant CON reforms have been proposed in a number of states that would increase the capital spending thresholds and provide exemptions of various services from review requirements. In the past, we have not experienced any material adverse effects from such requirements, but we cannot predict the impact of these changes upon our operations.

We may be unable to extend leases at expiration, which could harm our business, financial condition or results of operations.

We lease the real property on which a number of our facilities are located. Our lease agreements generally give us the right to renew or extend the term of the leases and, in certain cases, purchase the real property. These renewal and purchase rights generally are based upon either prescribed formulas or fair market value. Management expects to renew, extend or exercise purchase options with respect to our leases in the normal course of business; however, there can be no assurance that these rights will be exercised in the future or that we will be able to satisfy the conditions precedent to exercising any such renewal, extension or purchase options. Furthermore, the terms of any such options that are based on fair market value are inherently uncertain and could be unacceptable or unfavorable to us depending on the circumstances at the time of exercise. If we are not able to renew or extend our existing leases, or purchase the real property subject to such leases, at or prior to the end of the existing lease terms, or if the terms of such options are unfavorable or unacceptable to us, our business, financial condition or results of operations could be adversely affected.

Controls designed to reduce inpatient services may reduce our revenues.

Controls imposed by Medicare, Medicaid and commercial third-party payors designed to reduce admissions and lengths of stay, commonly referred to as "utilization review," have affected and are expected to continue to affect our facilities. Inpatient utilization, average lengths of stay and occupancy rates continue to be negatively affected by payor-required preadmission authorization and utilization review and by payor pressure to maximize outpatient and alternative healthcare delivery services for less acutely ill patients. Efforts to impose more stringent cost controls are expected to continue. For example, the Health Reform Legislation potentially expands the use of prepayment review by Medicare contractors by eliminating statutory restrictions on its use. Utilization review is also a requirement of most non-governmental managed-care organizations and other third-party payors. Although we are unable to predict the effect these controls and changes will have on our operations, significant limits on the scope of services reimbursed and on reimbursement rates and fees could have a material adverse effect on our financial condition and results of operations.

Although we have facilities in 23 states and Puerto Rico, we have substantial operations in each of Arkansas, Michigan, Mississippi, Tennessee and Texas, which makes us especially sensitive to regulatory, economic, environmental and competitive conditions and changes in those states.

At December 31, 2013, we operated 51 facilities, 16 of which are located in Arkansas, Michigan, Mississippi, Tennessee and Texas. Our revenues in those states represented approximately 45% of our revenue for the year ended December 31, 2013. This concentration makes us particularly sensitive to legislative, regulatory, economic, environmental and competition changes in those states. Any material change in the current payment programs or regulatory, economic, environmental or competitive conditions in these states could have a disproportionate effect on our overall business results.

In addition, some of our facilities are located in hurricane-prone areas. In the past, hurricanes have had a disruptive effect on the operations of facilities and the patient populations in hurricane-prone areas. Our business activities could be significantly disrupted by a particularly active hurricane season or even a single storm, and our property insurance may not be adequate to cover losses from such storms or other natural disasters.

We are required to treat patients with emergency medical conditions regardless of ability to pay.

In accordance with our internal policies and procedures, as well as the Emergency Medical Treatment and Active Labor Act, or EMTALA, we provide a medical screening examination to any individual who comes to one of our hospitals while in active labor and/or seeking medical treatment (whether or not such individual is eligible for insurance benefits and regardless of ability to pay) to determine if such individual has an emergency medical condition. If it is determined that such person has an emergency medical condition, we provide such further medical examination and treatment as is required to stabilize the patient's medical condition, within the facility's capability, or arrange for transfer of such individual to another medical facility in accordance with applicable law and the treating hospital's written procedures. Our obligations under EMTALA may increase substantially; CMS has recently sought stakeholder comments concerning the potential applicability of EMTALA to hospital inpatients and the responsibilities of hospitals with specialized capabilities, such as ours, to accept the transfer of such patients. If the number of indigent and charity care patients with emergency medical conditions we treat increases significantly, or if regulations expanding our obligations to inpatients under EMTALA are proposed and adopted, our results of operations may be harmed.

An increase in uninsured and underinsured patients or the deterioration in the collectability of the accounts of such patients could harm our results of operations.

Collection of receivables from third-party payors and patients is critical to our operating performance. Our primary collection risks relate to uninsured patients and the portion of the bill that is the patient's responsibility, which primarily includes co-payments and deductibles. We estimate our provisions for doubtful accounts based on general factors such as payor source, the agings of the receivables and historical collection experience. At December 31, 2013, our allowance for doubtful accounts represented approximately 19% of our accounts receivable balance as of such date. We routinely review accounts receivable balances in conjunction with these factors and other economic conditions that might ultimately affect the collectability of the patient accounts and make adjustments to our allowances as warranted. Significant changes in business office operations, payor mix, economic conditions or trends in federal and state governmental health coverage (including implementation of the Health Reform Legislation) could affect our collection of accounts receivable, cash flow and results of operations. If we experience unexpected increases in the growth of uninsured and underinsured patients or in bad debt expenses, our results of operations will be harmed.

A cyber security incident could cause a violation of HIPAA, breach of member privacy, or other negative impacts.

A cyber-attack that bypasses our information technology ("IT") security systems causing an IT security breach, loss of PHI or other data subject to privacy laws, loss of proprietary business information, or a material disruption of our IT business systems, could have a material adverse impact on our business, financial condition or results of operations. In addition, our future results of operations, as well as our reputation, could be adversely impacted by theft, destruction, loss, or misappropriation of PHI, other confidential data or proprietary business information.

Failure to maintain effective internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act of 2002, or Sarbanes-Oxley, could have a material adverse effect on our business.

We are required to maintain internal control over financial reporting under Section 404 of Sarbanes-Oxley. If we are unable to maintain adequate internal control over financial reporting, we may be unable to report our financial information on a timely basis, may suffer adverse regulatory consequences or violations of NASDAQ listing rules and may breach the covenants under our financing arrangements. There could also be a negative reaction in the financial markets due to a loss of investor confidence in us and the reliability of our financial statements. Confidence in our financial statements is also likely to suffer if we or our independent registered public accounting firm report a material weakness in our internal control over financial reporting.

Future sales of common stock by our existing stockholders may cause our stock price to fall.

The market price of our common stock could decline as a result of sales by our existing stockholders in the market, or the perception that these sales could occur. These sales might also make it more difficult for us to sell equity securities at a time and price that we deem appropriate.

Waud Capital Partners, L.L.C. ("Waud Capital Partners") and certain of its affiliates, along with certain members of our management, have certain demand and piggyback registration rights with respect to shares of our common stock beneficially owned by them. The presence of additional shares of our common stock trading in the public market, as a result of the exercise of such registration rights, may have an adverse effect on the market price of our securities.

If securities or industry analysts do not publish research or reports about our business, if they were to change their recommendations regarding our stock adversely or if our operating results do not meet their expectations, our stock price and trading volume could decline.

The trading market for our common stock will be influenced by the research and reports that industry or securities analysts publish about us. If one or more of these analysts cease coverage of us or fail to publish regular reports on us, we could lose visibility in the financial markets, which in turn could cause our stock price or trading volume to decline. Moreover, if one or more of the analysts who cover us downgrade our stock or if our operating results do not meet their expectations, our stock price could decline.

We incur substantial costs as a result of being a public company.

As a public company, we incur significant legal, accounting, insurance and other expenses, including costs associated with public company reporting requirements. We incur costs associated with complying with the requirements of Sarbanes-Oxley, the Dodd-Frank Wall Street Reform and Consumer Protection Act, or the Dodd-Frank Act, and related rules implemented by the SEC and NASDAQ. Enacted in July 2010, the Dodd-Frank Act contains significant corporate governance and executive compensation-related provisions, some of which the SEC has recently implemented by adopting additional rules and regulations in areas such as executive compensation. The expenses incurred by public companies generally for reporting and corporate governance purposes have been increasing. Management expects these laws and regulations to increase our legal and financial compliance costs and to make some activities more time-consuming and costly, although management is currently unable to estimate these costs with any degree of certainty. These laws and regulations could make it more difficult or costly for us to obtain certain types of insurance, including director and officer liability insurance, and we may be forced to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. These laws and regulations could also make it more difficult for us to attract and retain qualified persons to serve on our board of directors, our board committees or as our executive officers. Furthermore, if we are unable to satisfy our obligations as a public company, we could be subject to delisting of our common stock, fines, sanctions and other regulatory action and potentially civil litigation.

We are party to a stockholders agreement with Waud Capital Partners which provides it with certain rights over Company matters.

As of February 21, 2014, Waud Capital Partners owned approximately 23% of our outstanding common stock. In accordance with the terms of the stockholders agreement among Waud Capital Partners, Acadia and certain current and former members of our management, for so long as Waud Capital Partners owns at least 17.5% of our outstanding common stock, it is entitled to designate the pro rata number of our directors that is proportional (but rounded up to the nearest whole number) to its percentage ownership of our outstanding common stock, subject to the NASDAQ rules regarding director independence, and has consent rights to many corporate actions, such as issuing equity or debt securities, paying dividends, acquiring any interest in another company and materially changing our business activities. It is possible that the interests of Waud Capital Partners may in some circumstances conflict with our interests and the interests of our other stockholders.

Provisions of our charter documents or Delaware law could delay or prevent an acquisition of us, even if the acquisition would be beneficial to our stockholders, and could make it more difficult for stockholders to change management.

Provisions of our amended and restated certificate of incorporation and amended and restated bylaws may discourage, delay or prevent a merger, acquisition or other change in control that stockholders may consider favorable, including transactions in which stockholders might otherwise receive a premium for their shares. This is because these provisions may prevent or frustrate attempts by stockholders to replace or remove our management. These provisions include:

- a classified board of directors;
- a prohibition on stockholder action through written consent;
- a requirement that special meetings of stockholders be called only upon a resolution approved by a majority of our directors then in office;
- advance notice requirements for stockholder proposals and nominations; and
- the authority of the board of directors to issue preferred stock with such terms as the board of directors may determine.

Section 203 of the Delaware General Corporation Law ("DGCL") prohibits a publicly-held Delaware corporation from engaging in a business combination with an interested stockholder, generally a person that together with its affiliates owns or within the last three years has owned 15% of voting stock, for a period of three years after the date of the transaction in which the person became an interested stockholder, unless the business combination is approved in a prescribed manner. Although we have elected not to be subject to Section 203 of the DGCL, our amended and restated certificate of incorporation contains provisions that have the same effect as Section 203, except that they provide that Waud Capital Partners, its affiliates and any investment fund managed by Waud

Capital Partners and any persons to whom Waud Capital Partners sells at least five percent (5%) of our outstanding voting stock will be deemed to have been approved by our board of directors, and thereby not subject to the restrictions set forth in our amended and restated certificate of incorporation that have the same effect as Section 203 of the DGCL. Accordingly, the provision in our amended and restated certificate of incorporation that adopts a modified version of Section 203 of the DGCL may discourage, delay or prevent a change in control of us.

As a result of these provisions in our charter documents and Delaware law, the price investors may be willing to pay in the future for shares of our common stock may be limited.

We do not anticipate paying any cash dividends in the foreseeable future.

We intend to retain our future earnings, if any, for use in our business or for other corporate purposes and do not anticipate that cash dividends with respect to common stock will be paid in the foreseeable future. Any decision as to the future payment of dividends will depend on our results of operations, financial position and such other factors as our board of directors, in its discretion, deems relevant. In addition, the terms of our debt substantially limit our ability to pay dividends. As a result, capital appreciation, if any, of our common stock will be a stockholder's sole source of gain for the foreseeable future.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

A listing of our owned and leased facilities is included in Item 1 of this report under the caption "Business- Facilities." We also lease approximately 25,000 square feet of office space at 830 Crescent Centre Drive, Franklin, Tennessee, for our corporate headquarters. Our headquarters and facilities are generally well maintained, in good operating condition and adequate for our present needs.

Item 3. Legal Proceedings.

We are, from time to time, subject to various claims and legal actions that arise in the ordinary course of our business, including claims for damages for personal injuries, medical malpractice, breach of contract, 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 the opinion of management, we are not currently a party to any proceeding that would have a material adverse effect on our business, financial condition or results of operations.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Price Range of Common Stock

Our common stock began trading on November 1, 2011 and is listed for trading on the NASDAQ Global Market under the symbol "ACHC." Prior to that date, there was no public market for our common stock. The following table sets forth the high and low sales prices per share of our common stock as reported on The NASDAQ Global Market for the two most recent fiscal years:

	High	Low
Year ended December 31, 2012:		
First Quarter	$ 16.50	$ 9.38
Second Quarter	$ 18.60	$ 14.40
Third Quarter	$ 24.12	$ 15.08
Fourth Quarter	$ 24.83	$ 18.53
Year ended December 31, 2013:		
First Quarter	$ 29.50	$ 22.64
Second Quarter	$ 35.78	$ 27.85
Third Quarter	$ 41.30	$ 30.70
Fourth Quarter	$ 49.14	$ 37.88

Stockholders

As of February 21, 2014, there were approximately 190 holders of record of our common stock.

Recent Sales of Unregistered Securities

None.

Issuer Purchases of Equity Securities

During the three months ended December 31, 2013, 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
October 1 – October 31	—	$ —	—	—
November 1 – November 30	4,616	43.51	—	—
December 1 – December 31	—	—	—	—
Total	4,616			

Dividends

We have never declared or paid dividends on our common stock. We currently intend to retain all available funds and any future earnings to fund the development and growth of our business and to repay indebtedness, and therefore we do not anticipate paying any cash dividends in the foreseeable future. Additionally, because we are a holding company, our ability to pay dividends on our common stock is limited by restrictions on the ability of our subsidiaries to pay dividends or make distributions to us, including restrictions under the terms of the agreements governing our indebtedness. Any future determination to pay dividends will be at the discretion of our board of directors, subject to compliance with covenants in current and future agreements governing our indebtedness (including our Amended and Restated Senior Credit Facility and the indenture governing our Senior Notes), and will depend upon our results of operations, financial condition, capital requirements and other factors that our board of directors deems relevant.

Item 6. Selected Financial Data.

The selected financial data presented below for the years ended December 31, 2013, 2012 and 2011, and as of December 31, 2013 and 2012, is derived from our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K. The selected financial data for the years ended December 31, 2010 and 2009, and as of December 31, 2011, 2010 and 2009, is derived from our audited consolidated financial statements not included herein. The audited financial statements for the periods presented have been reclassified for discontinued operations. The selected consolidated financial data below should be read in conjunction with the "Management's Discussion and Analysis of Financial Condition and Results of Operations" and with our consolidated financial statements and notes thereto included elsewhere in this Annual Report on Form 10-K. The selected financial data presented below does not give effect to our acquisitions prior to the respective date of such acquisitions.

	Year Ended December 31,				
	2013	2012	2011	2010	2009
	(In thousands, except per share data)				
Income Statement Data:					
Revenue before provision for doubtful accounts	$ 735,109	$ 413,850	$ 219,704	$ 64,342	$ 51,821
Provision for doubtful accounts	(21,701)	(6,389)	(3,206)	(2,239)	(2,424)
Revenue	713,408	407,461	216,498	62,103	49,397
Salaries, wages and benefits[(1)]	407,962	239,639	152,609	38,661	32,572
Professional fees	37,171	19,019	8,896	1,675	1,827
Supplies	37,569	19,496	11,349	3,699	2,841
Rents and leases	10,049	7,838	5,576	1,288	885
Other operating expenses	80,572	42,777	20,171	6,870	6,720
Depreciation and amortization	17,090	7,982	4,278	976	967
Interest expense, net	37,250	29,769	9,191	738	774
Debt extinguishment costs	9,350	—	—	—	—
Sponsor management fees	—	—	1,347	120	—
Transaction-related expenses	7,150	8,112	41,547	918	—
Income (loss) from continuing operations, before income taxes	69,245	32,829	(38,466)	7,158	2,811
Provision for (benefit from) income taxes[(2)]	25,975	12,325	(5,272)	477	53
Income (loss) from continuing operations	43,270	20,504	(33,194)	6,681	2,758
(Loss) income from discontinued operations, net of income taxes	(691)	(101)	(1,698)	(471)	119
Net income (loss)	42,579	$ 20,403	$ (34,892)	$ 6,210	$ 2,877
Income (loss) from continuing operations per share basic	$ 0.87	$ 0.53	$ (1.77)	$ 0.38	$ 0.16
Income (loss) from continuing operations per share diluted	$ 0.86	$ 0.53	$ (1.77)	$ 0.38	$ 0.16
Balance Sheet Data (as of end of period):					
Cash and cash equivalents	$ 4,569	$ 49,399	$ 61,118	$ 8,614	$ 4,489
Total assets	1,224,659	983,413	412,996	45,395	41,254
Total debt	617,136	473,318	277,459	9,984	10,259
Total equity	480,710	432,550	96,365	25,107	21,193

(1) Salaries, wages and benefits for the years ended December 31, 2013, 2012 and 2011 include $5.2 million, $2.3 million and $17.3 million, respectively, of equity-based compensation expense.

(2) On April 1, 2011, the Company and its wholly-owned limited liability company subsidiaries elected to be taxed as a corporation for federal and state income tax purposes, and, therefore, income taxes became the obligation of the Company subsequent to April 1, 2011.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

You should read the following discussion and analysis of our financial condition and results of operations with our audited consolidated financial statements and notes thereto included elsewhere in this Annual Report on Form 10-K.

Forward-Looking Statements

This Annual Report on Form 10-K 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:

- negative media coverage relating to patient incidents, which could adversely affect the price of our common stock and result in incremental regulatory burdens and governmental investigations;
- the impact of payments received from the government and third-party payors on our revenues and results of operations;
- our significant indebtedness, our ability to meet our debt obligations, and ability to incur substantially more debt;
- 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 United States on our business and future results of operations;
- compliance with laws and government regulations;
- the impact of claims brought against our facilities;
- the impact of governmental investigations, regulatory actions and whistleblower lawsuits;
- the impact of recent healthcare reform;
- the impact of our highly competitive industry on patient volumes;
- the impact of the trend by insurance companies and managed care organizations entering into sole source contracts;
- the impact of recruitment and retention of quality psychiatrists and other physicians on our performance;
- the impact of competition for staffing on our labor costs and profitability;
- our dependence on key management personnel, key executives and our local facility management personnel;
- our acquisition strategy, which exposes us to a variety of operational and financial risk;
- difficulties in successfully integrating the operations of acquired facilities or realizing the potential benefits and synergies of these acquisitions;
- 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 revenues;
- 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 states 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 HIPAA, breach of privacy or other negative impact;
- the impact of legislative and regulatory initiatives relating to privacy and security of patient health information and standards for electronic transactions;
- 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 common stock;
- the impact of our sponsor's rights over certain company matters;
- the impact of the trend for insurance companies and managed care organizations to enter into sole source contracts on our ability to obtain patients; and
- those risks and uncertainties described from time to time in our filings with the Securities and Exchange Commission.

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 Annual Report on Form 10-K. 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 inpatient behavioral healthcare facilities and improve our operating results within our inpatient 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 December 31, 2013, we operated 51 behavioral healthcare facilities with approximately 4,200 licensed beds in 23 states and Puerto Rico. During the year ended December 31, 2013, we acquired seven facilities with an aggregate of 694 licensed beds including a 75-bed facility under construction, which opened on October 1, 2013. In addition, we added 325 new beds during the year ended December 31, 2013, including opening two newly-developed facilities with a combined 102 licensed beds. We expect to add over 300 total beds during 2014 (exclusive of acquisitions).

We are the leading publicly traded pure-play provider of inpatient behavioral healthcare services based upon number of licensed beds in the United States. Management believes that the Company's recent acquisitions described below position the Company 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.

Acquisitions

On December 1, 2013, we completed the acquisition of the assets of Cascade, an inpatient psychiatric facility with 63 licensed beds located in Tukwila, Washington, for cash consideration of $19.6 million.

On October 1, 2013, we completed the acquisition of the assets of Longleaf, an inpatient psychiatric facility with 68 licensed beds located in Alexandria, Louisiana, for cash consideration of $8.3 million.

On August 1, 2013, we completed the acquisition of The Refuge, an inpatient psychiatric facility near Ocala, Florida, with 87 licensed beds, for cash consideration of $14.1 million.

On May 1, 2013, we completed the acquisition of the UMC Facilities, including San Juan Capestrano Hospital in San Juan, Puerto Rico, which is licensed for 108 beds and has a certificate of need for 100 additional beds, and a 75-bed inpatient behavioral healthcare hospital in Tampa, Florida, which opened on October 1, 2013, for cash consideration of $99.4 million.

On January 31, 2013, we completed the acquisition of Delta, a facility with 243 licensed beds located in Memphis, Tennessee with the majority of operating beds dedicated to inpatient psychiatric patients, for cash consideration of $23.0 million.

On January 1, 2013, we completed the acquisition of the assets of Greenleaf, an inpatient psychiatric facility with 50 licensed beds located in Valdosta, Georgia, for cash consideration of $6.3 million.

On December 31, 2012, we completed the acquisition of BCA and AmiCare. On November 11, 2012, we purchased 100% of the membership interests of Park Royal. On August 31, 2012, we completed the acquisition of the assets of Timberline Knolls. On March 1, 2012, we completed the acquisition of the Haven Facilities.

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; and (iv) individual patients and clients. Revenue is recorded in the period in which services are provided at established billing rates less contractual adjustments based on amounts reimbursable by Medicare or Medicaid under provisions of cost or prospective reimbursement formulas or amounts due from other third-party payors at contractually determined rates.

Results of Operations

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

	Year Ended December 31,					
	2013		2012		2011	
	Amount	%	Amount	%	Amount	%
Revenue before provision for doubtful accounts	$ 735,109		$ 413,850		$ 219,704	
Provision for doubtful accounts	(21,701)		(6,389)		(3,206)	
Revenue	713,408	100.0%	407,461	100.0%	216,498	100.0%
Salaries, wages and benefits	407,962	57.2%	239,639	58.8%	152,609	70.5%
Professional fees	37,171	5.2%	19,019	4.7%	8,896	4.1%
Supplies	37,569	5.3%	19,496	4.8%	11,349	5.2%
Rents and leases	10,049	1.4%	7,838	1.9%	5,576	2.6%
Other operating expenses	80,572	11.3%	42,777	10.5%	20,171	9.3%
Depreciation and amortization	17,090	2.4%	7,982	2.0%	4,278	2.0%
Interest expense, net	37,250	5.2%	29,769	7.3%	9,191	4.3%
Debt extinguishment costs	9,350	1.3%	—	— %	—	— %
Sponsor management fees	—	— %	—	— %	1,347	0.6%
Transaction related expenses	7,150	1.0%	8,112	2.0%	41,547	19.2%
	644,163	90.3%	374,632	92.0%	254,964	117.8%
Income (loss) from continuing operations, before income taxes	69,245	9.7%	32,829	8.0%	(38,466)	(17.8)%
Provision for (benefit from) income taxes	25,975	3.6%	12,325	3.0%	(5,272)	(2.5)%
Income (loss) from continuing operations	$ 43,270	6.1%	$ 20,504	5.0%	$ (33,194)	(15.3)%

Year Ended December 31, 2013 Compared to the Year Ended December 31, 2012

Revenue before provision for doubtful accounts. Revenue before provision for doubtful accounts increased $321.3 million, or 77.6%, to $735.1 million for the year ended December 31, 2013 from $413.9 million for the year ended December 31, 2012. The increase related primarily to revenue generated during the year ended December 31, 2013 from the 2012 and 2013 Acquisitions. Same-facility revenue before provision for doubtful accounts increased by $42.2 million, or 10.5%, for the year ended December 31, 2013 compared to the year ended December 31, 2012, resulting from same-facility growth in patient days of 8.8% and same-facility revenue per day of 1.1%. Consistent with the same-facility patient day growth in 2012, the growth in same-facility patient days for the year ended December 31, 2013 compared to the year ended December 31, 2012 resulted from the addition of beds to our existing facilities and ongoing demand for our services.

Provision for doubtful accounts. The provision for doubtful accounts was $21.7 million for the year ended December 31, 2013, or 3.0% of revenue before provision for doubtful accounts, compared to $6.4 million for the year ended December 31, 2012, or 1.5% of revenue before provision for doubtful accounts. The increase as a percentage of revenue related primarily to the changes in our payor mix from the 2012 and 2013 Acquisitions. The same-facility provision for doubtful accounts was $8.9 million for the year ended December 31, 2013, or 2.0% of revenue before provision for doubtful accounts, compared to $6.3 million for the year ended December 31, 2012, or 1.6% of revenue before provision for doubtful accounts.

Salaries, wages and benefits. Salaries, wages and benefits ("SWB") expense was $408.0 million for the year ended December 31, 2013 compared to $239.6 million for the year ended December 31, 2012, an increase of $168.4 million. SWB expense included $5.2 million and $2.3 million of equity-based compensation expense for the year ended December 31, 2013 and 2012, respectively. Excluding equity-based compensation expense, SWB expense was $402.8 million, or 56.4% of revenue, for the year ended December 31, 2013, compared to $237.4 million, or 58.3% of revenue, for the year ended December 31, 2012. The $165.3 million increase in SWB expense, excluding equity-based compensation expense, was primarily attributable to the hiring of additional employees in connection with the 2012 and 2013 Acquisitions. Same-facility SWB expense was $235.4 million for the year ended December 31, 2013, or 53.9% of revenue, compared to $216.2 million for the year ended December 31, 2012, or 54.4% of revenue.

Professional fees. Professional fees were $37.2 million for the year ended December 31, 2013, or 5.2% of revenue, compared to $19.0 million for the year ended December 31, 2012, or 4.7% of revenue. The increase in professional fees as a percentage of revenue was primarily attributable to higher professional fees incurred by the facilities acquired in our 2012 and 2013 Acquisitions, which had higher professional fees as a percentage of revenue than our facilities acquired prior to 2012. Same-facility professional fees were $13.7 million for the year ended December 31, 2013, or 3.1% of revenue, compared to $13.3 million, for the year ended December 31, 2012, or 3.3% of revenue.

Supplies. Supplies expense was $37.6 million for the year ended December 31, 2013, or 5.3% of revenue, compared to $19.5 million for the year ended December 31, 2012, or 4.8% of revenue. The $18.1 million increase in supplies expense was primarily attributable to the 2012 and 2013 Acquisitions, which had higher supplies expense as a percentage of revenue than our facilities acquired prior to 2012. Same-facility supplies expense was $20.2 million for the year ended December 31, 2013, or 4.6% of revenue, compared to $18.9 million for the year ended December 31, 2012, or 4.8% of revenue.

Rents and leases. Rents and leases were $10.0 million for the year ended December 31, 2013, or 1.4% of revenue, compared to $7.8 million for the year ended December 31, 2012, or 1.9% of revenue. The decrease in rents and leases as a percentage of revenue was primarily attributable to the purchase of six facilities during 2012 that were previously leased. Same-facility rents and leases were $6.0 million for the year ended December 31, 2013, or 1.4% of revenue, compared to $7.4 million for the year ended December 31, 2012, or 1.9% 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 $80.6 million for the year ended December 31, 2013, or 11.3% of revenue, compared to $42.8 million for the year ended December 31, 2012, or 10.5% of revenue. The increase in other operating expenses as a percentage of revenue was primarily attributable to higher other operating expenses incurred by the facilities acquired in our 2012 and 2013 Acquisitions, which had higher other operating expenses as a percentage of revenue than our facilities acquired prior to 2012. Same-facility other operating expenses were $45.1 million for the year ended December 31, 2013, or 10.3% of revenue, compared to $40.9 million for the year ended December 31, 2012, or 10.3% of revenue.

Depreciation and amortization. Depreciation and amortization expense was $17.1 million for the year ended December 31, 2013, or 2.4% of revenue, compared to $8.0 million for the year ended December 31, 2012, or 2.0% of revenue. The increase in depreciation and amortization was attributable to depreciation associated with real estate purchases of $53.2 million and capital expenditures during 2012 and real estate acquired as part of the 2012 and 2013 Acquisitions.

Interest expense. Interest expense was $37.3 million for the year ended December 31, 2013 compared to $29.8 million for the year ended December 31, 2012. The increase in interest expense was primarily a result of increased borrowings under the Amended and Restated Senior Credit Facility and the issuance of the 6.125% Senior Notes offset by a reduction related to the redemption of $52.5 million in principal amount of the 12.875% Senior Notes on March 12, 2013.

Debt extinguishment costs. Debt extinguishment costs for the year ended December 31, 2013 represent $6.8 million of cash charges and $2.6 million of noncash charges recorded in connection with the redemption of $52.5 million in principal amount of the 12.875% Senior Notes on March 12, 2013.

Transaction-related expenses. Transaction-related expenses were $7.2 million for the year ended December 31, 2013 compared to $8.1 million for the year ended December 31, 2012. Transaction-related expenses represent costs incurred in the respective periods, primarily related to the 2012 and 2013 Acquisitions, as summarized below (in thousands):

	Year Ended December 31,	
	2013	**2012**
Legal, accounting and other fees	$ 5,535	$ 4,161
Severance and contract termination costs	1,615	3,951
	$ 7,150	$ 8,112

Provision for income taxes. For the year ended December 31, 2013, the provision for income taxes was $26.0 million, reflecting an effective tax rate of 37.5%, compared to $12.3 million, reflecting an effective tax rate of 37.5%, for 2012.

Year Ended December 31, 2012 Compared to the Year Ended December 31, 2011

Revenue before provision for doubtful accounts. Revenue before provision for doubtful accounts increased $194.1 million, or 88.4%, to $413.9 million for the year ended December 31, 2012 from $219.7 million for the year ended December 31, 2011. The increase related primarily to the revenue generated during the year ended December 31, 2012 from the YFCS facilities acquired on April 1, 2011, PHC facilities acquired on November 1, 2011, the Haven Facilities acquired on March 1, 2012, Timberline Knolls acquired on August 31, 2012 and Park Royal acquired on November 11, 2012, which were not included in our results for periods prior to the acquisitions. Same-facility revenue before provision for doubtful accounts for the year ended December 31, 2012 increased by $20.5 million, or 9.3%, compared to the year ended December 31, 2011, primarily resulting from same-facility growth in patient days of 9.3%. The growth in same-facility patient days for the year ended December 31, 2012 compared to the year ended December 31, 2011 resulted from the addition of beds to our existing facilities and ongoing demand for our services.

Provision for doubtful accounts. The provision for doubtful accounts was $6.4 million for the year ended December 31, 2012, or 1.5% of revenue before provision for doubtful accounts, compared to $3.2 million for the year ended December 31, 2011, or 1.5% of revenue before provision for doubtful accounts. The same-facility provision for doubtful accounts was $3.5 million for the year ended December 31, 2012, or 1.4% of revenue before provision for doubtful accounts, compared to $3.2 million for the year ended December 31, 2011, or 1.5% of revenue before provision for doubtful accounts. The increase related primarily to the provision for doubtful accounts recorded during the year ended December 31, 2012 from the YFCS facilities acquired on April 1, 2011, PHC facilities acquired on November 1, 2011, the Haven Facilities acquired on March 1, 2012, Timberline Knolls acquired on August 31, 2012 and Park Royal acquired on November 11, 2012, which were not included in our results for periods prior to the acquisitions.

Salaries, wages and benefits. SWB expense was $239.6 million for the year ended December 31, 2012 compared to $152.6 million for the year ended December 31, 2011, an increase of $87.0 million. SWB expense included $2.3 million and $17.3 million of equity-based compensation expense for the year ended December 31, 2012 and 2011, respectively. Excluding equity-based compensation expense, SWB expense was $237.4 million, or 58.3% of revenue, for the year ended December 31, 2012, compared to $135.3 million, or 62.5% of revenue, for the year ended December 31, 2011. The $102.1 million increase in SWB expense, excluding equity-based compensation expense, was primarily attributable to the hiring of additional employees in connection with the acquisition of the PHC facilities on November 1, 2011, the Haven Facilities on March 1, 2012, Timberline Knolls on August 31, 2012 and Park Royal on November 11, 2012. The decrease in SWB expense, excluding equity-based compensation expense, as a percentage of revenue was primarily the result of savings in employee benefit costs and lower SWB expense incurred by the PHC facilities acquired on November 1, 2011, the Haven Facilities acquired on March 1, 2012 and Timberline Knolls acquired on August 31, 2012. Same-facility SWB expense was $133.0 million for the year ended December 31, 2012, or 56.2% of revenue, compared to $127.1 million for the year ended December 31, 2011, or 58.7% of revenue.

Professional fees. Professional fees were $19.0 million for the year ended December 31, 2012, or 4.7% of revenue, compared to $8.9 million for the year ended December 31, 2011, or 4.1% of revenue. The increase in professional fees as a percentage of revenue was primarily attributable to the higher professional fees incurred by our corporate office after becoming a public company on November 1, 2011 and higher professional fees associated with the PHC facilities acquired on November 1, 2011 and Timberline Knolls acquired on August 31, 2012. Same-facility professional fees were $7.2 million for the year ended December 31, 2012, or 3.1% of revenue, compared to $7.6 million, for the year ended December 31, 2011, or 3.5% of revenue.

Supplies. Supplies expense was $19.5 million for the year ended December 31, 2012, or 4.8% of revenue, compared to $11.3 million for the year ended December 31, 2011, or 5.2% of revenue. The $8.1 million increase in supplies expense was primarily attributable to the acquisitions of YFCS on April 1, 2011, PHC on November 1, 2011, the Haven Facilities on March 1, 2012, Timberline Knolls on August 31, 2012 and Park Royal on November 11, 2012. Same-facility supplies expense was $11.4 million for the year ended December 31, 2012, or 4.8% of revenue, compared to $11.3 million for the year ended December 31, 2011, or 5.2% of revenue.

Rents and leases. Rents and leases were $7.8 million for the year ended December 31, 2012, or 1.9% of revenue, compared to $5.6 million for the year ended December 31, 2011, or 2.6% of revenue. The decrease in rents and leases as a percentage of revenue was primarily attributable to the acquisition of the Haven Facilities, which are owned facilities, on March 1, 2011, the purchase of the property previously leased by Timberline Knolls and the purchase of six facilities that we previously leased during 2012. Same-facility rents and leases were $4.2 million for the year ended December 31, 2012, or 1.8% of revenue, compared to $5.1 million for the year ended December 31, 2011, or 2.4% of revenue.

Other operating expenses. Other operating expenses consist primarily of purchased services, utilities, insurance, travel and repairs and maintenance expenses. Other operating expenses were $42.8 million for the year ended December 31, 2012, or 10.5% of revenue, compared to $20.2 million for the year ended December 31, 2011, or 9.3% of revenue. The increase in other operating expenses as a percentage of revenue was primarily attributable to slight increases in various components of other operating expenses. Same-facility other operating expenses were $24.0 million for the year ended December 31, 2012, or 10.1% of revenue, compared to $19.5 million for the year ended December 31, 2011, or 9.0% of revenue.

Depreciation and amortization. Depreciation and amortization expense was $8.0 million for the year ended December 31, 2012, or 2.0% of revenue, compared to $4.3 million for the year ended December 31, 2011, or 2.0% of revenue. The increase in depreciation and amortization was attributable to an increase in depreciation associated with real estate purchases of $53.2 million during 2012 and the acquisitions of PHC on November 1, 2011, the Haven Facilities on March 1, 2012, Timberline Knolls on August 31, 2012 and Park Royal on November 11, 2012.

Interest expense. Interest expense was $29.8 million for the year ended December 31, 2012 compared to $9.2 million for the year ended December 31, 2011. The increase in interest expense was primarily a result of borrowings under our Amended and Restated Senior Credit Facility and interest on the $150.0 million of 12.875% Senior Notes issued in November of 2011.

Sponsor management fees. Sponsor management fees were $1.3 million for the year ended December 31, 2011, which related to our professional services agreement with Waud Capital Partners.

Transaction-related expenses. Transaction-related expenses were $8.1 million for the year ended December 31, 2012 compared to $41.6 million for the year ended December 31, 2011. Transaction-related expenses represented costs incurred in the respective periods primarily related to the acquisitions of YFCS on April 1, 2011, PHC on November 1, 2011, the Haven Facilities on March 1, 2012, Timberline Knolls on August 31, 2012, Park Royal on November 11, 2012 and AmiCare and BCA on December 31, 2012 and the termination of the professional services agreement with Waud Capital Partners, as summarized below (in thousands):

	Year Ended December 31,	
	2012	**2011**
Legal, accounting and other fees	$ 4,161	$ 7,301
Severance and contract termination costs	3,951	1,702
Fee paid to equity sponsor for termination of professional services agreement	—	20,559
Investment banking advisory and bridge commitment fees	—	8,385
Advisory fees paid to equity sponsor	—	3,600
	$ 8,112	$ 41,547

Provision for (benefit from) income taxes. For the year ended December 31, 2012, the provision for income taxes was $12.3 million, reflecting an effective tax rate of 37.5%, compared to a benefit from income taxes of $5.3 million, reflecting an effective tax rate of 13.7%, for the same period of 2011. Prior to April 1, 2011, the Company and its limited liability company subsidiaries were taxed as flow-through entities and as such, the results of operations of the Company related to the flow-through entities were included in the income tax returns of its members. On April 1, 2011, the Company and its wholly-owned limited liability company subsidiaries elected to be taxed as a corporation for federal and state income tax purposes, and, therefore, income taxes became the obligation of the Company subsequent to April 1, 2011.

Liquidity and Capital Resources

Historical

Cash provided by continuing operating activities for the year ended December 31, 2013 was $65.3 million compared to $34.3 million for the year ended December 31, 2012. The increase in cash provided by continuing operating activities was primarily attributable to cash provided by continuing operating activities from the 2012 and 2013 Acquisitions and the growth in same-facility operations. Days sales outstanding ("DSO") as of December 31, 2013 was 46 compared to 39 as of December 31, 2012. The increase in DSO was primarily attributable to longer collection periods at our facilities acquired during 2013. As of December 31, 2013 and December 31, 2012, we had working capital of $30.4 million and $69.1 million, respectively.

Cash used in investing activities for the year ended December 31, 2013 was $243.0 million compared to $524.6 million for the year ended December 31, 2012. Cash used in investing activities for the year ended December 31, 2013 primarily consisted of $164.0 million of cash paid for acquisitions. Cash paid for capital expenditures for the year ended December 31, 2013 was $68.9 million, consisting of $16.1 million of routine capital expenditures and $52.9 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 2.3% of revenue for the year ended December 31, 2013. Cash paid for real estate acquisitions was $8.1 million for the year ended December 31, 2013. Cash used in investing activities for the year ended December 31, 2012 consisted primarily of cash paid for acquisitions of $443.5 million, cash paid for capital expenditures of $27.6 million and cash paid for real estate acquisitions of $53.2 million.

Cash provided by financing activities for the year ended December 31, 2013 was $132.6 million compared to $479.0 million for the year ended December 31, 2012. Cash provided by financing activities for the year ended December 31, 2013 primarily consisted of long-term debt borrowings of $150.0 million in connection with the issuance of the 6.125% Senior Notes, borrowings on our revolving credit facility of $61.5 million, an excess tax benefit from equity awards of $1.8 million and proceeds from stock option exercises of $0.3 million, partially offset by repayment of long-term debt of $52.5 million, principal payments on our revolving credit facility of $8.0 million, principal payments on long-term debt of $7.7 million, payment of premium on note redemption of $6.8 million, payment of debt issuance costs of $4.3 million and equity issuance costs of $0.2 million. Cash provided by financing activities for the year ended December 31, 2012 primarily consisted of proceeds from the issuance of common stock of $311.8 million, long-term debt borrowings of $176.1 million, borrowings on our revolving credit facility of $16.0 million and proceeds from stock option exercises of $1.0 million, partially offset by principal payments on our revolving credit facility of $16.0 million, principal payments on long-term debt of $6.0 million and payment of debt issuance costs of $4.6 million.

Amended and Restated Senior Credit Facility

The Company entered into the Senior Secured Credit Facility, administered by Bank of America, N.A., on April 1, 2011. The Senior Secured Credit Facility initially included $135.0 million of term loans and a revolving line of credit of $30.0 million.

On March 1, 2012, the Company amended the Senior Secured Credit Facility to provide an incremental $25.0 million of term loans and increase the revolving line of credit by $45.0 million, from $30.0 million to $75.0 million. We used the incremental term loans of $25.0 million and a $5.0 million borrowing under the revolving line of credit to partially fund the acquisition of the Haven Facilities on March 1, 2012.

On December 31, 2012, the Company entered into the Amended and Restated Credit Agreement, which amended and restated the Senior Secured Credit Facility to provide a revolving line of credit of $100.0 million and term loans of $300.0 million, which resulted in debt proceeds of $151.1 million. We used $151.1 million of the term loans partially to fund the acquisition of BCA and AmiCare on December 31, 2012.

On March 11, 2013, the Company entered into a Consent and First Amendment to the Amended and Restated Credit Agreement (the "First Amendment"). The First Amendment modified the definition of Consolidated EBITDA to permit the add-back for financial covenant purposes of certain fees and expenses related to the redemption of the Company's 12.875% Senior Notes. In addition, the First Amendment amended the definitions of Consolidated Leverage Ratio and Consolidated Senior Leverage Ratio to permit the Company to test indebtedness on a basis net of cash or cash equivalents on hand for financial covenant purposes.

On June 28, 2013, the Company entered into the Second Amendment to the Amended and Restated Credit Agreement (the "Second Amendment"). The Second Amendment modified certain of the restrictive covenants contained therein to permit the Company to increase the amount of miscellaneous investments it may make, as well as to permit the Company to incur increased amounts of purchase money indebtedness in order to finance certain long-term capital leases.

On September 30, 2013, the Company entered into the Third Amendment to the Amended and Restated Credit Agreement (the "Third Amendment"). The Third Amendment modified certain of the restrictive covenants contained therein to permit the incurrence by the Company of increased amounts of miscellaneous types of liens and indebtedness to facilitate its consummation of the acquisition of Longleaf.

On February 13, 2014, we entered into the Fourth Amendment to our Amended and Restated Credit Agreement, to increase the size of our Amended and Restated Senior Credit Facility and extend the maturity date thereof, which resulted in our having a revolving line of credit of up to $300.0 million and term loans of $300.0 million. The Fourth Amendment also reduced the interest rates applicable to the Amended and Restated Senior Credit Facility and provided increased flexibility to us in terms of our financial and other restrictive covenants as described below. The Company had $46.1 million of availability under the revolving line of credit as of December 31, 2013. Borrowings under the revolving line of credit are subject to customary conditions precedent to borrowing. The term loans require quarterly principal payments of $1.9 million for March 31, 2014 to December 31, 2014, $3.8 million for March 31, 2015 to December 31, 2015, $5.6 million for March 31, 2016 to December 31, 2016, $7.5 million for March 31, 2017 to December 31, 2017, and $9.4 million for March 31, 2018 to December 31, 2018, with the remaining principal balance due on the maturity date of February 13, 2019. The Fourth Amendment also provides for a $150.0 million incremental credit facility, with the potential for unlimited additional incremental amounts, provided we meet certain financial ratios, in each case subject to customary conditions precedent to borrowing.

Borrowings under the Amended and Restated Senior Credit Facility are guaranteed by each of the Company's wholly-owned domestic subsidiaries (other than Park Royal and certain other excluded subsidiaries) and are secured by a lien on substantially all of the assets of the Company and its wholly-owned domestic subsidiaries (other than Park Royal and certain other excluded subsidiaries). Borrowings under the Amended and Restated Senior Credit Facility bear interest at a rate tied to the Company's consolidated leverage ratio (defined as consolidated funded debt 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 borrowings under the Amended and Restated Senior Credit Facility was 3.25% for Eurodollar Rate Loans (as defined in the Amended and Restated Credit Agreement) and 2.25% for Base Rate Loans (as defined in the Amended and Restated Credit Agreement) at December 31, 2013. Eurodollar Rate Loans bear interest at the Applicable Rate plus the Eurodollar Rate (as defined in the Amended and Restated Credit Agreement) (based upon the British Bankers Association LIBOR Rate (as defined in the Amended and Restated Credit Agreement) prior to commencement of the interest rate period). Base Rate Loans bear interest at the Applicable Rate plus the highest of (i) the federal funds rate plus 1/2 of 1.0%, (ii) the prime rate and (iii) the Eurodollar Rate plus 1.0%. As of December 31, 2013, borrowings under the Senior Secured Credit Facility bore interest at a rate of 3.25%. In addition, the Company is required to pay a commitment fee on undrawn amounts under the revolving line of credit. The Company paid a commitment fee of 0.50% for undrawn amounts for the period from December 31, 2012 through December 31, 2013. The Fourth Amendment resulted in a 0.50% decrease in the Applicable Rate for LIBOR Rate Loans (as defined in the Amended and Restated Credit Agreement) and a 0.10% decrease in the Unused Line Fee (as defined in the Amended and Restated Credit Agreement) as reflected in the table below.

The interest rates and the unused line fee on unused commitments related to the Amended and Restated Senior Credit Facility are based upon the following pricing tiers:

Pricing Tier	Consolidated Leverage Ratio	LIBOR Rate Loans	Base Rate Loans	Unused Line Fee
1	<3.5:1.0	2.25%	1.25%	0.30%
2	≥3.5:1.0 but <4.0:1.0	2.50%	1.50%	0.35%
3	≥4.0:1.0 but <4.5:1.0	2.75%	1.75%	0.40%
4	≥4.50:1.0	3.00%	2.00%	0.45%

The Amended and Restated Credit Agreement requires the Company and its subsidiaries to comply with customary affirmative, negative and financial covenants. A breach of any of the restrictions or covenants in our debt agreements could cause a cross-default under other debt agreements. 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 and the payment of management fees; (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) capital expenditures (not to exceed 10.0% of total revenues of the Company and its subsidiaries); (xv) prepayment or redemption of certain senior unsecured debt; and (xvi) amendments to certain material agreements. The Company is 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 amount set forth below as of the date opposite such ratio:

Fiscal Quarter Ending	**Maximum Consolidated Leverage Ratio**
March 31, 2014	5.50:1.0
June 30, 2014	5.50:1.0
September 30, 2014	5.50:1.0
December 31, 2014	5.50:1.0
March 31, 2015	5.25:1.0
June 30, 2015	5.25:1.0
September 30, 2015	5.25:1.0
December 31, 2015	5.25:1.0
March 31, 2016	5.00:1.0
June 30, 2016	5.00:1.0
September 30, 2016	5.00:1.0
December 31, 2016	5.00:1.0
March 31, 2017 and each fiscal quarter ending thereafter	4.50:1.0

- The consolidated senior secured leverage ratio may not be greater than the amount set forth below as of the date opposite such ratio:

Fiscal Quarter Ending	**Maximum Consolidated Senior Secured Leverage Ratio**
March 31, 2014	3.50:1.0
June 30, 2014	3.50:1.0
September 30, 2014	3.50:1.0
December 31, 2014	3.50:1.0
March 31, 2015	3.25:1.0
June 30, 2015	3.25:1.0
September 30, 2015	3.25:1.0
December 31, 2015	3.25:1.0
March 31, 2016 and each fiscal quarter ending thereafter	3.00:1.0

As of December 31, 2013, the Company was in compliance with all of the above covenants.

12.875% Senior Notes due 2018

On November 1, 2011, we issued $150.0 million of 12.875% Senior Notes due 2018 at 98.323% of the aggregate principal amount of $150.0 million, a discount of $2.5 million. The notes bear interest at a rate of 12.875% per annum. We pay interest on the notes semi-annually, in arrears, on November 1 and May 1 of each year.

The indenture governing the 12.875% Senior Notes contains covenants that, among other things, limit our ability to: (i) incur or guarantee additional debt or issue certain preferred stock; (ii) pay dividends on our equity interests or redeem, repurchase or retire our equity interests or subordinated debt; (iii) transfer or sell assets; (iv) make certain investments; (v) incur certain liens; (vi) restrict our subsidiaries' ability to pay dividends or make other payments to the Company; (vii) engage in certain transactions with our affiliates; and (viii) merge or consolidate with other companies or transfer all or substantially all of the Company's assets.

The 12.875% 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 Credit Facility. The guarantees are full and unconditional and joint and several and the Company, as the parent issuer of the 12.875% Senior Notes, has no independent assets or operations.

On March 12, 2013, we redeemed $52.5 million in principal amount of the 12.875% Senior Notes using a portion of the net proceeds of our December 2012 equity offering pursuant to the provision in the indenture permitting an optional redemption with equity proceeds of up to 35% of the principal amount of 12.875% Senior Notes. The 12.875% Senior Notes were redeemed at a redemption price of 112.875% of the principal amount thereof plus accrued and unpaid interest to, but not including, the redemption date in accordance with the provisions of the indenture governing the 12.875% Senior Notes. As part of the redemption of 35% of the 12.875% Senior Notes, the Company recorded a debt extinguishment charge of $9.4 million, including the premium and write-off of deferred financing costs, which was recorded in debt extinguishment costs in the consolidated statements of operations.

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, beginning on September 15, 2013.

The indenture governing the 6.125% Senior Notes contains 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 6.125% 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 Credit Facility. The guarantees are full and unconditional and joint and several and the Company, as the parent issuer of the 6.125% Senior Notes, has no independent assets or operations.

We may redeem the 6.125% Senior Notes at our option, in whole or part, at any time prior to March 15, 2016, at a price equal to 100% of the principal amount of the 6.125% Senior Notes redeemed, plus accrued and unpaid interest to the redemption date and plus an applicable premium. We may redeem the 6.125% Senior Notes, in whole or in part, on or after March 15, 2016, at the redemption prices set forth in the indenture governing the 6.125% Senior Notes plus accrued and unpaid interest to the redemption date. At any time on or before March 15, 2016, we may elect to redeem up to 35% of the aggregate principal amount of the 6.125% Senior Notes at a redemption price equal to 106.125% of the principal amount thereof, plus accrued and unpaid interest to the redemption date, with the net proceeds of one or more equity offerings.

9.0% and 9.5% Revenue Bonds

On November 11, 2012, in connection with the acquisition of Park Royal, we assumed debt of $23.0 million. The fair market value of the debt assumed was $25.6 million and resulted in a debt premium balance being recorded as of the acquisition date. The debt consisted of $7.5 million and $15.5 million of Lee County (Florida) Industrial Development Authority Healthcare Facilities Revenue Bonds, Series 2010 with stated interest rates of 9.0% and 9.5%, respectively. The 9.0% bonds in the amount of $7.5 million have a maturity date of December 1, 2030 and require yearly principal payments beginning in 2013. The 9.5% bonds in the amount of $15.5 million have a maturity date of December 1, 2040 and require yearly principal payments beginning in 2031. The principal payments establish a bond-sinking fund to be held with the trustee and shall be sufficient to redeem the principal amounts of the 9.0% and 9.5% Revenue Bonds on their respective maturity dates. The bond premium amount of $2.6 million is amortized as a reduction of interest expense over the life of the 9.0% and 9.5% Revenue Bonds using the effective interest method.

Contractual Obligations

The following table presents a summary of contractual obligations as of December 31, 2013 (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)	$ 50,007	$ 120,539	$ 335,105	$ 321,175	$ 826,826
Operating leases	6,129	11,723	6,930	19,904	44,686
Purchase and other obligations (b)	5,232	2,496	990	—	8,718
Total obligations and commitments	$ 61,368	$ 134,758	$ 343,025	$ 341,079	$ 880,230

(a) Amounts include required principal and interest payments. The projected interest payments reflect an interest rate of 3.25% per annum for our variable-rate debt based on the rate in place as of December 31, 2013.

(b) Amounts relate to purchase obligations, including capital lease payments and contingent payments of up to $7.0 million related to the acquisition of Park Royal in November 2012 that we may make depending upon achievements of certain financial targets over the four-year period ending December 31, 2016.

Off-Balance Sheet Arrangements

As of December 31, 2013, we had standby letters of credit outstanding of $0.4 million related to security for the payment of claims as required by our workers' compensation insurance program.

Market Risk

Our interest expense is sensitive to changes in market interest rates. With respect to our interest-bearing liabilities, our long-term debt outstanding at December 31, 2013 was composed of $271.1 million of fixed-rate debt and $346.0 million of variable-rate debt with interest based on LIBOR plus an applicable margin. A hypothetical 10% increase in interest rates would decrease our net income and cash flows by $0.6 million on an annual basis based upon our borrowing level at December 31, 2013.

Critical Accounting Policies

Our consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States. In preparing our financial statements, we are required to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses included in the financial statements. Estimates are based on historical experience and other available information, the results of which form the basis of such estimates. While management believes our estimation processes are reasonable, actual results could differ from our estimates. The following accounting policies are considered critical to the portrayal of our financial condition and operating performance and involve highly subjective and complex assumptions and assessments:

Revenue and Accounts Receivable

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; and (iv) individual patients and clients. Revenue is recorded in the period in which services are provided at established billing rates less contractual adjustments based on amounts reimbursable by Medicare or Medicaid under provisions of cost or prospective reimbursement formulas or amounts due from other third-party payors at contractually determined rates.

The following table presents revenue by payor type and as a percentage of revenue before provision for doubtful accounts for the years ended December 31, 2013, 2012 and 2011 (in thousands):

	Year Ended December 31,					
	2013		2012		2011	
	Amount	%	Amount	%	Amount	%
Self-Pay	$ 25,153	3.4%	$ 10,234	2.5%	$ 4,337	2.0%
Commercial	182,915	24.9%	83,269	20.1%	31,603	14.4%
Medicare	158,111	21.5%	48,968	11.8%	16,368	7.4%
Medicaid	353,145	48.0%	263,160	63.6%	164,325	74.8%
Other	15,785	2.2%	8,219	2.0%	3,071	1.4%
Revenue before provision for doubtful accounts	735,109	100.0%	413,850	100.0%	219,704	100.0%
Provision for doubtful accounts	(21,701)		(6,389)		(3,206)	
Revenue	$ 713,408		$ 407,461		$ 216,498	

The following tables present a summary of our aging of accounts receivable as of December 31, 2013 and 2012:

December 31, 2013

	Current	30-90	90-150	>150	Total
Self-Pay	2.4%	2.5%	2.6%	4.8%	12.3%
Commercial	14.7%	7.0%	2.6%	2.6%	26.9%
Medicare	18.1%	5.1%	2.1%	4.0%	29.3%
Medicaid	21.3%	5.6%	2.1%	2.5%	31.5%
Total	56.5%	20.2%	9.4%	13.9%	100.0%

December 31, 2012

	Current	30-90	90-150	>150	Total
Self-Pay	1.3%	2.2%	2.2%	3.5%	9.2%
Commercial	16.2%	6.5%	2.4%	3.1%	28.2%
Medicare	14.4%	2.0%	0.6%	0.9%	17.9%
Medicaid	26.6%	10.2%	3.8%	4.1%	44.7%
Total	58.5%	20.9%	9.0%	11.6%	100.0%

Medicaid accounts receivable as of December 31, 2013 and 2012 included less than $0.8 million and $0.7 million, respectively, of accounts pending Medicaid approval.

Allowance for Contractual Discounts

We derive a significant portion of our revenues from Medicare, Medicaid and other payors that receive discounts from established billing rates. The Medicare and Medicaid regulations and various managed care contracts under which these discounts must be calculated are complex, subject to interpretation and adjustment, and may include multiple reimbursement mechanisms for different types of services provided in our inpatient facilities and cost settlement provisions. Management estimates the allowance for contractual discounts on a payor-specific basis given its interpretation of the applicable regulations or contract terms. The services authorized and provided and related reimbursement are often subject to interpretation that could result in payments that differ from our estimates. Additionally, updated regulations and contract renegotiations occur frequently, necessitating regular review and assessment of the estimation process by management.

Settlements under cost reimbursement agreements with third-party payors are estimated and recorded in the period in which the related services are rendered and are adjusted in future periods as final settlements are determined. Final determination of amounts earned under the Medicare and Medicaid programs often occurs in subsequent years because of audits by such programs, rights of appeal and the application of numerous technical provisions. In the opinion of management, adequate provision has been made for any adjustments and final settlements. However, there can be no assurance that any such adjustments and final settlements will not have a material effect on our financial condition or results of operations. Our cost report liabilities were $0.8 million at December 31, 2013 and were included in other accrued liabilities in the consolidated balance sheets. Management believes that these liabilities were properly stated and are not likely to be settled for a significantly different amount. Our cost report receivables were $1.1 million at December 31, 2012 and were included in other current assets in the consolidated balance sheets. The net adjustments to estimated cost report settlements resulted in increases to revenue of $0.2 million and $0.1 million for the years ended December 31, 2013 and 2012, respectively.

Management believes that we are in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action including fines, penalties and exclusion from the Medicare and Medicaid programs.

Allowance for Doubtful Accounts

Our ability to collect outstanding patient receivables from third party payors is critical to our operating performance and cash flows. The primary collection risk with regard to patient receivables relates to uninsured patient accounts or patient accounts for which primary insurance has paid, but the portion owed by the patient remains outstanding. We estimate uncollectible accounts and establish an allowance for doubtful accounts in order to adjust accounts receivable to estimated net realizable value. In evaluating the collectability of accounts receivable, we consider a number of factors, including the age of the accounts, historical collection experience, current economic conditions, and other relevant factors. Accounts receivable that are determined to be uncollectible based on our policies are written off to the allowance for doubtful accounts. Significant changes in payor mix or business office operations could have a significant impact on our results of operations and cash flows.

Insurance

We are subject to medical malpractice and other lawsuits due to the nature of the services we provide. Our operations have professional and general liability insurance for claims in excess of a $250,000 deductible with an insured excess limit of $35 million. The reserve for professional and general liability risks was estimated based on historical claims, demographic factors, industry trends, severity factors, and other actuarial assumptions calculated by an independent third-party actuary. The estimated accrual for professional and general liabilities could be significantly affected should current and future occurrences differ from historical claim trends and expectations. While claims are monitored closely when estimating professional and general liability accruals, the complexity of the claims and wide range of potential outcomes often hampers timely adjustments to the assumptions used in these estimates. The professional and general liability reserve was $14.0 million as of December 31, 2013, of which $4.1 million was included in other accrued liabilities and $9.9 million was included in other long-term liabilities. The professional and general liability reserve was $6.4 million as of December 31, 2012, of which $4.0 million was included in other accrued liabilities and $2.4 million was included in other long-term liabilities. We estimate receivables for the portion of professional and general liability reserves that are recoverable under our insurance policies based on an independent actuarial evaluation. Such receivable was $11.2 million as of December 31, 2013, of which $3.4 million was included in other current assets and $7.8 million was included in other assets, and such receivable was $4.8 million as of December 31, 2012, of which $3.4 million was included in other current assets and $1.4 million was included in other assets.

Our statutory workers' compensation program is fully insured with a $500,000 deductible per accident. The workers' compensation liability was $6.2 million as of December 31, 2013, of which $4.1 million was included in other accrued liabilities and $2.1 million was included in other long-term liabilities, and such liability was $3.9 million as of December 31, 2012, of which $1.8 million was included in other accrued liabilities and $2.1 million was included in other long-term liabilities. The reserve for workers compensation claims was based upon independent actuarial estimates of future amounts that will be paid to claimants. Management believes that adequate provisions have been made for workers' compensation and professional and general liability risk exposures.

Property and Equipment and Other Long-Lived Assets

Property and equipment are recorded at cost. Depreciation is calculated on the straight-line basis over the estimated useful lives of the assets, which typically range from 10 to 40 years for buildings and improvements, three to seven years for equipment and the shorter of the lease term or estimated useful lives for leasehold improvements. When assets are sold or retired, the corresponding cost and accumulated depreciation are removed from the related accounts and any gain or loss is recorded in the period of sale or retirement. Repair and maintenance costs are expensed as incurred. Depreciation expense was $16.3 million, $7.4 million and $2.7 million for the years ended December 31, 2013, 2012 and 2011, respectively.

The carrying values of long-lived assets are reviewed for possible impairment whenever events, circumstances or operating results indicate that the carrying amount of an asset may not be recoverable. If this review indicates that the asset will not be recoverable, as determined based upon the undiscounted cash flows of the operating asset over the remaining useful lives, the carrying value of the asset will be reduced to its estimated fair value. Fair value estimates are based on independent appraisals, market values of comparable assets or internal evaluations of future net cash flows.

Goodwill and Indefinite-Lived Intangible Assets

Our goodwill and other indefinite-lived intangible assets, which consist of licenses and accreditations and certificates of need intangible assets that are not amortized, are evaluated for impairment annually during the fourth quarter or more frequently if events indicate that the carrying value of a reporting unit may not be recoverable. We have only one operating segment, behavioral healthcare services, for segment reporting purposes. The behavioral healthcare services operating segment represents one reporting unit for purposes of our goodwill impairment test. Potential impairment is noted for a reporting unit if its carrying value exceeds the fair value of the reporting unit. For a reporting unit with potential impairment of goodwill, we determine the implied fair value of goodwill. If the carrying value of goodwill exceeds its implied fair value, an impairment loss is recorded. Our annual impairment tests of goodwill in 2013, 2012 and 2011 resulted in no goodwill impairment charges.

Income Taxes

We use the asset and liability method of accounting for income taxes. Under this method, deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes and net operating loss and tax credit carry forwards. The amount of deferred taxes on these temporary differences is determined using the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, as applicable, based on tax rates and laws in the respective tax jurisdiction enacted as of the balance sheet date.

We review our deferred tax assets for recoverability and establish a valuation allowance based on historical taxable income, projected future taxable income, applicable tax strategies, and the expected timing of the reversals of existing temporary differences. A valuation allowance is provided when it is more likely than not that some portion or all of the deferred tax assets will not be realized.

We report a liability for unrecognized tax benefits resulting from uncertain tax positions taken or expected to be taken in a tax return. We recognize interest and penalties, if any, related to unrecognized tax benefits in income tax expense.

We also have accruals for taxes and associated interest that may become payable in future years as a result of audits by tax authorities. We accrue for tax contingencies when it is more likely than not that a liability to a taxing authority has been incurred and the amount of the contingency can be reasonably estimated. Although we believe that the positions taken on previously filed tax returns are reasonable, we nevertheless have established tax and interest reserves in recognition that various taxing authorities may challenge the positions taken by us resulting in additional liabilities for taxes and interest. These amounts are reviewed as circumstances warrant and adjusted as events occur that affect our potential liability for additional taxes, such as lapsing of applicable statutes of limitations, conclusion of tax audits, additional exposure based on current calculations, identification of new issues, release of administrative guidance, or rendering of a court decision affecting a particular tax issue.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Information with respect to this Item is provided under the caption “Market Risk” under Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

Item 8. Financial Statements and Supplementary Data.

Information with respect to this Item is contained in our consolidated financial statements beginning on Page F-1 of this Annual Report on Form 10-K.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. 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 Securities Exchange Act of 1934, as amended (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 Securities and Exchange Commission'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.

Reports on Internal Control Over Financial Reporting

Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, we have included a report of management's assessment of the design and operating effectiveness of our internal controls as part of this report.

Our independent registered public accounting firm also reported on the effectiveness of internal control over financial reporting. Management's report and the independent registered public accounting firm's report are included in our consolidated financial statements beginning on page F-1 of this report under the captions entitled "Management's Report on Internal Control Over Financial Reporting" and "Report of Independent Registered Public Accounting Firm."

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting during the fourth quarter ended December 31, 2013 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

Item 9B. Other Information.

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

Directors

The information with respect to our directors set forth under the caption "Proposal 1: Election of Directors" in our Definitive Proxy Statement for the Annual Meeting of Stockholders to be held May 22, 2014 is incorporated herein by reference.

Audit Committee

The information with respect to our Audit Committee and our audit committee financial experts serving on the Audit Committee is set forth under the caption "Corporate Governance – Committees of the Board of Directors – Audit Committee" in our Definitive Proxy Statement for the Annual Meeting of Stockholders to be held May 22, 2014 is incorporated herein by reference.

Executive Officers

The information with respect to our executive officers set forth under the caption "Management – Executive Officers" in our Definitive Proxy Statement for the Annual Meeting of Stockholders to be held May 22, 2014 is incorporated herein by reference.

Section 16(a) Compliance

The information with respect to compliance with Section 16(a) of the Exchange Act set forth under the caption "Section 16(a) Beneficial Ownership Reporting Compliance" in our Definitive Proxy Statement for the Annual Meeting of Stockholders to be held May 22, 2014 is incorporated herein by reference.

Stockholder Nominees

The information with respect to the procedures by which stockholders may recommend nominees to the Board of Directors set forth under the caption "Corporate Governance – Nomination of Directors – Nominations by Our Stockholders" in our Definitive Proxy Statement for the Annual Meeting of Stockholders to be held May 22, 2014 is incorporated herein by reference.

Corporate Governance Documents

We have adopted a Code of Conduct that applies to all of our directors, officers and employees and a Code of Ethics for Senior Financial Officers. These documents, as well as the charters of the Audit Committee and the Compensation Committee, are available on our website at www.acadiahealthcare.com on the Investor Relations webpage under the caption "Corporate Governance." Upon the written request of any person, we will furnish, without charge, a copy of any of these documents. Requests should be directed to Acadia Healthcare Company, Inc., 830 Crescent Centre Drive, Suite 610, Franklin, Tennessee 37067, Attention: Christopher L. Howard, Esq. We intend to disclose any amendments to our Code of Ethics and any waiver from a provision of our code, as required by the SEC, on our website.

Item 11. Executive Compensation

The information with respect to the compensation of our executive officers set forth under the captions "Executive Compensation," "Compensation Discussion and Analysis," "Director Compensation" and "Compensation Committee Report" in our Definitive Proxy Statement for the Annual Meeting of Stockholders to be held May 22, 2014 is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information with respect to security ownership of certain beneficial owners and management and related stockholder matters set forth under the caption "Security Ownership of Certain Beneficial Owners and Management" in our Definitive Proxy Statement for the Annual Meeting of Stockholders to be held May 22, 2014 is incorporated herein by reference.

The information with respect to securities authorized for issuance under equity compensation plans set forth under the caption "Securities Authorized for Issuance Under Equity Compensation Plans" in our Definitive Proxy Statement for the Annual Meeting of Stockholders to be held May 22, 2014 is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information with respect to certain relationships and related transactions and director independence set forth under the captions "Certain Relationships and Related Transactions" and "Corporate Governance – Independence of the Board of Directors" in our Definitive Proxy Statement for the Annual Meeting of Stockholders to be held May 22, 2014 is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services

The information with respect to the fees paid to and services provided by our principal accountants set forth under the caption "Proposal 3: Ratification of Appointment of Independent Registered Public Accounting Firm" in our Definitive Proxy Statement for the Annual Meeting of Stockholders to be held May 22, 2014 is incorporated herein by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

(a) The following documents are filed as part of this Annual Report on Form 10-K:

1. *Consolidated Financial Statements*:

The consolidated financial statements required to be included in Part II, Item 8, Financial Statements and Supplementary Data, begin on Page F-1 and are submitted as a separate section of this report.

2. *Financial Statement Schedules*:

All schedules are omitted because they are not applicable or are not required, or because the required information is included in the consolidated financial statements or notes in this report.

3. *Exhibits*:

Exhibit No.	Exhibit Description
2.1	Agreement and Plan of Merger, dated May 23, 2011, by and among Acadia Healthcare Company, Inc. (the “Company”), Acadia Merger Sub, LLC and PHC, Inc. (a)
2.2	Agreement and Plan of Merger, dated February 17, 2011, by and among the Company (f/k/a Acadia Healthcare Company, LLC), Acadia—YFCS Acquisition Company, Inc., Acadia—YFCS Holdings, Inc., Youth & Family Centered Services, Inc., each of the stockholders who are signatories thereto, and TA Associates, Inc., solely in the capacity as Stockholders’ Representative. (b)
2.3	Asset Purchase Agreement, dated as of March 15, 2011, between Universal Health Services, Inc. and PHC, Inc. for the acquisition of MeadowWood Behavioral Health System. (c)
2.4	Membership Interest Purchase Agreement, dated December 30, 2011, by and among Hermitage Behavioral, LLC, Haven Behavioral Healthcare Holdings, LLC and Haven Behavioral Healthcare, Inc. (d)
2.5	Asset Purchase Agreement, dated August 28, 2012, by and between Timberline Knolls, LLC, and TK Behavioral, LLC. (e)
2.6	Acquisition Agreement, dated November 21, 2012, by and among (i) Behavioral Centers of America, LLC, (ii) Behavioral Centers of America Holdings, LLC, (iii) Linden BCA Blocker Corp., (iv) SBOF-BCA Holdings Corporation, (v) HEP BCA Holdings Corp. (vi) Siguler Guff Small Buyout Opportunities Fund, LP, and Siguler Guff Small Buyout Opportunities Fund (F), LP, (vii) Health Enterprise Partners, L.P., HEP BCA Co-Investors, LLC, (viii) Linden Capital Partners A, LP, (ix) Commodore Acquisition Sub, LLC, and (x) the Company (the “BCA Purchase Agreement”). (f)
2.7	Amendment No. 1, dated as of December 31, 2012, to the BCA Purchase Agreement. (g)
2.8	Membership Interest Purchase Agreement, dated November 23, 2012 by and among 2C4K, L.P., ARTC Acquisitions, Inc., Acadia Vista, LLC and the Company. (f)
2.9	Amendment, dated as of December 31, 2012, to Membership Interest Purchase Agreement by and among 2C4K, LP, ARTC Acquisitions, Inc., Acadia Vista, LLC and the Company. (g)
2.10	Stock Purchase Agreement, dated as of March 29, 2013, by and among First Ten Broeck Tampa, Inc., UMC Ten Broeck, Inc., Capestrano Holding 12, Inc., Donald R. Dizney, David A. Dizney and Acadia Merger Sub, LLC. (h)
3.1	Amended and Restated Certificate of Incorporation, as filed on October 28, 2011 with the Secretary of State of the State of Delaware. (i)
3.2	Amended and Restated Bylaws of the Company (i)
4.1	Indenture, dated as of November 1, 2011, among the Company, the Guarantors named therein and U.S. Bank National Association, as Trustee. (i)
4.2	Form of 12.875% Senior Note due 2018. (Included in Exhibit 4.1)
4.3	Registration Rights Agreement, dated as of November 1, 2011, among the Company, the Guarantors named therein and Jefferies & Company, Inc. (i)

Exhibit No.	Exhibit Description
4.4	Indenture, dated as of March 12, 2013, among the Company, the Guarantors named therein and U.S. Bank National Association, as Trustee. (j)
4.5	Form of 6.125% Senior Note due 2021. (Included in Exhibit 4.4)
4.6	Registration Rights Agreement, dated March 12, 2013, among the Company, the Guarantors named therein and Merrill Lynch, Pierce, Fenner & Smith Incorporated. (j)
4.7	Stockholders Agreement, dated as of November 1, 2011, by and among the Company and each of the WCP and Management Investors Named therein. (i)
4.8	Amendment, dated as of April 25, 2012, to the Stockholders Agreement, dated as of November 1, 2011, by and among the Company and each of the Waud Capital Partners and management investors named therein. (k)
4.9	Specimen Acadia Healthcare Company, Inc. Common Stock Certificate to be issued to holders of Acadia Healthcare Company, Inc. Common Stock. (l)
4.10	Amended and Restated Registration Rights Agreement, dated April 1, 2011, by and among Acadia Healthcare Holdings, LLC and the other persons party thereto. (l)
4.11	Form of Subscription Agreement and Warrant. (m)
10.1	Amended and Restated Credit Agreement, dated December 31, 2012, by and among Bank of America, NA (Administrative Agent, Swing Line Lender and L/C Issuer) and the Company (f/k/a Acadia Healthcare Company, LLC), the guarantors listed on the signature pages thereto, and the lenders listed on the signature pages thereto (the “Credit Agreement”). (g)
10.2	First Amendment, dated March 11, 2013, to the Credit Agreement. (j)
10.3	Second Amendment, dated June 28, 2013, to the Credit Agreement. (n)
10.4	Third Amendment, dated September 30, 2013, to the Credit Agreement. (o)
10.5	Fourth Amendment, dated February 13, 2014, to the Credit Agreement. (p)
†10.6	Employment Agreement, dated as of January 31, 2011, between Acadia Management Company, Inc. and Joey A. Jacobs. (b)
†10.7	Employment Agreement, dated as of January 31, 2011, between Acadia Management Company, Inc. and Brent Turner. (b)
†10.8	Employment Agreement, dated as of January 31, 2011, between Acadia Management Company, Inc. and Christopher L. Howard. (b)
†10.9	Employment Agreement, dated as of January 31, 2011, between Acadia Management Company, Inc. and Ronald M. Fincher. (b)
†10.10	Employment Agreement, dated as of May 23, 2011, by and between the Company and Bruce A. Shear. (b)
†10.11	PHC, Inc.’s 1993 Stock Purchase and Option Plan, as amended December 2002. (q)
†10.12	PHC, Inc.’s 1995 Non-Employee Director Stock Option Plan, as amended December 2002. (q)
†10.13	PHC, Inc.’s 1995 Employee Stock Purchase Plan, as amended December 2002. (q)
†10.14	PHC, Inc.’s 2004 Non-Employee Director Stock Option Plan. (r)
†10.15	PHC, Inc.’s 2005 Employee Stock Purchase Plan. (s)
†10.16	PHC, Inc.’s 2003 Stock Purchase and Option Plan, as amended December 2007. (s)
†10.17	Acadia Healthcare Company, Inc. Incentive Compensation Plan, effective May 23, 2013. (t)
†10.18	Form of Restricted Stock Unit Agreement. (b)
†10.19	Form of Incentive Stock Option Agreement. (b)
†10.20	Form of Non-Qualified Stock Option Agreement. (b)

Exhibit No.	Exhibit Description
†10.21	Form of Restricted Stock Agreement. (b)
†10.22	Form of Stock Appreciation Rights Agreement. (b)
†10.23	Acadia Healthcare Company, Inc. 2012 Cash Bonus Plans. (u)
†10.24	Acadia Healthcare Company, Inc. 2012 Long-Term Incentive Plan. (u)
†10.25	Acadia Healthcare Company, Inc. Nonqualified Deferred Compensation Plan, effective February 1, 2013. (v)
†10.26	Nonmanagement Director Compensation Program, effective January 1, 2013. (v)
†10.27	Stock Ownership Guidelines for Nonmanagement Directors, effective March 19, 2012. (u)
†10.28	David M. Duckworth 2012 Cash Bonus Plan. (w)
†10.29	David M. Duckworth 2012 Long-Term Incentive Plan. (w)
10.30	Professional Services Agreement, dated as of April 1, 2011, between Waud Capital Partners, L.L.C. and Acadia Healthcare Company, Inc. (f/k/a Acadia Healthcare Company, LLC). (b)
10.31	Termination Agreement, dated November 1, 2011, by and between Waud Capital Partners, L.L.C and Acadia Healthcare Company, Inc. (l)
10.32	Engagement Agreement, dated January 7, 2011, between True Partners Consulting LLC and the Company (b)
10.33	Form of Indemnification Agreement (for directors and officers affiliated with Waud Capital Partners). (i)
10.34	Form of Indemnification Agreement (for directors and officers not affiliated with Waud Capital Partners). (i)
10.35	Underwriting Agreement, dated December 6, 2012, by and among the Company, the selling stockholders named in Schedule B thereof and Merrill Lynch, Pierce, Fenner & Smith Incorporated, Citigroup Global Markets Inc. and Jefferies & Company, Inc., as representatives of the several underwriters named therein. (x)
10.36	Purchase Agreement, dated March 7, 2013, by and among the Company, the Guarantors and Merrill Lynch, Pierce, Fenner & Smith Incorporated as representative of the initial purchasers named therein. (j)
21*	Subsidiaries of the Company.
23*	Consent of Independent Registered Public Accounting Firm.
31.1*	Rule 13a-14(a) Certification of the Chief Executive Officer of the Company pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Rule 13a-14(a) Certification of the Chief Financial Officer of the Company pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Section 1350 Certification of Chairman of the Board and Chief Executive Officer of the Company pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Section 1350 Certification of Chief Financial Officer of the Company pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS**	XBRL Instance Document.
101.SCH**	XBRL Taxonomy Extension Schema Document.
101.CAL**	XBRL Taxonomy Calculation Linkbase Document.
101.LAB**	XBRL Taxonomy Labels Linkbase Document.
101.PRE**	XBRL Taxonomy Presentation Linkbase Document.

† Indicates management contract or compensatory plan or arrangement.
* Filed herewith.

** The XBRL related information in Exhibit 101 to this Annual Report on Form 10-K 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.

(a) Incorporated by reference to exhibits filed with PHC, Inc.’s Current Report on Form 8-K filed May 25, 2011 (File No. 001-33323).

(b) Incorporated by reference to exhibits filed with the Company’s registration statement on Form S-4, as amended (File No. 333-175523), originally filed with the SEC on July 13, 2011.

(c) Incorporated by reference to exhibits filed with PHC, Inc.’s Current Report on Form 8-K filed March 18, 2011 (File No. 001-33323).

(d) Incorporated by reference to exhibits filed with the Company’s Current Report on Form 8-K filed January 5, 2012 (File No. 001-35331).

(e) Incorporated by reference to exhibits filed with the Company’s Current Report on Form 8-K filed September 4, 2012 (File No. 001-35331).

(f) Incorporated by reference to exhibits filed with the Company’s Current Report on Form 8-K filed November 27, 2012 (File No. 001-35331).

(g) Incorporated by reference to exhibits filed with the Company’s Current Report on Form 8-K filed January 2, 2013 (File No. 001-35331).

(h) Incorporated by reference to exhibits filed with the Company’s Current Report on Form 8-K filed April 4, 2013 (File No. 001-35331).

(i) Incorporated by reference to exhibits filed with the Company’s Current Report on Form 8-K filed November 1, 2011 (File No. 001-35331).

(j) Incorporated by reference to exhibits filed with the Company’s Current Report on Form 8-K filed March 12, 2013 (File No. 001-35331).

(k) Incorporated by reference to exhibits filed with the Company’s Quarterly Report on Form 10-Q for the three months ended June 30, 2012 (File No. 001-35331).

(l) Incorporated by reference to exhibits filed with the Company’s registration statement on Form S-1, as amended (File No. 333-175523), originally filed with the SEC on November 23, 2011.

(m) Incorporated by reference to exhibits filed with PHC, Inc.’s Current Report on Form 8-K filed May 13, 2004 (File No. 001-33323).

(n) Incorporated by reference to exhibits filed with the Company’s Quarterly Report on Form 10-Q for the three months ended June 30, 2013 (File No. 001-35331).

(o) Incorporated by reference to exhibits filed with the Company’s Quarterly Report on Form 10-Q for the three months ended September 30, 2013 (File No. 001-35331).

(p) Incorporated by reference to exhibits filed with the Company’s Current Report on Form 8-K filed February 19, 2014 (File No. 001-35331).

(q) Incorporated by reference to exhibits filed with PHC, Inc.’s registration statement on Form S-8 filed January 8, 2003 (File No. 333-102402).

(r) Incorporated by reference to exhibits filed with PHC, Inc.’s registration statement on Form S-8 filed April 5, 2005 (File No. 333-123842).

(s) Incorporated by reference to exhibits filed with PHC, Inc.’s registration statement on Form S-8 filed March 6, 2008 (File No. 333-149579).

(t) Incorporated by reference to exhibits filed with the Company’s registration statement on Form S-8 filed July 30, 2013 (File No. 333-190232).

(u) Incorporated by reference to exhibits filed with the Company’s Current Report on Form 8-K filed March 23, 2012 (File No. 001-35331).

(v) Incorporated by reference to exhibits filed with the Company’s Quarterly Report on Form 10-Q for the three months ended March 31, 2013 (File No. 001-35331).

(w) Incorporated by reference to exhibits filed with the Company’s Current Report on Form 8-K filed August 3, 2012 (File No. 001-35331).

(x) Incorporated by reference to exhibits filed with the Company’s Current Report on Form 8-K filed December 7, 2012 (File No. 001-35331

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MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2013 based on the framework in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) (COSO). Based on that evaluation, our management concluded that our internal control over financial reporting was effective as of December 31, 2013.

We acquired Delta effective January 31, 2013, the UMC Facilities effective May 1, 2013, The Refuge effective August 1, 2013, Longleaf effective October 1, 2013 and Cascade effective December 1, 2013. We excluded these facilities from our assessment of and conclusion on the effectiveness of our internal control over financial reporting. For the year ended December 31, 2013, these facilities contributed $66.8 million or 9.4% of our total revenues, and as of December 31, 2013, accounted for $177.2 million or 14.5% of our total assets.

Our accompanying consolidated financial statements have been audited by the independent registered public accounting firm of Ernst & Young LLP. Reports of the independent registered public accounting firm, including the independent registered public accounting firm's report on our internal control over financial reporting, are included in this report.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of Acadia Healthcare Company, Inc.

We have audited Acadia Healthcare Company, Inc.'s internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) (the COSO criteria). Acadia Healthcare Company's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As indicated in the accompanying Management's Report on Internal Control Over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of Delta Medical Center, the UMC facilities, The Refuge, Longleaf, and Cascade, which are included in the December 31, 2013 consolidated financial statements of Acadia Healthcare Company, Inc. and constituted $177.2 million and $159.8 million of total and net assets, respectively, as of December 31, 2013 and $66.8 million and $2.3 million of revenues and net loss, respectively, for the year then ended. Our audit of internal control over financial reporting of Acadia Healthcare Company, Inc. also did not include an evaluation of the internal control over financial reporting of Delta Medical Center, the UMC facilities, The Refuge, Longleaf, and Cascade.

In our opinion, Acadia Healthcare Company, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Acadia Healthcare Company, Inc. as of December 31, 2013 and 2012, and the related consolidated statements of operations, equity and cash flows for each of the three years in the period ended December 31, 2013, and our report dated February 21, 2014 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Nashville, Tennessee
February 21, 2014

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of Acadia Healthcare Company, Inc.

We have audited the accompanying consolidated balance sheets of Acadia Healthcare Company, Inc. as of December 31, 2013 and 2012, and the related consolidated statements of operations, equity and cash flows for each of the three years in the period ended December 31, 2013. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Acadia Healthcare Company, Inc. at December 31, 2013 and 2012, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2013, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Acadia Healthcare Company, Inc.'s internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) and our report dated February 21, 2014 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Nashville, Tennessee
February 21, 2014

Acadia Healthcare Company, Inc.
Consolidated Balance Sheets

	December 31, 2013	December 31, 2012
	(In thousands, except share and per share amounts)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 4,569	$ 49,399
Accounts receivable, net of allowance for doubtful accounts of $18,345 and $7,484, respectively	95,885	63,870
Deferred tax assets	15,703	11,380
Other current assets	28,969	16,332
Total current assets	145,126	140,981
Property and equipment:		
Land	58,947	39,130
Building and improvements	259,523	171,769
Equipment	36,742	19,773
Construction in progress	44,186	19,300
Less accumulated depreciation	(29,289)	(13,030)
Property and equipment, net	370,109	236,942
Goodwill	661,549	557,402
Intangible assets, net	20,568	15,988
Other assets	27,307	32,100
Total assets	$ 1,224,659	$ 983,413
LIABILITIES AND EQUITY		
Current liabilities:		
Current portion of long-term debt	$ 15,195	$ 7,680
Accounts payable	36,026	19,081
Accrued salaries and benefits	37,721	28,749
Other accrued liabilities	25,748	16,341
Total current liabilities	114,690	71,851
Long-term debt	601,941	465,638
Deferred tax liabilities – noncurrent	7,971	998
Other liabilities	19,347	12,376
Total liabilities	743,949	550,863
Equity:		
Preferred stock, $0.01 par value; 10,000,000 shares authorized, no shares issued	—	—
Common stock, $0.01 par value; 90,000,000 shares authorized; 50,070,980 and 49,887,300 issued and outstanding as of December 31, 2013 and 2012, respectively	501	499
Additional paid-in capital	461,807	456,228
Retained earnings (accumulated deficit)	18,402	(24,177)
Total equity	480,710	432,550
Total liabilities and equity	$ 1,224,659	$ 983,413

See accompanying notes.

Acadia Healthcare Company, Inc.
Consolidated Statements of Operations

	Year Ended December 31,		
	2013	2012	2011
	(In thousands, except per share amounts)		
Revenue before provision for doubtful accounts	$ 735,109	$ 413,850	$ 219,704
Provision for doubtful accounts	(21,701)	(6,389)	(3,206)
Revenue	713,408	407,461	216,498
Salaries, wages and benefits (including equity-based compensation expense of $5,249, $2,267 and $17,320, respectively)	407,962	239,639	152,609
Professional fees	37,171	19,019	8,896
Supplies	37,569	19,496	11,349
Rents and leases	10,049	7,838	5,576
Other operating expenses	80,572	42,777	20,171
Depreciation and amortization	17,090	7,982	4,278
Interest expense, net	37,250	29,769	9,191
Debt extinguishment costs	9,350	—	—
Sponsor management fees	—	—	1,347
Transaction-related expenses	7,150	8,112	41,547
Total expenses	644,163	374,632	254,964
Income (loss) from continuing operations before income taxes	69,245	32,829	(38,466)
Provision for (benefit from) income taxes	25,975	12,325	(5,272)
Income (loss) from continuing operations	43,270	20,504	(33,194)
Loss from discontinued operations, net of income taxes	(691)	(101)	(1,698)
Net income (loss)	$ 42,579	$ 20,403	$ (34,892)
Basic earnings (loss) per share:			
Income (loss) from continuing operations	$ 0.87	$ 0.53	$ (1.77)
Loss from discontinued operations	(0.02)	—	(0.09)
Net income (loss)	$ 0.85	$ 0.53	$ (1.86)
Diluted earnings (loss) per share:			
Income (loss) from continuing operations	$ 0.86	$ 0.53	$ (1.77)
Loss from discontinued operations	(0.01)	—	(0.09)
Net income (loss)	$ 0.85	$ 0.53	$ (1.86)
Weighted-average shares outstanding:			
Basic	50,004	38,477	18,757
Diluted	50,261	38,696	18,757

See accompanying notes.

Acadia Healthcare Company, Inc.
Consolidated Statements of Equity

	Members' Equity	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Total
			(In thousands)			
Balance at January 1, 2011	$ 25,107	—	$ —	$ —	$ —	$ 25,107
Distributions	(375)	—	—	—	—	(375)
Reclassification of management liability awards to equity awards	365	—	—	—	—	365
Contribution from Holdings	51,029	—	—	—	—	51,029
Conversion from limited liability company to corporation	(76,126)	17,633	176	85,638	(9,688)	—
Cash distribution paid to equity holders	—	—	—	(74,441)	—	(74,441)
Issuance of common stock in connection with acquisition	—	4,892	49	43,976	—	44,025
Fair value of vested portion of replacement awards issued in connection with acquisition	—	—	—	1,027	—	1,027
Issuance of common stock, net	—	9,583	96	67,066	—	67,162
Common stock issued for stock option exercises	—	8	—	38	—	38
Equity-based compensation expense	—	—	—	17,320	—	17,320
Net loss	—	—	—	—	(34,892)	(34,892)
Balance at December 31, 2011	$ —	32,116	$ 321	$ 140,624	$ (44,580)	$ 96,365
Issuances of common stock, net	—	17,538	176	311,665	—	311,841
Common stock issued under stock incentive plans	—	233	2	958	—	960
Equity-based compensation expense	—	—	—	2,267	—	2,267
Excess tax benefit from equity awards	—	—	—	714	—	714
Net income	—	—	—	—	20,403	20,403
Balance at December 31, 2012	$ —	49,887	$ 499	$ 456,228	$ (24,177)	$ 432,550
Common stock issued under stock incentive plans	—	184	2	311	—	313
Common stock withheld for minimum statutory taxes	—	—	—	(1,555)	—	(1,555)
Equity-based compensation expense	—	—	—	5,249	—	5,249
Excess tax benefit from equity awards	—	—	—	1,779	—	1,779
Issuance of common stock, net	—	—	—	(205)	—	(205)
Net income	—	—	—	—	42,579	42,579
Balance at December 31, 2013	$ —	50,071	$ 501	$ 461,807	$ 18,402	$ 480,710

See accompanying notes.

Acadia Healthcare Company, Inc.
Consolidated Statements of Cash Flows

	Year Ended December 31,		
	2013	2012	2011
		(In thousands)	
Operating activities:			
Net income (loss)	$ 42,579	$ 20,403	$ (34,892)
Adjustments to reconcile net income (loss) to net cash provided by (used in) continuing operating activities:			
Depreciation and amortization	17,090	7,982	4,278
Amortization of debt issuance costs	2,264	2,507	1,271
Equity-based compensation expense	5,249	2,267	17,320
Deferred income tax expense (benefit)	10,083	2,847	(6,442)
Loss from discontinued operations, net of taxes	691	101	1,698
Debt extinguishment costs	9,350	—	—
Other	21	(3)	(168)
Change in operating assets and liabilities, net of effect of acquisitions:			
Accounts receivable, net	(21,242)	(10,344)	(1,675)
Other current assets	(3,652)	1,583	(1,625)
Other assets	(2,239)	637	(969)
Accounts payable and other accrued liabilities	(848)	485	3,326
Accrued salaries and benefits	2,803	5,142	(1,759)
Other liabilities	3,181	702	734
Net cash provided by (used in) continuing operating activities	65,330	34,309	(18,903)
Net cash provided by (used in) discontinued operating activities	232	(411)	(1,763)
Net cash provided by (used in) operating activities	65,562	33,898	(20,666)
Investing activities:			
Cash paid for acquisitions, net of cash acquired	(164,019)	(443,473)	(206,379)
Cash paid for capital expenditures	(68,941)	(27,595)	(9,558)
Cash paid for real estate acquisitions	(8,092)	(53,159)	(8,706)
Other	(1,926)	(417)	(689)
Net cash used in continuing investing activities	(242,978)	(524,644)	(225,332)
Net cash used in discontinued investing activities	—	—	(238)
Net cash used in investing activities	(242,978)	(524,644)	(225,570)
Financing activities:			
Borrowings on long-term debt	150,000	176,063	282,485
Borrowings on revolving credit facility	61,500	16,000	15,100
Principal payments on revolving credit facility	(8,000)	(16,000)	(15,100)
Principal payments on long-term debt	(7,680)	(6,000)	(5,063)
Repayment of long-term debt	(52,500)	—	(9,984)
Payment of debt issuance costs	(4,307)	(4,551)	(12,111)
Payment of premium on note redemption	(6,759)	—	—
Issuances of common stock, net	(205)	311,841	67,162
Common stock withheld for minimum statutory taxes, net	(1,242)	960	38
Excess tax benefit from equity awards	1,779	714	—
Cash distribution paid to equity holders	—	—	(74,441)
Contribution from Holdings	—	—	51,029
Distributions to equity holders	—	—	(375)
Net cash provided by financing activities	132,586	479,027	298,740
Net (decrease) increase in cash and cash equivalents	(44,830)	(11,719)	52,504
Cash and cash equivalents at beginning of the period	49,399	61,118	8,614
Cash and cash equivalents at end of the period	$ 4,569	$ 49,399	$ 61,118

(continued on next page)

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

	Year Ended December 31,		
	2013	2012	2011
	(In thousands)		
Supplemental Cash Flow Information:			
Cash paid for interest	$ 33,270	$ 27,238	$ 5,053
Cash paid for income taxes	$ 16,960	$ 3,928	$ 2,564
Significant Non-Cash Transactions:			
Issuance of common stock in connection with acquisition	$ —	$ —	$ 44,025
Issuance of replacement share-based awards in connection with acquisition	$ —	$ —	$ 1,027
Contingent consideration issued in connection with acquisition	$ —	$ 6,120	$ —
Effect of acquisitions:			
Assets acquired, excluding cash	$ 192,928	$ 482,891	$ 278,895
Liabilities assumed	(17,725)	(44,982)	(27,464)
Deposits paid for acquisitions	500	11,684	—
Prior year deposits paid for acquisitions	(11,684)	—	
Contingent consideration issued in connection with acquisition	—	(6,120)	—
Issuance of common stock in connection with acquisition	—	—	(44,025)
Issuance of replacement share-based awards in connection with acquisition	—	—	(1,027)
Cash paid for acquisitions, net of cash acquired	$ 164,019	$ 443,473	$ 206,379

See accompanying notes.

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. At December 31, 2013, the Company operated 51 behavioral healthcare facilities with approximately 4,200 licensed beds in 23 states and Puerto Rico.

The Company was formed in October 2005 as a Delaware limited liability company. On May 13, 2011, the Company was converted to a Delaware C-corporation registered as Acadia Healthcare Company, Inc. Until November 1, 2011, the Company was a wholly-owned subsidiary of Acadia Healthcare Holdings, LLC ("Holdings").

Basis of Presentation

The business of the Company is conducted through limited liability companies and C-corporations, each of which is a direct or indirect wholly owned subsidiary of the Company. The Company's consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, all of which are 100% owned. All significant intercompany accounts and transactions have been eliminated in consolidation.

Prior to April 1, 2011, the Company and its limited liability company subsidiaries were taxed as flow-through entities and as such, the results of operations of the Company related to the flow-through entities were included in the income tax returns of its members. On April 1, 2011, the Company and its wholly-owned limited liability company subsidiaries elected to be taxed as a corporation for federal and state income tax purposes, and, therefore, income taxes became the obligation of the Company subsequent to April 1, 2011.

The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP"). 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. The majority of the Company's expenses are "cost of revenue" items. Costs that could be classified as general and administrative expenses include the Company's corporate office costs, which were $29.0 million, $21.6 million and $13.1 million for the years ended December 31, 2013, 2012 and 2011, respectively.

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

2. Summary of Significant Accounting Policies

Cash and Cash Equivalents

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents. At times, cash and cash equivalent balances may exceed federally insured limits. Management believes that the Company mitigates any risks by depositing cash and investing in cash equivalents with major financial institutions.

Revenue and Accounts Receivable

Revenue is primarily derived from services rendered to patients for inpatient psychiatric and substance abuse care, outpatient psychiatric care and adolescent residential treatment. The Company receives 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 the Centers for Medicare and Medicaid Services; and (iv) individual patients and clients. Revenue is recorded in the period in which services are provided at established billing rates less contractual adjustments based on amounts reimbursable by Medicare or Medicaid under provisions of cost or prospective reimbursement formulas or amounts due from other third-party payors at contractually determined rates.

The following table presents revenue by payor type as a percentage of revenue before provision for doubtful accounts:

	Year Ended December 31,		
	2013	2012	2011
Self-Pay	3.4%	2.5%	2.0%
Commercial	24.9	20.1	14.4
Medicare	21.5	11.8	7.4
Medicaid	48.0	63.6	74.8
Other	2.2	2.0	1.4
Revenue	100%	100%	100%

On a combined basis, revenue related to the Medicare and Medicaid programs were 70%, 75% and 82% of all revenue before provision for doubtful accounts for the years ended December 31, 2013, 2012 and 2011, respectively. The Company's concentration of credit risk from other payors is reduced by the large number of payors and their geographic dispersion. The Company generated approximately 17% and 8% of its revenue for the year ended December 31, 2013 from facilities located in Arkansas and Mississippi, respectively, and approximately 13% and 12% of its revenue for the year ended December 31, 2012.

Allowance for Contractual Discounts

The Company derives a significant portion of its revenues from Medicare, Medicaid and other payors that receive discounts from established billing rates. The Medicare and Medicaid regulations and various managed care contracts under which these discounts must be calculated are complex, subject to interpretation and adjustment, and may include multiple reimbursement mechanisms for different types of services provided in the Company's inpatient facilities and cost settlement provisions. Management estimates the allowance for contractual discounts on a payor-specific basis given its interpretation of the applicable regulations or contract terms. The services authorized and provided and related reimbursement are often subject to interpretation that could result in payments that differ from the Company's estimates. Additionally, updated regulations and contract renegotiations occur frequently, necessitating regular review and assessment of the estimation process by management.

Settlements under cost reimbursement agreements with third-party payors are estimated and recorded in the period in which the related services are rendered and are adjusted in future periods as final settlements are determined. Final determination of amounts earned under the Medicare and Medicaid programs often occurs in subsequent years because of audits by such programs, rights of appeal and the application of numerous technical provisions. In the opinion of management, adequate provision has been made for any adjustments and final settlements. However, there can be no assurance that any such adjustments and final settlements will not have a material effect on the Company's financial condition or results of operations. The Company's cost report liabilities were $0.8 million at December 31, 2013 and were included in other accrued liabilities in the consolidated balance sheets. Management believes that these liabilities were properly stated and are not likely to be settled for a significantly different amount. The Company's cost report receivables were $1.1 million at December 31, 2012 and were included in other current assets in the consolidated balance sheets. The net adjustments to estimated cost report settlements resulted in increases to revenue of $0.2 million and $0.1 million for the years ended December 31, 2013 and 2012, respectively.

Management believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action including fines, penalties and exclusion from the Medicare and Medicaid programs.

Allowance for Doubtful Accounts

The Company's ability to collect outstanding patient receivables from third party payors is critical to its operating performance and cash flows. The primary collection risk with regard to patient receivables relates to uninsured patient accounts or patient accounts for which primary insurance has paid, but the portion owed by the patient remains outstanding. The Company estimates uncollectible accounts and establish an allowance for doubtful accounts in order to adjust accounts receivable to estimated net realizable value. In evaluating the collectability of accounts receivable, the Company considers a number of factors, including the age of the accounts, historical collection experience, current economic conditions, and other relevant factors. Accounts receivable that are determined to be uncollectible based on the Company's policies are written off to the allowance for doubtful accounts. Significant changes in payor mix or business office operations could have a significant impact on the Company's results of operations and cash flows.

A summary of activity in the Company's allowance for doubtful accounts is as follows (in thousands):

	Balance at Beginning of Period	Additions Charged to Costs and Expenses	Accounts Written Off, Net of Recoveries	Balance at End of Period
Allowance for doubtful accounts:				
Year ended December 31, 2011	$ 1,144	$ 3,206	$ (1,926)	$ 2,424
Year ended December 31, 2012	2,424	6,389	(1,329)	7,484
Year ended December 31, 2013	7,484	21,701	(10,840)	18,345

Charity Care

The Company provides care without charge to patients who are financially unable to pay for the healthcare services they receive based on Company policies and federal and state poverty thresholds. The costs of providing charity care services were $2.6 million, $1.2 million and $0.8 million for the years ended December 31, 2013, 2012 and 2011, respectively. The estimated cost of charity care services was determined using a ratio of cost to gross charges determined from our most recently filed Medicare cost reports and applying that ratio to the gross charges associated with providing charity care for the period.

Insurance

The Company is subject to medical malpractice and other lawsuits due to the nature of the services the Company provides. The Company's operations have professional and general liability insurance for claims in excess of a $250,000 deductible with an insured excess limit of $35 million. The reserve for professional and general liability risks was estimated based on historical claims, demographic factors, industry trends, severity factors, and other actuarial assumptions calculated by an independent third-party actuary. The estimated accrual for professional and general liabilities could be significantly affected should current and future occurrences differ from historical claim trends and expectations. While claims are monitored closely when estimating professional and general liability accruals, the complexity of the claims and wide range of potential outcomes often hampers timely adjustments to the assumptions used in these estimates. The professional and general liability reserve was $14.0 million as of December 31, 2013, of which $4.1 million was included in other accrued liabilities and $9.9 million was included in other long-term liabilities. The professional and general liability reserve was $6.4 million as of December 31, 2012, of which $4.0 million was included in other accrued liabilities and $2.4 million was included in other long-term liabilities. The Company estimates receivables for the portion of professional and general liability reserves that are recoverable under the Company's insurance policies based on an independent actuarial evaluation. Such receivable was $11.2 million as of December 31, 2013, of which $3.4 million was included in other current assets and $7.8 million was included in other assets, and such receivable was $4.8 million as of December 31, 2012, of which $3.4 million was included in other current assets and $1.4 million was included in other assets.

The Company's statutory workers' compensation program is fully insured with a $500,000 deductible per accident. The workers' compensation liability was $6.2 million as of December 31, 2013, of which $4.1 million was included in other accrued liabilities and $2.1 million was included in other long-term liabilities, and such liability was $3.9 million as of December 31, 2012, of which $1.8 million was included in other accrued liabilities and $2.1 million was included in other long-term liabilities. The reserve for workers compensation claims was based upon independent actuarial estimates of future amounts that will be paid to claimants. Management believes that adequate provisions have been made for workers' compensation and professional and general liability risk exposures.

Property and Equipment and Other Long-Lived Assets

Property and equipment are recorded at cost. Depreciation is calculated on the straight-line basis over the estimated useful lives of the assets, which typically range from 10 to 40 years for buildings and improvements, three to seven years for equipment and the shorter of the lease term or estimated useful lives for leasehold improvements. When assets are sold or retired, the corresponding cost and accumulated depreciation are removed from the related accounts and any gain or loss is recorded in the period of sale or retirement. Repair and maintenance costs are expensed as incurred. Depreciation expense was $16.3 million, $7.4 million and $2.7 million for the years ended December 31, 2013, 2012 and 2011, respectively.

The carrying values of long-lived assets are reviewed for possible impairment whenever events, circumstances or operating results indicate that the carrying amount of an asset may not be recoverable. If this review indicates that the asset will not be recoverable, as determined based upon the undiscounted cash flows of the operating asset over the remaining useful lives, the carrying value of the asset will be reduced to its estimated fair value. Fair value estimates are based on independent appraisals, market values of comparable assets or internal evaluations of future net cash flows.

Goodwill and Indefinite-Lived Intangible Assets

The Company's goodwill and other indefinite-lived intangible assets, which consist of licenses and accreditations and certificates of need intangible assets that are not amortized, are evaluated for impairment annually during the fourth quarter or more frequently if events indicate that the carrying value of a reporting unit may not be recoverable. The Company has only one operating segment, behavioral healthcare services, for segment reporting purposes. The behavioral healthcare services operating segment represents one reporting unit for purposes of the Company's goodwill impairment test. Potential impairment is noted for a reporting unit if its carrying value exceeds the fair value of the reporting unit. For a reporting unit with potential impairment of goodwill, the Company determines the implied fair value of goodwill. If the carrying value of goodwill exceeds its implied fair value, an impairment loss is recorded. The Company's annual impairment tests of goodwill and other indefinite-lived intangibles in 2013, 2012 and 2011 resulted in no impairment charges.

Other Current Assets

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

	As of December 31,	
	2013	2012
Other receivables	$ 6,833	$ 4,630
Prepaid expenses	6,397	3,507
Insurance receivable – current portion	3,400	3,350
Workers' compensation deposits – current portion	4,100	1,860
Income taxes receivable	4,005	—
Other	4,234	2,985
Other current assets	$ 28,969	$ 16,332

Debt Issuance Costs

Debt issuance costs are deferred and amortized to interest expense over the term of the related debt. Debt issuance costs at December 31, 2013 were $13.3 million, net of accumulated amortization of $6.1 million. Debt issuance costs at December 31, 2012 were $13.6 million, net of accumulated amortization of $3.5 million. Amortization expense related to debt issuance costs, which is reported as interest expense, was $2.3 million for both the years ended December 31, 2013 and 2012. Estimated amortization of debt issuance costs for the years ending December 31, 2014, 2015, 2016, 2017 and 2018 was $2.6 million, $2.7 million, $2.7 million, $2.8 million and $1.2 million, respectively.

Stock Compensation

The Company measures and recognizes the cost of employee services received in exchange for awards of equity instruments based on the grant-date fair value in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 718, "*Compensation—Stock Compensation*." The Company uses the Black-Scholes valuation model to determine grant-date fair value for equity awards and uses straight-line amortization of share-based compensation expense over the requisite service period of the respective awards.

Earnings Per Share

Basic and diluted earnings per share are calculated in accordance with FASB ASC 260, "*Earnings Per Share*," based on the weighted-average number of shares outstanding in each period and dilutive stock options, nonvested shares and warrants, to the extent such securities have a dilutive effect on earnings per share. All share and per share amounts have been adjusted to reflect the stock splits completed in 2011.

Income Taxes

The Company uses the asset and liability method of accounting for income taxes. Under this method, deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes and net operating loss and tax credit carryforwards. The amount of deferred taxes on these temporary differences is determined using the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, as applicable, based on tax rates and laws in the respective tax jurisdiction enacted as of the balance sheet date.

The Company reviews its deferred tax assets for recoverability and establishes a valuation allowance based on historical taxable income, projected future taxable income, applicable tax strategies, and the expected timing of the reversals of existing temporary differences. A valuation allowance is provided when it is more likely than not that some portion or all of the deferred tax assets will not be realized.

The Company records a liability for unrecognized tax benefits resulting from uncertain tax positions taken or expected to be taken in a tax return. The Company recognizes interest and penalties, if any, related to unrecognized tax benefits in income tax expense.

Recent Accounting Pronouncements

In July 2013, the FASB issued Accounting Standards Update ("ASU") 2013-11, *"Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists"* ("ASU 2013-11"). ASU 2013-11 states an unrecognized tax benefit, or a portion of an unrecognized tax benefit, should be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward. ASU 2013-11 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. Early adoption is permitted. Management does not expect ASU 2013-11 to have a significant impact on the Company's consolidated financial statements.

In July 2012, the FASB issued ASU 2012-02, *"Intangibles—Goodwill and Other (Topic 350): Testing Indefinite-Lived Intangible Assets for Impairment"* ("ASU 2012-02"). ASU 2012-02 states that an entity has the option first to assess qualitative factors to determine whether the existence of events and circumstances indicates that it is more likely than not that the indefinite-lived intangible asset is impaired. This allows for the same evaluation as described in ASU 2011-08 for *"Intangibles—Goodwill and Other (Topic 350): Testing Goodwill for Impairment."* The amendments are effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012. Early adoption is permitted, including for annual and interim impairment tests performed as of a date before July 27, 2012, if a public entity's financial statements for the most recent annual or interim period have not yet been issued. The adoption of ASU 2012-02 did not have a significant impact on the Company's consolidated financial statements.

3. Earnings Per Share

The following table sets forth the computation of basic and diluted earnings (loss) per share for the years ended December 31, 2013, 2012 and 2011 (in thousands except per share amounts):

	Year Ended December 31,		
	2013	2012	2011
Numerator:			
Basic and diluted earnings (loss) per share:			
Income (loss) from continuing operations	$ 43,270	$ 20,504	$ (33,194)
(Loss) from discontinued operations	(691)	(101)	(1,698)
Net income (loss)	$ 42,579	$ 20,403	$ (34,892)
Denominator:			
Weighted average shares outstanding for basic earnings per share	50,004	38,477	18,757
Effects of dilutive instruments	257	219	—
Shares used in computing diluted earnings per common share	50,261	38,696	18,757
Basic net earnings (loss) per share:			
Income (loss) from continuing operations	$ 0.87	$ 0.53	$ (1.77)
Loss from discontinued operations	(0.02)	—	(0.09)
Net income (loss)	$ 0.85	$ 0.53	$ (1.86)
Diluted net earnings (loss) per share:			
Income (loss) from continuing operations	$ 0.86	$ 0.53	$ (1.77)
Loss from discontinued operations	(0.01)	—	(0.09)
Net income (loss)	$ 0.85	$ 0.53	$ (1.86)

Approximately 0.6 million, 0.4 million and 0.4 million shares of common stock issuable upon exercise of outstanding stock options were excluded from the calculation of diluted earnings per share for the year ended December 31, 2013, 2012 and 2011, respectively, because their effect would have been anti-dilutive.

4. Acquisitions

Cascade Behavioral Hospital

On December 1, 2013, the Company completed its acquisition of the assets of Cascade Behavioral Hospital ("Cascade"), an inpatient psychiatric facility with 63 licensed beds located in Tukwila, Washington, for cash consideration of $19.6 million.

Longleaf Hospital

On October 1, 2013, the Company completed its acquisition of the assets of Longleaf Hospital ("Longleaf"), an inpatient psychiatric facility with 68 licensed beds located in Alexandria, Louisiana, for cash consideration of $8.3 million.

The Refuge

On August 1, 2013, the Company completed its acquisition of The Refuge, a Healing Place ("The Refuge"), an inpatient psychiatric facility near Ocala, Florida, with 87 licensed beds, for cash consideration of $14.1 million.

UMC Facilities

On May 1, 2013, the Company completed its acquisition of two facilities from United Medical Corporation (the "UMC Facilities"), including San Juan Capestrano Hospital in San Juan, Puerto Rico, which is licensed for 108 beds and has a certificate of need for 100 additional beds, and a 75-bed inpatient behavioral healthcare hospital in Tampa, Florida, which opened on October 1, 2013, for cash consideration of $99.4 million.

Delta Medical Center

On January 31, 2013, the Company completed its acquisition of DMC-Memphis, Inc. d/b/a Delta Medical Center ("Delta"), a facility with 243 licensed beds located in Memphis, Tennessee with the majority of operating beds dedicated to inpatient psychiatric patients, for cash consideration of $23.0 million.

Greenleaf Center

On January 1, 2013, the Company completed its acquisition of the assets of Greenleaf Center ("Greenleaf"), an inpatient psychiatric facility with 50 licensed beds located in Valdosta, Georgia, for cash consideration of $6.3 million.

2012 Acquisitions

On December 31, 2012, the Company completed the acquisition of Behavioral Centers of America, LLC ("BCA") and AmiCare Behavioral Centers, LLC ("AmiCare"). On November 11, 2012, the Company purchased 100% of the membership interests of The Pavilion at HealthPark, LLC ("Park Royal"). On August 31, 2012, the Company completed the acquisition of the assets of Timberline Knolls, LLC ("Timberline Knolls"). On March 1, 2012, the Company completed its acquisition of three inpatient psychiatric hospitals (the "Haven Facilities") from Haven Behavioral Healthcare Holdings, LLC.

Summary of Acquisitions

The Company selectively seeks opportunities to expand and diversify its base of operations by acquiring additional facilities. The majority of the goodwill associated with the acquisitions completed in 2013 and 2012 is deductible for federal income tax purposes. The fair values assigned to certain assets and liabilities assumed by the Company have been estimated on a preliminary basis and are subject to change as new facts and circumstances emerge that were present at the date of acquisition. Specifically, the Company is further assessing the valuation of certain tax matters as well as certain receivables and assumed liabilities of Cascade, Longleaf, The Refuge, the UMC Facilities and Delta and the valuation of real property and intangible assets of Cascade. The Company expects to finalize its analyses as the necessary information becomes available to complete the measurement process. Once finalized, the Company will adjust the application of the acquisition method of accounting to reflect its final valuations.

The preliminary fair values of assets acquired and liabilities assumed during 2013, at the corresponding acquisition dates, were as follows (in thousands):

	UMC Facilities	Other	Total
Cash	$ 52	$ 883	$ 935
Accounts receivable	5,251	5,868	11,119
Prepaid expenses and other current assets	726	3,067	3,793
Property and equipment	22,347	42,718	65,065
Goodwill	67,264	37,531	104,795
Intangible assets	1,505	1,910	3,415
Other assets	4,712	29	4,741
Total assets acquired	101,857	92,006	193,863
Accounts payable	1,535	7,542	9,077
Accrued salaries and benefits	588	3,079	3,667
Other accrued expenses	315	2,306	2,621
Other liabilities	—	2,360	2,360
Total liabilities assumed	2,438	15,287	17,725
Net assets acquired	$ 99,419	$ 76,719	$ 176,138

The following table presents the fair values of assets acquired and liabilities assumed during 2012, at the corresponding acquisition dates (in thousands):

	BCA	AmiCare	Park Royal	Timberline Knolls	Haven Facilities	Total
Cash	$ 5	$ 1,596	$ 42	$ —	$ 5	$ 1,648
Accounts receivable	6,980	3,647	1,450	2,845	4,138	19,060
Prepaid expenses and other current assets	1,496	1,732	254	170	803	4,455
Property and equipment	23,301	23,150	18,291	590	12,723	78,055
Goodwill	116,192	86,787	19,320	72,164	74,435	368,898
Intangible assets	1,161	1,267	1,035	3,317	1,200	7,980
Other assets	357	—	4,145	—	—	4,502
Total assets acquired	149,492	118,179	44,537	79,086	93,304	484,598
Accounts payable	3,602	504	695	2,011	1,183	7,995
Accrued salaries and benefits	2,263	2,468	443	653	1,523	7,350
Other accrued expenses	675	905	1,079	869	127	3,655
Debt	—	—	25,600	—	—	25,600
Other liabilities	—	1,739	—	—	—	1,739
Total liabilities assumed	6,540	5,616	27,817	3,533	2,833	46,339
Net assets acquired	$ 142,952	$ 112,563	$ 16,720	$ 75,553	$ 90,471	$ 438,259

Other

The qualitative factors comprising the goodwill acquired in the Cascade, Longleaf, The Refuge, the UMC Facilities, Delta, Greenleaf, BCA, AmiCare, Park Royal, Timberline Knolls and the Haven Facilities acquisitions (collectively the “2012 and 2013 Acquisitions”) include efficiencies derived through synergies expected by the elimination of certain redundant corporate functions and expenses, the ability to leverage call center referrals to a broader provider base, coordination of services provided across the combined network of facilities, achievement of operating efficiencies by benchmarking performance, and applying best practices throughout the combined companies.

Transaction-related expenses comprised the following costs for the years ended December 31, 2013, 2012 and 2011 (in thousands):

	Year Ended December 31, 2013	2012	2011
Legal, accounting and other fees	$ 5,535	$ 4,161	$ 7,301
Severance and contract termination costs	1,615	3,951	1,702
Fee paid to equity sponsor for termination of professional services agreement	—	—	20,559
Investment banking advisory and bridge commitment fees	—	—	8,385
Advisory fees paid to equity sponsor	—	—	3,600
	$ 7,150	$ 8,112	$ 41,547

Pro Forma Information

The consolidated statements of operations for the year ended December 31, 2013 included revenue of $325.6 million and income from continuing operations before income taxes of $37.3 million for acquisitions completed in 2012 and 2013. The consolidated statements of operations for the year ended December 31, 2012 included revenue of $51.2 million and income from continuing operations before income taxes of $8.3 million for acquisitions completed in 2012.

The following table provides certain pro forma financial information for the Company as if the 2012 and 2013 Acquisitions occurred as of January 1, 2012 (in thousands):

	Year Ended December 31, 2013	2012
Revenue	$ 753,579	$ 683,719
Income from continuing operations, before income taxes	$ 71,358	$ 50,647

5. Goodwill and Other Intangible Assets

The following table summarizes changes in goodwill during the year ended December 31, 2013 (in thousands):

Balance at January 1, 2013	$ 557,402
Increase from 2013 acquisitions	104,795
Other	(648)
Balance at December 31, 2013	$ 661,549

Other identifiable intangible assets and related accumulated amortization consisted of the following as of December 31, 2013 and 2012 (in thousands):

	Gross Carrying Amount		Accumulated Amortization	
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
Intangible assets subject to amortization:				
Contract intangible assets	$ 2,100	$ 2,100	$ (910)	$ (490)
Non-compete agreements	1,247	1,247	(1,021)	(684)
	3,347	3,347	(1,931)	(1,174)
Intangible assets not subject to amortization:				
Licenses and accreditations	8,391	6,969	—	—
Trade names	3,000	3,000	—	—
Certificates of need	7,761	3,846	—	—
	19,152	13,815	—	—
Total	$ 22,499	$ 17,162	$ (1,931)	$ (1,174)

In connection with the Greenleaf acquisition, the Company acquired a certificate of need with a fair value of $0.6 million. In connection with the Delta acquisition, the Company acquired intangible assets with a fair value of $0.8 million consisting of licenses and accreditations of $0.2 million and a certificate of need of $0.6 million. In connection with the UMC Facilities' acquisition, the Company acquired intangible assets with a fair value of $1.5 million consisting of licenses and accreditations of $0.2 million and certificates of need of $1.3 million. In connection with the Longleaf acquisition, the Company acquired a license and accreditation intangible asset with a fair value of $0.2 million. In connection with the Cascade acquisition, the Company acquired a certificate of need with a fair value of $0.3 million.

In connection with the Haven Facilities acquisition, the Company acquired intangible assets with a fair value of $1.2 million consisting of non-compete agreements of $0.2 million, licenses and accreditations of $0.8 million and a certificate of need of $0.2 million. In connection with the Timberline Knolls acquisition, the Company acquired intangible assets with a fair value of $3.3 million consisting of non-compete agreements of $0.2 million, licenses and accreditations of $0.1 million and a trade name of $3.0 million. In connection with the Park Royal acquisition, the Company acquired intangible assets with a fair value of $1.0 million consisting of a certificate of need of $0.7 million and licenses and accreditations of $0.3 million. In connection with the AmiCare acquisition, the Company acquired intangible assets with a fair value of $1.3 million consisting of non-compete agreements of $0.3 million, licenses and accreditations of $0.8 million and a certificate of need of $0.2 million. In connection with the BCA acquisition, the Company acquired intangible assets with a fair value of $1.2 million consisting of non-compete agreements of $0.1 million, licenses and accreditations of $1.0 million and a certificate of need of $0.1 million. The Company incurred and capitalized $1.2 million and $0.6 million in the year ended December 31, 2013 and 2012, respectively, related to costs to obtain certificates of need.

The non-compete agreements are being amortized on a straight-line basis over the term of the agreements. The Timberline Knolls and BCA non-compete agreements have a one-year term, and the Haven Facilities and AmiCare non-compete agreements have a three-year term. The contract intangible is amortized on a straight-line basis over the estimated five-year term of the related contract.

Amortization expense related to definite-lived intangible assets was $0.8 million, $0.6 million and $1.6 million for the years ended December 31, 2013, 2012 and 2011, respectively. Estimated amortization expense for the years ending December 31, 2014, 2015, 2016, 2017 and 2018 is $0.6 million, $0.5 million, $0.3 million, $0 and $0, respectively. The Company's licenses and accreditations, trade names and certificate of need intangible assets have indefinite lives and are, therefore, not subject to amortization.

6. Discontinued Operations

In June 2012, the Company disposed of its PsychSolutions facility located in Miami, Florida and recognized a pretax loss on disposal of $0.2 million, which had been included in loss from discontinued operations on the consolidated statements of operations. In December 2011, the Company closed three outpatient facilities and a 24-bed substance abuse facility acquired from PHC on November 1, 2011. The results of operations of these facilities have been reported as discontinued operations in the accompanying consolidated financial statements.

A summary of results from discontinued operations is as follows (in thousands):

	Year Ended December 31,		
	2013	2012	2011
Revenue	$ —	$ 3,576	$ 5,362
Net loss from discontinued operations, net of income taxes	$ (691)	$ (101)	$ (1,698)

7. Long-Term Debt

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

	December 31,	
	2013	2012
Amended and Restated Senior Credit Facility:		
Senior Secured Term Loans	$ 292,500	$ 300,000
Senior Secured Revolving Line of Credit	53,500	—
12.875% Senior Notes due 2018	96,216	147,757
6.125% Senior Notes due 2021	150,000	—
9.0% and 9.5% Revenue Bonds	24,920	25,561
	617,136	473,318
Less: current portion	(15,195)	(7,680)
Long-term debt	$ 601,941	$ 465,638

Amended and Restated Senior Credit Facility

The Company entered into the senior secured credit facility, administered by Bank of America, N.A., on April 1, 2011 ("Senior Secured Credit Facility"). The Senior Secured Credit Facility initially included $135.0 million of term loans and a revolving line of credit of $30.0 million.

On March 1, 2012, the Company amended the Senior Secured Credit Facility to provide an incremental $25.0 million of term loans and increase the revolving line of credit by $45.0 million, from $30.0 million to $75.0 million. The Company used the incremental term loans of $25.0 million and a $5.0 million borrowing under the revolving line of credit to partially fund the acquisition of the Haven Facilities on March 1, 2012.

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 ("Amended and Restated Senior Credit Facility"), to provide a revolving line of credit of $100.0 million and term loans of $300.0 million, which resulted in debt proceeds of $151.1 million. The Company used $151.1 million of the term loans partially to fund the acquisition of BCA and AmiCare on December 31, 2012.

On March 11, 2013, the Company entered into a Consent and First Amendment (the "First Amendment") to the Amended and Restated Credit Agreement. The First Amendment modified the definition of Consolidated EBITDA to permit the add-back for financial covenant purposes of certain fees and expenses related to the partial redemption of the Company's 12.875% Senior Notes on March 12, 2013. In addition, the First Amendment amended the definitions of Consolidated Leverage Ratio and Consolidated Senior Leverage Ratio to permit the Company to test indebtedness on a basis net of cash and cash equivalents for financial covenant purposes.

On June 28, 2013, the Company entered into a Second Amendment (the "Second Amendment") to the Amended and Restated Credit Agreement. The Second Amendment modified certain of the restrictive covenants contained therein to permit the Company to increase the amount of miscellaneous investments it may make, as well as to permit the Company to incur increased amounts of purchase money indebtedness in order to finance certain long-term capital leases.

On September 30, 2013, the Company entered into a Third Amendment (the "Third Amendment") to the Amended and Restated Credit Agreement. The Third Amendment modified certain of the restrictive covenants contained therein to permit the incurrence by the Company of increased amounts of miscellaneous types of liens and indebtedness to facilitate its consummation of the acquisition of Longleaf.

On February 13, 2014, the Company entered into a Fourth Amendment (the "Fourth Amendment") to the Amended and Restated Credit Agreement, to increase the size of the Amended and Restated Senior Credit Facility and extend the maturity date thereof, which resulted in the Company having a revolving line of credit of up to $300.0 million and term loans of $300.0 million. The Fourth Amendment also reduced the interest rates applicable to the Amended and Restated Senior Credit Facility and provided increased flexibility to us in terms of the financial and other restrictive covenants. The Company had $46.1 million of availability under the revolving line of credit as of December 31, 2013. Borrowings under the revolving line of credit are subject to customary conditions precedent to borrowing. The term loans require quarterly principal payments of $1.9 million for March 31, 2014 to December 31, 2014, $3.8 million for March 31, 2015 to December 31, 2015, $5.6 million for March 31, 2016 to December 31, 2016, $7.5 million for March 31, 2017 to December 31, 2017, and $9.4 million for March 31, 2018 to December 31, 2018, with the remaining principal balance due on the maturity date of February 13, 2019. The Fourth Amendment also provides for a $150.0 million incremental credit facility, with the potential for unlimited additional incremental amounts, provided we meet certain financial ratios, in each case subject to customary conditions precedent to borrowing.

Borrowings under the Amended and Restated Senior Credit Facility are guaranteed by each of the Company's wholly-owned domestic subsidiaries (other than Park Royal and certain other excluded subsidiaries) and are secured by a lien on substantially all of the assets of the Company and its wholly-owned domestic subsidiaries (other than Park Royal and certain other excluded subsidiaries). Borrowings under the Amended and Restated Senior Credit Facility bear interest at a rate tied to the Company's consolidated leverage ratio (defined as consolidated funded debt 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 borrowings under the Amended and Restated Senior Credit Facility was 3.25% for Eurodollar Rate Loans (as defined in the Amended and Restated Credit Agreement) and 2.25% for Base Rate Loans (as defined in the Amended and Restated Credit Agreement) at December 31, 2013. Eurodollar Rate Loans bear interest at the Applicable Rate plus the Eurodollar Rate (as defined in the Amended and Restated Credit Agreement) (based upon the British Bankers Association LIBOR Rate (as defined in the Amended and Restated Credit Agreement) prior to commencement of the interest rate period). Base Rate Loans bear interest at the Applicable Rate plus the highest of (i) the federal funds rate plus 1/2 of 1.0%, (ii) the prime rate and (iii) the Eurodollar Rate plus 1.0%. As of December 31, 2013, borrowings under the Amended and Restated Senior Credit Facility bore interest at a rate of 3.25%. In addition, the Company is required to pay a commitment fee on undrawn amounts under the revolving line of credit. The Company paid a commitment fee of 0.50% for undrawn amounts for the period from December 31, 2012 through December 31, 2013. The Fourth Amendment resulted in a 0.50% decrease in the Applicable Rate for LIBOR Rate Loans (as defined in the Amended and Restated Credit Agreement) and a 0.10% decrease in the Unused Line Fee (as defined in the Amended and Restated Credit Agreement).

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. As of December 31, 2013, the Company was in compliance with such covenants.

12.875% Senior Notes due 2018

On November 1, 2011, the Company issued $150.0 million of 12.875% Senior Notes due 2018 (the "12.875% Senior Notes") at 98.323% of the aggregate principal amount of $150.0 million, a discount of $2.5 million. The notes bear interest at a rate of 12.875% per annum. The Company pays interest on the notes semi-annually, in arrears, on November 1 and May 1 of each year.

The indenture governing the 12.875% Senior Notes contains covenants that, among other things, limit the Company's ability to: (i) incur or guarantee additional debt or issue certain preferred stock; (ii) pay dividends on the Company's equity interests or redeem, repurchase or retire the Company's equity interests or subordinated debt; (iii) transfer or sell assets; (iv) make certain investments; (v) incur certain liens; (vi) restrict the Company's subsidiaries' ability to pay dividends or make other payments to the Company; (vii) engage in certain transactions with the Company's affiliates; and (viii) merge or consolidate with other companies or transfer all or substantially all of the Company's assets.

The 12.875% 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 Credit Facility. The guarantees are full and unconditional and joint and several and the Company, as the parent issuer of the 12.875% Senior Notes, has no independent assets or operations.

On March 12, 2013, the Company redeemed $52.5 million of the 12.875% Senior Notes using a portion of the net proceeds of its December 2012 equity offering pursuant to the provision in the indenture permitting an optional redemption with equity proceeds of up to 35% of the principal amount of 12.875% Senior Notes. The 12.875% Senior Notes were redeemed at a redemption price of 112.875% of the principal amount thereof plus accrued and unpaid interest to, but not including, the redemption date in accordance with the provisions of the indenture governing the 12.875% Senior Notes. As part of the redemption of 35% of the 12.875% Senior Notes, the Company recorded a debt extinguishment charge of $9.4 million, including the premium and write-off of deferred financing costs, which was recorded in debt extinguishment costs in the consolidated statements of operations.

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, beginning on September 15, 2013.

The indenture governing the 6.125% Senior Notes contains 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 6.125% 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 Credit Facility. The guarantees are full and unconditional and joint and several and the Company, as the parent issuer of the 6.125% Senior Notes, has no independent assets or operations.

The Company may redeem the 6.125% Senior Notes at its option, in whole or part, at any time prior to March 15, 2016, at a price equal to 100% of the principal amount of the 6.125% Senior Notes redeemed, plus accrued and unpaid interest to the redemption date and plus an applicable premium. The Company may redeem the 6.125% Senior Notes, in whole or in part, on or after March 15, 2016, at the redemption prices set forth in the indenture governing the 6.125% Senior Notes plus accrued and unpaid interest to the redemption date. At any time on or before March 15, 2016, the Company may elect to redeem up to 35% of the aggregate principal amount of the 6.125% Senior Notes at a redemption price equal to 106.125% of the principal amount thereof, plus accrued and unpaid interest to the redemption date, with the net proceeds of one or more equity offerings.

9.0% and 9.5% Revenue Bonds

On November 11, 2012, in connection with the acquisition of Park Royal, the Company assumed debt of $23.0 million. The fair market value of the debt assumed was $25.6 million and resulted in a debt premium balance being recorded as of the acquisition date. The debt consisted of $7.5 million and $15.5 million of Lee County (Florida) Industrial Development Authority Healthcare Facilities Revenue Bonds, Series 2010 with stated interest rates of 9.0% and 9.5% ("9.0% and 9.5% Revenue Bonds"), respectively. The 9.0% bonds in the amount of $7.5 million have a maturity date of December 1, 2030 and require yearly principal payments beginning in 2013. The 9.5% bonds in the amount of $15.5 million have a maturity date of December 1, 2040 and require yearly principal payments beginning in 2031. The principal payments establish a bond sinking fund to be held with the trustee and shall be sufficient to redeem the principal amounts of the 9.0% and 9.5% Revenue Bonds on their respective maturity dates. As of December 31, 2013 and December 31, 2012, $2.3 million was recorded within other assets on the balance sheet related to the debt service reserve fund requirements. The yearly principal payments, which establish a bond sinking fund, will increase the debt service reserve fund requirements. The bond premium amount of $2.6 million is amortized as a reduction of interest expense over the life of the revenue bonds using the effective interest method.

Other

Other accrued liabilities included $5.1 million and $3.2 million of accrued interest as of December 31, 2013 and 2012, respectively.

The aggregate maturities of long-term debt as of December 31, 2013 were as follows (in thousands):

2014	$ 15,195
2015	22,715
2016	30,235
2017	278,755
2018	97,780
Thereafter	171,640
Total	$ 616,320

8. Equity

Preferred Stock

The Company's amended and restated certificate of incorporation provides that up to 10,000,000 shares of preferred stock may be issued. The Board of Directors has the authority to issue preferred stock in one or more series and to fix for each series the voting powers (full, limited or none), and the designations, preferences and relative participating, optional or other special rights and qualifications, limitations or restrictions on the stock and the number of shares constituting any series and the designations of this series, without any further vote or action by the stockholders.

Common Stock

The Company's amended and restated certificate of incorporation provides that up to 90,000,000 shares of common stock may be issued. Holders of the Company's common stock are entitled to one vote for each share held of record on all matters on which stockholders may vote. There are no preemptive, conversion, redemption or sinking fund provisions applicable to shares of the Company's common stock. In the event of liquidation, dissolution or winding up, holders of the Company's common stock are entitled to share ratably in the assets available for distribution, subject to any prior rights of any holders of preferred stock then outstanding. Delaware law prohibits the Company from paying any dividends unless it has capital surplus or net profits available for this purpose. In addition, the Amended and Restated Senior Credit Facility imposes restrictions on the Company's ability to pay dividends.

Equity Offerings

On December 12, 2012, the Company completed the offering of 7,000,000 shares of common stock and on December 24, 2012, the Company completed the offering of 1,050,000 shares of common stock pursuant to the exercise of the over-allotment option that the Company granted to the underwriters as part of the offering at a price of $22.50 per share. The net proceeds to the Company from the sale of the shares, after deducting the underwriting discount of $7.3 million and additional offering-related expenses of $1.0 million, were $172.8 million. The Company used the net proceeds partially to fund the acquisitions of AmiCare and BCA on December 31, 2012 and to redeem $52.5 million in principal amount of the Company's 12.875% Senior Notes.

On May 21, 2012, the Company completed the offering of 9,487,500 shares of common stock (including shares sold pursuant to the exercise of the over-allotment option that the Company granted to the underwriters as part of the offering) at a price of $15.50 per share. The net proceeds to the Company from the sale of the shares, after deducting the underwriting discount of $7.4 million and additional offering-related expenses of $0.7 million, were $139.0 million. The Company used the net offering proceeds to fund the acquisition of Timberline Knolls and acquisitions of certain facilities previously leased.

9. 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"). As of December 31, 2013, a maximum of 4,700,000 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 3,109,852 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 date of grant.

On November 1, 2011, pursuant to the terms of the Company's merger agreement with PHC, the Company issued options to purchase 302,446 shares of Company common stock and 90,750 stock warrants as replacements of PHC stock options and warrants outstanding on the acquisition date. Of the PHC replacement awards, options to purchase 281,604 shares of Company common stock and all 90,750 stock warrants were vested as of the acquisition date and options to purchase 20,842 of the shares of Company common stock will vest over the remaining requisite service period.

The Company recognized $5.2 million, $2.3 million and $17.3 million in equity-based compensation expense for the years ended December 31, 2013, 2012 and 2011, respectively. On April 30, 2013, certain non-employee directors affiliated with Waud Capital Partners, L.L.C. resigned from the Company's Board of Directors in connection with the Company's efforts to comply with NASDAQ's board independence requirements. The Company recorded incremental equity-based compensation expense of $0.6 million related to the vesting of 20,090 shares of restricted stock that would have been forfeited had the awards not been modified to accelerate vesting. The equity-based compensation expense recorded in the year ended December 31, 2011 related to the Class C Units and Class D Units issued by Holdings to certain members of management, which units were valued based upon the estimated fair value of the common stock and cash distributed to the unit holders upon the dissolution of Holdings on November 1, 2011.

As of December 31, 2013, there was $15.4 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 1.5 years.

As of December 31, 2013, there were 1,500 warrants outstanding and exercisable with a weighted average exercise price of $14.00. The Company recognized a deferred income tax benefit of $2.1 million for the year ended December 31, 2013, respectively, related to equity-based compensation expense. The actual tax benefit realized from stock options exercised during the year ended December 31, 2013 was $1.8 million. No tax benefits were recognized or realized during the year ended December 31, 2012.

Stock option activity during 2012 and 2013 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, 2012	346,821	$ 7.74	4.50	$ 947
Options granted	429,498	16.36	9.22	2,960
Options exercised	(124,194)	8.01	N/A	1,381
Options cancelled	(97,028)	14.70	N/A	N/A
Options outstanding at December 31, 2012	555,097	13.13	7.53	5,632
Options granted	412,800	30.55	9.30	2,059
Options exercised	(126,662)	9.36	N/A	2,803
Options cancelled	(41,426)	23.50	N/A	N/A
Options outstanding at December 31, 2013	799,809	21.93	8.20	10,700
Options exercisable at December 31, 2012	164,062	$ 6.63	3.59	$ 2,707
Options exercisable at December 31, 2013	133,647	$ 11.15	4.81	$ 3,472

Restricted stock activity during 2012 and 2013 was as follows:

	Number of Shares	Weighted Average Grant-Date Fair Value
Unvested at January 1, 2012	138,321	$ 9.40
Granted	318,170	13.04
Cancelled	(42,107)	14.25
Vested	(96,321)	9.40
Unvested at December 31, 2012	318,063	$ 15.73
Granted	291,845	31.31
Cancelled	(53,056)	21.27
Vested	(94,155)	15.52
Unvested at December 31, 2013	462,697	$ 24.96

Restricted stock unit activity during 2012 and 2013 was as follows:

	Number of Shares	Weighted Average Grant-Date Fair Value
Unvested at January 1, 2012	—	$ —
Granted	86,485	16.11
Cancelled	(17,857)	15.96
Vested	—	—
Unvested at December 31, 2012	68,628	$ 16.11
Granted	72,876	29.39
Cancelled	—	—
Vested	(45,753)	16.11
Unvested at December 31, 2013	95,751	$ 23.05

The grant-date fair value of the Company's stock options is 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 year ended December 31, 2013 and 2012:

	December 31,	
	2013	2012
Weighted average grant-date fair value of options	$ 11.62	$ 6.93
Risk-free interest rate	1.0%	1.2%
Expected volatility	40%	42%
Expected life (in years)	5.5	6.3

The Company's estimate of expected volatility for stock options is based upon the volatility of guideline companies given the lack of sufficient historical trading experience of the Company's common stock. The risk-free interest rate is the approximate yield on United States 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.

Holdings' Equity Incentive Units

On January 4, 2010, certain members of senior management purchased 3,650 Class A Preferred Units and 3,650 Class A Common Units issued by Holdings. Holdings loaned the members of management the funds necessary to purchase these units pursuant to a three year recourse secured note bearing interest at 8% annually. Because these units contained certain repurchase provisions, they were accounted for as liability awards. The Company also issued 1,000 Class B Preferred Units and 19,000 Class B Common Units to senior management which would only vest upon the occurrence of a certain qualified change in control. Accordingly, at December 31, 2010 none of the Class B Preferred Units and none of the Class B Common Units held by management were vested. The fair value of management's Class A Preferred Units and Class A Common Units at December 31, 2010 was $0.6 million. The fair value of management's Class B Preferred Units and Class B Common Units at December 31, 2010 was $5.9 million. There were no cancellations and no forfeitures on: (1) the Class A Preferred Units; (2) the Class A Common Units; (3) the Class B Preferred Units; and (4) the Class B Common Units. On April 1, 2011, in connection with the acquisition of YFCS, the vesting of the Class B Preferred Units and Class B Common Units was accelerated. The Class A Preferred Units, Class A Common Units, Class B Preferred Units, and Class B Common Units were exchanged for 5,650 new Class A Units, 5,650 new Class B Units, and $0.9 million in cash. As a result of the modification of the awards to accelerate the vesting, the Company recognized $6.1 million of equity-based compensation expense on April 1, 2011. The fair value of the units and the recognized compensation expense were determined based on $36.0 million of contemporaneous cash investments from Waud Capital Partners or its affiliates and $16.5 million of contemporaneous cash investments from new members of the Company's management on April 1, 2011.

On April 1, 2011, Holdings issued Class C Units and Class D Units (the "Management Incentive Units") to certain members of management. Under the terms of Holdings' limited liability company agreement, the Management Incentive Units did not have value until certain performance targets were met. The Class C Units were to vest evenly over a five-year period on each of the first five anniversaries from the date of issuance and the Class D Units were immediately vested at the date of issuance. The Management Incentive Units contained certain repurchase provisions requiring such to be accounted for as liability awards. The estimated fair value of the Management Incentive Units of $13.7 million was recorded as equity-based compensation expense during the second quarter ended June 30, 2011 and was based on various factors, including the value implied by the PHC acquisition and analyses of relevant EBITDA multiples as supported by guideline companies. The Company recorded an adjustment of $2.8 million during the fourth quarter ended December 31, 2011 to reduce the cumulative equity-based compensation expense related to the Management Incentive Units to $10.9 million based on the fair value of the common stock and cash distributed to the unitholders upon the dissolution of Holdings on November 1, 2011.

10. Income Taxes

Prior to April 1, 2011, the Company and its limited liability company subsidiaries were taxed as flow-through entities and as such, the results of operations of the Company and its subsidiaries that were taxed as flow-through entities were included in the income tax returns of its members. On April 1, 2011, the Company and its wholly-owned limited liability company subsidiaries elected to be taxed as a corporation for federal and state income tax purposes, and, therefore, income taxes became the obligation of the Company subsequent to April 1, 2011.

Management is not aware of any course of action or series of events that have occurred that might adversely affect the Company's flow-through tax status for periods prior to April 1, 2011.

The Company's benefit from income taxes for continuing operations of $5.3 million for the year ended December 31, 2011, consisted of (i) current and deferred tax expense on the respective periods' operating results, (ii) the recognition of deferred tax expense attributable to the change in federal and state tax status of the Company and its wholly-owned limited liability company subsidiaries, in accordance with FASB ASC 740 on April 1, 2011 and (iii) the effect of non-deductible items, including equity-based compensation expense and certain transaction-related expenses.

Income tax expense (benefit) from continuing operations consists of the following for the periods presented (in thousands):

	Year Ended December 31,		
	2013	2012	2011
Current:			
Federal	$ 13,202	$ 7,045	$ 295
State	2,513	2,553	1,049
Foreign	177	—	—
Total current	15,892	9,598	1,344
Deferred:			
Federal	7,802	3,144	(5,033)
State	1,786	(417)	(1,583)
Foreign	495	—	—
Total deferred provision	10,083	2,727	(6,616)
Provision for (benefit from) income taxes	$ 25,975	$ 12,325	$ (5,272)

The following table presents the income taxes associated with continuing operations and discontinued operations as reflected in the consolidated statements of operations (in thousands):

	Year Ended December 31,		
	2013	2012	2011
Continuing operations	$ 25,975	$ 12,325	$ (5,272)
Discontinued operations	(544)	(197)	219
Total	$ 25,431	$ 12,128	$ (5,053)

A reconciliation of the U.S. federal statutory rate, from continuing operations, to the effective tax rate is as follows for the periods presented:

	Year Ended December 31,		
	2013	2012	2011
U.S. federal statutory rate on income before income taxes	35.0%	35.0%	35.0%
State income taxes, net of federal tax effect	4.9	3.8	1.4
Permanent differences	0.8	0.8	(23.1)
Change in valuation allowance	(0.3)	(0.9)	(0.8)
Change in tax status of an enterprise	—	—	1.4
Flow-through to members of Holdings	—	—	1.2
Other	(2.9)	(1.2)	(1.4)
Effective income tax rate	37.5%	37.5%	13.7%

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities of the Company at December 31, 2013 and December 31, 2012 were as follows (in thousands):

	December 31,	
	2013	2012
Deferred tax assets:		
Net operating losses and tax credit carryforwards – federal and state	$ 905	$ 3,087
Fixed asset basis difference	1,141	—
Bad debt allowance	7,490	4,694
Accrued compensation and severance	7,669	6,324
Accrued expenses	91	463
Insurance reserves	2,680	359
Leases	1,083	1,605
Other assets	1,553	1,973
Total gross deferred tax assets	22,612	18,505
Less: valuation allowance	(124)	(359)
Deferred tax assets	22,488	18,146
Deferred tax liabilities:		
Fixed asset basis difference	—	(4,599)
Prepaid items	(1,560)	(594)
Intangible assets	(13,196)	(2,571)
Total deferred tax liabilities	(14,756)	(7,764)
Total net deferred tax asset	$ 7,732	$ 10,382

The above amounts are classified as current or long-term in the consolidated balance sheets in accordance with the asset or liability to which they relate or, when applicable, based on the expected timing of the reversals of existing temporary differences. Current deferred tax assets at December 31, 2013 and 2012 were $15.7 million and $11.4 million, respectively. Non-current deferred tax liabilities at December 31, 2013 and 2012 were $8.0 million and $1.0 million, respectively.

The Company records a valuation allowance to reduce its net deferred tax assets to the amount that is more likely than not to be realized. As of December 31, 2013 and 2012, the Company carried a valuation allowance against deferred tax assets of $0.1 million and $0.4 million, respectively.

The Company currently benefits from state net operating loss carryforwards. The Company's consolidated federal net operating loss carryforward at December 31, 2011 was fully utilized during the period ending December 31, 2012. State net operating loss carryfowards at December 31, 2013 and 2012 are approximately $18.5 million and $39.0 million, respectively. These net operating loss carryforwards, if not used to offset future taxable income, will expire from 2014 and 2033. In addition, the Company has certain state tax credits which will begin to expire in 2026 if not utilized.

The Company's utilization of these various tax attributes, at both the federal and state level, may be limited under rules relating to the ownership changes. This limitation is incorporated in the above table by the valuation allowance recorded against a portion of the deferred tax assets.

Income taxes receivable was $4.0 million and $1.7 million at December 31, 2013 and 2011, respectively, and was included in other current assets in the consolidated balance sheet. Income taxes payable was $2.2 million at December 31, 2012 and was included in other accrued liabilities in the consolidated balance sheet. In addition, income taxes payable of $1.3 million and $0.6 million at December 31, 2013 and 2012, respectively, were included in other liabilities in the consolidated balance sheet. The balance in other liabilities relates to certain unrecognized tax benefits.

A reconciliation of the beginning and ending amount of unrecognized income tax benefits is as follows (in thousands):

	2013	2012
Balance at January 1	$ 1,195	$ 1,050
Additions based on tax positions related to the current year	321	262
Additions for tax positions of prior years	377	—
Reductions as a result of the lapse of applicable statutes of limitations	—	(117)
Balance at December 31	$ 1,893	$ 1,195

The provisions of the guidance for uncertain tax positions allow for the classification of interest on an underpayment of income taxes, when the tax law required interest to be paid, and penalties, when a tax position does not meet the minimum statutory threshold to avoid payment of penalties, in income taxes, as interest expense or another appropriate expense classification based on the accounting policy election of the company. The Company's continuing accounting policy is to recognize interest and penalties related to income tax matters as a component of tax expense in the consolidated statements of operations. The Company recognized interest and penalties relative to uncertain tax positions during the year ended December 31, 2013. No interest or penalties were recognized relative to uncertain tax positions during the year ended December 31, 2012. It is possible the amount of unrecognized tax benefit could change in the next twelve months as a result of a lapse of the statute of limitations and settlements with taxing authorities; however, management does not anticipate the change will have a material impact on the Company's consolidated financial statements.

The Company's uncertain tax positions are related to tax years that remain subject to examination by the relevant taxing authorities. The Company files U.S. federal income tax returns as well as income tax returns in various foreign and state jurisdictions. The Company may be subject to examination by the Internal Revenue Service ("IRS") for calendar year 2009 through 2013. Additionally, any net operating losses that were generated in prior years and utilized in these years may also be subject to examination by the IRS. In foreign jurisdictions, the Company may be subject to examination for calendar years 2011 through 2013. Generally, for state tax purposes, the Company's 2010 through 2013 tax years remain open for examination by the tax authorities. At the date of this report there are no state audits in process; however, the IRS has informed the Company of its plans to examine certain returns associated with subsidiaries that existed prior to the Company's ownership. This audit has not progressed sufficiently to predict the ultimate outcome.

Deferred income taxes are not provided for accumulated undistributed earnings of approximately $2.7 million of its non-US subsidiaries as of December 31, 2013, as they are considered by management to be permanently reinvested. If these undistributed earnings were not considered to be permanently reinvested, the related U.S. tax liability may be reduced by foreign income taxes paid on those earnings. The hypothetical calculation of our tax liability, if we were no longer permanently reinvested, is not practicable due to the complexities involved with such calculation.

11. 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, 12.875% Senior Notes, 6.125% Senior Notes, 9.0% and 9.5% Revenue Bonds and contingent consideration liability as of December 31, 2013 and 2012 were as follows (in thousands):

	Carrying Amount		Fair Value	
	December 31,		December 31,	
	2013	2012	2013	2012
Amended and Restated Senior Credit Facility	$ 346,000	$ 300,000	$ 346,000	$ 300,000
12.875% Senior Notes due 2018	$ 96,216	$ 147,757	$ 118,706	$ 181,500
6.125% Senior Notes due 2021	$ 150,000	$ —	$ 155,625	$ —
9.0% and 9.5% Revenue Bonds	$ 24,920	$ 25,561	$ 24,920	$ 25,561
Contingent consideration liability	$ 6,500	$ 6,120	$ 6,500	$ 6,120

The Company's Amended and Restated Senior Credit Facility, 12.875% Senior Notes, 6.125% Senior Notes and 9.0% and 9.5% Revenue Bonds 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 value of the contingent consideration liability at December 31, 2013 was categorized as Level 3 in the GAAP fair value hierarchy. The contingent consideration liability was valued using a probability-weighted discounted cash flow method. This analysis reflected the contractual terms of the purchase agreements and utilized assumptions with regard to future earnings, probabilities of achieving such future earnings and a discount rate. Significant increases with respect to assumptions as to future earnings and probabilities of achieving such future earnings would result in higher fair value measurement while an increase in the discount rate would result in a lower fair value measurement. During the year ended December 31, 2013, the Company changed its projections of the timing of future payments. This change resulted in a $0.4 million increase in the fair value of the contingent consideration liability, which was recorded in transaction-related expenses in the consolidated statements of operations.

12. Leases

The Company is obligated under certain operating leases to rent space for its facilities and other office space. The original terms of the leases typically range from five to ten years, with optional renewal periods.

Aggregate minimum lease payments under non-cancelable operating leases with original or remaining lease terms in excess of one year were as follows as of December 31, 2013 (in thousands):

2014	$ 6,129
2015	6,386
2016	5,337
2017	4,164
2018	2,766
Thereafter	19,904
Total minimum rental obligations	$ 44,686

During the years ended 2013, 2012 and 2011, rent expense was $10.0 million, $7.8 million and $5.6 million, respectively.

13. Commitments and Contingencies

The Company is, from time to time, subject to various claims and legal actions that arise in the ordinary course of the Company's business, including claims for damages for personal injuries, medical malpractice, breach of contract, 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 the opinion of management, the Company is not currently a party to any proceeding that would individually or in the aggregate have a material adverse effect on the Company's business, financial condition or results of operations.

14. Employee Benefit Plan

The Company maintains a qualified defined contribution 401(k) plan covering substantially all of its employees. The Company may, at its discretion, make contributions to the plan. For the years ended December 31, 2013, 2012 and 2011, the Company contributed $0.3 million, $0.1 million and $0.2 million, respectively, to the 401(k) plan.

15. Related Parties

Professional Services Agreement

The Company and Waud Capital Partners were parties to a professional services agreement dated April 1, 2011, pursuant to which Waud Capital Partners rendered general advisory and management services with respect to financial and operating matters, including advice on corporate strategy, budgeting of future corporate investment, acquisition and divestiture strategy and debt and equity financing. Effective November 1, 2011, Waud Capital Partners and the Company terminated the professional services agreement and the Company paid a fee of $20.6 million to Waud Capital Partners pursuant to the terms of the related termination agreement.

The parties entered into the professional services agreement in connection with entering into the second amended and restated limited liability company agreement of Holdings on April 1, 2011 (the "Holdings LLC Agreement"), which amended and restated Holdings' prior limited liability company agreement dated August 31, 2009 (the "Prior LLC Agreement"). Pursuant to the professional services agreement, the Company was obligated to pay the following fees to Waud Capital Partners: (i) upon consummation of any credit facility (including any amendments to existing credit facilities which have the effect of increasing the committed amount under such facility, but excluding any credit facility entered into after April 1, 2011 with any affiliate of Waud Capital Partners if such affiliate is receiving a closing or similar fee in connection with such facility), financing fees in cash in an aggregate amount to equal 1.5% of the aggregate principal amount of all such loans (or 1.0% of the aggregate amount of all public bond issuances); (ii) advisory fees in connection with the negotiation and consummation of any acquisitions and/or dispositions by the Company or any of its subsidiaries in an aggregate amount equal to 2.0% of the gross purchase price of any such acquisition or disposition (including any debt or other liabilities assumed or otherwise included in the transaction(s)), as compensation for the negotiation, arranging and structuring services Waud Capital Partners has agreed to provide the Company with respect thereto; and (iii) upon consummation of a sale of the Company, a sale fee in cash in an amount equal to 1.5% of the enterprise value assigned to Holdings and its subsidiaries in connection with or implied by such sale of the Company, as compensation for the negotiation, structuring and other services Waud Capital Partners has agreed to provide the Company with respect to such sale of the Company.

Under the professional services agreement, Waud Capital Partners charged the Company a management fee for advisory and management services of $2.0 million per year. Management fees for the period from April 1, 2011 to the termination of the professional services agreement on November 1, 2011 were $1.3 million.

The professional services agreement also provided for the reimbursement of Waud Capital Partners for its reasonable travel expenses, legal fees and other out-of-pocket fees and expenses in connection with activities undertaken pursuant to such agreement. Additionally, Waud Capital Partners and its affiliates (other than the Company and its subsidiaries) were indemnified for liabilities incurred in connection with their role under the professional services agreement, other than for liabilities resulting from their gross negligence or willful misconduct, as determined by a court of competent jurisdiction in a final non-appealable order.

In connection with entry into the professional services agreement, the amendment and restatement of the Prior LLC Agreement and the consummation of the Company's acquisition of YFCS, Waud Capital Partners received $6.15 million in fees from the Company on April 1, 2011, which consisted of a $3.6 million transaction fee, a $450,000 commitment fee and a $2.1 million financing fee.

Prior to entry into the professional services agreement, Waud Capital Partners was entitled to receive the following fees from Holdings pursuant to the Prior LLC Agreement: (i) an annual advisory fee, payable on a semi-annual basis, as compensation for the financial and management consulting services Waud Capital Partners had agreed to provide Holdings and its subsidiaries with respect to their business and financial management generally and its financial affairs; and (ii) upon consummation of any credit facility (including amendments to existing credit facilities which have the effect of increasing the amount to be drawn under such facility by Holdings or its subsidiaries, but excluding any credit facility entered into after December 30, 2005 with any affiliate of Waud Capital Partners if such affiliate is receiving a closing or similar fee in connection with such facility) entered into by Holdings or its subsidiaries after December 30, 2005, financing fees in an aggregate amount to equal 2.0% of the aggregate principal amount of all such loans (or 1.0% of the aggregate amount of all public bond issuances), as compensation for the negotiation, arranging and structuring services Waud Capital Partners had agreed to provide to Holdings or its subsidiaries. Waud Capital Partners was also entitled to receive an annual advisory fee, payable semi-annually, under the Prior LLC Agreement (and its predecessor). Such fee was initially set at $350,000 per annum, subject to annual increases of $50,000, up to $600,000, effective January 1st of each year beginning January 1, 2007. Waud Capital Partners deferred the payment of all such management fees in accordance with the terms of the Prior LLC Agreement. On April 1, 2011 in connection with entry into the Holdings LLC Agreement, Waud Capital Partners received $7.1 million of Holdings' equity in exchange for fees it had previously deferred in accordance with the Prior LLC Agreement.

True Partners Engagement Agreement

The Company and True Partners Consulting LLC ("True Partners"), an affiliate of Waud Capital Partners, were parties to an engagement agreement dated January 7, 2011, pursuant to which True Partners renders tax consulting and compliance services to the Company and its affiliated entities. The engagement agreement terminated upon the completion of the services rendered by True Partners during 2011. The Company paid $0.2 million to True Partners for various tax consulting and compliance services during the year ended December 31, 2011.

16. Quarterly Information (Unaudited)

The tables below present summarized unaudited quarterly results of operations for the years ended December 31, 2013 and 2012. Management believes that all necessary adjustments have been included in the amounts stated below for a fair presentation of the results of operations for the periods presented when read in conjunction with the Company's consolidated financial statements for the years ended December 31, 2013 and 2012. Results of operations for a particular quarter are not necessarily indicative of results of operations for an annual period and are not predictive of future periods.

	Quarter Ended			
	March 31,	June 30,	September 30,	December 31,
	(In thousands except per share amounts)			
2013:				
Revenue	$ 161,213	$ 177,494	$ 184,702	$ 189,999
Income from continuing operations before income taxes	$ 6,732	$ 20,291	$ 22,287	$ 19,935
Net income	$ 3,738(1)	$ 12,197	$ 14,364	$ 12,280
Basic net income per share	$ 0.07(1)	$ 0.24	$ 0.29	$ 0.25
Diluted net income per share	$ 0.07(1)	$ 0.24	$ 0.29	$ 0.24
2012:				
Revenue	$ 89,563	$ 100,530	$ 103,116	$ 114,252
Income from continuing operations before income taxes	$ 4,992	$ 10,020	$ 10,311	$ 7,506(2)
Net income	$ 3,679	$ 5,909	$ 6,450	$ 4,365(2)
Basic and diluted net income per share	$ 0.11	$ 0.16	$ 0.15	$ 0.10

(1) Includes debt extinguishment costs of $9.5 million, or $5.8 million net of taxes, in connection with the redemption of $52.5 million of the 12.875% Senior Notes on March 12, 2013.
(2) Includes transaction-related expenses primarily related to the AmiCare and BCA acquisitions of $6.0 million.

17. Subsequent Events

On January 1, 2014, the Company completed its acquisition of the assets of Pacific Grove, an inpatient psychiatric facility with 68 licensed beds located in Riverside, California, for cash consideration of $10.5 million.

18. Financial Information for the Company and Its Subsidiaries

The Company conducts substantially all of its business through its subsidiaries. The 12.875% and 6.125% 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 Credit Facility. Presented below is condensed consolidating financial information for the Company and its subsidiaries as of December 31, 2013 and 2012, and for the years ended December 31, 2013, 2012 and 2011. 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
December 31, 2013
(In thousands)

	Parent	Combined Subsidiary Guarantors	Combined Non-Guarantors	Consolidating Adjustments	Total Consolidated Amounts
Current assets:					
Cash and cash equivalents	$ —	$ —	$ 6,494	$ (1,925)	$ 4,569
Accounts receivable, net	—	86,597	9,288	—	95,885
Deferred tax assets	—	15,284	419	—	15,703
Other current assets	—	27,886	1,083	—	28,969
Total current assets	—	129,767	17,284	(1,925)	145,126
Property and equipment, net	—	340,175	29,934	—	370,109
Goodwill	—	564,539	97,010	—	661,549
Intangible assets, net	—	18,578	1,990	—	20,568
Investment in subsidiaries	1,034,160	—	—	(1,034,160)	—
Other assets	13,311	11,675	8,082	(5,761)	27,307
Total assets	$ 1,047,471	$ 1,064,734	$ 154,300	$ (1,041,846)	$ 1,224,659
Current liabilities:					
Current portion of long-term debt	$ 15,000	$ —	$ 195	$ —	$ 15,195
Accounts payable	—	36,289	1,662	(1,925)	36,026
Accrued salaries and benefits	—	36,027	1,694	—	37,721
Other accrued liabilities	4,876	19,982	890	—	25,748
Total current liabilities	19,876	92,298	4,441	(1,925)	114,690
Long-term debt	544,291	—	57,650	—	601,941
Deferred tax liabilities – noncurrent	2,594	11,138	—	(5,761)	7,971
Other liabilities	—	19,347	—	—	19,347
Total liabilities	566,761	122,783	62,091	(7,686)	743,949
Total equity	480,710	941,951	92,209	(1,034,160)	480,710
Total liabilities and equity	$ 1,047,471	$ 1,064,734	$ 154,300	$ (1,041,846)	$ 1,224,659

Acadia Healthcare Company, Inc.
Condensed Consolidating Balance Sheets
December 31, 2012
(In thousands)

	Parent	Combined Subsidiary Guarantors	Combined Non-Guarantors	Consolidating Adjustments	Total Consolidated Amounts
Current assets:					
Cash and cash equivalents	$ —	$ 49,307	$ 92	$ —	$ 49,399
Accounts receivable, net	—	61,359	2,511	—	63,870
Deferred tax assets	—	11,323	57	—	11,380
Other current assets	—	16,074	258	—	16,332
Total current assets	—	138,063	2,918	—	140,981
Property and equipment, net	—	218,716	18,226	—	236,942
Goodwill	—	537,296	20,106	—	557,402
Intangible assets, net	—	14,953	1,035	—	15,988
Investment in subsidiaries	868,165	—	—	(868,165)	—
Other assets	15,401	16,217	3,277	(2,795)	32,100
Total assets	$ 883,566	$ 925,245	$ 45,562	$ (870,960)	$ 983,413
Current liabilities:					
Current portion of long-term debt	$ 7,500	$ —	$ 180	$ —	$ 7,680
Accounts payable	—	18,048	1,033	—	19,081
Accrued salaries and benefits	—	28,285	464	—	28,749
Other accrued liabilities	3,259	12,853	229	—	16,341
Total current liabilities	10,759	59,186	1,906	—	71,851
Long-term debt	440,257	—	25,381	—	465,638
Deferred tax liabilities – noncurrent	—	3,793	—	(2,795)	998
Other liabilities	—	12,376	—	—	12,376
Total liabilities	451,016	75,355	27,287	(2,795)	550,863
Total equity	432,550	849,890	18,275	(868,165)	432,550
Total liabilities and equity	$ 883,566	$ 925,245	$ 45,562	$ (870,960)	$ 983,413

Acadia Healthcare Company, Inc.
Condensed Consolidating Statement of Operations
Year Ended December 31, 2013
(In thousands)

	Parent	Combined Subsidiary Guarantors	Combined Non-Guarantors	Consolidating Adjustments	Total Consolidated Amounts
Revenue before provision for doubtful accounts	$ —	$ 700,407	$ 34,702	$ —	$ 735,109
Provision for doubtful accounts	—	(20,700)	(1,001)	—	(21,701)
Revenue	—	679,707	33,701	—	713,408
Salaries, wages and benefits	5,249	388,749	13,964	—	407,962
Professional fees	—	34,149	3,022	—	37,171
Supplies	—	35,686	1,883	—	37,569
Rents and leases	—	9,282	767	—	10,049
Other operating expenses	—	72,626	7,946	—	80,572
Depreciation and amortization	—	15,882	1,208	—	17,090
Interest expense, net	35,327	22	1,901	—	37,250
Debt extinguishment costs	9,350	—	—	—	9,350
Transaction-related expenses	—	6,716	434	—	7,150
Total expenses	49,926	563,112	31,125	—	644,163
(Loss) income from continuing operations before income taxes	(49,926)	116,595	2,576	—	69,245
Equity in earnings of subsidiaries	73,538	—	—	(73,538)	—
(Benefit from) provision for income taxes	(18,967)	44,294	648	—	25,975
Income (loss) from continuing operations	42,579	72,301	1,928	(73,538)	43,270
Loss from discontinued operations, net of income taxes	—	(691)	—	—	(691)
Net income (loss)	$ 42,579	$ 71,610	$ 1,928	$ (73,538)	$ 42,579

Acadia Healthcare Company, Inc.
Condensed Consolidating Statement of Operations
Year Ended December 31, 2012
(In thousands)

	Parent	Combined Subsidiary Guarantors	Combined Non-Guarantors	Consolidating Adjustments	Total Consolidated Amounts
Revenue before provision for doubtful accounts	$ —	$ 412,161	$ 1,689	$ —	$ 413,850
Provision for doubtful accounts	—	(6,389)	—	—	(6,389)
Revenue	—	405,772	1,689	—	407,461
Salaries, wages and benefits	2,267	236,182	1,190	—	239,639
Professional fees	—	18,806	213	—	19,019
Supplies	—	19,382	114	—	19,496
Rents and leases	—	7,816	22	—	7,838
Other operating expenses	—	42,121	656	—	42,777
Depreciation and amortization	—	7,874	108	—	7,982
Interest expense, net	29,512	—	257	—	29,769
Sponsor management fees	—	—	—	—	—
Transaction-related expenses	—	8,112	—	—	8,112
Total expenses	31,779	340,293	2,560	—	374,632
(Loss) income from continuing operations before income taxes	(31,779)	65,479	(871)	—	32,829
Equity in earnings of subsidiaries	40,251	—	—	(40,251)	—
(Benefit from) provision for income taxes	(11,931)	24,583	(327)	—	12,325
Income (loss) from continuing operations	20,403	40,896	(544)	(40,251)	20,504
Loss from discontinued operations, net of income taxes	—	(101)	—	—	(101)
Net income (loss)	$ 20,403	$ 40,795	$ (544)	$ (40,251)	$ 20,403

Acadia Healthcare Company, Inc.
Condensed Consolidating Statement of Operations
Year Ended December 31, 2011
(In thousands)

	Parent	Combined Subsidiary Guarantors	Combined Non-Guarantors	Consolidating Adjustments	Total Consolidated Amounts
Revenue before provision for doubtful accounts	$ —	$ 219,704	$ —	$ —	$ 219,704
Provision for doubtful accounts	—	(3,206)	—	—	(3,206)
Revenue	—	216,498	—	—	216,498
Salaries, wages and benefits	17,320	135,289	—	—	152,609
Professional fees	—	8,896	—	—	8,896
Supplies	—	11,349	—	—	11,349
Rents and leases	—	5,576	—	—	5,576
Other operating expenses	—	20,171	—	—	20,171
Depreciation and amortization	—	4,278	—	—	4,278
Interest expense, net	9,191	—	—	—	9,191
Sponsor management fees	—	1,347	—	—	1,347
Transaction-related expenses	—	41,547	—	—	41,547
Total expenses	26,511	228,453	—	—	254,964
Loss from continuing operations before income taxes	(26,511)	(11,955)	—	—	(38,466)
Equity in earnings of subsidiaries	(12,014)	—	—	12,014	—
Benefit from income taxes	(3,633)	(1,639)	—	—	(5,272)
(Loss) income from continuing operations	(34,892)	(10,316)	—	12,014	(33,194)
Loss from discontinued operations, net of income taxes	—	(1,698)	—	—	(1,698)
Net (loss) income	$ (34,892)	$ (12,014)	$ —	$ 12,014	$ (34,892)

Acadia Healthcare Company, Inc.
Condensed Consolidating Statement of Cash Flows
Year Ended December 31, 2013
(In thousands)

	Parent	Combined Subsidiary Guarantors	Combined Non-Guarantors	Consolidating Adjustments	Total Consolidated Amounts
Operating activities:					
Net income (loss)	$ 42,579	$ 71,610	$ 1,928	$ (73,538)	$ 42,579
Adjustments to reconcile net income (loss) to net cash (used in) provided by continuing operating activities:					
Equity in earnings of subsidiaries	(73,538)	—	—	73,538	—
Depreciation and amortization	—	15,882	1,208	—	17,090
Amortization of debt issuance costs	2,725	—	(461)	—	2,264
Equity-based compensation expense	5,249	—	—	—	5,249
Deferred income tax expense	(754)	10,278	559	—	10,083
Loss from discontinued operations, net of taxes	—	691	—	—	691
Debt extinguishment costs	9,350	—	—	—	9,350
Other	—	21	—	—	21
Change in operating assets and liabilities, net of effect of acquisitions:					
Accounts receivable, net	—	(22,768)	1,526	—	(21,242)
Other current assets	—	(3,774)	122	—	(3,652)
Other assets	—	(1,950)	(289)	—	(2,239)
Accounts payable and other accrued liabilities	—	(287)	(561)	—	(848)
Accrued salaries and benefits	—	2,161	642	—	2,803
Other liabilities	—	3,181	—	—	3,181
Net cash (used in) provided by continuing operating activities	(14,389)	75,045	4,674	—	65,330
Net cash used in discontinued operating activities	—	232	—		232
Net cash (used in) provided by operating activities	(14,389)	75,277	4,674	—	65,562
Investing activities:					
Cash paid for acquisitions, net of cash acquired	—	(164,019)	—	—	(164,019)
Cash paid for capital expenditures	—	(68,497)	(444)	—	(68,941)
Cash paid for real estate acquisitions	—	(8,092)	—	—	(8,092)
Other	—	(1,926)	—	—	(1,926)
Net cash used in investing activities	—	(242,534)	(444)	—	(242,978)
Financing activities:					
Borrowings on long-term debt	150,000	—	—	—	150,000
Borrowings on revolving credit facility	61,500	—	—	—	61,500
Principal payments on revolving credit facility	(8,000)	—	—	—	(8,000)
Principal payments on long-term debt	(7,500)	—	(180)	—	(7,680)
Repayment of long-term debt	(52,500)	—	—	—	(52,500)
Payment of debt issuance costs	(4,307)	—	—	—	(4,307)
Payment of premium on note redemption	(6,759)	—	—	—	(6,759)
Issuance of common stock, net	(205)	—	—	—	(205)
Common stock withheld for minimum statutory taxes, net	(1,242)	—	—	—	(1,242)
Excess tax benefit from equity awards	1,779	—	—	—	1,779
Cash (used in) provided by intercompany activity	(118,377)	117,950	2,352	(1,925)	—
Net cash (used in) provided by financing activities	14,389	117,950	2,172	(1,925)	132,586
Net (decrease) increase in cash and cash equivalents	—	(49,307)	6,402	(1,925)	(44,830)
Cash and cash equivalents at beginning of the period	—	49,307	92	—	49,399
Cash and cash equivalents at end of the period	$ —	$ —	$ 6,494	$ (1,925)	$ 4,569

Acadia Healthcare Company, Inc.
Condensed Consolidating Statement of Cash Flows
Year Ended December 31, 2012
(In thousands)

	Parent	Combined Subsidiary Guarantors	Combined Non-Guarantors	Consolidating Adjustments	Total Consolidated Amounts
Operating activities:					
Net income (loss)	$ 20,403	$ 40,795	$ (544)	$ (40,251)	$ 20,403
Adjustments to reconcile net income (loss) to net cash (used in) provided by continuing operating activities:					
Equity in earnings of subsidiaries	(40,251)	—	—	40,251	—
Depreciation and amortization	—	7,874	108	—	7,982
Amortization of debt issuance costs	2,507	—	—	—	2,507
Equity-based compensation expense	2,267	—	—	—	2,267
Deferred income tax expense	(519)	3,376	(10)	—	2,847
Other	—	(3)	—	—	(3)
Loss from discontinued operations, net of taxes	—	101	—	—	101
Change in operating assets and liabilities, net of effect of acquisitions:					
Accounts receivable, net	—	(9,283)	(1,061)	—	(10,344)
Other current assets	—	1,579	4	—	1,583
Other assets	—	603	34	—	637
Accounts payable and other accrued liabilities	—	997	(512)	—	485
Accrued salaries and benefits	—	5,121	21	—	5,142
Other liabilities	—	702	—	—	702
Net cash (used in) provided by continuing operating activities	(15,593)	51,862	(1,960)	—	34,309
Net cash used in discontinued operating activities	—	(411)	—	—	(411)
Net cash (used in) provided by operating activities	(15,593)	51,451	(1,960)	—	33,898
Investing activities:					
Cash paid for acquisitions, net of cash acquired	—	(443,473)	—	—	(443,473)
Cash paid for capital expenditures	—	(27,595)	—	—	(27,595)
Cash paid for real estate acquisitions	—	(53,159)	—	—	(53,159)
Other	—	(417)	—	—	(417)
Net cash used in investing activities	—	(524,644)	—	—	(524,644)
Financing activities:					
Borrowings on long-term debt	176,063	—	—	—	176,063
Borrowings on revolving credit facility	16,000	—	—	—	16,000
Principal payments on revolving credit facility	(16,000)	—	—	—	(16,000)
Principal payments on long-term debt	(6,000)	—	—	—	(6,000)
Payment of debt issuance costs	(4,551)	—	—	—	(4,551)
Issuance of common stock, net	311,841	—	—	—	311,841
Common stock withheld for minimum statutory taxes, net	960	—	—	—	960
Excess tax benefit from equity awards	714	—	—	—	714
Cash (used in) provided by intercompany activity	(463,434)	461,382	2,052	—	—
Net cash (used in) provided by financing activities	15,593	461,382	2,052	—	479,027
Net (decrease) increase in cash and cash equivalents	—	(11,811)	92	—	(11,719)
Cash and cash equivalents at beginning of the period	—	61,118	—	—	61,118
Cash and cash equivalents at end of the period	$ —	$ 49,307	$ 92	$ —	$ 49,399

Acadia Healthcare Company, Inc.
Condensed Consolidating Statement of Cash Flows
Year Ended December 31, 2011
(In thousands)

	Parent	Combined Subsidiary Guarantors	Combined Non-Guarantors	Consolidating Adjustments	Total Consolidated Amounts
Operating activities:					
Net (loss) income	$ (34,892)	$ (12,014)	$ —	$ 12,014	$ (34,892)
Adjustments to reconcile net (loss) income to net cash (used in) provided by continuing operating activities:					
Equity in earnings of subsidiaries	12,014	—	—	(12,014)	—
Depreciation and amortization	—	4,278	—	—	4,278
Amortization of debt issuance costs	1,271	—	—	—	1,271
Equity-based compensation expense	17,320	—	—	—	17,320
Deferred income tax benefit	—	(6,442)	—	—	(6,442)
Other	—	(168)	—	—	(168)
Loss from discontinued operations, net of taxes	—	1,698	—	—	1,698
Change in operating assets and liabilities, net of effect of acquisitions:					
Accounts receivable, net	—	(1,675)	—	—	(1,675)
Other current assets	—	(1,625)	—	—	(1,625)
Other assets	—	(969)	—	—	(969)
Accounts payable and other accrued liabilities	—	3,326	—	—	3,326
Accrued salaries and benefits	—	(1,759)	—	—	(1,759)
Other liabilities	—	734	—	—	734
Net cash (used in) provided by continuing operating activities	(4,287)	(14,616)	—	—	(18,903)
Net cash used in discontinued operating activities	—	(1,763)	—	—	(1,763)
Net cash (used in) provided by operating activities	(4,287)	(16,379)	—	—	(20,666)
Investing activities:					
Cash paid for acquisitions, net of cash acquired	—	(206,379)	—	—	(206,379)
Cash paid for capital expenditures	—	(9,558)	—	—	(9,558)
Cash paid for real estate acquisitions	—	(8,706)	—	—	(8,706)
Other	—	(689)	—	—	(689)
Net cash used in continuing investing activities	—	(225,332)	—	—	(225,332)
Net cash used in discontinued investing activities	—	(238)	—	—	(238)
Net cash used in investing activities	—	(225,570)	—	—	(225,570)
Financing activities:					
Borrowings on long-term debt	282,485	—	—	—	282,485
Borrowings on revolving credit facility	15,100	—	—	—	15,100
Principal payments on revolving credit facility	(15,100)	—	—	—	(15,100)
Principal payments on long-term debt	(5,063)	—	—	—	(5,063)
Repayment of long-term debt	(9,984)	—	—	—	(9,984)
Payment of debt issuance costs	(12,111)	—	—	—	(12,111)
Issuance of common stock, net	67,162	—	—	—	67,162
Common stock withheld for minimum statutory taxes, net	38	—	—	—	38
Cash distribution paid to equity holders	(74,441)	—	—	—	(74,441)
Contribution from Holdings	51,029	—	—	—	51,029
Distributions to equity holders	(375)	—	—	—	(375)
Cash (used in) provided by intercompany activity	(294,453)	294,453	—	—	—
Net cash provided by (used in) financing activities	4,287	294,453	—	—	298,740
Net increase in cash and cash equivalents	—	52,504	—	—	52,504
Cash and cash equivalents at beginning of the period	—	8,614	—	—	8,614
Cash and cash equivalents at end of the period	$ —	61,118	$ —	$ —	$ 61,118

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange 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/ JOEY A. JACOBS
Joey A. Jacobs
Chairman of the Board and Chief Executive Officer

Dated: February 21, 2014

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ JOEY A. JACOBS Joey A. Jacobs	Chairman of the Board and Chief Executive Officer (Principal Executive Officer)	February 21, 2014
/s/ DAVID M. DUCKWORTH David M. Duckworth	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	February 21, 2014
/s/ BRUCE A. SHEAR Bruce A. Shear	Executive Vice Chairman, Director	February 21, 2014
/s/ E. PEROT BISSELL E. Perot Bissell	Director	February 21, 2014
/s/ WILLIAM F. GRIECO William F. Grieco	Director	February 21, 2014
/s/ ALLAN B. HUBBARD Allan B. Hubbard	Director	February 21, 2014
/s/ KYLE D. LATTNER Kyle D. Lattner	Director	February 21, 2014
/s/ WADE D. MIQUELON Wade D. Miquelon	Director	February 21, 2014
/s/ WILLIAM M. PETRIE William M. Petrie	Director	February 21, 2014
/s/ HARTLEY R. ROGERS Hartley R. Rogers	Director	February 21, 2014
/s/ REEVE B. WAUD Reeve B. Waud	Director	February 21, 2014

EXECUTIVE OFFICERS AND BOARD OF DIRECTORS

Joey A. Jacobs
Chairman and Chief Executive Officer

Brent Turner
President

Ronald M. Fincher
Chief Operating Officer

David M. Duckworth
Chief Financial Officer

Christopher L. Howard
Executive Vice President, General Counsel and Secretary

Steve Davidson
Chief Development Officer

Bruce A. Shear
Executive Vice Chairman

E. Perot Bissell
Director;
CEO, Next Generation Energy Logistics, LLC

William F. Grieco
Director;
Managing Director, Arcadia Strategies, LLC

Allan B. Hubbard
Director;
Chairman, E&A Industries, Inc.

Kyle D. Lattner
Director;
Vice President, Waud Capital Partners

Wade D. Miquelon
Director;
Executive Vice President,
Chief Financial Officer and President,
International, Walgreen Co.

William M. Petrie, M.D.
Director;
Professor of Clinical Psychiatry,
Director, Vanderbilt Senior Assessment Clinic,
Vanderbilt University School of Medicine

Hartley R. Rogers
Director;
Chairman, Hamilton Lane Advisors, LLC

Reeve B. Waud
Director;
Founder and Managing Partner,
Waud Capital Partners

CORPORATE INFORMATION

Corporate Office
Acadia Healthcare Company, Inc.
830 Crescent Centre Drive, Suite 610
Franklin, TN 37067
(615) 861-6000
www.acadiahealthcare.com

Registrar and Transfer Agent
Broadridge Corporate Issuer Solutions, Inc.
51 Mercedes Way
Edgewood, NY 11717
(631) 254-7400

Form 10-K/Investor Contact
A copy of the Acadia Healthcare Company, Inc. Annual Report on Form 10-K for fiscal 2013 (without exhibits) filed with the Securities and Exchange Commission is available on the Company's web site at www.acadiahealthcare.com. It is also available from the Company at no charge. These requests and other investor contacts should be directed to Brent Turner, President, at the Company's corporate office.

Annual Meeting
The annual meeting of stockholders will be held on Thursday, May 22, 2014, at 10:30 a.m. (Central Time) at the Company's headquarters located at 830 Crescent Centre Drive, Suite 610, Franklin, TN 37067

Independent Auditors
Ernst & Young LLP
Nashville, TN

ACADIA
HEALTHCARE

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Franklin, TN 37067
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