Civitas Solutions, Inc.
Form 10-Q
February 09, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

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

For the quarterly period ended December 31, 2015
OR

o 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: 001-36623

CIVITAS SOLUTIONS, INC.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	65-1309110 (I.R.S. Employer Identification No.)
313 Congress Street, 6th Floor Boston, Massachusetts 02210 (Address of principal executive offices, including zip code)	(617) 790-4800 (Registrant’s telephone number, including area code)

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

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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

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	o	Accelerated filer	x
Non-accelerated filer	o (Do not check if smaller reporting company)	Smaller reporting company	o

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

As of February 1, 2016, there were 37,101,867 shares outstanding of the registrant’s common stock, $0.01 par value.

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PART I. FINANCIAL INFORMATION
Item 1. Condensed Consolidated Financial Statements
Civitas Solutions, Inc.
Condensed Consolidated Balance Sheets
(Amounts in thousands, except share and per share amounts)
(Unaudited)

	December 31, 2015	September 30, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	$34,194	$41,690
Restricted cash	804	749
Accounts receivable, net of allowances of $12,002 and $11,207 at December 31, 2015 and September 30, 2015	140,482	145,395
Deferred tax assets, net	18,483	19,648
Prepaid expenses and other current assets	21,568	14,049
Total current assets	215,531	221,531
Property and equipment, net	167,411	168,227
Intangible assets, net	299,839	305,856
Goodwill	275,278	274,520
Restricted cash	50,000	50,000
Other assets	44,142	43,050
Total assets	$1,052,201	$1,063,184
LIABILITIES AND STOCKHOLDERS’ EQUITY		
Current liabilities:		
Accounts payable	$19,820	$25,890
Accrued payroll and related costs	68,259	82,012
Other accrued liabilities	52,526	46,428
Obligations under capital lease, current	509	497
Current portion of long-term debt	6,554	6,554
Total current liabilities	147,668	161,381
Other long-term liabilities	76,101	79,170
Deferred tax liabilities, net	57,551	58,223
Obligations under capital lease, less current portion	5,429	5,561
Long-term debt, less current portion	636,005	637,574
Commitments and Contingencies (Note 16)		
Stockholders’ equity		
Common stock, $.01 par value; 350,000,000 shares authorized; and 37,099,699 and 37,093,237 shares issued and outstanding at December 31, 2015 and September 30, 2015, respectively	371	371
Additional paid-in capital	289,748	277,311
Accumulated loss on derivatives, net of taxes of ($248) and ($1,157) as December 31, 2015 and September 30, 2015, respectively	(365)	(1,704)
Accumulated deficit	(160,307)	(154,703)
Total stockholders’ equity	129,447	121,275
Total liabilities and stockholders’ equity	$1,052,201	$1,063,184

See accompanying notes to these condensed consolidated financial statements.

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Civitas Solutions, Inc.
Condensed Consolidated Statements of Operations
(Amounts in thousands, except share and per share amounts)
(Unaudited)

	Three Months Ended December 31,	
	2015	2014
Net revenue	$345,747	$334,590
Cost of revenue	271,012	257,558
Operating expenses:		
General and administrative	49,542	40,308
Depreciation and amortization	17,987	17,210
Total operating expenses	67,529	57,518
Income from operations	7,206	19,514
Other income (expense):		
Management fee of related party	—	(162)
Other income (expense), net	(815)	140
Extinguishment of debt	—	(14,343)
Interest expense	(8,573)	(10,905)
Loss from continuing operations before income taxes	(2,182)	(5,756)
Provision (benefit) for income taxes	3,392	(2,371)
Loss from continuing operations	(5,574)	(3,385)
Loss from discontinued operations, net of tax	(30)	(55)
Net loss	$(5,604)	$(3,440)
Loss per common share, basic and diluted		
Loss from continuing operations	$(0.15)	$(0.09)
Loss from discontinued operations	—	—
Net loss	$(0.15)	$(0.09)
Weighted average number of common shares outstanding, basic and diluted	37,095,279	36,950,000

See accompanying notes to these condensed consolidated financial statements.

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Civitas Solutions, Inc.
Condensed Consolidated Statements of Comprehensive Loss
(Amounts in thousands)
(Unaudited)

	Three Months Ended December 31,	
	2015	2014
Net loss	$(5,604)	$(3,440)
Other comprehensive income, net of tax:		
Change in unrealized loss on derivative instruments, net of tax for three months ended December 31, 2015 of $909	1,339	—
Comprehensive loss	$(4,265)	$(3,440)

See accompanying notes to these condensed consolidated financial statements.

Civitas Solutions, Inc.
Condensed Consolidated Statements of Stockholders' Equity
(Amounts in thousands, except share amounts)
(Unaudited)

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive (Loss) Income	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount				
Balance at September 30, 2015	37,093,237	$371	$277,311	$(1,704)	$(154,703)	$121,275
Issuance of common stock under employee incentive plans, net of shares surrendered	6,462	—	(32)	—	—	(32)
Stock-based compensation	—	—	11,719	—	—	11,719
Excess tax benefits from stock-based compensation awards	—	—	750	—	—	750
Other comprehensive income, net of tax	—	—	—	1,339	—	1,339
Net loss	—	—	—	—	(5,604)	(5,604)
Balance at December 31, 2015	37,099,699	$371	$289,748	$(365)	$(160,307)	$129,447

See accompanying notes to these condensed consolidated financial statements.

Civitas Solutions, Inc.
Condensed Consolidated Statements of Cash Flows
(Amounts in thousands)
(Unaudited)

	Three Months Ended December 31,	
	2015	2014
Operating activities:		
Net loss	$(5,604)	$(3,440)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Provision for accounts receivable allowances	4,637	4,294
Depreciation and amortization	18,004	17,276
Amortization and write-off of original issue discount and initial purchasers discount	70	3,672
Amortization and write-off of financing costs	391	1,522
Stock-based compensation	11,719	1,160
Deferred income taxes	(416)	650
Loss on disposal of assets	71	65
Net change in fair value of contingent consideration	(3,156)	—
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	276	(9,909)
Other assets	(8,987)	(7,960)
Accounts payable	(5,069)	(1,236)
Accrued payroll and related costs	(13,753)	(8,881)
Other accrued liabilities	8,732	(3,781)
Other long-term liabilities	(298)	911
Net cash provided by (used in) operating activities	6,617	(5,657)
Investing activities:		
Acquisition of businesses, net of cash acquired	(4,156)	(12,518)
Purchases of property and equipment	(9,122)	(8,886)
Change in restricted cash	(55)	(477)
Proceeds from sale of assets	260	183
Net cash used in investing activities	(13,073)	(21,698)
Financing activities:		
Repayments of long-term debt	(1,639)	(163,500)
Proceeds from borrowings under senior revolver	—	2,500
Repayments of borrowings under senior revolver	—	(2,500)
Repayments of capital lease obligations	(120)	(109)
Proceeds from issuance of common stock under employee equity incentive plans	31	—
Excess tax benefits from stock-based compensation	750	—
Taxes paid related to net share settlements of restricted stock unit awards	(62)	—
Net cash used in financing activities	(1,040)	(163,609)
Net decrease in cash and cash equivalents	(7,496)	(190,964)
Cash and cash equivalents at beginning of period	41,690	196,147
Cash and cash equivalents at end of period	$34,194	$5,183
Supplemental disclosure of cash flow information		
Cash paid for interest	$7,948	$10,783
Cash paid for income taxes, net of refunds	$5,779	$113
Supplemental disclosure of non-cash investing activities:		
Accrued property and equipment	$443	$451

See accompanying notes to these condensed consolidated financial statements.

Civitas Solutions, Inc.
Notes to Condensed Consolidated Financial Statements
December 31, 2015
(Unaudited)

1. Business Overview

Civitas Solutions, Inc. ("Civitas") is the parent of a consolidated group of subsidiaries, (collectively, the "Company") that market their services under the MENTOR Network tradename. Prior to October 1, 2015, Civitas was a partially owned subsidiary of NMH Investment, LLC (“NMH Investment”), which was formed in connection with the acquisition of our business by affiliates of Vestar Capital Partners (“Vestar”) in 2006. The equity interests of NMH Investment were owned by Vestar and certain executive officers, directors and other members of management. On October 1, 2015, in connection with an underwritten secondary offering, NMH Investment distributed all of the 25,250,000 shares of common stock of Civitas it held to its existing members in accordance with their respective membership interests. NMH Holdings, LLC ("NMHH") is a wholly owned subsidiary of Civitas and National Mentor Holdings, Inc. (“NMHI”) is a wholly-owned subsidiary of NMHH. The financial results of Civitas are primarily composed of the financial results of NMHI and its subsidiaries on a consolidated basis.
Civitas, through its wholly-owned subsidiaries, is the leading provider of home- and community-based health and human services to individuals with intellectual and/or developmental disabilities, acquired brain injury and other catastrophic injuries and illnesses; and to youth with emotional, behavioral and/or medically complex challenges. Since the Company’s founding in 1980, the Company has evolved into a diversified national network providing an array of high-quality services and care in large, growing and highly-fragmented markets. The Company currently provides services to individuals with intellectual and/or developmental disabilities (“I/DD”), individuals with catastrophic injuries and illnesses, particularly acquired brain injury (“ABI”), youth with emotional, behavioral and/or medically complex challenges, or at-risk youth (“ARY”) and elders in need of day health services to support their independence, or adult day health (“ADH”). Since the Company’s founding in 1980, the Company’s operations have grown to 35 states. The Company provides residential services to more than 11,600 clients and approximately 14,400 clients receive periodic services from the Company in non-residential settings.

The Company designs customized service plans to meet the individual needs of its clients, which it delivers in home- and community-based settings. Most of the Company’s service plans involve residential support, typically in small group homes, host home settings, or specialized community facilities, designed to improve the clients’ quality of life and to promote their independence and participation in community life. Other services offered include supported living, day and transitional programs, vocational services, case management, family-based and outpatient therapeutic services, post-acute treatment and neurorehabilitation, neurobehavioral rehabilitation and physical, occupational and speech therapies, among others. The Company’s customized service plans offer its clients as well as the payors of these services, an attractive, cost-effective alternative to health and human services provided in large, institutional settings.
2. Significant Accounting Policies
Basis of Presentation
The accompanying unaudited condensed consolidated financial statements have been prepared by the Company in accordance with generally accepted accounting principles (“GAAP”) for interim financial information and pursuant to the applicable rules and regulations of the Securities and Exchange Commission (“SEC”). Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. The unaudited condensed consolidated financial statements herein should be read in conjunction with the Company’s audited consolidated financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the fiscal year ended September 30, 2015, which is on file with the SEC. In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all adjustments, consisting of normal and recurring adjustments, necessary to present fairly the financial statements in accordance with GAAP. Intercompany balances and transactions between the Company and its subsidiaries have been eliminated in

consolidation. Operating results for the three months ended December 31, 2015 may not necessarily be indicative of results to be expected for any other interim period or for the full year.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Our financial results are affected by the selection and application of accounting policies and methods. There were no material changes in the three months ended December 31, 2015 to the application of significant accounting policies as described in our audited financial statements for the year ended September 30, 2015.

3. Recent Accounting Pronouncements

Revenue from Contracts with Customers— In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers (ASU 2014-09), which supersedes nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. ASU 2014-09 defines a five step process to achieve this core principle and, in doing so, more judgment and estimates may be required within the revenue recognition process than are required under existing U.S. GAAP. In August 2015, the FASB issued ASU No. 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date, which delayed the effective date of the new standard for the Company from October 1, 2017 to October 1, 2018. The FASB also agreed to allow entities to choose to adopt the standard as of the original effective date. The Company is evaluating the method of adoption and the potential impact that Topic 606 may have on our financial position, results of operations, cash flows, and liquidity.

Imputation of Interest— In April 2015, the FASB issued ASU No. 2015-03, Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs. The new standard requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. In August 2015, the FASB issued ASU No. 2015-15, Interest - Imputation of Interest (Subtopic 835-30): Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements, which clarified that debt issuance costs related to line-of-credit arrangements can be presented in the balance sheet as an asset and amortized over the term of the line-of-credit arrangement. The standard is to be applied retrospectively and is effective for fiscal years beginning after December 15, 2015, and interim periods within those years. As of December 31, 2015 and September 30, 2015, the Company had deferred financing costs of $7.1 million and $7.5 million, respectively, within Prepaid expenses and other current assets.

Business Combinations— In September 2015, the FASB issued ASU No. 2015-16, Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments. The new standard requires that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined and sets forth new disclosure requirements related to the adjustments. The standard is to be applied prospectively and is effective for fiscal years beginning after December 15, 2015, including interim periods within those fiscal years. Although the impact of applying this standard to prior acquisitions would have been immaterial, the adoption could have a significant impact on the accounting for future business combinations.

Income Taxes - In November 2015, the FASB issued ASU No. 2015-17, Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes. The new standard requires that deferred tax liabilities and assets be classified as non-current in a classified statement of financial position. The amendments in this update apply to all entities that present a classified statement of financial position. The standard is to be applied prospectively and is effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. As of December 31, 2015 and September 30, 2015, the Company had current deferred tax assets, net of deferred tax liabilities, of $18.5 million and $19.6 million, respectively, within Deferred tax assets.

4. Long-Term Debt

As of December 31, 2015 and September 30, 2015, the Company’s long-term debt consisted of the following:

(in thousands)	December 31, 2015	September 30, 2015
Term loan principal; principal and interest is due in quarterly installments through January 31, 2021	$643,946	$645,585
Original issue discount on term loan, net of accumulated amortization	(1,387)	(1,457)

	642,559	644,128
Less current portion	6,554	6,554
Long-term debt	$636,005	$637,574

Senior Secured Credit Facilities

NMHI's senior credit agreement (the “senior credit agreement”), as amended, governs a $655.0 million term loan facility (the “term loan facility”), of which $50.0 million was deposited in a cash collateral account in support of the issuance of letters of credit under an institutional letter of credit facility (the “institutional letter of credit facility”), and a $120.0 million senior secured revolving credit facility (the “senior revolver”). The term loan facility has a seven year maturity and the senior revolver has a five year maturity from the effective date, or January 31, 2014. All of the obligations under the senior secured credit facilities are guaranteed by NMHH and the subsidiary guarantors named therein. The senior credit agreement provides that NMHI, may make one or more offers to the lenders, and consummate transactions with individual lenders that accept the terms contained in such offers, to extend the maturity date of the lender’s term loans and/or revolving commitments, subject to certain conditions, and any extended term loans or revolving commitments will constitute a separate class of term loans or revolving commitments.

The senior revolver includes borrowing capacity available for letters of credit and for borrowings on same-day notice, referred to as the “swingline loans.” Any issuance of letters of credit or borrowing on a swingline loan will reduce the amount available under the senior revolver. As of December 31, 2015, NMHI had no loans under the senior revolver and $47.4 million of letters of credit issued under the institutional letter of credit facility and $2.9 million of letters of credit issued under the senior revolver.

Borrowings under the senior secured credit facilities bear interest, at our option, at: (i) an alternate base rate ("ABR") equal to the greater of (a) the prime rate of Barclays Bank PLC, (b) the federal funds rate plus 1/2 of 1.0%, and (c) the Eurodollar rate for an interest period of one-month plus 100 basis points, plus 2.25% (provided that the ABR rate applicable to the term loan facility will not be less than 2.00% per annum); or (ii) the Eurodollar rate (provided that the Eurodollar rate applicable to the term loan facility will not be less than 1.00% per annum), plus 3.25%. NMHI is also required to pay a commitment fee to the lenders under the senior revolver at an initial rate of 0.50% of the average daily unutilized commitments thereunder. NMHI must also pay customary letter of credit fees.

The senior credit agreement requires NMHI to make mandatory prepayments, subject to certain exceptions, on a percentage of NMHI's annual Excess Cash Flow, as defined in the senior credit agreement. NMHI determines whether or not a mandatory prepayment is required at the end of each fiscal year. NMHI was not required to make a prepayment for the fiscal year ended September 30, 2015.

Covenants

The senior credit agreement contains negative covenants, including, among other things, limitations on the Company’s ability to incur additional debt, create liens on assets, transfer or sell assets, pay dividends, redeem stock or make other distributions or investments, and engage in certain transactions with affiliates. The senior credit agreement contains a springing financial covenant. If, at the end of any fiscal quarter, the Company’s outstanding borrowings of the senior revolver exceeds 30% of the commitments thereunder, it is required to maintain at the end of each such fiscal quarter a consolidated first lien leverage ratio of not more than 5.50 to 1.00. This consolidated first lien leverage ratio will step down to 5.00 to 1.00 commencing with the fiscal quarter ending March 31, 2017. The springing financial covenant was not in effect as of December 31, 2015 or September 30, 2015 as NMHI’s outstanding borrowings on the senior revolver did not exceed the threshold.

Derivatives

On January 20, 2015, NMHI entered into two new interest rate swap agreements in an aggregate notional amount of $375.0 million in order to reduce the variability of cash flows of our variable rate debt. NMHI entered into these interest rate swaps to hedge the risk of changes in the floating rate of interest on borrowings under the term loan. Under the terms of the swaps, NMHI will receive from the counterparty a quarterly payment based on a rate equal to the greater of 3-month LIBOR or 1.00% per annum, and NMHI will make payments to the counterparty based on a fixed rate of 1.795% per annum, in each case on the notional amount of $375.0 million, settled on a net payment basis. The swap agreements expire on March 31, 2020.

The fair value of the swap agreements, representing the price that would be received to transfer the liability in an orderly transaction between market participants, was $0.6 million and $2.9 million as of December 31, 2015 and September 30, 2015, respectively. The fair value was recorded in Other accrued liabilities and was determined based on pricing models and independent formulas using current assumptions. Hedge ineffectiveness, if any, associated with the swap will be reported by the

Company in interest expense. There was no ineffectiveness associated with the swap during the quarter ended December 31, 2015, nor was any amount excluded from ineffectiveness testing for the period.

5. Stock-Based Compensation

Unit Plan

NMH Investment maintained the Amended and Restated 2006 Unit Plan (the “Unit Plan”). Under the plan NMH Investment issued units of limited liability company interests pursuant to such plan, consisting of Class B Common Units, Class C Common Units, Class D Common Units, Class E Common Units, Class F Common Units, Class G Common Units and Class H Common Units. These units derive their value from the value of the Company.

On October 1, 2015, in connection with a secondary offering, NMH Investment distributed all of the 25,250,000 shares of our common stock it held to its existing members in accordance with their respective membership interests and pursuant to the terms of the NMH Investment's Limited Liability Company Agreement and the management unitholders agreements (the “Distribution”). The Distribution triggered the vesting condition for the Class H Common Units and the acceleration of unvested Class F Common Units. As a result, the Company recorded compensation expense of $10.5 million related to these awards during the quarter ended December 31, 2015. The vesting of these awards impacted the allocation of the shares of Civitas that were distributed from NMH Investment, LLC to our private equity sponsor and management and not the number of shares outstanding. This expense is not deductible for tax purposes. During the three months ended December 31, 2015 and 2014, the Company recorded compensation expense of $10.5 million and $42.8 thousand, respectively, for awards issued under the Unit Plan. The expense is included in general and administrative expense in the consolidated statements of operations. As a result of the Distribution, the Unit Plan has concluded, and there will be no future issuances under this plan.

2014 Plan

Civitas maintains a 2014 Omnibus Incentive Plan (“2014 Plan”). The 2014 Plan authorizes the issuance of stock-based awards, including incentive stock options (“ISOs”), non-qualified stock options (“NSOs”) and restricted stock units (“RSUs”) to purchase up to 5,546,797 shares authorized in the 2014 Plan. As of December 31, 2015, approximately 4.2 million shares were available for future grant of awards under the 2014 Plan.

Stock option activity for the three months ended December 31, 2015 is presented below:

(in thousands, except share and per share amounts)	Number of Shares	Weighted-Average Exercise Price per Share	Weighted-Average Remaining Life (Years)	Aggregate Intrinsic Value
Outstanding at September 30, 2015	567,900	$16.98		
Granted	87,925	26.03		
Forfeited	8,055	17.00		
Exercised	1,797	17.00		
Expired	—	—		
Outstanding at December 31, 2015	645,973	$18.20	8.9	$6,841
Vested or expected to vest as of December 31, 2015	604,765	$18.21	8.9	$6,397
Exercisable at December 31, 2015	188,101	$16.97	8.7	$2,223

The Company utilizes the Black-Scholes valuation model for estimating the fair value of stock options. Options granted under the 2014 Plan during the three months ended December 31, 2015 were valued using the following assumptions:

	2015	
Risk-free interest rate	1.92	%
Expected term	6 years	
Expected volatility	35.92	%
Expected dividend yield	—	%

Restricted stock unit activity for the three months ended December 31, 2015 is presented below:

	Number of Restricted Stock Units	Weighted Average Grant-Date Fair Value
Non-vested units at September 30, 2015	385,935	$ 17.10
Granted	131,918	25.99
Forfeited	8,316	17.41
Vested	6,826	15.45
Non-vested units at December 31, 2015	502,711	$ 19.45

The Company recognizes the fair value of stock options and restricted stock units in net income over the requisite service period of the individual grantee, which generally equals the vesting period. The Company recorded $1.2 million of stock-based compensation expense for these awards during both the three months ended December 31, 2015 and 2014. Stock-based compensation expense is included in general and administrative expense in the consolidated statements of operations.

6. Business Combinations

The operating results of the businesses acquired are included in the consolidated statements of operations from the date of acquisition. The Company accounted for the acquisitions under the acquisition method and, as a result, the purchase price was allocated to the assets acquired and liabilities assumed based upon their respective fair values. The excess of the purchase price over the estimated fair value of net tangible assets was allocated to specifically identified intangible assets, with the residual being allocated to goodwill.

Fiscal 2016 Acquisitions

During the three months ended December 31, 2015, the Company acquired the assets of two companies complementary to its business for a total fair value consideration of $4.2 million.

Mother's Touch, LLC ("Mother's Touch"). On November 30, 2015, the Company acquired the assets of Mother's Touch for $3.4 million. Mother's Touch is located in Indiana and provides residential and community-based services to individuals with developmental disabilities. The Company acquired $2.7 million of intangible assets which included $2.7 million of agency contracts with a weighted average useful life of 12 years, and $14 thousand for a non-compete/non-solicit agreement with a useful life of 5 years. In addition, the Company acquired total tangible assets of $9 thousand. The estimated fair values of the intangible assets acquired at the date of acquisition are determined based on a valuation that has yet to be finalized. The Company’s valuations are subject to adjustment as additional information is obtained; however these adjustments are not expected to be material. Based on the preliminary fair value estimate of the net assets acquired at the date of acquisition, the Company recorded $0.7 million of goodwill in the Human Services segment, which is expected to be deductible for tax purposes.

Winways, LLC ("Winways"). On December 31, 2015, the Company acquired the assets of Winways for $0.8 million. Winways is located in California and provides residential and day treatment services to individuals with traumatic brain injuries, neurological illnesses, injuries, similar conditions. The Company acquired $0.6 million of intangible assets which included $0.5 million of agency contracts with a weighted average useful life of 12 years, $75 thousand of licenses and permits with a weighted average useful life of 10 years, and $9 thousand for other intangible assets. In addition, the Company acquired total tangible assets of $29 thousand. As a result of this acquisition, the Company recorded $0.1 million of goodwill in the Post Acute Specialty-Rehabilitation Services segment, which is expected to be deductible for tax purposes.

The following table summarizes the recognized amounts of identifiable assets acquired at the date of each acquisition:

(in thousands)	Identifiable Intangible Assets	Property and Equipment	Total Identifiable Net Assets	Goodwill
Mother's Touch	$2,741	$9	$ 2,750	$650
Winways	619	29	648	108
Total	$3,360	$38	$ 3,398	$758

The Company has not disclosed the operating results of these businesses during the three months ended December 31, 2015 because they are immaterial.

7. Pro Forma Results of Operations

The following table reflects the unaudited pro forma results of operations for the three months ended December 31, 2015 and 2014 assuming that the acquisitions made during the first quarter of fiscal year 2016 had occurred on October 1, 2014.

	Three Months Ended December 31,	
(in thousands)	2015	2014
Net revenue	$347,368	$336,211
Net loss	(5,475)	(3,311)

The unaudited pro forma information is presented for informational purposes only and is not necessarily indicative of the actual results that would have been achieved had the acquisitions occurred as of October 1, 2014 or the results that may be achieved in future periods.

8. Goodwill and Intangible Assets

Goodwill

The changes in goodwill for the three months ended December 31, 2015 are as follows (in thousands):

	Human Services	Post -Acute Specialty Rehabilitation Services	Total
Balance as of September 30, 2015	$193,286	$81,234	$274,520
Goodwill acquired through acquisitions	650	108	758
Balance as of December 31, 2015	$193,936	$81,342	$275,278

Intangible Assets

Intangible assets consist of the following as of December 31, 2015 (in thousands):

Description	Weighted Average Amortization Period	Gross Carrying Value	Accumulated Amortization	Intangible Assets, Net
Agency contracts	8 years	$471,811	$232,941	$238,870
Non-compete/non-solicit	2 years	6,114	3,728	2,386
Relationship with contracted caregivers	1 year	7,521	7,103	418
Trade names	2 years	4,866	3,468	1,398
Trade names (indefinite life)	—	45,800	—	45,800
Licenses and permits	2 years	48,470	37,530	10,940
Intellectual property	—	452	425	27
		$585,034	$285,195	$299,839

Intangible assets consist of the following as of September 30, 2015 (in thousands):

Description	Weighted Average Amortization Period	Gross Carrying Value	Accumulated Amortization	Intangible Assets, Net
Agency contracts	8 years	$468,549	$225,383	$243,166
Non-compete/non-solicit	2 years	6,097	3,477	2,620
Relationship with contracted caregivers	1 year	7,521	6,915	606
Trade names	2 years	4,883	3,343	