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June 5, 2014

Board of Directors  
InteCare, Inc.  
8604 Allisonville Road  
Suite 325  
Indianapolis, IN 46250

We have reviewed the audit report prepared by Bradley Associates, for the period July 1, 2012 to June 30, 2013. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of InteCare, Inc., as of June 30, 2013, and the results of its operations for the period then ended, on the basis of accounting described in the report.

The Independent Public Accountants' report is filed with this letter in our office as a matter of public record.

*Paul D. Joyce*  
Paul D. Joyce, CPA  
State Examiner

**InteCare, Inc.**  
**Financial Statements and Supplemental Information**  
**Years Ended June 30, 2013 and 2012**

InteCare, Inc.  
Financial Statements and Supplemental Information  
Years Ended June 30, 2013 and 2012

TABLE OF CONTENTS

	Page
Independent Auditor's Report .....	1
Financial Statements:	
Statements of Financial Position.....	3
Statements of Activities.....	4
Statements of Cash Flows .....	5
Notes to Financial Statements .....	7
Supplemental Information:	
Schedule of Expenditures of Federal Awards Year Ended June 30, 2013.....	12
Schedule of Expenditures of State and Local Awards Year Ended June 30, 2013.....	13
Notes to Schedules of Expenditures of Federal Awards and Expenditures of State and Local Awards .....	14
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	15
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133 .....	17
Schedule of Findings and Questioned Costs Year Ended June 30, 2013 .....	19
Summary Schedule of Prior Audit Findings Year Ended June 30, 2013.....	20



To the Board of Directors of  
InteCare, Inc.

## Independent Auditor's Report

### Report on the Financial Statements

We have audited the accompanying financial statements of InteCare, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Indiana State Board of Accounts Guidelines for Examination of Entities receiving Financial Assistance from Governmental Sources*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of InteCare, Inc. as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of expenditures of federal awards and expenditures of state and local awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and *Indiana State Board of Accounts Guidelines for Examination of Entities receiving Financial Assistance from Governmental Sources*, respectively, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2014, on our consideration of InteCare, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering InteCare, Inc.'s internal control over financial reporting and compliance.

Indianapolis, Indiana  
March 18, 2014

*Burdley Associates*

InteCare, Inc.  
 Statements of Financial Position  
 As of June 30, 2013 and 2012

**Assets**

	2013	2012
<b>Current assets:</b>		
Cash and cash equivalents	\$ 4,000,574	\$ 4,381,215
Medicaid funds recovery receivable	21,900,623	20,389,627
Due from DMH	450,134	325,607
Other receivables	5,985	23,816
Prepaid expenses	6,478	7,532
Total current assets	26,363,794	25,127,797
Property and equipment:	444,839	418,339
Less: Accumulated depreciation	(393,645)	(358,964)
	51,194	59,375
Total assets	\$26,414,988	\$25,187,172

The accompanying notes are an integral part  
of these financial statements.

### Liabilities and Net Assets

	<u>2013</u>	<u>2012</u>
Current liabilities:		
Accounts payable	\$ 6,007	\$ 32,250
Accrued salaries and related liabilities	76,663	91,569
Due to affiliates	423,073	347,859
Medicaid funds recovery payable	21,791,148	20,320,918
Medicaid funds recovery withhold	<u>1,181,388</u>	<u>1,181,388</u>
Total current liabilities	23,478,279	21,973,984
Net assets:		
Unrestricted	<u>2,936,709</u>	<u>3,213,188</u>
	<u>\$26,414,988</u>	<u>\$25,187,172</u>

InteCare, Inc.

Statements of Activities

Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Changes in unrestricted net assets:		
Revenues and gains:		
Net service revenue	\$ 286,425	\$ 347,956
Public support:		
Federal funds	3,315,922	2,936,338
State funds	6,202,152	8,229,885
	<u>9,518,074</u>	<u>11,166,223</u>
Other gains/(losses):		
Interest income	1,199	6,600
Medicaid funds recovery	42,402,235	41,565,602
ARNI administration fee	17,400	17,400
Forgiveness of related party receivable	-	(56,237)
Miscellaneous	4,378	-
	<u>42,425,212</u>	<u>41,533,365</u>
Total unrestricted revenue and gains	<u>52,229,711</u>	<u>53,047,544</u>
Expenses:		
Sub-grantee expense	9,503,263	11,018,386
Funds recovery expense	41,530,208	40,674,364
Funds recovery consultant fees	52,500	70,000
Salaries and employee benefits	770,953	845,195
Purchased services	237,776	256,292
Professional fees	45,279	53,990
Depreciation	34,681	26,010
Rental	77,629	72,977
Other expense	253,901	177,860
Total expenses	<u>52,506,190</u>	<u>53,195,074</u>
Change in unrestricted net assets	(276,479)	(147,530)
Net assets beginning of year	<u>3,213,188</u>	<u>3,360,718</u>
Net assets end of year	<u>\$ 2,936,709</u>	<u>\$ 3,213,188</u>

The accompanying notes are an integral part of these financial statements.

InteCare, Inc.

Statements of Cash Flows

Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Cash received from contractors	\$ 286,425	\$ 347,956
Cash received from public support	50,324,395	51,067,404
Interest received	1,199	6,600
Cash paid to suppliers and employees	<u>(50,966,160)</u>	<u>(51,399,355)</u>
Cash flows from operating activities	<u>(354,141)</u>	<u>22,605</u>
Cash flows from investing activities:		
Capital expenditures	<u>(26,500)</u>	<u>(57,454)</u>
Cash flows from investing activities	<u>(26,500)</u>	<u>(57,454)</u>
Net change in cash and cash equivalents	(380,641)	(34,849)
Cash and cash equivalents at beginning of year	<u>4,381,215</u>	<u>4,416,064</u>
Cash and cash equivalents at end of year	<u>\$ 4,000,574</u>	<u>\$ 4,381,215</u>

The accompanying notes are an integral part  
of these financial statements

InteCare, Inc.  
 Statements of Cash Flows  
 Years Ended June 30, 2013 and 2012  
 (Continued)

	2013	2012
Cash flows from operating activities:		
Change in net assets	\$ (276,479)	\$ (147,530)
Adjustments to reconcile change in net assets to cash flows from operating activities:		
Depreciation	34,681	26,010
Change in assets and liabilities:		
Related party receivable		56,237
Receivables and prepaid expenses	(1,616,638)	(1,682,224)
Accounts payable	(26,243)	15,293
Accrued salaries and related liabilities	(14,906)	18,355
Due to affiliates	75,214	(181,973)
Medicaid funds recovery payable	1,470,230	1,918,437
Cash flows from operating activities	\$ (354,141)	\$ 22,605

The accompanying notes are an integral part  
of these financial statements.

## InteCare, Inc.

### Notes to Financial Statements

#### 1 - Summary of Significant Accounting Policies

##### Organization

InteCare, Inc. ("Organization") was incorporated in September 1998 in accordance with the Indiana Not-for-Profit Act. The Organization's primary objective is to coordinate and manage an integrated behavioral health system composed of organizations devoted to community-based behavioral healthcare.

##### Financial Statement Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows. The Organization had no temporarily restricted or permanently restricted net assets.

##### Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

##### Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Organization considers highly liquid money market funds, certificates of deposit with an initial maturity of three months or less, and the interest-bearing sweep account to be cash equivalents.

##### Trade Accounts Receivables

Trade accounts receivables are stated at the amount management expects to collect from balances outstanding at year-end. Based upon management's assessment of the credit history with customers having outstanding balances on current relationships with them, it has concluded that realization losses on these balances outstanding at year-end will be immaterial.

##### Property and Equipment

Property and equipment are recorded at cost to the Organization or, if donated, at estimated fair value at the time of donation. Maintenance, repairs, and minor renewals are charged to operations as incurred. Expenditures which substantially increase the useful lives of the related assets are capitalized. Depreciation of property and equipment is recorded on the straight-line method based on the estimated useful lives of the assets.

##### Fair Value of Financial Instruments

The carrying value of financial instruments classified as current assets and liabilities approximate fair value.

InteCare, Inc.

Notes to Financial Statements

1 - Summary of Significant Accounting Policies (Continued)

**Revenue and Funding**

Given the current regulatory and reimbursement environment, there can be no assurances that adequate reimbursement levels will continue to be available for the services provided by the Organization. Significant limits on the scope of services reimbursed and on reimbursement rates and fees could have a material adverse effect on the Organization's liquidity, financial condition and results of operations.

**Public Support**

The Organization contracts with the State of Indiana's Division of Mental Health to provide community mental health services. The State has a case rate reimbursement system. Under this program, the Organization is paid a specific dollar amount for each client enrolled up to a fixed number of eligible clients not already enrolled in another state sponsored program. Substantially all of the Federal and State funds are paid to subgrantees.

**Medicaid Funds Recovery**

The Organization administers the Funds Recovery Program. Funding for the Mental Health Funds Recovery Program is available through Title XIX of the Social Security Act (commonly referred to as the "Medicaid Program") for certain administrative activities. Subject to approval by the Centers for Medicare & Medicaid Services (CMS), funding under the Mental Health Funds Recovery Program is available only to those providers who are certified as Managed Care Providers or Community Mental Health Centers (CMHCs) by the Division of Mental Health and Addiction. Funds Recovery are paid as follows:

<u>Providers</u>	<u>7/1/12 – 6/30/13</u>	<u>7/1/11 – 6/30/12</u>
Consulting Firm	\$ 52,500	\$ 70,000
Organization retains	\$ 891,239	\$ 891,238

**Other Support**

The Organization receives other grants for providing services in specific program areas. These amounts are recorded as net patient service revenue or public support.

**Income Taxes**

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Organization did not have any unrelated business income during the years ended June 30, 2013 and 2012; therefore, no provision for federal or state income taxes has been made in the accompanying financial statements.

InteCare, Inc.

Notes to Financial Statements

**1 - Summary of Significant Accounting Policies (Continued)**

The Organization's federal and state information returns are subject to examination by the applicable tax authorities, generally for three years after the filing date. Tax years 2010, 2011, 2012, and 2013 remain open.

**2 - Property and Equipment**

A summary of property and equipment at June 30, 2013 and 2012 follows:

	<u>2013</u>	<u>2012</u>
Leasehold improvements	\$ 25,362	\$ 25,362
Equipment	419,477	392,977
	444,839	418,339
Less: Accumulated depreciation	<u>(393,645)</u>	<u>(358,964)</u>
Property and equipment, net	<u>\$ 51,194</u>	<u>\$ 59,375</u>

**3 - Estimated Third Party Settlements**

Estimated third party settlements for Federal and State programs and the Medicaid Funds Recovery Program reflect the differences between interim reimbursement and reimbursement as determined by contracted agreements and third party audits.

The Organization received \$9,518,074 and \$11,166,223 of Federal and State Funding during the year ended June 30, 2013 and 2012, respectively.

The Organization also received \$42,402,235 and \$41,565,602 of Medicaid Funds Recovery during the year ended June 20, 2013 and 2012, respectively.

No estimated settlements have been recorded for periods not audited as such adjustments, if any, cannot reasonably be determined.

Pursuant to the Organization's contract with the Medicaid providers, an amount of the Medicaid Funds Recovery was previously withheld for purposes of defending third party payor audit-related expenses, responding to payor and intermediary repayment claims, and other reasonable requirements. The withholdings, from the provider's portion of the funds, at June 30, 2013 and 2012 totaled \$1,181,388. While the initial withholding was established at 5% of the gross Medicaid Fund Recovery revenues, June 30, 2013 and 2012 percentages are 3%. During the life of the program, there has only been one occurrence of utilization of this withhold. Therefore, the Organization has determined the risk to be such that it has not increased the withholding balance.

Again, the ultimate effect of a Medicaid Funds Recovery audit, if any, cannot presently be determined. Accordingly, the sufficiency of the amount withheld from each provider is merely based on a contracted agreement between the Organization and the providers.

InteCare, Inc.

Notes to Financial Statements

**4 - Commitments**

The Organization leases office space under a long-term lease agreement. The lease expires in February 2016.

The following is a schedule of minimum operating lease payments for subsequent years ending June 30:

2014	\$ 65,394
2015	67,176
2016	<u>44,872</u>
	<u>\$177,442</u>

**5 - Related Parties**

The Organization is a managed care provider. Agencies that are members of the managed care network have representatives on the Board of Directors. Total expense of \$17,445,088 and \$20,366,808 was paid by the Organization to these related Agencies during the years ended June 30, 2013 and 2012, respectively for Federal and State funds, Medicaid Funds Recovery and other contracts.

The Organization is a general partner of Allies IN Recovery, a Peer-Run organization. In the year ended June 30, 2013, InteCare and another Peer-Run organization, Key Consumer, Inc., contracted with the State of Indiana to administer a grant that served as the start-up funding for Allies. Key Consumer, Inc. serves as the prime vendor for the contract. Total federal funds expended of \$52,714 was paid to InteCare by Key Consumer for the establishment and start-up of Allies IN Recovery during the year ended June 30, 2013.

The Organization leases employees from Adult & Child Mental Health Center, Inc. who is a member agency of the Organization. For the years ended June 30, 2013 and 2012, \$20,461 and \$8,979 was paid to that Agency for leased employees.

The Organization also subcontracts clinical services from two member agencies of the Organization. For the years ended June 30, 2013 and 2012, \$20,461 and \$35,597 was paid to these agencies for clinical services.

A for-profit subsidiary, Hoosier Behavioral Care, Inc., was formed to provide managed behavioral care to commercial organizations. InteCare, Inc. is a 100% owner of the subsidiary. Hoosier Behavioral Care, Inc. has not yet commenced operations.

InteCare Housing, Inc. and InteCare Housing II, Inc., both 501(c)(3) organizations, were formed to provide housing and services for handicapped individuals. Three of InteCare's members are the founding members of the new corporations. However, InteCare, Inc. advanced funds to InteCare Housing, Inc. and InteCare Housing II, Inc. to purchase land and pay other expenses. The balance was forgiven during fiscal year 2012. Therefore, the balance due InteCare, Inc. is \$0 at June 30, 2013 and 2012.

Notes to Financial Statements

**6 - Health Care Industry**

The health care industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, quality of resident care and Medicaid fraud and abuse.

There can be no assurance that, in the future, the Organization will be able to maintain such licenses and certifications for its facilities or that the Organization will not be required to expend significant sums in order to comply with regulatory requirements.

**7 - Concentration of Credit Risk**

The Organization maintains its cash balances at financial institutions, which at times exceed amounts insured by the Federal Deposit Insurance Corporation, up to \$250,000 per institution. As of June 30, 2013 and 2012, the maximum loss that would have resulted from that risk totaled approximately \$3,250,761 and \$3,631,215, respectively. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk to cash and cash equivalents.

**8 - Functional Expenses**

The Organization manages a behavioral healthcare system devoted to community-based behavioral healthcare. Expenses related to providing these services are as follows:

	<u>2013</u>	<u>2012</u>
Behavioral health services	\$51,085,970	\$51,762,750
General and administrative	<u>1,420,220</u>	<u>1,432,324</u>
	<u>\$52,506,190</u>	<u>\$53,195,074</u>

**9 - Subsequent Events**

Subsequent events have been evaluated through March 18, 2014 which is the date the financial statements were available to be issued. The Organization has not evaluated subsequent events after March 18, 2014.

**SUPPLEMENTAL INFORMATION**

InteCare, Inc.

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2013

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Revenue	Expenses
Social Services Block Grant funds passed through the Indiana Division of Mental Health and Addiction	93.667	A55-3-49-13- HO-1439	\$ 527,144	\$ 527,144
Community Mental Health Services Block Grant funds passed through the Indiana Division of Mental Health and Addiction	93.958	A55-3-49-13- HO-1439	\$ 748,058	\$ 748,058
Community Mental Health Services Block Grant funds passed through the Indiana Division of Mental Health and Addiction and Key Consumer Organization, Inc.	93.958	A55-3-49-13- WG-9856	\$ 52,714	\$ 52,714
Block Grant for Prevention & Treatment of Substance Abuse funds passed through the Indiana Division of Mental Health and Addiction	93.959	A55-3-49-13- HO-1439	<u>\$1,988,006</u>	<u>\$1,988,006</u>
<b>Total Federal Awards</b>			<u><u>\$3,315,922</u></u>	<u><u>\$3,315,922</u></u>

The accompanying notes following this schedule are an integral part of this financial statement.

InteCare, Inc.  
Schedule of Expenditures of State and Local Awards  
Year Ended June 30, 2013

<u>Grantor</u>	<u>State Expenditures</u>
Division of Mental Health and Addiction	<u>\$6,202,152</u>
Total State and Local Awards	<u><u>\$6,202,152</u></u>

The accompanying notes following this schedule are an integral part  
of this financial statement.

InteCare, Inc.

Notes to Schedules of Expenditures of Federal Awards and  
Expenditures of State and Local Awards

Year Ended June 30, 2013

1 - Basis of Presentation

The accompanying schedules of expenditures of federal awards and expenditures of state and local awards (the Schedules) include the federal and state grant activity of InteCare, Inc. under programs of the federal, state, and local governments for the year ended June 30, 2013. The information in the Schedules is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedules present only a selected portion of the operations of InteCare, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of InteCare, Inc.

2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedules are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors of  
InteCare, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of InteCare, Inc. (the Organization, a nonprofit organization), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 18, 2014.

#### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered InteCare, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of InteCare, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether InteCare, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of InteCare, Inc.'s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Burdette Associates*

Indianapolis, Indiana  
March 18, 2014

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133

To the Board of Directors of  
InteCare, Inc.

**Report on Compliance for Each Major Federal Program**

We have audited InteCare, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on InteCare, Inc.'s major federal programs for the year ended June 30, 2013. InteCare, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of InteCare, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about InteCare, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of InteCare, Inc.'s compliance.

**Opinion on Each Major Federal Program**

In our opinion, InteCare, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

## Report on Internal Control over Compliance

Management of InteCare, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered InteCare, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of InteCare, Inc.'s internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention to those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Burley Associates*

Indianapolis, Indiana  
March 18, 2014

InteCare, Inc.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2013

**A. Summary of Auditor's Results**

1. The auditor's report expresses an unmodified opinion on the financial statements of InteCare, Inc.
2. No significant deficiencies relating to the audit of the financial statements are reported in the financial statements of InteCare, Inc.
3. No instances of noncompliance material to the financial statements of InteCare, Inc., which would be required to be reported in accordance with Government Auditing Standards, were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the financial statements of InteCare, Inc.
5. The auditor's report on compliance for the major federal award programs for InteCare, Inc. expresses an unmodified opinion on all major federal programs.
6. There are no audit findings relative to major federal award programs reported.
7. The programs tested as major programs included:

<u>Program</u>	<u>CFDA Number</u>
Community Mental Health Services Block Grant Funds	93.958
Prevention & Treatment of Substance Abuse	93.959
Social Service Block Grant Funds	93.667

8. The threshold used for distinguishing between Types A and B programs was \$300,000.
9. InteCare, Inc. was determined to be a low-risk auditee.

**B. Findings – Financial Statement Audit**

None

**C. Findings and Questioned Costs – Major Federal Award Programs Audit**

None

**D. Prior Year Findings and Questioned Costs – Major Federal Award Programs Audit**

A significant deficiency disclosed in the prior year is summarized on page 21 of this report. There were no questioned costs reported in the prior year.

InteCare, Inc.

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2013

FINDING 2012-1 CASH DISBURSEMENTS

*Condition:* The finding was a significant deficiency stating that the accounting software allows for cash disbursements to be backdated, either by error or intentionally, and that the controls in place to prevent or detect improperly backdated cash disbursements were not adhered to by the persons responsible for the review of such records.

*Recommendation:* The auditor recommended that internal control procedures should be implemented and adhered, preventing the improper backdating of checks, and that procedures should be implemented and adhered to requiring monthly cash disbursement reconciliations with more attentive check signing guidelines.

*Current Status:* The recommendation was adopted in February 2013. No similar findings were noted in the 2013 audit.