

Board of Directors and Management
Indiana Professional Management Group, Inc.
West Lafayette, Indiana

As part of our audit of the financial statements of Indiana Professional Management Group, Inc. (IPMG) as of and for the year ended December 31, 2019, we wish to communicate the following to you.

AUDIT SCOPE AND RESULTS

Auditor's Responsibility Under Auditing Standards Generally Accepted in the United States of America

An audit performed in accordance with auditing standards generally accepted in the United States of America is designed to obtain reasonable, rather than absolute, assurance about the financial statements. In performing auditing procedures, we establish scopes of audit tests in relation to the financial statements taken as a whole. Our engagement does not include a detailed audit of every transaction. Our engagement letter more specifically describes our responsibilities.

These standards require communication of significant matters related to the financial statement audit that are relevant to the responsibilities of those charged with governance in overseeing the financial reporting process. Such matters are communicated in the remainder of this letter or have previously been communicated during other phases of the audit. The standards do not require the auditor to design procedures for the purpose of identifying other matters to be communicated with those charged with governance.

An audit of the financial statements does not relieve management or those charged with governance of their responsibilities. Our engagement letter more specifically describes your responsibilities.

Qualitative Aspects of Significant Accounting Policies and Practices

Significant Accounting Policies

IPMG's significant accounting policies are described in Note 1 and Note 2 of the audited financial statements.

ASC 606, Revenue from Contracts with Customers

Effective January 1, 2019, IPMG adopted ASC 606, *Revenue from Contracts with Customers*, as further discussed in the Alternative Accounting Treatments section below. ASC 606 applies to all contracts with customers other than those within the scope of other standards.

The new revenue recognition standard eliminates the transaction- and industry-specific revenue recognition guidance under legacy generally accepted accounting principles (GAAP) and replaces it with a principle-based approach for determining revenue recognition. The core principle of the revenue recognition standard is that an entity should recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

In implementing ASC 606, IPMG was required to re-evaluate all contracts within the scope of the standard (other than those excluded under practical expedients elected) under a five-step model for revenue recognition. While certain entities were affected more than others, all entities are subject to extensive new disclosure requirements.

With respect to other unusual accounting policies or accounting methods used by IPMG for unusual transactions, we call your attention to the following topics:

- No matters are reportable

Alternative Accounting Treatments

We had discussions with management regarding alternative accounting treatments within accounting principles generally accepted in the United States of America for policies and practices for material items, including recognition, measurement and disclosure considerations related to the accounting for specific transactions as well as general accounting policies, as follows:

- In connection with the adoption of ASC Topic 606, *Revenue from Contracts with Customers*, management has elected the following accounting policies and transition practical expedients:
 1. Use of the modified retrospective approach and elected to apply guidance to all contracts not completed at the date of initial adoption
 2. Significant financing component - Election to not adjust the promised amount of consideration for the time value of money if the contract has a duration of one year or less

Management Judgments and Accounting Estimates

Accounting estimates are an integral part of financial statement preparation by management, based on its judgments. The following involve significant areas of such estimates for which we are prepared to discuss management's estimation process and our procedures for testing the reasonableness of those estimates:

- Allowance for uncollectible accounts receivable balances and estimates for implicit price concessions
- Measurement of certain accrued expenses, including the liability of self-insured health insurance claims
- Accruals for potential liabilities related to outstanding client billing audits

Financial Statement Disclosures

The following areas involve particularly sensitive financial statement disclosures for which we are prepared to discuss the issues involved and related judgments made in formulating those disclosures:

- Adoption of ASC 606, *Revenue from Contracts with Customers* and Program Revenue disclosures
- Employee stock ownership plan (ESOP)
- Long-term debt, including advance repayment of notes payable to former stockholders
- Client billing audit from Indiana Family and Social Services Administration (FSSA)

Audit Adjustments

During the course of any audit, an auditor may propose adjustments to financial statement amounts. Management evaluates our proposals and records those adjustments, which in its judgment, are required to prevent the financial statements from being materially misstated. A misstatement is a difference between the amount, classification, presentation or disclosure of a reported financial statement item and that which is required for the item to be presented fairly in accordance with the applicable financial reporting framework. Areas in which adjustments were proposed and recorded include an adjustment to reduce accrued salaries and wages by approximately \$81,500.

Some adjustments proposed were not recorded because their aggregate effect is not currently material; however, they involve areas in which adjustments in the future could be material, individually or in the aggregate. Attached is a summary of uncorrected misstatements we aggregated during the current engagement and pertaining to the latest period presented that were determined by management to be immaterial, both individually and in the aggregate, but more than trivial to the financial statements as a whole.

Auditor's Judgments About the Quality of the Entity's Accounting Principles

During the course of the audit, we made the following observations regarding IPMG's application of accounting principles:

- No matters are reportable

Significant Issues Discussed With Management

During the audit process, the following issues were discussed or were the subject of correspondence with management:

- Performance obligations and timing of revenue recognized for completion of an annual person-centered/individual support plan (PC/ISP)

Other Material Communications

Listed below are other material communications between management and us related to the audit:

- Management representation letter (attached)

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements of Indiana Professional Management Group, Inc. (IPMG) as of and for the year ended December 31, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered IPMG's internal control over financial reporting (internal control) as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of IPMG's internal control. Accordingly, we do not express an opinion on the effectiveness of IPMG's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

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 IPMG's financial statements will not be prevented or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or 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.

We observed the following matters that we consider to be deficiencies.

Deficiencies

Accounting for Annual Assessment Fee Revenue

In August 2018, IPMG began billing and receiving an annual assessment fee from Indiana's Family and Social Services Administration (FSSA) for individuals served. Under ASC 606, the performance obligation is the completion of the assessment itself. During the course of our audit, we noted instances in which assessments completed in 2018 were recognized as revenue in 2019 when amounts were billed to FSSA. We proposed an adjustment estimating the cumulative impact to beginning equity for services where the performance obligation was completed prior to the adoption of ASC 606 at January 1, 2019. This amount was determined by management to be immaterial and included in our summary of uncorrected misstatements. We recommend that management continues to evaluate its controls around the billing of annual assessments to ensure that revenue is recognized commensurate with the completion of the performance obligation.

Segregation of Duties - Controller

The controller has conflicting duties in access, recording and monitoring functions of the cash receipts, cash disbursements and payroll cycles. These conflicting duties create a situation where intentional or unintentional errors could occur and not be detected timely. While compensating controls exist to review and monitor the activities of the controller, we recommend management continue to evaluate staffing requirements and responsibilities to ensure appropriate segregation of duties exist.

Management's Response: Although management understands the controller has conflicting duties over cash receipts, cash disbursements and the payroll cycles, management feels there are adequate compensating controls that would timely detect any errors in the financials. Management has safeguards in place, such as the inability of the controller to complete an ACH/wire transfer or to sign checks. In addition, monitoring of the controller's activities is performed by the CEO, contracted CFO, Human Resource Director and the board of directors. There are review processes in place for transactions to be reviewed by the various management personnel prior to transactions being completed by the controller. Additionally, we continue to evaluate adding resources to the finance function and responsibilities are currently being evaluated to further mitigate risks.

OTHER MATTERS

Although not considered material weaknesses, significant deficiencies or deficiencies in internal control over financial reporting, we observed the following matters and offer these comments and suggestions with respect to matters which came to our attention during the course of the audit of the financial statements. Our audit procedures are designed primarily to enable us to form an opinion on the financial statements and, therefore, may not bring to light all weaknesses in policies and procedures that may exist. However, these matters are offered as constructive suggestions for the consideration of management as part of the ongoing process of modifying and improving financial and administrative practices and procedures. We can discuss these matters further at your convenience and may provide implementation assistance for changes or improvements.

FASB Issues New Lease Accounting Standard

On February 25, 2016, FASB issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, the long-awaited new standard on lease accounting.

Under the new ASU, lessees will recognize lease assets and liabilities on their balance sheet for all leases with terms of more than 12 months. The new lessee accounting model retains two types of leases, and is consistent with the lessee accounting model under existing GAAP. One type of lease (finance leases) will be accounted for in substantially the same manner as capital leases are accounted for today. The other type of lease (operating leases) will be accounted for (both in the income statement and statement of cash flows) in a manner consistent with today's operating leases. Lessor accounting under the new standard is fundamentally consistent with existing GAAP.

Lessees and lessors would be required to provide additional qualitative and quantitative disclosures to help financial statement users assess the amount, timing, and uncertainty of cash flows arising from leases. These disclosures are intended to supplement the amounts recorded in the financial statements so that users can understand more about the nature of an organization's leasing activities.

Upon the issuance of ASU 2019-10 on November 15, 2019, the standard became effective for your annual reporting periods beginning after December 15, 2020 (IPMG's fiscal year 2021). This represents a one year delay from previously issued effective dates. IPMG should evaluate its current lease for administrative office space and any other agreements which may constitute a lease under the new guidance to determine applicability.

Management's written response to the deficiency identified in our audit has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

This communication is intended solely for the information and use of management, the Board of Directors and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

BKD, LLP

Indianapolis, Indiana
April 22, 2020

Indiana Professional Management Group, Inc

ATTACHMENT

This analysis and the attached "Schedule of Uncorrected Misstatements (Adjustments Passed)" reflect the effects on the financial statements if the uncorrected misstatements identified were corrected.

QUANTITATIVE AND QUALITATIVE ANALYSIS

	Before Misstatements	Misstatements	Subsequent to Misstatements	% Change
Current Assets	5,990,864	0	5,990,864	0.00%
Non-Current Assets	7,492	0	7,492	0.00%
Current Liabilities	(1,879,627)	0	(1,879,627)	0.00%
Non-Current Liabilities	(1,457,609)	0	(1,457,609)	0.00%
Current Ratio	3.19		3.19	0.00%
Total Assets	5,998,356	0	5,998,356	0.00%
Total Liabilities	(3,337,236)	0	(3,337,236)	0.00%
Retained Earnings	(5,829,898)	0	(5,829,898)	0.00%
Capital & Other Equity	3,168,778	0	3,168,778	0.00%
Total Equity	(2,661,120)	0	(2,661,120)	0.00%
Revenues & Income	(24,778,448)	189,300	(24,589,148)	-0.76%
Costs & Expenses	22,689,887	0	22,689,887	0.00%
Net Income	(2,088,561)	189,300	(1,899,261)	-9.06%

Client: Indiana Professional Management Group, Inc
Period Ending: December 31, 2019

SCHEDULE OF UNCORRECTED MISSTATEMENTS (ADJUSTMENTS PASSED)

Description	Location or Business Unit	Financial Line Item	Factual (F), Judgmental (J) or Projected (P)	Assets		(X) Liabilities		(X) Non Tax	Revenues &	Costs &	Retained	Capital & Other	Net Effect on Following Year					
				Current		Noncurrent			Current		Noncurrent		Income	Expenses	Earnings	Equity	Net Income	Equity
				DR	(CR)	DR	(CR)		DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)
To adjust beginning equity for cumulative effect of revenue recognition adoption for open contracts with performance obligation completed in the prior year and revenue recognized in the current year	IPMG		J	0	0	0	0		189,300	0	(189,300)	0	0	0	0			
		Beginning retained earnings									(189,300)							
		Annual assessment fees							189,300									
				0	0	0	0		0	0	0	0	0	0	0			
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100% Employee-Owned Since 2017

April 22, 2020

BKD, LLP
Certified Public Accountants
201 North Illinois Street, Suite 700
Indianapolis, IN 46204

We are providing this letter in connection with your audits of our financial statements as of and for the years ended December 31, 2019 and 2018. We confirm that we are responsible for the fair presentation of the financial statements in conformity with accounting principles generally accepted in the United States of America. We are also responsible for adopting sound accounting policies, establishing and maintaining effective internal control over financial reporting, operations and compliance, and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, the following:

1. We have fulfilled our responsibilities, as set out in the terms of our engagement letter dated January 15, 2020, for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America.
2. We acknowledge our responsibility for 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.
3. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
4. We have reviewed and approved a draft of the financial statements and related notes referred to above, which you prepared in connection with your audit of our financial statements. We acknowledge that we are responsible for the fair presentation of the financial statements and related notes.

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5. We have provided you with:
 - (a) Access to all information of which we are aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation and other matters.
 - (b) Additional information that you have requested from us for the purpose of the audit.
 - (c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
 - (d) All minutes of directors' meetings held through the date of this letter.
 - (e) All significant contracts and grants.
 - (f) All peer review organizations, fiscal intermediary and third-party payer reports and information.
6. All transactions have been recorded in the accounting records and are reflected in the financial statements.
7. We have informed you of all current risks of a material amount that are not adequately prevented or detected by Company procedures with respect to:
 - (a) Misappropriation of assets.
 - (b) Misrepresented or misstated assets or liabilities.
8. We believe the effects of the uncorrected financial statement misstatements summarized in the attached schedule are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.
9. We have no knowledge of any known or suspected:
 - (a) Fraudulent financial reporting or misappropriation of assets involving management or employees who have significant roles in internal control.
 - (b) Fraudulent financial reporting or misappropriation of assets involving others that could have a material effect on the financial statements.
 - (c) Communications from regulatory agencies, governmental representatives, employees or others concerning investigations or allegations of noncompliance with laws and regulations, deficiencies in financial reporting practices or other matters that could have a material adverse effect on the financial statements, with the exception of the current claim review by Indiana Family and Social Services Administration (FSSA).

10. We have no knowledge of any allegations of fraud or suspected fraud affecting the Company received in communications from employees, customers, regulators, suppliers or others.
11. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with accounting principles generally accepted in the United States of America. We understand that the term related party refers to an affiliate; principal owners, management, and members of their immediate families, subsidiaries accounted for by the equity method; and any other party with which the Company may deal if the Company can significantly influence, or be influenced by, the management or operating policies of the other. The term affiliate refers to a party that directly or indirectly controls, or is controlled by, or is under common control with, the Company.
12. Except as reflected in the financial statements, there are no:
 - (a) Plans or intentions that may materially affect carrying values or classifications of assets and liabilities.
 - (b) Material transactions omitted or improperly recorded in the financial records.
 - (c) Material gain/loss contingencies requiring accrual or disclosure, including those arising from environmental remediation obligations.
 - (d) Events occurring subsequent to the balance sheet date through the date of this letter requiring adjustment or disclosure in the financial statements.
 - (e) Agreements to purchase assets previously sold.
 - (f) Capital stock repurchase options or agreements, or capital stock reserved for options, warrants, conversions, or other requirements.
 - (g) Restrictions on cash balances or compensating balance agreements.
 - (h) Guarantees, whether written or oral, under which the Company is contingently liable.
13. We have disclosed to you all known instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.

14. We have no reason to believe the Company owes any penalties or payments under the Employer Shared Responsibility Provisions of the Patient Protection and Affordable Care Act nor have we received any correspondence from the IRS or other agencies indicating such payments may be due.
15. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with accounting principles generally accepted in the United States of America.
16. We have informed you of all pending or completed investigations by regulatory authorities of which we are aware. There are no known circumstances that could jeopardize the Company's participation in the FSSA Community Integration and Habilitation Waiver and Family Supports Waiver programs.
17. Adequate provisions and allowances have been accrued for any material losses from:
 - (a) Uncollectible receivables.
 - (b) Third-party payer contractual, audit or other adjustments, including outstanding claim reviews by Indiana FSSA.
18. Except as disclosed in the financial statements, the Company has:
 - (a) Satisfactory title to all recorded assets, and they are not subject to any liens, pledges or other encumbrances.
 - (b) Complied with all aspects of contractual agreements, for which noncompliance would materially affect the financial statements.
19. With respect to any nonattest services you have provided us during the year, including drafting of the financial statements and related notes:
 - (a) We have designated a qualified management-level individual to be responsible and accountable for overseeing the nonattest services.
 - (b) We have established and monitored the performance of the nonattest services to ensure that they meet our objectives.
 - (c) We have made any and all decisions involving management functions with respect to the nonattest services and accept full responsibility for such decisions.

- (d) We have evaluated the adequacy of the services performed and any findings that resulted.
-
- 20. The financial statements disclose all significant estimates and material concentrations known to us. Significant estimates are estimates at the balance sheet date which could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets for which events could occur which would significantly disrupt normal finances within the next year. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
 - 21. The fair values of financial and nonfinancial assets and liabilities, if any, recognized in the financial statements or disclosed in the notes thereto are reasonable estimates based on the methods and assumptions used. The methods and significant assumptions used result in measurements of fair value appropriate for financial statement recognition and disclosure purposes and have been applied consistently from period to period, taking into account any changes in circumstances. The significant assumptions appropriately reflect market participant assumptions.
 - 22. We have not been designated as a potentially responsible party (PRP or equivalent status) by the Environmental Protection Agency (EPA) or other cognizant regulatory agency with authority to enforce environmental laws and regulations.
 - 23. The shares released for the ESOP loan repayment total 52,347 and were funded through an employer contribution.
 - 24. In connection with the adoption of ASC Topic 606, *Revenue from Contracts with Customers*, we represent the following:
 - (a) We have adopted ASC Topic 606, *Revenue from Contracts with Customers*, using the modified retrospective approach and elected to apply guidance to all contracts at the date of initial application.
 - (b) We have identified portfolios to evaluate revenue recognition. Actual results under the portfolio approach are materially similar to evaluations on an individual contract basis.
 - (c) We have elected the following practical expedients/accounting policy elections:
 - i. *Significant financing component* – We have elected to not adjust the promised amount of consideration for the time value of money if the contract has a duration of one year or less or if the reason the contract extended beyond one year is because the timing of the delivery of the product is at the customer’s discretion.

- (d) We have adequate controls in place to prevent and/or detect errors in revenue recognition measurement and disclosure on a recurring basis.
 - (e) The footnotes to the financial statements appropriately describe the adoption of ASC Topic 606, *Revenue from Contracts with Customers*, and include all additional disclosures required under the standard.
25. We have evaluated whether there are conditions or events known or reasonably knowable, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year of the date of this letter without consideration of potential mitigating effects of management's plans not yet fully implemented and concluded substantial doubt does not exist.
26. We acknowledge the current economic volatility continues to present difficult circumstances and challenges, including those as governments battle the COVID-19 pandemic. Companies are facing declines in revenues, constraints on liquidity and difficulty obtaining financing. We understand the values of the assets and liabilities recorded in the financial statements could change rapidly, resulting in material future adjustments to asset values, allowances for accounts, etc. that could negatively impact the Company's ability to maintain sufficient liquidity. We acknowledge that you have no responsibility for future changes caused by the current economic environment and the COVID-19 pandemic and the resulting impact on the Company's financial statements. Further, management and the Board are solely responsible for all aspects of managing the Company, including questioning the quality and valuation of assets, , reviewing allowances for uncollectible amounts and evaluating capital needs and liquidity plans.

Karen Brummet-Ferguson
Karen Brummet-Ferguson, Chief Executive
Officer

Tammi Dickison
Tammi Dickison, Controller