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January 27, 2010

Board of Directors
Intecare, Inc.
8604 Allisonville Rd., Ste. 325
Indianapolis, IN 46250

We have reviewed the audit report prepared by Bradley & Associates, Inc., Independent Public Accountants, for the period July 1, 2007 to June 30, 2008. 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 the Intecare, Inc., as of June 30, 2008, 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.

STATE BOARD OF ACCOUNTS

INTECARE, INC.
FINANCIAL STATEMENTS WITH ACCOMPANYING INFORMATION
YEARS ENDED JUNE 30, 2008 AND 2007
AND
INDEPENDENT AUDITORS' REPORT

INTECARE, INC.
FINANCIAL STATEMENTS WITH ACCOMPANYING INFORMATION
YEARS ENDED JUNE 30, 2008 AND 2007

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Board of Directors
InteCare, Inc.
Indianapolis, Indiana

Independent Auditors' Report

We have audited the accompanying statement of financial position of InteCare, Inc. (a nonprofit organization) as of June 30, 2008 and 2007, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of InteCare, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of InteCare, Inc. as of June 30, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2008 on our consideration of InteCare, Inc.'s internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of InteCare, Inc. taken as a whole. The accompanying schedules of expenditures of federal awards and expenditures of state and local awards are presented for purposes of additional analysis as required by U. S. 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, and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Bradley & Associates, Inc.

October 24, 2008

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INTECARE, INC.
 STATEMENTS OF FINANCIAL POSITION
 AS OF JUNE 30, 2008 AND 2007

ASSETS

	2008	2007
Current assets:		
Cash and cash equivalents	\$ 4,391,393	\$ 4,485,944
Medicaid funds recovery receivable	8,413,644	23,478,730
Due from InteCare Housing	13,915	69,462
Other receivables	109,985	170,531
Prepaid expenses	7,129	7,129
Total current assets	12,936,066	28,211,796
Property and equipment	327,202	327,202
Less: Accumulated depreciation	(288,957)	(274,080)
	38,245	53,122
Total assets	\$ 12,974,311	\$ 28,264,918

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

LIABILITIES AND NET ASSETS

	<u>2008</u>	<u>2007</u>
Current liabilities:		
Accounts payable	\$ 46,582	\$ 19,907
Accrued salaries and related liabilities	142,018	140,711
Due to affiliates	5,012	286,145
Medicaid funds recovery payable	8,340,959	23,304,165
Medicaid funds recovery withhold	<u>1,181,388</u>	<u>1,181,388</u>
Total current liabilities	9,715,959	24,932,316
Net assets:		
Unrestricted	<u>3,258,352</u>	<u>3,332,602</u>
	<u>\$12,974,311</u>	<u>\$28,264,918</u>

INTECARE, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2008 AND 2006

	<u>2008</u>	<u>2007</u>
Changes in unrestricted net assets:		
Revenues and gains:		
Net service revenue	\$ 597,145	\$ 475,250
Public support:		
Federal funds	4,688,016	3,387,582
State funds	8,243,782	7,068,074
	<u>12,931,798</u>	<u>10,455,656</u>
Other gains:		
Interest income	190,780	239,239
Medicaid funds recovery	38,042,224	33,561,437
ARNI administration fee	167,545	125,664
Miscellaneous	100	
	<u>38,400,649</u>	<u>33,926,340</u>
Total unrestricted revenue and gains	<u>51,929,592</u>	<u>44,857,246</u>
Expenses		
Sub-grantee expenses	12,979,848	10,365,724
Funds recovery provider expense	32,613,143	27,936,015
Funds recovery State of Indiana expense	4,565,840	4,304,808
Funds recovery consultant fees	80,000	250,000
Salaries and employee benefits	898,508	793,549
Purchased services	461,081	379,518
Professional fees	97,317	63,476
Depreciation	14,877	45,975
Rental	86,022	82,605
Other expense	207,206	217,934
Total expenses	<u>52,003,842</u>	<u>44,439,604</u>
(Decrease) increase in unrestricted net assets	(74,250)	417,642
Net assets beginning of year	<u>3,332,602</u>	<u>2,914,960</u>
Net assets end of year	<u>3,258,352</u>	<u>\$ 3,332,602</u>

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

INTECARE, INC.
 STATEMENTS OF CASH FLOWS
 YEARS ENDED JUNE 30, 2008 AND 2007

	2008	2007
Cash flows from operating activities:		
Cash received from contractors	\$ 597,145	\$ 475,250
Cash received from public support	66,322,846	45,304,369
Interest received	190,780	239,239
Cash paid to suppliers and employees	(67,205,322)	(45,127,792)
Net cash (used by) provided by operating activities	(94,551)	891,066
Cash flows from investing activities:		
Capital expenditures		(19,422)
Net cash used by investing activities		(19,422)
Net increase in cash and cash equivalents	(94,551)	871,644
Cash and cash equivalents at beginning of year	4,485,944	3,614,300
Cash and cash equivalents at end of year	\$ 4,391,393	\$ 4,485,944

The accompanying notes are an integral part
of these financial statements

INTECARE, INC.
 STATEMENTS OF CASH FLOWS
 YEARS ENDED JUNE 30, 2008 AND 2007
 (Continued)

	<u>2008</u>	<u>2007</u>
Reconciliation of change in net assets to cash provided by operating activities:		
Change in net assets	\$ (74,250)	\$ 417,642
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation	14,877	45,975
Decrease in receivables	15,181,179	1,161,612
Increase (decrease) in accounts payable	26,675	(58,106)
Increase in accrued salaries and related liabilities	1,307	24,522
(Decrease) increase in payable to affiliates	(281,133)	286,145
(Decrease) in funds recovery payables	<u>(14,963,206)</u>	<u>(986,724)</u>
Net cash provided by operating activities	<u>\$ (94,551)</u>	<u>\$ 891,066</u>

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.

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, 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 Center 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:

INTECARE, INC.
NOTES TO FINANCIAL STATEMENTS

1 - Summary of Significant Accounting Policies (Continued)

Medicaid Funds Recovery (Continued)

	10/1/04 – 6/30/05	7/1/07 – 6/30/08
Providers	78% on first \$4,000,000 then 79%	Balance
State of Indiana	10%	14%
Consulting Firm	6% on first \$4,000,000 then 5%	\$ 80,000
Organization retains	6%	\$ 869,500

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.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include an interest-bearing sweep account and certificates of deposit. The Organization maintains these deposits with banks which, at times, may exceed federally insured limits. The Organization believes it may be exposed to credit risk on cash and cash equivalents given the current economic environment and volatility of financial markets. As such, the Organization is currently reviewing its banking relationships to limit the Organization's risk exposure.

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.

INTECARE, INC.

NOTES TO FINANCIAL STATEMENTS

1 - Summary of Significant Accounting Policies (Continued)

Property and Equipment

Property and equipment are stated at cost, or if donated, at fair market value at the date of donation, and include expenditures for new additions and repairs which substantially increase the useful lives of existing property and equipment. Maintenance, repairs, and minor renewals are expensed as incurred. When properties are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized.

Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method.

Income Taxes

The Organization is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code.

2 - Property and Equipment

A summary of property and equipment at June 30, 2008 and 2007 follows:

	<u>2008</u>	<u>2007</u>
Leasehold improvements	\$ 25,362	\$ 25,362
Equipment	301,840	301,840
	<u>327,202</u>	<u>327,202</u>
Less: Accumulated depreciation	<u>(288,957)</u>	<u>(274,080)</u>
Property and equipment, net	<u>\$ 38,245</u>	<u>\$ 53,122</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.

As of June 30, 2007 the Organization's Medicaid Funds Recovery Program had been reviewed by the CMS Regional Office. As a result of this audit, CMS requested repayment of \$1,504,796 for non-CMHC claims submitted for the period January 1, 2005 through December 31, 2005. InteCare and the State of Indiana filed a letter of dispute with CMS in August 2007. No accrual was made as of June 30, 2007 due to the uncertainty of the ultimate outcome of this issue.

INTECARE, INC.

NOTES TO FINANCIAL STATEMENTS

3 - Estimated Third Party Settlements (Continued)

In 2008, CMS responded that based on further research, they no longer took exception to the methodology used for claims and considered the deferrals resolved. As such, no repayment was required by InteCare.

The Organization received \$12,931,798 and \$10,455,656 of Federal and State Funding during the year ended June 30, 2008 and 2007, respectively.

The Organization also received \$38,042,224 and \$33,561,437 of Medicaid Funds Recovery during the year ended June 20, 2008 and 2007, 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 withhold, from the provider's portion of the funds, at June 30, 2008 and 2007 totaled \$1,181,388. While the initial withholding was established at 5% of the gross Medicaid Fund Recovery revenues, June 30, 2008 and 2007 percentages are 3% and 4%, respectively. 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.

4 - Commitments

The Organization leases office space under a long-term lease agreement. The lease expires in February 2014.

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

2009	\$ 53,456
2010	49,848
2011	50,640
2012	51,444
2013	52,404
Thereafter	35,360
	<u>\$ 293,152</u>

INTECARE, INC.

NOTES TO FINANCIAL STATEMENTS

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 \$ 21,575,451 and \$15,459,346 was paid by the Organization to these related Agencies during the years ended June 30, 2008 and 2007, respectively for Federal and State funds, Medicaid Funds Recovery and other contracts.

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, 2008 and 2007, \$ 9,795 and \$9,795 was paid to that Agency for leased employees.

The Organization also subcontracts clinical services from all four member agencies of the Organization. For the years ended June 30, 2008 and 2007, \$119,618 and \$102,409 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. InteCare Housing, Inc. has been making repayments to InteCare, Inc. as excess funds become available. The balance due InteCare, Inc. is \$ 13,915 and \$69,462 at June 30, 2008 and 2007, respectively.

ACCOMPANYING INFORMATION

INTECARE, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2008

<u>Federal Grantor/ Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Revenue</u>	<u>Expenses</u>
Social Services Block Grant funds passed through the Indiana Division of Mental Health and Addiction	93.667	29-08-HO-1439	\$ 887,079	\$ 887,079
Community Mental Health Services Block Grant funds passed through the Indiana Division of Mental Health and Addiction	93.958	29-08-HO-1439	843,031	843,031
Block Grant for Prevention & Treatment of Substance Abuse funds passed through the Indiana Division of Mental Health and Addiction	93.959	29-08-HO-1439	<u>2,957,906</u>	<u>2,957,906</u>
Total Federal Awards			<u>\$ 4,688,016</u>	<u>\$ 4,688,016</u>

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

INTECARE, INC.
SCHEDULE OF EXPENDITURES OF STATE AND LOCAL AWARDS
YEAR ENDED JUNE 30, 2008

<u>Grantor</u>	<u>State Expenditures</u>
Division of Mental Health and Addiction	<u>\$ 8,243,782</u>
Total State and Local Awards	<u>\$ 8,243,782</u>

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

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

Board of Directors
InteCare, Inc.
Indianapolis, Indiana

We have audited the financial statements of InteCare, Inc. (a nonprofit organization) as of and for the year ended June 30, 2008, and have issued our report thereon dated October 24, 2008. We conducted our audit in accordance with 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered InteCare, Inc.'s internal control over financial reporting as a basis for designing our auditing 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 InteCare, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of InteCare's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management of employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Board of Directors
InteCare, Inc.
October 24, 2008
Page Two

Compliance and Other Matters

As part of obtaining reasonable assurance about whether InteCare, Inc.'s financial statements are free of 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*.

We noted certain matters that we reported to management of InteCare, Inc. in a separate letter dated October 24, 2008.

This report is intended solely for the information and use of management, the audit committee, Board of Trustees and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Bausling & Associates, Inc.

Certified Public Accountants

Indianapolis, Indiana
October 24, 2008

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133

Board of Directors
InteCare, Inc.
Indianapolis, Indiana

Compliance

We have audited the compliance of InteCare, Inc. (a nonprofit organization) with the types of compliance requirements described in the "U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" that are applicable to each of its major federal programs for the year ended June 30, 2008. 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of InteCare, Inc.'s management. Our responsibility is to express an opinion on InteCare, Inc.'s compliance based on our audit.

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. Our audit does not provide a legal determination of InteCare, Inc.'s compliance with those requirements.

In our opinion, InteCare, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of InteCare, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered InteCare, Inc.'s internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Board of Directors
InteCare, Inc.
October 24, 2008
Page Three

This report is intended solely for the information and use of management, the Board of Directors, others within the entity and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Randall & Associates, Inc.

Certified Public Accountants

Indianapolis, Indiana
October 24, 2008

INTECARE, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2008

A. Summary of Auditor's Results

1. The auditor's report expresses an unqualified opinion on the financial statements of InteCare, Inc.
2. No reportable conditions were disclosed during the audit of 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 reportable conditions in internal control over major programs were disclosed during the audit.
5. The auditor's report on compliance for the major federal award programs for InteCare, Inc. expresses an unqualified 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. qualified as a low-risk auditee.

B. Findings – Financial Statements Audit

None

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

None