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April 15, 2016

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, 2014 to June 30, 2015. 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, 2015, 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, 2015 and 2014
And
Independent Auditor's Report

InteCare, Inc.
Financial Statements and Supplemental Information
Years Ended June 30, 2015 and 2014

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Independent Auditor's Report

To the Board of Directors of
InteCare, Inc.

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, 2015 and 2014, 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 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 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, 2015 and 2014, 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.

Board of Directors
InteCare, Inc.

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 11, 2016, 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 11, 2016



InteCare, Inc.
 Statements of Financial Position
 June 30, 2015 and 2014

Assets

	2015	2014
Current assets:		
Cash and cash equivalents	\$ 3,360,331	\$ 3,659,884
Medicaid funds recovery receivable	25,860,013	21,744,233
DMH receivable	1,600,497	1,116,410
SSVF receivable	102,305	151,312
Related party receivable	3,500	13,500
Other receivables	72,320	40,204
Prepaid expenses	6,478	6,478
Total current assets	31,005,444	26,732,021
Property and equipment:	505,606	450,381
Less: Accumulated depreciation	(454,336)	(424,072)
Total property and equipment	51,270	26,309
Total assets	\$31,056,714	\$26,758,330

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

Liabilities and Net Assets

	<u>2015</u>	<u>2014</u>
Current liabilities:		
Accounts payable	\$ 69,806	\$ 50,254
Accrued salaries and related liabilities	63,033	76,322
Related party payable	1,592,998	1,108,410
Medicaid funds recovery payable	25,818,542	21,703,149
Medicaid funds recovery withhold	<u>1,181,388</u>	<u>1,181,388</u>
Total current liabilities	28,725,767	24,119,523
Net assets:		
Unrestricted	<u>2,330,947</u>	<u>2,638,807</u>
Total liabilities and net assets	<u>\$31,056,714</u>	<u>\$26,758,330</u>

InteCare, Inc.
Statements of Activities
Years Ended June 30, 2015 and 2014

	2015	2014
Changes in unrestricted net assets:		
Revenues and gains:		
Net service revenue	\$278,551	\$ 310,719
Public support:		
Federal funds	5,113,654	4,211,567
State funds	6,537,891	6,812,679
Total public support	11,651,545	11,024,246
Other revenue:		
Interest income	6,186	4,637
Medicaid funds recovery	49,771,664	43,645,556
ARNI administration fee	17,400	17,400
Miscellaneous	1,376	853
Total other revenue	49,796,626	43,668,446
Total unrestricted revenue and gains	61,726,722	55,003,411
Expenses:		
Subrecipient expense	9,881,701	10,324,030
Funds recovery expense	48,971,664	42,845,556
Funds recovery consultant fees	70,000	70,000
Salaries and employee benefits	839,514	823,748
Purchased services	882,471	539,240
Professional fees	78,098	69,028
Depreciation	30,264	30,427
Rental	117,228	104,945
Program assistance	753,725	215,278
Other expense	409,917	279,061
Total expenses	62,034,582	55,301,313
Change in unrestricted net assets	(307,860)	(297,902)
Net assets beginning of year	2,638,807	2,936,709
Net assets end of year	2,330,947	\$ 2,638,807

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

InteCare, Inc.
 Statements of Cash Flows
 Years Ended June 30, 2015 and 2014

	2015	2014
Cash flows from operating activities:		
Cash received from contractors	\$ 278,551	\$ 310,719
Cash received from public support	56,869,009	53,979,138
Interest received	6,186	4,637
Cash paid to suppliers and employees	(57,398,074)	(54,629,642)
Cash flows from operating activities	(244,328)	(335,148)
Cash flows from investing activities:		
Capital expenditures	(55,225)	(5,542)
Cash flows from investing activities	(55,225)	(5,542)
Net change in cash and cash equivalents	(299,553)	(340,690)
Cash and cash equivalents at beginning of year	3,659,884	4,000,574
Cash and cash equivalents at end of year	\$ 3,360,331	\$ 3,659,884

The accompanying notes are an integral part
of these financial statements

InteCare, Inc.
 Statements of Cash Flows
 Years Ended June 30, 2015 and 2014
 (Continued)

	2015	2014
Cash flows from operating activities:		
Change in net assets	\$ (307,860)	\$ (297,902)
Adjustments to reconcile change in net assets to cash flows from operating activities:		
Depreciation	30,264	30,427
Change in assets and liabilities:		
Receivables and prepaid expenses	(4,572,976)	(708,917)
Accounts payable	19,552	44,247
Accrued salaries and related liabilities	(13,289)	(341)
Related party payable	484,588	685,337
Medicaid funds recovery payable	4,115,393	(87,999)
Cash flows from operating activities	\$ (244,328)	\$ (335,148)

The accompanying notes are an integral part
of these 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.

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. 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.

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.

1 - Summary of Significant Accounting Policies (Continued)

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.

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Fair Value of Financial Instruments

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

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 subrecipients. The Organization also was awarded the Supportive Services for Veteran Families (SSVF) grant from the Department of Veteran Affairs. The grant supports the Organization in coordinating and providing services to eligible, indigent veterans.

1 - Summary of Significant Accounting Policies (Continued)

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>7/1/14 – 6/30/15</u>	<u>7/1/13 – 6/30/14</u>
Consulting Firm	\$ 70,000	\$ 70,000
Organization retains	\$ 800,000	\$ 800,000

Other Support

The Organization is under multiple contracts for providing various services in specific program areas. These amounts are recorded as net service revenue or public support.

Income Taxes

The Organization has been granted exemption from taxation as a not-for-profit organization under Section 501(c)(3) of the U.S. Internal Revenue Code and a similar provision of state law. The Organization did not have any unrelated business income during the years ended June 30, 2015 and 2014, and therefore, no provision for federal or state income taxes has been made in the accompanying financial statements.

The Organization has evaluated its tax position for all open tax years. Currently, the tax years open and subject to examination by the Internal Revenue Service are the 2012, 2013, 2014, and 2015 tax years. However, the Agency is not currently under audit nor has it been contacted by any jurisdictions. Based on the evaluations of the Organization’s tax positions, management believes all tax positions taken would be upheld under an examination. Therefore, no provision for the effects of uncertain tax positions have been recorded for the years ended June 30, 2015 and 2014.

Performance Indicator

The performance indicator is the change in unrestricted net assets.

InteCare, Inc.

Notes to Financial Statements

2 - Property and Equipment

A summary of property and equipment at June 30, 2015 and 2014 follows:

	2015	2014
Leasehold improvements	\$ 25,362	\$ 25,362
Equipment	480,244	425,019
	505,606	450,381
Less: Accumulated depreciation	(454,336)	(424,072)
Property and equipment, net	\$ 51,270	\$ 26,309

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 \$11,651,545 and \$11,024,246 of Federal and State Funding during the year ended June 30, 2015 and 2014, respectively.

The Organization also received \$49,771,664 and \$43,645,556 of Medicaid Funds Recovery during the year ended June 30, 2015 and 2014, 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, 2015 and 2014 totaled \$1,181,388. While the initial withholding was established at 5% of the gross Medicaid Fund Recovery revenues, June 30, 2015 and 2014 percentages are 2.4% and 2.7%, 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 for such occurrence to be low and that an increase in the withholding balance to be unnecessary.

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:

2016	<u>\$44,872</u>
	<u>\$44,872</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 \$21,472,728 and \$19,982,153 was paid by the Organization to these related Agencies during the years ended June 30, 2015 and 2014, 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. During the year ended June 30, 2014, InteCare entered into a non-interest bearing promissory note for grant administrative services with Allies IN Recovery for \$24,000. The balance due to InteCare, Inc. was \$3,500 and \$13,500 as of June 30, 2015 and 2014, respectively.

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, 2015 and 2014, \$20,480 and \$10,240, respectively, was paid to that Agency for leased employees.

The Organization subcontracts clinical services from two member agencies of the Organization. For the years ended June 30, 2015 and 2014, \$14,080 and \$16,641, respectively, was paid to these agencies for these services.

The Organization also passes through grant funds to all four member agencies for the administration of the Organization's federal grant. For the years ended June 30, 2015 and 2014, \$603,132 and \$244,992, respectively, was paid to these agencies for these 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, Inc.

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 grants credit without collateral to its clients who are devoted to community-based behavioral healthcare. InteCare, Inc. routinely obtains assignment of clients' benefits related to services provided to patients. Accounts receivable is composed of the following as of June 30:

	<u>2015</u>	<u>2014</u>
Medicaid	94%	94%
Government	6	6
	<u>100%</u>	<u>100%</u>

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>2015</u>	<u>2014</u>
Behavioral health services	\$58,923,365	\$53,239,587
General and administrative	<u>3,111,217</u>	<u>2,061,726</u>
	<u>\$62,034,582</u>	<u>\$53,301,313</u>

9 - Subsequent Events

Subsequent events have been evaluated through March 11, 2016 which is the date the financial statements were available to be issued.

On November 24, 2015, Intecare, Inc. amended the lease for the organization's office space extending the term for seven years, which begins after the substantial completion of the landlord's work.

The Organization has not evaluated subsequent events after March 11, 2016.

SUPPLEMENTAL INFORMATION

InteCare, Inc.

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2015

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	A55-4-49-14- HO-1439	\$ 531,884	\$ 531,884
Community Mental Health Services Block Grant funds passed through the Indiana Division of Mental Health and Addiction	93.958	A55-4-49-14- HO-1439	754,803	754,803
Block Grant for Prevention & Treatment of Substance Abuse funds passed through the Indiana Division of Mental Health and Addiction	93.959	A55-4-49-14- HO-1439	2,057,123	2,057,123
Community Mental Health Services Block Grant funds passed through the Indiana Division of Mental Health and Addiction	93.243	A55-1-49-12- 2I-1439	15,960	15,960
Department of Veteran Affairs Supporting Services for Veteran Families Program	64.033		1,732,839	1,732,839
Bureau of Justice Assistance Second Chance Act Reentry Initiative passed through the Indiana Department of Correction	16.812	D12-14-104	<u>21,045</u>	<u>21,045</u>
Total Federal Awards			<u>\$5,113,654</u>	<u>\$5,113,654</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, 2015

<u>Grantor</u>	<u>State Expenditures</u>
Division of Mental Health and Addiction	<u>\$6,537,891</u>
Total State and Local Awards	<u><u>\$6,537,891</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, 2015

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, 2015. 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.

3 - Subrecipients

Of the federal expenditures presented in the Schedules, InteCare, Inc. provided federal awards to subrecipients as follows:

<u>Program Name</u>	<u>CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Social Services Block Grant	93.667	\$ 534,884
Community Mental Health Services Block Grant	93.958	\$ 754,803
Block Grant for Prevention & Treatment of Substance Abuse	93.959	\$2,057,123
Supporting Services for Veteran Families Program	64.033	\$ 603,132

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. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015, 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 11, 2016.

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 InteCare, Inc.'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.

A handwritten signature in black ink that reads "Bentley Associates". The signature is written in a cursive, flowing style.

Indianapolis, Indiana
March 11, 2016

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 each of InteCare, Inc.'s major federal programs for the year ended June 30, 2015. 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, 2015.

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.

Bailey Associates

InteCare, Inc.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2015

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
Supporting Services for Veteran Families Program	64.033

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

None