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April 4, 2018

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

We have reviewed the report prepared by InteCare, Inc. and opined upon by Bradley & Associates, Independent Public Accountants, for the period July 1, 2015 to June 30, 2016. Per the *Independent Auditor's Report* the financial statements included in the report present fairly the financial condition of InteCare, Inc. as of June 30, 2016 and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Bradley & Associates prepared all required independent auditor's reports in accordance with generally accepted auditing standards and guidelines established by the State Board of Accounts.

The 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
June 30, 2016 and 2015
And
Independent Auditor's Report

InteCare, Inc.
Financial Statements and Supplemental Information
June 30, 2016 and 2015

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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, 2016 and 2015, and the related statements of operations and changes in net assets 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, 2016 and 2015, and the results of its operations, 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

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules of expenditures of federal awards and expenditures of state and local awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as well as *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 20, 2017, 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 20, 2017



InteCare, Inc.
 Statements of Financial Position
 June 30, 2016 and 2015

Assets

	2016	2015
Current assets:		
Cash and cash equivalents	\$ 3,100,982	\$ 3,360,331
Supportive Services for Veteran Families receivable	111,071	102,305
Medicaid funds recovery receivable	26,657,867	25,860,013
Division of Mental Health receivable	665,652	1,600,497
Contract receivable	183,712	75,820
Prepaid expenses	6,478	6,478
Total current assets	30,725,762	31,005,444
Property and equipment, net	286,951	51,270
Total assets	\$31,012,713	\$31,056,714

Liabilities and Net Assets

Current liabilities:		
Accounts payable	\$ 94,113	\$ 107,943
Accrued salaries and related liabilities	44,416	63,033
Medicaid funds recovery payable	19,628,018	19,059,976
Related party payable	7,779,084	8,172,880
Medicaid funds recovery withholdings	1,181,388	1,181,388
Total current liabilities	28,727,019	28,585,220
Net assets	2,285,694	2,471,494
Total liabilities and net assets	\$31,012,713	\$31,056,714

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

InteCare, Inc.

Statements of Operations and Changes in Net Assets

Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Revenue:		
Net service revenue	\$ 405,770	\$ 278,551
Public support:		
Federal funds	4,806,174	5,113,654
State funds	<u>12,538,238</u>	<u>6,537,891</u>
Total public support	<u>17,344,412</u>	<u>11,651,545</u>
Other revenue:		
Medicaid funds recovery	51,521,259	49,771,664
ARNI administration fee	17,400	17,400
Interest	3,048	6,186
Miscellaneous	<u>2,858</u>	<u>1,376</u>
Total other revenue	<u>51,544,565</u>	<u>49,796,626</u>
Total revenue	<u>69,294,747</u>	<u>61,726,722</u>
Expenses:		
Subrecipients	15,975,174	10,484,833
Medicaid funds recovery	50,721,259	48,971,664
Salaries and employee benefits	1,004,201	839,514
Purchased services	506,308	389,365
Professional fees	58,064	78,098
Depreciation	80,751	30,264
Rental	69,100	77,202
Program assistance	635,028	753,725
Other	<u>430,662</u>	<u>409,917</u>
Total expenses	<u>69,480,547</u>	<u>62,034,582</u>
Change in net assets	(185,800)	(307,860)
Net assets, beginning of year	<u>2,471,494</u>	<u>2,779,354</u>
Net assets, end of year	<u>\$ 2,285,694</u>	<u>\$ 2,471,494</u>

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

InteCare, Inc.

Statements of Cash Flows

Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Cash received from contract services	\$ 297,878	\$ 256,435
Cash received from public support	18,270,491	11,216,465
Cash received from other sources	50,746,711	45,680,846
Cash paid to subrecipients	(66,522,187)	(54,940,426)
Cash paid to suppliers and employees	<u>(2,735,810)</u>	<u>(2,457,648)</u>
Cash flows from operating activities	<u>57,083</u>	<u>(244,328)</u>
Cash flows from investing activities:		
Purchase of property and equipment	<u>(316,432)</u>	<u>(55,225)</u>
Cash flows from investing activities	<u>(316,432)</u>	<u>(55,225)</u>
Change in cash and cash equivalents	(259,349)	(299,553)
Cash and cash equivalents, beginning of year	<u>3,360,331</u>	<u>3,659,884</u>
Cash and cash equivalents, end of year	<u>\$ 3,100,982</u>	<u>\$ 3,360,331</u>

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

InteCare, Inc.
 Statements of Cash Flows (Continued)
 Years Ended June 30, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Change in net assets	\$(185,800)	\$ (307,860)
Adjustments to reconcile change in net assets to cash flows from operating activities:		
Depreciation	80,751	30,264
Change in assets and liabilities:		
Supportive Services for Veteran Families receivable	(8,766)	49,007
Medicaid funds recovery receivable	(797,854)	(4,115,780)
Division of Mental Health receivable	934,845	(484,087)
Contract receivable	(107,892)	(22,116)
Accounts payable	(13,830)	103,462
Accrued salaries and related liabilities	(18,617)	(13,289)
Medicaid funds recovery payable	568,042	3,368,212
Related party payable	(393,796)	1,147,859
Cash flows from operating activities	\$ 57,083	\$ (244,328)

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

Notes to Financial Statements

1 - Organization

InteCare, Inc. (Organization) was founded in September 1998 in accordance with the Indiana Nonprofit Corporation Act. The Organization coordinates and manages an integrated healthcare system composed of member organizations that are devoted to community-based behavioral health.

2 - Summary of Significant Accounting Policies

Financial Statement Presentation

The Organization is required to report information regarding its financial position and operations according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and are reported as net assets released from restrictions in the statements of operations and changes in net assets. The Organization has no temporarily or permanently restricted net assets.

Use of 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

Cash and cash equivalents include monies held in checking accounts and money market accounts. The Organization maintains these funds with financial institutions which, at times, may exceed federally insured limits. The Organization has not experienced any losses in these accounts, and the Organization believes it is not exposed to any significant credit risk to cash and cash equivalents.

Property and Equipment

Property and equipment are recorded at cost or, for donations, at fair market value at the time of donation. Expenditures for new additions and repairs that substantially increase the useful lives of the related assets are capitalized. 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 respective accounts, and any gain or loss on disposition is credited to or charged against operations for the period. Depreciation is computed using the straight-line method over the expected useful lives of the various classes of assets.

2 - Summary of Significant Accounting Policies (Continued)

Medicaid Funds Recovery Withholdings

Pursuant to the Organization's contracts with its members that provide Medicaid services, amounts related to the Mental Health Funds Recovery Program (MHFRP) were withheld for the purpose of defending third party payor audits and covering related expenses, responding to payor and intermediary repayment claims, and other reasonable requirements. The initial withholdings amount was based upon 5% of Medicaid funds recovery revenue. However, the withholdings balance, which is \$1,181,388 at June 30, 2016 and 2015, currently represents 2% of revenue from the Medicaid funds recovery program. Management has determined the risk of utilizing these withholdings to be low and that an increase in the amounts withheld is unnecessary. However, the ultimate effects of a MHFRP audit, if any, cannot presently be determined.

Net Service Revenue

Net service revenue is primarily derived from credentialing and enrollment services provided by the Organization.

Public Support

The Organization contracts with and receives grant funding from the Indiana Division of Mental Health and Addiction (Division of Mental Health) to provide behavioral and mental health services to the community, including local schools. Such services are provided under various programs, including the Public Behavioral Interventions and Support (PBIS), Hoosier Assurance Plan (HAP), and Survey programs. As part of these programs, the State has a case rate reimbursement system, and the Organization is paid a specific dollar amount for each client enrolled. Substantially all funding from the Division of Mental Health is paid to subrecipients.

The Organization also receives funding from the Department of Veteran Affairs for the Supportive Services for Veteran Families (SSVF) grant, which supports the coordination and provision of services to eligible, indigent veterans. Under this grant, the Organization generally provides monthly vouchers based on actual costs. A portion of these funds is paid to subrecipients.

Under these funding arrangements, amounts are available to the Organization, up to the total awarded, for a predetermined period. These agreements are subject to review and audit by state and/or federal agencies, and entitlements to these resources are generally conditional upon compliance with the terms and conditions of the agreements and applicable federal and state regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a review or audit by these agencies may become a liability of the Organization, and such amounts will be recognized in the period they become known.

2 - Summary of Significant Accounting Policies (Continued)

Subrecipients and Medicaid Funds Recovery Expenses

Substantially all funding received from the Division of Mental Health and the MHFRP is passed through to subrecipients. A portion of funds related to the Department of Veteran Affairs for the SSVF grant is passed through to subrecipients. The Organization records this funding as both revenue and expenses in the statements of operations and changes in net assets.

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 does not have any unrelated business income for the years ended June 30, 2016 and 2015, and therefore, no provision for federal or state income taxes has been made in the accompanying financial statements.

Performance Indicator

The performance indicator is the change in net assets. No amounts are excluded from the performance indicator.

Reclassification

Certain amounts in the prior year financial statements have been reclassified to conform to the current year presentation.

3 - Medicaid Funds Recovery

The Organization, through Medicaid, administers the MHFRP on behalf of its members and other providers. Subject to approval by the Centers for Medicare & Medicaid Services, funding under the MHFRP is available only to those providers who are certified as managed care providers or community mental health centers by the Division of Mental Health. Under the program, the Organization generally vouchers the State quarterly based on recent activity, as well as the budget limits of the program. For the years ended June 30, 2016 and 2015, the Organization retained \$800,000, while the remainder of funds was paid to subrecipients.

InteCare, Inc.

Notes to Financial Statements

4 - Property and Equipment

Property and equipment consist of the following at June 30:

	2016	2015
Leasehold improvements	\$ 8,727	\$ 25,362
Equipment	468,021	480,244
Property and equipment, gross	476,748	505,606
Accumulated depreciation	(189,797)	(454,336)
Property and equipment, net	\$ 286,951	\$ 51,270

5 - Commitments

The Organization leases equipment and office space under long-term lease agreements, which are set to expire in October 2018 and June 2023, respectively.

Approximate future minimum lease payments required under these operating leases are as follows for the years ending June 30:

2017	\$ 95,570
2018	99,124
2019	94,730
2020	94,484
2021	96,308
Thereafter	162,540
	\$642,756

6 - Related Parties

The Organization coordinates and manages an integrated healthcare system on behalf of its members, and as such, amounts related to various grants and programs are received by the Organization and then passed through to these related parties. The member organizations, including any owners of members, are as follows: Adult and Child Mental Health Center, Inc. (Adult and Child); Aspire Indiana (Aspire); Gallahue Mental Health Center (Gallahue); Midtown Mental Health Center (Midtown); Community Health Network, owner of Gallahue; and Eskenazi Health, owner of Midtown.

InteCare, Inc.

Notes to Financial Statements

6 - Related Parties (Continued)

The following schedule summarizes amounts due to related parties at June 30:

	<u>2016</u>	<u>2015</u>
Adult and Child	\$1,945,995	\$1,686,203
Aspire	1,068,749	907,692
Gallahue	1,793,379	2,282,406
Midtown	2,760,961	3,296,579
Community Health Network	210,000	-
	<u>\$7,779,084</u>	<u>\$8,172,880</u>

The following schedule summarizes amounts due to related parties, by grant and/or program, at June 30:

	<u>2016</u>	<u>2015</u>
SSVF	\$ 81,754	\$65,489
MHFRP	6,852,447	6,618,018
Division of Mental Health - PBIS	210,000	-
Division of Mental Health - HAP	634,883	1,489,373
	<u>\$7,779,084</u>	<u>\$8,172,880</u>

The following schedule summarizes amounts paid to related parties for the years ending June 30:

	<u>2016</u>	<u>2015</u>
Adult and Child	\$ 4,134,908	\$ 3,343,859
Aspire	1,811,603	1,882,012
Gallahue	5,806,457	5,391,019
Midtown	11,762,793	10,838,158
Community Health Network	195,025	-
Eskenazi Health	30,000	-
	<u>\$23,740,786</u>	<u>\$21,455,048</u>

InteCare, Inc.

Notes to Financial Statements

7 - Concentration of Credit Risk

Outstanding balances due to the Organization relate to funding from grants and other programs, as well as contract services. These receivables are composed as follows for the years ending June 30:

	2016	2015
Medicaid	96%	94%
Government	3	6
Other	1	-
	100%	100%

8 - Functional Expenses

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

	2016	2015
Behavioral health services	\$66,696,433	\$59,456,496
General and administrative	2,784,114	2,578,086
	\$69,480,547	\$62,034,582

9 - 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, governmental health care program participation requirements, reimbursement for patient services, and fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from governmental health care programs and could subject the Organization to significant fines and penalties, as well as significant repayments for patient services previously billed.

Management believes that the Organization is in substantial compliance with fraud and abuse, as well as other applicable government laws and regulations. While no regulatory inquiries have been made, compliance with such laws and regulations is subject to government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

10 - Subsequent Events

Effective July 2016, the Organization no longer receives funding for the PBIS and HAP programs. Historically, substantially all funding from these programs has been passed through to subrecipients. This loss of funding is expected to decrease public support and subrecipients expense by approximately \$15.7 million and \$15.5 million, respectively.

Subsequent events have been evaluated through March 20, 2017 which is the date the financial statements were available to be issued.

Supplemental Information

InteCare, Inc.

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2016

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity's Identifying Number</u>	<u>Passed Through to Subrecipients</u>	<u>Federal Expenditures</u>
<i>U.S. Department of Health and Human Services:</i>				
<i>Passed Through the Indiana Division of Mental Health and Addiction</i>				
Social Services Block Grant	93.667	A55-4-49-14-HO-1439	\$ 531,884	\$ 531,884
Community Mental Health Services Block Grant	93.958	A55-4-49-14-HO-1439	719,238	719,238
Block Grant for Prevention & Treatment of Substance Abuse	93.959	A55-4-49-14-HO-1439	<u>1,957,411</u>	<u>1,957,411</u>
Total U.S. Department of Health and Human Services			3,208,533	3,208,533
<i>U.S. Department of Veteran Affairs:</i>				
Supporting Services for Veteran Families Program	64.033		461,865	1,475,496
<i>U.S. Department of Justice:</i>				
<i>Passed Through the Indiana Department of Corrections</i>				
Second Chance Act Reentry Initiative	16.812	D12-14-104	<u>-</u>	<u>122,145</u>
Total federal awards			<u>\$3,670,398</u>	<u>\$4,806,174</u>

The accompanying notes following the schedule of expenditures of federal awards are an integral part of these financial statements.

InteCare, Inc.

Schedule of Expenditures of State and Local Awards

Year Ended June 30, 2016

<u>Grantor</u>	<u>Passed Through to Subrecipients</u>	<u>Expenditures</u>
Indiana Division of Mental Health and Addiction	<u>\$12,304,776</u>	<u>\$12,538,238</u>

The accompanying notes following the schedule of expenditures of state and local awards are an integral part of these financial statements.

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

1 - Basis of Presentation

The accompanying schedules of expenditures of federal, state, and local awards (Schedules) include the grant activity of InteCare, Inc. (Organization) under programs of the federal, state, and local governments for the year ended June 30, 2016. The information in the Schedules is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as well as *Indiana State Board of Accounts Guidelines for Examination of Entities Receiving Financial Assistance from Governmental Sources*. Because the Schedules present only a selected portion of the operations of the Organization, they are not intended to and do not present the financial position, results of operations, changes in net assets, or cash flows of the Organization.

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 the Uniform Guidance and/or OMB Circular A-122, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3 - Indirect Cost Rate

The Organization has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

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. (Organization; a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of operations and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 20, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization'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 the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization'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 the Organization'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 20, 2017

Independent Auditor's Report on Compliance for
Each Major Program and on Internal Control over
Compliance Required by the Uniform Guidance

To the Board of Directors of
InteCare, Inc.

Report on Compliance for Each Major Federal Program

We have audited InteCare, Inc.'s (Organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2016. The Organization'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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization'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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 the Organization'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 the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization 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, 2016.

Report on Internal Control over Compliance

Management of the Organization 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 the Organization'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 the Uniform Guidance, 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 the Organization'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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Handwritten signature of Bradley Associates in cursive script.

Indianapolis, Indiana
March 20, 2017

InteCare, Inc.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2016

A. Summary of Auditor's Results

1. The auditor's report expresses an unmodified opinion on whether the financial statements of InteCare, Inc. were prepared in accordance with GAAP.
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 that are required to be reported in accordance with 2 CFR section 200.516(a).
7. The programs tested as major programs were:

<u>Programs</u>	<u>CFDA Number</u>
Supportive Services for Veteran Families Program	64.033

8. The threshold used for distinguishing between Types A and B programs was \$750,000.
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