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April 28, 2020

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

We have reviewed the audit report of InteCare, Inc. which was opined upon by CliftonLarsonAllen LLP, Independent Public Accountants, for the period July 1, 2018 to June 30, 2019. 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, 2019 and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, CliftonLarsonAllen LLP prepared the audit report in accordance with guidelines established by the State Board of Accounts.

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

A handwritten signature in blue ink that reads "Paul D. Joyce".

Paul D. Joyce, CPA
State Examiner

INTECARE, INC.

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED JUNE 30, 2019 AND 2018

INTECARE, INC.
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YEARS ENDED JUNE 30, 2019 AND 2018

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INDEPENDENT AUDITORS' REPORT

Board of Directors
InteCare, Inc.
Indianapolis, Indiana

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, 2019 and 2018, and the related statements of operations and changes in net assets, functional expenses, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 auditors' 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 on page 1 present fairly, in all material respects, the financial position of InteCare, Inc. as of June 30, 2019 and 2018, 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.

Emphasis-of-Matter Regarding a Change in Accounting Principle

As discussed in Note 2 to the financial statements, Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statement of Not-for-Profit Entities*, was adopted by the organization. The update includes additional disclosures regarding the liquidity of the organization and requires a statement of functional expenses. This standard has been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

Other Information

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal 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*, is presented for purposes of additional analysis and is 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 audits 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 December 30, 2019, 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 solely 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 effectiveness of InteCare, Inc.'s 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.



CliftonLarsonAllen LLP

Indianapolis, Indiana
December 30, 2019

INTECARE, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,962,081	\$ 2,723,010
Short-Term Investments	283,772	-
Supportive Services for Veteran Families Receivable	63,488	93,799
Medicaid Funds Recovery Receivable	36,254,385	33,354,152
Contract Receivable	146,976	96,836
Prepaid Expenses	33,454	34,624
Total Current Assets	38,744,156	36,302,421
PROPERTY AND EQUIPMENT, NET	97,169	85,563
OTHER ASSETS		
Long-Term Investments	505,176	-
Total Other Assets	505,176	-
Total Assets	\$ 39,346,501	\$ 36,387,984
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 63,232	\$ 23,321
Accrued Salaries and Related Liabilities	40,154	61,091
Other Accrued Liabilities	50	-
Deferred Revenue	17,041	-
Medicaid Funds Recovery Payable	27,540,738	24,041,646
Related Party Payable	8,621,275	9,193,965
Total Current Liabilities	36,282,490	33,320,023
LONG-TERM LIABILITIES		
Medicaid Funds Recovery Withholdings	1,181,388	1,181,388
Total Long-term Liabilities	1,181,388	1,181,388
Total Liabilities	37,463,878	34,501,411
NET ASSETS WITHOUT DONOR RESTRICTIONS	1,882,623	1,886,573
Total Liabilities and Net Assets	\$ 39,346,501	\$ 36,387,984

See accompanying Notes to Financial Statements.

INTECARE, INC.
STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
REVENUE		
Net Service Revenue	\$ 840,408	\$ 626,740
Public Support Federal Funds	1,479,446	1,378,433
Public Support State Funds	69,850	-
Total Public Support	1,549,296	1,378,433
Other Revenue:		
Medicaid Funds Recovery	70,083,435	66,284,543
Interest	41,004	8,589
Miscellaneous	8,626	-
Total Other Revenue	70,133,065	66,293,132
Total Revenue	72,522,769	68,298,305
EXPENSES		
Subcontractor Expense	426,620	454,366
Medicaid Funds Recovery	69,393,435	65,594,543
Salaries and Employee Benefits	925,341	880,291
Purchased Services	500,750	335,562
Professional Fees	82,987	66,798
Depreciation	49,966	112,346
Rental	104,690	102,077
Program Assistance	560,160	482,017
Other	482,770	325,744
Loss on Write-Off of Assets	-	168,850
Total Expenses	72,526,719	68,522,594
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(3,950)	(224,289)
Net Assets Without Donor Restrictions - Beginning of Year	1,886,573	2,110,862
NET ASSETS WITHOUT DONOR RESTRICTIONS - END OF YEAR	\$ 1,882,623	\$ 1,886,573

See accompanying Notes to Financial Statements.

INTECARE, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019

	Program Services	Management and General	Total
Accounting Expense	\$ 26,190	\$ 270	\$ 26,460
Accreditation Fee	10,600	-	10,600
Bank Charges	2,194	4,788	6,982
Business Relations	2,026	4,484	6,510
Computer Rentals	7,808	-	7,808
Copier Lease	5,710	1,652	7,362
Credentialing Cost-Enrollment	27,982	-	27,982
Credentialing Costs - Network	20,209	-	20,209
Depreciation - Equipment	39,887	10,079	49,966
Donation	50	1,500	1,550
Equipment Repairs and Maintenance	2,435	-	2,435
Funds Recovery Expense	80,000	-	80,000
Funds Recovery Subcontract	69,393,436	-	69,393,436
Information Technology	124,306	4,659	128,965
Insurance Expense	32,253	658	32,911
Interest Expense	-	529	529
Internet Expense	12,976	-	12,976
IT Software Expense	100,401	-	100,401
Late Fees	-	39	39
Legal Expense	16,447	675	17,122
Lodging and Travel	670	-	670
Marketing and Business Development	38,902	503	39,405
Mileage and Expense Reimbursement	32,303	1,045	33,348
Miscellaneous Expense	75	-	75
Office Rent	94,107	3,221	97,328
Office Rent - SSVF Offsite	20,951	-	20,951
Office Supplies	8,580	1,427	10,007
Office Furniture - SSVF	130	-	130
Parking Expense	9	-	9
Personnel Costs	1,229,082	106,545	1,335,627
Postage Expense	3,547	-	3,547
Professional Services	6,258	1,656	7,914
Program and Financial Assistance - SSVF	560,160	-	560,160
Purchased Clinical Services	399,555	-	399,555
Purchased Clinical IHADA	12,930	-	12,930
Shipping Expense	1,357	17	1,374
Storage Expense	8,813	-	8,813
Telephone Expense	22,679	-	22,679
Training Expense	1,481	956	2,437
Workshop, Seminars, and Conventions	14,205	315	14,520
Write-Off Expense	20,997	-	20,997
	<u>\$ 72,381,701</u>	<u>\$ 145,018</u>	<u>\$ 72,526,719</u>
Total Functional Expenses	<u>\$ 72,381,701</u>	<u>\$ 145,018</u>	<u>\$ 72,526,719</u>

See accompanying Notes to Financial Statements.

INTECARE, INC.
STATEMENTS OF FUNCTIONAL EXPENSES (CONTINUED)
YEAR ENDED JUNE 30, 2018

	Program Services	Management and General	Total
Accounting Expense	\$ 29,796	\$ 112	\$ 29,908
Accreditation Fee	1,270	-	1,270
Bank Charges	2,164	-	2,164
Business Relations	1,973	998	2,971
Copier Lease	8,374	846	9,220
Credentialing Cost-Enrollment	25,248	-	25,248
Credentialing Costs - Network	12,022	-	12,022
Depreciation - Equipment	101,176	11,170	112,346
Equipment Repairs and Maintenance	92	180	272
Funds Recovery Expense	82,500	-	82,500
Funds Recovery Subcontract	65,594,543	-	65,594,543
Information Technology	82,274	2,769	85,043
Insurance Expense	28,867	3,106	31,973
Internet Expense	13,921	101	14,022
IT Software Expense	52,907	-	52,907
Late Fees	-	278	278
Loss on Write-Off of Equipment	-	168,850	168,850
Marketing and Business Development	33,122	3,768	36,890
Mileage and Expense Reimbursement	38,103	2,747	40,850
Miscellaneous Expense	23	-	23
Office Rent	89,627	2,267	91,894
Office Rent - SSVF Offsite	32,927	-	32,927
Office Supplies	11,835	1,763	13,598
Office Furniture - SSVF	2,065	-	2,065
Over Usage Charge	-	255	255
Parking Expense	21	-	21
Personnel Costs	1,050,170	88,644	1,138,814
Postage Expense	3,387	274	3,661
Professional Services	2,000	-	2,000
Program and Financial Assistance - SSVF	482,017	-	482,017
Purchased Clinical Services	421,439	-	421,439
Shipping Expense	1,309	122	1,431
Storage Expense	5,927	-	5,927
Telephone Expense	12,156	1,071	13,227
Training Expense	2,839	855	3,694
Workshop, Seminars, and Conventions	5,091	1,012	6,103
Write-Off Expense	132	89	221
	<u>132</u>	<u>89</u>	<u>221</u>
Total Functional Expenses	<u>\$ 68,231,317</u>	<u>\$ 291,277</u>	<u>\$ 68,522,594</u>

See accompanying Notes to Financial Statements.

INTECARE, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (3,950)	\$ (224,289)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	49,966	112,346
Loss on Write-Off of Property and Equipment	-	168,850
Change in Assets and Liabilities:		
Supportive Services for Veteran Families Receivable	30,311	23,744
Medicaid Funds Recovery Receivable	(2,900,233)	(2,285,671)
HAP Receivable	-	205,000
Contract Receivable	(50,141)	(30,059)
Prepaid Expenses	1,171	(10,943)
Accounts Payable	39,911	8,311
Accrued Salaries and Related Liabilities and Other Accrued Liabilities	(20,887)	(3,898)
Deferred Revenue	17,041	-
Medicaid Funds Recovery Payable	3,499,092	1,422,147
Related Party Payable	(572,690)	681,027
Net Cash Provided by Operating Activities	89,591	66,565
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(61,572)	(27,694)
Purchase of Investments	(788,948)	-
Net Cash Used by Investing Activities	(850,520)	(27,694)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(760,929)	38,871
Cash and Cash Equivalents - Beginning of Year	2,723,010	2,684,139
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,962,081	\$ 2,723,010

See accompanying Notes to Financial Statements.

INTECARE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 1 ORGANIZATION

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

The Organization is required to report information regarding its financial position and operations according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. When a net asset with donor restriction expires, net assets are reclassified to net assets without donor restrictions and are reported as net assets released from restrictions in the statements of operations and changes in net assets. The Organization has no net assets with donor restrictions.

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.

Investments

Investments consist primarily of assets invested in fixed income funds and mutual funds. The investments in fixed income funds and mutual funds are measured at fair value in the statements of financial position. The realized and unrealized gain or loss on investments is reflected in the statements of operations and changes in net assets.

Supportive Services for Veteran Families Receivable

Supportive Services for Veteran Families Receivable represent the uncollected portion of funds from a reimbursement grant awarded to InteCare for eligible expenses related to the Supportive Services for Veteran Families program. Management has deemed these amounts to be fully collectible within one year.

INTECARE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 ranging from three years for computer software, five years for laptops and other equipment, and 10 years for office furniture.

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 was \$1,181,388 at June 30, 2019 and 2018, currently represents approximately 1.69% and 1.78% of revenue from the Medicaid funds recovery program, respectively. 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. Management does not anticipate using the funds within the subsequent two years.

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 administrative services to the community of behavioral health providers. Such services are provided under the programs Mental Health Fund Recovery Program (MHFRP) and Satisfaction Survey of programs. As part of these programs, the state has a flat rate reimbursement system, and the Organization is paid a specific dollar amount as determined by the contract. Substantially funding from the Division of Mental Health is paid to subrecipients. Additional grant funding is received from federal funding and local city and county funding awards. These grants such as the Supportive Services for Veterans Families (SSVF), are reimbursed on a case rate basis and the Organization is paid specific dollar amounts per the individual served.

INTECARE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Public Support (Continued)

The funding received from the Department of Veteran Affairs for the SSVF grant 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 subcontractors.

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.

Subrecipients and Medicaid Funds Recovery Expenses

Substantially all funding received from the Hoosier Assurance Plan and the MHFRP 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.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

InteCare, Inc. is organized as an Indiana nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). The entity is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the entity is subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by InteCare and recognize a tax liability if the organization has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. Management has analyzed the tax positions taken by the Organization, and has concluded that as of June 30, 2019, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The U.S. federal and state income tax returns of the Organization are subject to examination by the IRS and state taxing authorities.

INTECARE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

Management evaluated subsequent events through December 30, 2019, the date the financial statements were available to be issued.

Change in Accounting Principle

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has implemented ASU 2016-14 and has adjusted the presentation in these consolidated financial statements accordingly. The ASU has been applied retrospectively to all periods presented which had no impact on net assets without donor restrictions.

Recent Accounting Guidance

Revenue from Contracts with Customers

In May 2014, the FASB issued amended guidance to clarify the principles for recognizing revenue from contracts with customers. The guidance requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The guidance also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Additionally, qualitative and quantitative disclosures are required regarding customer contracts, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract. The guidance will initially be applied retrospectively using one of two methods. The standard will be effective for the entity for annual periods beginning after December 15, 2018. Management is evaluating the impact of the amended revenue recognition guidance on the entity's financial statements.

Leases

In February 2016, the FASB issued amended guidance for the treatment of leases. The guidance requires lessees to recognize a right-of-use asset and a corresponding lease liability for all operating and finance leases with lease terms greater than one year. The guidance also requires both qualitative and quantitative disclosures regarding the nature of the entity's leasing activities. The guidance will initially be applied using a modified retrospective approach. The amendments in the guidance are effective for fiscal years beginning after December 15, 2022. Early adoption is permitted. Management is evaluating the impact of the amended lease guidance on the entity's financial statements.

INTECARE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Guidance (Continued)

Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made

In June 2018, the FASB issued amended guidance to clarify and improve the guidance between contributions and exchange transactions. The ASU distinguishes between contributions and exchange transactions and assists in determining which guidance to apply. The ASU assists in determining whether a contribution is conditional or unconditional, and if unconditional, whether the transaction is donor restricted for a limited purpose or timing. The amendments in the guidance are effective for annual periods beginning after December 15, 2018. Management has evaluated the impact of the amended contribution guidance and deemed the implementation to have no material effect on the financial performance of the organization.

NOTE 3 LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	2019	2018
Cash and Cash Equivalents	\$ 1,962,081	\$ 2,723,010
Receivables	36,464,849	33,544,787
Short-Term Investments	283,772	-
Total	<u>\$ 38,710,702</u>	<u>\$ 36,267,797</u>

The Organization currently does not have any liquidity management policies in place.

NOTE 4 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 and 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 both years ended June 30, 2019 and 2018, the Organization retained approximately \$690,000, while the remainder of funds was paid to subrecipients.

INTECARE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	<u>2019</u>	<u>2018</u>
Leasehold Improvements	\$ 8,727	\$ 8,727
Equipment	337,101	275,529
Property and Equipment, Gross	<u>345,828</u>	<u>284,256</u>
Less: Accumulated Depreciation	(248,659)	(198,693)
Property and Equipment, Net	<u>\$ 97,169</u>	<u>\$ 85,563</u>

NOTE 6 COMMITMENTS

The Organization leases equipment and office space under long-term lease agreements, which are set to expire in January 2023 and November 2022, respectively. Total rent expense from leases for 2019 was \$104,690, of which \$7,362 and \$97,328 was attributed to the equipment and office space lease, respectively. Total rent expense from leases for 2018 was \$102,077, of which \$9,491 and \$92,586 was attributed to the equipment and office space lease, respectively.

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

<u>Year Ending June 30,</u>	<u>Amount</u>
2020	\$ 101,355
2021	103,179
2022	104,091
2023	52,045
Total	<u>\$ 360,670</u>

NOTE 7 RETIREMENT PLAN

The Organization maintains a 401(k) retirement plan for all full time employees that have been employed for 90 days. The plan provides a mandatory match by the Organization up to 3.5% of the employee's compensation. All employees are fully vested in the employer match after two years. Employer contributions to the Plan were \$20,006 and \$21,626 in 2019 and 2018, respectively.

INTECARE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 8 FAIR VALUE MEASUREMENT

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, such as:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair market value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the valuation methodologies used at June 30, 2019 and 2018.

Mutual Funds: Mutual fund securities are valued at the closing price reported on the active market on which the individual securities are traded. The fair value of mutual funds is based on quoted net asset values of the underlying assets of shares held by the Organization. Such investments are classified within Level 1 of the valuation hierarchy.

Fixed Income Funds: Fixed income securities are valued at the most recent price of the equivalent quoted yield for such securities, or those of comparable maturity, quality, and type. Such investments are classified within Level 2 of the valuation hierarchy.

INTECARE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 8 FAIR VALUE MEASUREMENT (CONTINUED)

The following tables set forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30:

	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total Fair Value
<u>2019</u>				
Mutual Funds	\$ 283,772	\$ -	\$ -	\$ 283,772
Fixed Income Bonds	-	505,176	-	505,176
Total	<u>\$ 283,772</u>	<u>\$ 505,176</u>	<u>\$ -</u>	<u>\$ 788,948</u>
<u>2018</u>				
Mutual Funds	\$ -	\$ -	\$ -	\$ -
Fixed Income Funds	-	-	-	-
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 9 RELATED PARTIES

The Organization coordinates and manages an integrated health care 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.

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

	2019	2018
Adult and Child	\$ 2,130,950	\$ 2,397,841
Aspire	1,231,005	1,223,339
Gallahue	1,962,322	2,116,697
Midtown	2,653,487	2,875,247
Community Health Network	643,511	580,841
Total	<u>\$ 8,621,275</u>	<u>\$ 9,193,965</u>

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

	2019	2018
SSVF	\$ 60,128	\$ 27,761
MHFRP	8,561,147	9,160,006
Division of Mental Health - HAP	-	6,198
Total	<u>\$ 8,621,275</u>	<u>\$ 9,193,965</u>

INTECARE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 9 RELATED PARTIES (CONTINUED)

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

	2019	2018
Adult and Child	\$ 4,623,313	\$ 4,931,569
Aspire	2,505,118	2,221,331
Gallahue	4,350,837	4,402,282
Midtown	5,541,770	5,560,767
Community Health Network	1,180,695	571,232
Total	<u>\$ 18,201,733</u>	<u>\$ 17,687,181</u>

NOTE 10 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 99% concentrated in Medicaid programs as of June 30, 2019 and 2018. Revenues are 97% concentrated in Medicaid programs as of June 30, 2019 and 2018.

NOTE 11 FUNCTIONAL EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, the expenses require allocation on a reasonable basis that is consistently applied. Aside from salaries expense, rent expense, and depreciation expense, expenses are allocated based on direct allocation of the expense. Salaries and wages are allocated on the basis of estimates of time and effort. Rent and depreciation expense is allocated based on square footage and equipment usage.

NOTE 12 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.

INTECARE, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
U.S. Department of Health and Human Services				
Passed-Through the Indiana Division of Mental Health and Addiction:				
Community Mental Health Services Block Grant	93.958	A55-6-49-16-2I-1439	\$ 15,960	\$ 15,960
U.S. Department of Veteran Affairs				
Supporting Services for Veteran Families Program	64.033	N/A	-	1,463,486
Total Expenditures of Federal Awards			<u>\$ 15,960</u>	<u>\$ 1,479,446</u>

INTECARE, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2019

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the grant activity of InteCare, Inc. (the Organization) under programs of the federal government for the year ended June 30, 2019. The information in the Schedule 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). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, results of operations, changes in net assets, or cash flows of the Organization.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Organization has elected to use the 10 percent de minimis indirect cost rate as 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**

Board of Directors
InteCare, Inc.
Indianapolis, Indiana

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., which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 30, 2019.

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 result of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

CliftonLarsonAllen LLP

Indianapolis, Indiana
December 30, 2019



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
InteCare, Inc.
Indianapolis, Indiana

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 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, 2019. InteCare, Inc.'s major federal programs are identified in the summary of auditors' 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 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 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 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, 2019.

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 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 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 a 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 by 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.



CliftonLarsonAllen LLP

Indianapolis, Indiana
December 30, 2019

**INTECARE, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019**

Section I – Summary of Auditors’ Results

Financial Statements

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? _____ yes x none reported
3. Noncompliance material to financial statements noted? _____ yes x no

Federal Awards

1. Internal control over major federal programs:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? _____ yes x none reported
2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes x no

Identification of Major Federal Programs

CFDA Number(s)

64.033

Name of Federal Program or Cluster

Supportive Services for Veteran Families

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

 x yes no

INTECARE, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2019

Section II – Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

Section III – Findings and Questioned Costs – Major Federal Programs

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.