



Financial Statements
August 31, 2018

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CERTIFICATE OF BOARD APPROVAL

I, Hal Katz, Chairperson of the Board of Trustees of Integral Care, hereby certify that this accompanying audit report for fiscal year 2018 from Eide Bailly LLP was reviewed and approved at a meeting of the Board of Trustees held on the 31st day of January, 2019.



Chairperson, Board of Trustees

January 31, 2019

Date

LISTING OF OFFICIALS

BOARD OF TRUSTEES

Officers

Hal Katz – Chairperson
Luanne Southern – Vice Chair
Robert T. Chapa Jr. Secretary/Treasurer

Members

Emmitt Hayes
Richard Hopkins
Sarah Churchill Llamas
David Springer
Tom Young
Guadalupe Zamora, M.D.

Key Officers

David Evans
David Weden
Lisa Laky
Dawn Handley
Louise Lynch
Ellen Richards
Hugh Simmons
Darilynn Cardona-Beiler

Ken Winston
Sherry Blyth

Dr. James Baker
Mesha Barnes
Kathleen Casey

Chief Executive Officer
Chief Administrative Officer/CFO
General Counsel
Chief Operations Officer
Provider Network & Authority Officer
Chief Strategy Officer
Director of Child and Family Services
Director of Adult Behavioral Health
Systems
Director of IDD Services
Director of Practice Management,
Crisis, Criminal Justice and Substance
Use Treatment Services
Systems Chief Medical Officer
Executive Manager
Director of Clinical Innovation and
Development



CPAs & BUSINESS ADVISORS

Independent Auditor's Report

The Board of Trustees
Integral Care
Austin, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Integral Care (the Center), as of and for the year ended August 31, 2018, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements as listed in the table of contents.

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 opinions on these financial statements based on our audit. We did not audit the financial statements of NMF Housing I, Inc., NMF Housing II, Inc., NMF Housing III, Inc., NMF Housing IV, Inc., NMF Housing V, Inc., NMF Housing VI, Inc., and NMF Housing VII, Inc., which collectively are 86.3%, 86.2% and 65.4%, of the assets, net position and revenues of the business-type activities and 91.4%, 91.7% and 85.6%, of the assets, net position and revenues of the New Milestones Foundation major enterprise fund. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for NMF Housing I – VII, Inc., is based solely on the report of the other auditors. We conducted our audit 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 *Guidelines for Annual Financial and Compliance Audits of Community Mental Health and Mental Retardation Centers*. 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 opinions.

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Center as of August 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6-14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Center's financial statements. The introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of state and federal awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State of Texas *Single Audit Circular* and is also not a required part of the basic financial statements.

The schedule of expenditures of state and federal awards 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. Such information has been subjected to the audit 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 State of America. In our opinion, the schedule of expenditures of the state and federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2019, on our consideration of the Center'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 the Center'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 the Center's internal control over financial reporting and compliance.

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

Abilene, Texas
January 28, 2019

As management of Integral Care, we offer readers of Integral Care's financial statements this overview and analysis of the financial activities of Integral Care for the fiscal year ended August 31, 2018.

FINANCIAL HIGHLIGHTS

- The assets of Integral Care exceeded its liabilities at the close of the most recent fiscal year by \$63,487,794 (net position). Of this amount, \$28,601,542 (unrestricted net position) may be used to meet Integral Care's ongoing obligations.
- Integral Care's total government-wide net position increased by \$9,111,625 in fiscal year 2018. Of that, Integral Care's governmental operations provided an increase in net position of \$8,911,523. New Milestones Foundation had a decrease in net position of \$101,422 and Housing First, LLC had an increase in net position of \$301,524.
- As of the close of the fiscal year, Integral Care's governmental funds reported combined ending fund balances of \$28,442,186, an increase of \$3,791,045 in comparison with the prior fiscal year.
- At the end of the fiscal year, unassigned (unreserved and undesignated) fund balance for the General Fund was \$1,583,016, 1.61% of total General Fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to Integral Care's basic financial statements. Integral Care's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of Integral Care's finances, in a manner similar to a private-sector business.

The *statement of net position* presents all of Integral Care's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of Integral Care is improving or deteriorating.

The *statement of activities* presents information showing how Integral Care's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected Medicaid receipts and earned but unused vacation leave).

The government-wide financial statements distinguish functions of Integral Care that are provided from federal, state, and local funding sources (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*).

- The *governmental activities* of Integral Care include *Adult Behavioral Health Services, Children's Mental Health Services, Developmental Disabilities, Substance Use Disorder, Early Childhood Intervention and 1115 Transformation Waiver*.
- The *business-type activities* of Integral Care include *New Milestones Foundation*, a non-profit organization that raises funds and acquires real property for use by Integral Care and *Housing First, LLC*, a limited liability corporation, of which Integral Care is the sole member, that serves as the developer entity for The Terrace at Oak Springs (Housing First Oak Springs).

The government-wide financial statements can be found on pages 15-16 of this report.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Integral Care, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of Integral Care's funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds – *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on how cash resources flow into and out of those funds and the balances remaining at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which requires the recognition of revenue when earned, only so long as the funds are collected within the period or soon enough afterwards to be used to pay liabilities of the current period.

It is useful to compare the information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Integral Care maintains two individual governmental funds. Information is presented in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund and the Capital Improvement Fund.

Integral Care adopts an annual budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 17-21 of this report.

Proprietary Funds – Integral Care maintains two *enterprise funds*, which are a type of proprietary fund. An *enterprise fund* is used to report the same functions as *business-type activities* in the government-wide financial statements. Integral Care uses an enterprise fund to account for New Milestones Foundation and Housing First, LLC.

The basic proprietary fund financial statements can be found on pages 22-24 of this report.

Fiduciary Funds – *Fiduciary funds* are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support Integral Care's own programs.

The basic fiduciary fund financial statement can be found on page 25 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 26-45 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain *supplementary information* concerning Integral Care that is required by the Health and Human Services Commission, Uniform Guidance, and the State of Texas Single Audit Circular. This other supplementary information can be found on pages 55-64 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Integral Care, assets exceeded liabilities by \$63,487,794 at the close of the most recent fiscal year.

Approximately 49.78% of Integral Care's net position reflect its net investment in capital assets (e.g., land, buildings, vehicles, furniture and equipment, net of accumulated depreciation), less any related debt used to acquire those assets that is still outstanding. Integral Care uses these capital assets to provide services to the individuals it serves; consequently, these assets are not available for future spending.

Additionally, a 45.05% portion of Integral Care's net position represents unrestricted financial resources available for future operations.

The remaining 5.17% balance of Integral Care's net position represents resources restricted by the terms of the permanent endowment and Housing First Oak Springs.

	Government Activities		Business-Type Activities		Total	
	8/31/2018	8/31/2017	8/31/2018	8/31/2017	8/31/2018	8/31/2017
Current assets	\$ 40,741,185	\$ 36,050,794	\$ 873,247	\$ 541,013	\$ 41,614,432	\$36,591,807
Noncurrent assets	27,450,593	26,828,928	4,495,439	4,591,072	31,946,032	31,420,000
Total assets	68,191,778	62,879,722	5,368,686	5,132,085	73,560,464	68,011,807
Current liabilities	7,858,125	11,422,144	275,926	239,426	8,134,051	11,661,570
Noncurrent liabilities	1,938,620	1,974,068	-	-	1,938,620	1,974,068
Total liabilities	9,796,745	13,396,212	275,926	239,426	10,072,670	13,635,638
Net Position						
Net investments in capital assets	27,414,895	26,783,882	4,186,853	4,340,401	31,601,748	31,124,283
Restricted for Midelburg Trust	-	6,653	-	-	-	6,653
Restricted for permanent endowment - nonspendable	-	-	308,586	250,671	308,586	250,671
Unrestricted	30,980,138	22,692,975	597,322	301,587	31,577,460	22,994,562
Total net position	\$ 58,395,033	\$ 49,483,510	\$ 5,092,761	\$ 4,892,659	\$ 63,487,794	\$54,376,169

Governmental Activities. Governmental activities increased Integral Care's net position by \$8,911,523. Key elements of the increase are as follows on the next page.

Integral Care
Management's Discussion and Analysis
August 31, 2018

	Government Activities		Business-Type Activities		Total	
	8/31/2018	8/31/2017	8/31/2018	8/31/2017	8/31/2018	8/31/2017
Revenues						
Program revenues						
Charges for services	\$14,281,570	\$ 12,669,633	\$ -	\$ -	\$ 14,281,570	\$ 12,669,633
Operating grants and contributions	84,562,866	85,104,443	-	-	84,562,866	85,104,443
General revenues						
Unrestricted interest earnings	165,752	56,954	21,004	28,878	186,756	85,832
Contributions-not program restricted	2,975,918	-	-	-	2,975,918	-
Other income						
Property revenues	-	-	1,132,741	760,974	1,132,741	760,974
Other	-	-	123,671	117,265	123,671	117,265
Total revenues	101,986,106	97,831,030	1,277,416	907,117	103,263,522	98,738,147
Expenses						
Behavioral health adult	52,200,408	46,572,007	-	-	52,200,408	46,572,007
Behavioral health child	9,812,729	9,468,285	-	-	9,812,729	9,468,285
Intellectual & developmental disabilities	6,902,609	6,909,919	-	-	6,902,609	6,909,919
Substance Abuse	6,773,192	6,774,052	-	-	6,773,192	6,774,052
Early childhood intervention	1,467,787	1,484,683	-	-	1,467,787	1,484,683
1115 Transformation Waiver	15,884,332	16,612,980	-	-	15,884,332	16,612,980
Interest and fees on long-term debt	33,526	7,331	-	-	33,526	7,331
New Milestones Foundation Inc.	-	-	1,077,314	918,457	1,077,314	918,457
Total expenses	93,074,583	87,829,257	1,077,314	918,457	94,151,897	88,747,714
Increase (Decrease) in Net Position	8,911,523	10,001,773	200,102	(11,340)	9,111,625	9,990,433
Net Position, Fiscal Year Beginning	49,483,510	39,481,737	4,892,659	4,903,999	54,376,169	44,385,736
Net Position, Fiscal Year End	\$58,395,033	\$ 49,483,510	\$ 5,092,761	\$ 4,892,659	\$ 63,487,794	\$ 54,376,169

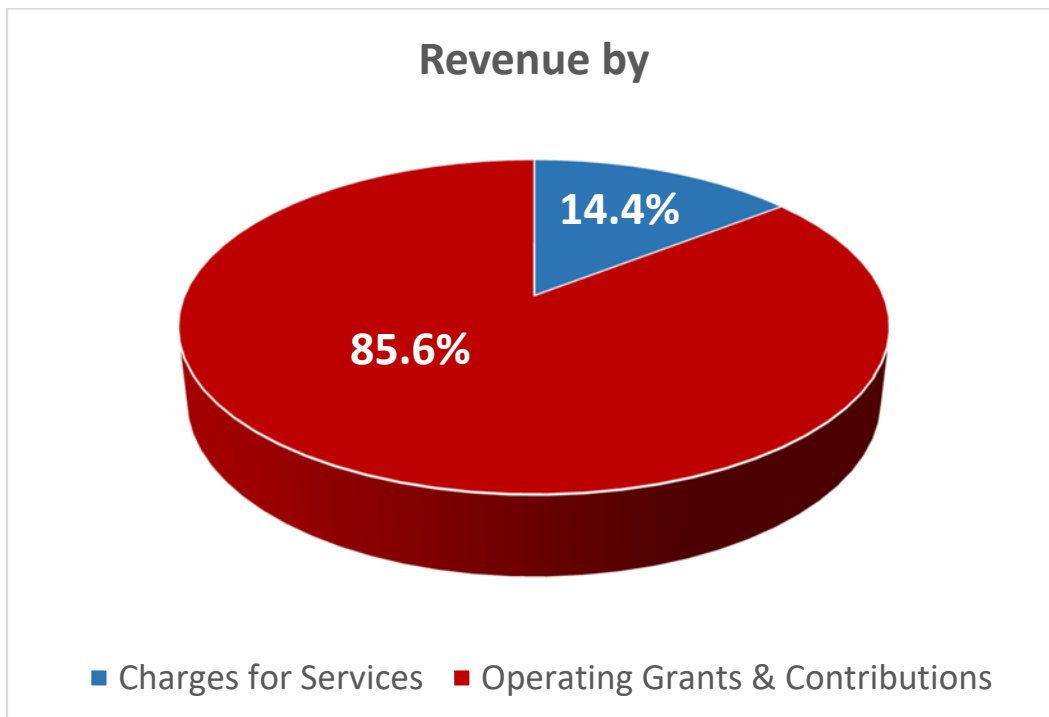
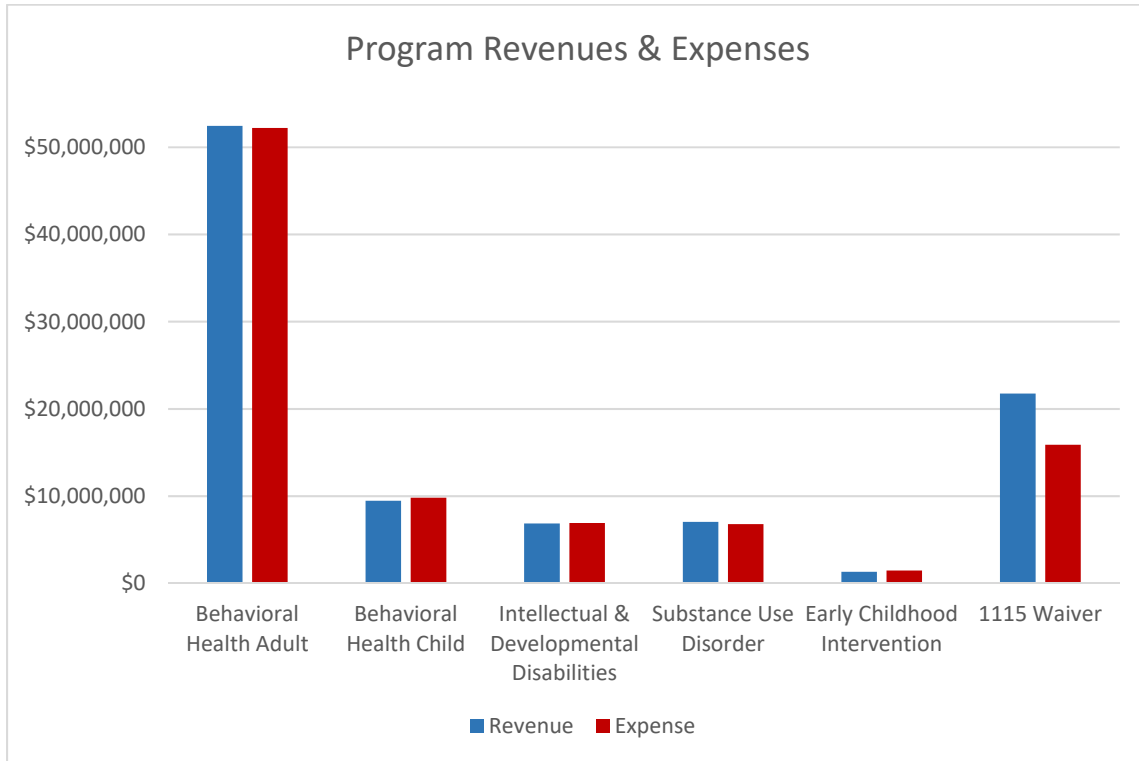
The \$2,975,918 in revenue listed as contributions not program restricted represents donations toward construction of Housing First Oak Springs, the 50 unit apartment complex being constructed for homeless individuals that will also have a clinic on site.

The \$5.6 Million increase in Adult Behavioral Health in fiscal year 2018 over fiscal year 2017 was due to the factors such as a full year's operation of the Judge Guy Herman Mental Health Center (an extended observation and respite facility for individuals in crisis), the opening of the Integrated Practice Units in collaboration with University of Texas Dell Medical School, an increase in Housing and Urban Development Supported Housing, and integration of some activities charged to the 1115 Waiver in prior years due to the earlier project approach of the waiver that are now incorporated in Adult Behavioral Health due to the overall provider measures associated with the 1115 Waiver.

BUSINESS-TYPE ACTIVITIES:

Integral Care generated \$1,277,416 in revenue from Integral Care's business-type activities. Total expenses were \$1,077,314. Net position increased by \$200,102 to \$5,092,761.

GOVERNMENTAL ACTIVITIES



FINANCIAL ANALYSIS OF INTEGRAL CARE'S FUNDS

As noted earlier, Integral Care uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Government funds. The focus of Integral Care's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing Integral Care's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As Integral Care completed the year, its governmental funds, as presented in the balance sheet on page 17, reported a *combined* fund balance of \$28,442,186 which is an increase of \$3,791,045 from last year's total of \$24,651,141.

The General Fund is the chief operating fund of Integral Care. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$1,583,016 while the total fund balance reached \$28,282,526. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 1.61% of the total General Fund expenditures.

Integral Care continued participation in the Patient Assistance Program with a dispense value of \$2,091,632 of medications dispensed.

Proprietary Funds. Integral Care's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The New Milestones Foundation had a \$101,422 reduction in net position in fiscal year 2018, compared to a decrease of \$11,340 in 2017. Housing First, LLC had a \$301,524 increase in fiscal year 2018 which was the initial year for the business entity.

GENERAL FUND BUDGETARY HIGHLIGHTS

The original General Fund budgeted revenue plus net changes in fund balances was equal to \$118,561,802. Over the course of the year, the budgeted revenue plus net changes in fund balance changed to \$119,576,225. This increase in budget of \$1,014,423 can be summarized as follows:

Budget Amendments \$100,000 or Greater:

Health and Human Services Commission (HHSC) – Substance Use Disorder	\$ 591,507
Medicaid/MCO Fee for Service (transfer state match)	712,982
HHSC Senate Bill 292 (partial year contract)	361,674
HHSC House Bill 13 (partial year contract)	194,360
Medicaid Administrative Claiming	122,314
HHSC MH General Revenue (transfer state Medicaid match)	(704,573)
All Other (line items < \$100,000)	(263,841)
Total 2018 Revenue Budget Amendments	\$ 1,014,423

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. Integral Care's investment in capital assets for its governmental and business- type activities as of August 31, 2018, amounts to \$31,637,446 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, vehicles, furniture, and equipment.

Capital Assets (Net of Accumulated Depreciation):

	Government Activities		Business-Type Activities		Total	
	8/31/2018	8/31/2017	8/31/2018	8/31/2017	8/31/2018	8/31/2017
Land, buildings and construction in progress	\$ 38,741,177	\$ 37,068,150	\$ 6,626,383	\$ 6,626,383	\$ 45,367,560	\$ 43,694,533
Furniture and equipment	4,469,830	4,139,337	28,533	20,979	4,498,363	4,160,316
Vehicles	926,969	942,716	-	-	926,969	942,716
Less accumulated depreciation	<u>(16,687,383)</u>	<u>(15,321,275)</u>	<u>(2,468,063)</u>	<u>(2,306,961)</u>	<u>(19,155,446)</u>	<u>(17,628,236)</u>
	<u>\$ 27,450,593</u>	<u>\$ 26,828,928</u>	<u>\$ 4,186,853</u>	<u>\$ 4,340,401</u>	<u>\$ 31,637,446</u>	<u>\$ 31,169,329</u>

Additional information regarding Integral Care's capital assets can be found at Note 12 titled "Capital Assets" on pages 37-38 of this report.

Long-term debt. Integral Care has capital leases on several vehicles. The present value of minimum lease payments as of August 31, 2018 is \$35,698 and is shown at Note 13 titled "Long Term Debt" on page 39 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

Integral Care's current fiscal year 2019 amended budget of \$106,069,939 (November 2018) is a total decrease of \$13,506,286, from the final fiscal year 2018 budget of \$119,576,225.

Major Budget Changes include the following:

Health and Human Services Commission (HHSC) Senate Bill 292	\$ 4,276,652
SAMHSA Amplify Care through CCBHC	2,000,000
City of Austin Expanded Mobile Crisis Outreach Team	1,147,229
Travis County Expanded Mobile Crisis Outreach Team	764,819
Austin Independent School District (AISD) In-School Program	683,000
HHSC House Bill 13	662,612
1115 Transformation Waiver	612,317
Community Care Collaborative AISD In-School	420,000
SAMHSA Clinical High Risk Psychosis	400,000
Interest Income	300,640
HHSC Mental Health Performance Contract	286,397
Medicaid Administrative Claiming	187,686
SAMHSA Mental Health Awareness Training	125,000
Housing First Oak Springs Capital	(18,280,357)
Fund Balance Reserve	(2,740,610)
Medicaid/Medicare/TxHmL & YES Waiver Fee-for service	(1,997,514)
St. David's Herman Center	(1,269,362)
Seton AISD In-School Program	(1,012,834)
HHSC Money Follows the Person	(416,645)
HHSC Substance Use Disorder	(266,146)
All Other Changes (Less than \$100,000 each)	610,830
	<hr/>
Total Fiscal Year 2018 to 2019 Budget Change	<u><u>\$ (13,506,286)</u></u>

The major budget issues that impact the 2019 budget:

Integral Care was awarded a \$5.385 million Healthy Community Collaborative (HCC) grant from the former Texas Department of State Health Services (DSHS), currently Health and Human Services Commission (HHSC). HHSC will match dollar for dollar up to \$5.385 million and the source of the Integral Care match must be from private dollars. This project will provide new construction for 50 housing units in addition to comprehensive integrated care services to homeless individuals in Travis County. Services include coordinated assessment, behavioral health, primary care, substance use treatment, peer recovery, housing based case management, repaid rehousing assistance and permanent supportive housing. Consistent with the best practice and innovative Housing First model, HCC will follow a consumer choice philosophy; separation of housing and services; recovery oriented services; and community integration. On October 12, 2017, the Texas Department of Housing and Community Affairs issued a Housing Tax Credit Program Determination Notice for an Annual Tax Credit Commitment Amount of \$832,349 for the development of Housing First Oak Springs, LP, the 50 housing units and clinic referenced above. On December 19, 2017, Integral Care entered into a Limited Partnership Agreement of Housing First Oak Springs, LP with NEF Assignment Corporation in which Integral Care serves as the General Partner and NEF Assignment Corporation serves as the Limited Partner. On December 22, 2017, Housing First Oak Springs, LP, closed on financing for development of Housing First

Oak Springs. Construction financing in the amount of \$11,500,000 is provided through Multifamily Housing Mortgage Revenue Bond Series 2017 issued by Austin Housing Finance Corporation. Construction began in January 2018 with an approximate 14 month construction time-line for completion. Construction activities associated with Housing First Oak Springs have moved from Integral Care to Housing First Oak Springs, LP.

- Integral Care entered into a 5 year agreement with Netsmart for implementation and utilization of a new electronic health record for a total of \$7,826,285. The fiscal year 2019 budget includes the licensing and initial maintenance and support in the amount of \$2,767,604. Each subsequent year has ongoing support costs of \$1,236,569, \$1,236,569, \$1,273,666, and \$1,311,876 respectively.
- Integral Care's fiscal year 2019 will be the 1115 Transformation Waiver demonstration year 8 of the Delivery System Reform Incentive Payment (DSRIP) program. The Center for Medicare and Medicaid Services (CMS) has authorized an extension of the original 5 year waiver through September 2021 for DSRIP. The State of Texas Health and Human Services Commission (HHSC) is currently finalizing protocols regarding DSRIP for the remaining demonstration years. The initial renewal agreement between CMS and HHSC shows level DSRIP funding through September 2019, October 2019 through September 2020 being 93.9% of current valuation and October 2020 through September 2021 being 80.3% of current funding. In addition, renewed protocols have moved to provider based measures as opposed to the former project based measures. This has resulted in incorporating aspects of various projects into the main service delivery system of care as well as determining appropriate transition of resources throughout the year as areas for achieving improvement in provider based metrics are identified. The current proposed timetable has Integral Care submitting a list of provider based metrics for Demonstration Years 9 and 10 to HHSC for approval in November 2019 through the Regional Healthcare Partnership plan.
- The Integral Care Board of Trustees approved the utilization of Unassigned Fund Balance to be transferred to Committed Fund Balance in the amount of \$2,970,627 to support the fiscal year 2019 budget. Included within this amount is \$2,537,286 that was an early payment on demonstration year 7 of the 1115 Transformation Waiver, \$240,400 for ongoing support of the Early Childhood Intervention program, and \$192,951 for support of an Integrated Practice Unit.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Integral Care's finances for all those with an interest in Integral Care's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Integral Care, Accounting Services Department, P.O. Box 3548, Austin, TX 78764-3548.

Integral Care
Statement of Net Position
August 31, 2018

	Governmental Activities	Business-type Activities	Total
Assets			
Current Assets			
Cash and investments	\$ 16,739,381	\$ 846,302	\$ 17,585,683
Accounts receivable	3,426,566	168	3,426,734
Employee receivables, net	381,260		381,260
Due from other governments, net	10,316,226		10,316,226
Notes receivable	9,083,433		9,083,433
Prepaid expenses and other assets	794,319	26,777	821,096
Total current assets	<u>40,741,185</u>	<u>873,247</u>	<u>41,614,432</u>
Noncurrent Assets			
Restricted assets			
Investment in Austin Community Foundation		308,586	308,586
Capital assets, net			
Nondepreciable assets	3,527,396	530,700	4,058,096
Depreciable assets	23,923,197	3,656,153	27,579,350
Total noncurrent assets	<u>27,450,593</u>	<u>4,495,439</u>	<u>31,946,032</u>
Total assets	<u>68,191,778</u>	<u>5,368,686</u>	<u>73,560,464</u>
Liabilities			
Current Liabilities			
Accounts payable	5,837,991	57,051	5,895,042
Accrued expenses and other liabilities	1,043,763	53,844	1,097,607
Internal balances	(128,649)	128,649	-
Unearned revenue	1,103,456	36,382	1,139,838
Capital lease - due within one year	1,564		1,564
Total current liabilities	<u>7,858,125</u>	<u>275,926</u>	<u>8,134,051</u>
Noncurrent Liabilities			
Capital lease - due in more than one year	34,134		34,134
Accrued compensated absences - due in more than one year	1,904,486		1,904,486
Total noncurrent liabilities	<u>1,938,620</u>	<u>-</u>	<u>1,938,620</u>
Total liabilities	<u>9,796,745</u>	<u>275,926</u>	<u>10,072,670</u>
Net Position			
Net investment in capital assets	27,414,895	4,186,853	31,601,748
Restricted for permanent endowment - nonexpendable		308,586	308,586
Unrestricted	30,980,138	597,322	31,577,460
Total net position	<u>\$ 58,395,033</u>	<u>\$ 5,092,761</u>	<u>\$ 63,487,794</u>

Integral Care
Statement of Activities
Year Ended August 31, 2018

	Expenses			Program Revenues		Net (Expenses) Revenues and Changes in Net Position		
	Expenses	Administration Allocation	Expenses After Allocation of Administration	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business Type Activities	Total
Governmental Activities								
Behavioral health - adult	\$46,269,753	\$ 5,930,655	\$52,200,408	\$ 4,297,570	\$48,147,153	\$ 244,315		\$ 244,315
Behavioral health - children	8,789,459	1,023,270	9,812,729	2,367,036	7,090,386	(355,307)		(355,307)
Intellectual & developmental disabilities	6,181,734	720,875	6,902,609	2,590,733	4,256,966	(54,910)		(54,910)
Substance use disorder	6,072,831	700,361	6,773,192	2,782,798	4,248,404	258,010		258,010
Early Childhood Intervention	1,317,594	150,193	1,467,787	392,418	917,172	(158,197)		(158,197)
1115 Transformation Waiver	14,256,143	1,628,189	15,884,332	1,851,015	19,902,785	5,869,468		5,869,468
Administration	10,153,543	(10,153,543)						
Interest and fees on long term debt	33,526		33,526			(33,526)		(33,526)
Total governmental activities	93,074,583	-	93,074,583	14,281,570	84,562,866	5,769,853	-	5,769,853
Business-Type Activities								
New Milestones Foundation	1,077,314		1,077,314	831,217	123,671		\$ (122,426)	(122,426)
Housing First, LLC				301,524			301,524	301,524
Total business-type activities	1,077,314	-	1,077,314	1,132,741	123,671	-	179,098	179,098
Total primary government	\$94,151,897	\$ -	\$94,151,897	\$15,414,311	\$84,686,537	5,769,853	179,098	5,948,951
			General Revenues					
			Investment earnings			165,752	21,004	186,756
			Contributions- not program restricted			2,975,918		2,975,918
			Total general revenues			3,141,670	21,004	3,162,674
			Change in Net Position			8,911,523	200,102	9,111,625
			Net Position, Beginning			49,483,510	4,892,659	54,376,169
			Net Position, Ending			\$58,395,033	\$ 5,092,761	\$63,487,794

Integral Care
Balance Sheet – Governmental Funds
August 31, 2018

	General	Capital Improvement Fund	Total Governmental Funds
Assets			
Cash and investments	\$ 16,739,381		\$ 16,739,381
Accounts receivable	3,426,566		3,426,566
Employee receivables, net	381,260		381,260
Due from other governments, net	10,316,226		10,316,226
Due from other funds	128,649	159,660	288,309
Note receivable	4,640,995		4,640,995
Prepaid items	794,319		794,319
	<u>\$ 36,427,396</u>	<u>\$ 159,660</u>	<u>\$ 36,587,056</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 5,837,991		\$ 5,837,991
Accrued expenditures and other liabilities	1,043,763		1,043,763
Unearned revenues	1,103,456		1,103,456
Due to other funds	159,660		159,660
	<u>8,144,870</u>	<u>-</u>	<u>8,144,870</u>
Fund Balances			
Nonspendable	5,435,314		5,435,314
Committed	2,970,637		2,970,637
Assigned	15,317,641	159,660	15,477,301
Unassigned	4,558,934		4,558,934
	<u>28,282,526</u>	<u>159,660</u>	<u>28,442,186</u>
	<u>\$ 36,427,396</u>	<u>\$ 159,660</u>	
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds			27,450,593
Long term note receivable not reported in the funds			4,442,438
The following liabilities are not due and payable in the current period and, therefore, are not reported in the funds:			
Capital leases payable			(35,698)
Accrued compensated absences			(1,904,486)
			<u>(2,240,184)</u>
Net position of governmental activities			<u>\$ 58,395,033</u>

Integral Care
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended August 31, 2018

	<u>General</u>	<u>Capital Improvement Fund</u>	<u>Total Governmental Funds</u>
Revenues			
Local and earned revenues	\$ 39,638,735		\$ 39,638,735
State programs	29,258,890		29,258,890
Federal programs	32,922,730		32,922,730
Investment earnings	165,752		165,752
	<u>101,986,107</u>	<u>-</u>	<u>101,986,107</u>
Expenditures			
Current			
Behavioral health - adult	45,326,497		45,326,497
Behavioral health - child and adolescents	8,660,762		8,660,762
Intellectual and developmental disabilities	6,048,264		6,048,264
Substance Abuse	5,955,273		5,955,273
Early childhood intervention	1,274,216		1,274,216
1115 transformation waiver	13,795,938		13,795,938
Administration	10,064,266	2,999	10,067,265
Debt service			
Principal	9,348		9,348
Interest	33,526		33,526
Capital outlay	6,978,909	45,064	7,023,973
	<u>98,146,999</u>	<u>48,063</u>	<u>98,195,062</u>
Net Change in Fund Balances	3,839,108	(48,063)	3,791,045
Fund Balances, September 1, 2017	<u>24,443,418</u>	<u>207,723</u>	<u>24,651,141</u>
Fund Balances, August 31, 2018	<u>\$ 28,282,526</u>	<u>\$ 159,660</u>	<u>\$ 28,442,186</u>

Integral Care

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental
Funds to the Statement of Activities
Year Ended August 31, 2018

Net change in fund balance - total governmental funds	\$ 3,791,045
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlay	7,023,973
Depreciation expense	(1,904,274)
Loss on disposition of assets are reported on the statement of activities but not in the governmental funds.	(55,596)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds.	
Capital lease principal payments	9,348
Change in accrued compensated absences	47,027
Change in net position of governmental activities	<u><u>\$ 8,911,523</u></u>

Integral Care

Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund
Year Ended August 31, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Local and Earned Revenues				
City funds	\$ 8,818,252	\$ 8,786,035	\$ 4,668,809	\$ (4,117,226)
County funds	5,861,677	5,798,190	5,315,864	(482,326)
Other taxing authority funds	10,433,312	10,466,618	10,094,414	(372,204)
Earned income	12,685,067	13,398,049	10,860,776	(2,537,273)
Rental income	672,709	672,709	700,011	27,302
Miscellaneous income & contributions	21,623,073	21,481,882	7,998,861	(13,483,021)
Total local revenues	60,094,090	60,603,483	39,638,735	(20,964,748)
State Program Revenues				
HHSC - Mental Health	23,395,661	23,268,122	23,144,326	(123,796)
HHSC - substance use disorder	595,761	825,445	423,227	(402,218)
HHSC - IDD	3,763,454	3,763,454	3,666,013	(97,441)
HHSC - early childhood intervention	118,505	121,433	121,360	(73)
TCOOMMI	1,861,842	1,845,765	1,761,002	(84,763)
Other state programs	146,295	322,805	142,962	(179,843)
Total state program revenues	29,881,518	30,147,024	29,258,890	(888,134)
Federal Program Revenues				
HHSC - Mental Health	3,320,441	3,320,441	3,320,441	-
HHSC - substance use disorder	1,700,556	1,867,555	2,336,976	469,421
HHSC - IDD	628,390	628,390	170,908	(457,482)
Ryan White	337,239	380,274	286,163	(94,111)
CDBG - YAFAC	203,700	203,700	204,546	846
HUD - Lifeworks	-	-	17,300	17,300
HUD Supported Housing	376,668	376,668	446,988	70,320
SAMSHA Aware	125,000	125,000	89,989	(35,011)
Travis County - Parents in Recovery (SAMHSA)	165,625	55,386	48,371	(7,015)
Veterans Administration Safe Haven	683,134	688,054	631,944	(56,110)
HHSC - early childhood intervention	493,242	505,737	505,737	-
Medicaid Administrative Claiming	2,205,436	2,327,750	2,700,860	373,110
Capital metro	-	-	37,695	37,695
ISP Harvey	-	-	62,910	62,910
1115 Transformation Waiver	18,298,563	18,298,563	22,061,903	3,763,340
Total federal program revenues	28,537,994	28,777,518	32,922,730	4,145,212
Investment Earnings	48,200	48,200	165,752	117,552
Total revenues	\$ 118,561,802	\$ 119,576,225	\$ 101,986,107	\$ (17,590,118)

Integral Care

Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund
Year Ended August 31, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Expenditures				
Current				
Personnel	\$ 49,523,276	\$ 51,047,660	\$ 47,204,522	\$ 3,843,138
Employee benefits	13,172,923	13,431,554	11,550,831	1,880,723
Training and travel	1,022,610	1,065,992	884,163	181,829
Medication costs	521,418	568,887	400,978	167,909
Consumable supplies	311,083	335,885	362,593	(26,708)
Consultation and professional fees	21,079,491	20,023,161	19,604,803	418,358
Furniture and equipment	77,810	106,450	485,286	(378,836)
Facilities, telephone, and utilities	5,519,235	5,498,240	5,724,897	(226,657)
Insurance	335,983	340,465	403,237	(62,772)
Transportation	120,242	127,245	166,252	(39,007)
Professional fees	964,283	964,283	241,488	722,795
Client support costs	1,501,168	1,621,393	1,820,262	(198,869)
Other operating costs	7,087,787	7,120,034	2,275,903	4,844,131
Total current	<u>101,237,309</u>	<u>102,251,249</u>	<u>91,125,216</u>	<u>11,126,033</u>
Debt Service				
Principal	52,151	52,151	9,348	42,803
Interest	5,586	5,586	33,526	(27,940)
Total debt service	<u>57,737</u>	<u>57,737</u>	<u>42,874</u>	<u>14,863</u>
Capital Outlay	<u>17,266,756</u>	<u>17,267,239</u>	<u>6,978,909</u>	<u>10,288,330</u>
Total expenditures	<u>118,561,802</u>	<u>119,576,225</u>	<u>98,146,999</u>	<u>21,429,226</u>
Net Changes in Fund Balances	-	-	3,839,108	3,839,108
Fund Balances, September 1, 2017	<u>24,443,418</u>	<u>24,443,418</u>	<u>24,443,418</u>	-
Fund Balances, August 31, 2018	<u>\$ 24,443,418</u>	<u>\$ 24,443,418</u>	<u>\$ 28,282,526</u>	<u>\$ 3,839,108</u>

Integral Care
Statement of Net Position – Proprietary Funds
August 31, 2018

	Business-type Activities - Enterprise Funds		
	Housing First, LLC	New Milestones Foundation	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 301,524	\$ 544,778	\$ 846,302
Accounts receivables, net	-	168	168
Other assets	-	26,777	26,777
Total current assets	<u>301,524</u>	<u>571,723</u>	<u>873,247</u>
Noncurrent assets			
Restricted assets			
Investment in Austin Community Foundation	-	308,586	308,586
Capital assets, net	-	4,186,853	4,186,853
Total noncurrent assets	<u>-</u>	<u>4,495,439</u>	<u>4,495,439</u>
Total assets	<u>301,524</u>	<u>5,067,162</u>	<u>5,368,686</u>
Liabilities			
Current liabilities			
Accounts payable	-	57,051	57,051
Other liabilities	-	53,844	53,844
Unearned revenues	-	36,382	36,382
Due to other funds	-	128,649	128,649
Total current liabilities	<u>-</u>	<u>275,926</u>	<u>275,926</u>
Total liabilities	<u>-</u>	<u>275,926</u>	<u>275,926</u>
Net Position			
Investment in capital assets	-	4,186,853	4,186,853
Restricted for permanent endowment - nonexpendable	-	308,586	308,586
Unrestricted	301,524	295,798	597,322
Total Net Position	<u>\$ 301,524</u>	<u>\$ 4,791,237</u>	<u>\$ 5,092,761</u>

Integral Care
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds
Year Ended August 31, 2018

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Housing First, LLC</u>	<u>New Milestones Foundation</u>	<u>Total</u>
Operating Revenues			
Charges for services	\$ 301,524	\$ -	\$ 301,524
Property revenues	-	831,217	831,217
Other revenues	-	123,671	123,671
Total operating revenues	<u>301,524</u>	<u>954,888</u>	<u>1,256,412</u>
Operating Expenses			
Property expenses	-	510,044	510,044
Depreciation	-	161,102	161,102
Administrative	-	406,169	406,169
Total operating expenses	<u>-</u>	<u>1,077,314</u>	<u>1,077,314</u>
Operating Gain (Loss)	<u>301,524</u>	<u>(122,426)</u>	<u>179,098</u>
Nonoperating Revenues/Expenses			
Investment income	-	21,004	21,004
Total nonoperating revenues/expenses	<u>-</u>	<u>21,004</u>	<u>21,004</u>
Change in Net Position	301,524	(101,422)	200,102
Net Position, Beginning of Year	<u>-</u>	<u>4,892,659</u>	<u>4,892,659</u>
Net Position, End of Year	<u>\$ 301,524</u>	<u>\$ 4,791,237</u>	<u>\$ 5,092,761</u>

Integral Care
Statement of Cash Flows – Proprietary Funds
Year Ended August 31, 2018

	<u>Business-type Activities - Enterprise Funds</u>		
	Housing First, LLC	New Milestones Foundation	Total
Operating Activities			
Cash received from customers	\$ 301,524	\$ 836,617	\$ 1,138,141
Other receipts	-	123,671	123,671
Cash payments to suppliers for goods and services	-	(896,683)	(896,683)
Net Cash from Operating Activities	<u>301,524</u>	<u>63,605</u>	<u>365,129</u>
Noncapital Financing Activities			
Payment received from (paid to) other funds	-	-	-
Net Cash from Noncapital Financing Activities	<u>-</u>	<u>-</u>	<u>-</u>
Capital and Related Financing Activities			
Purchase of capital assets	-	(7,554)	(7,554)
Net Cash used for Capital and Related Financing Activities	<u>-</u>	<u>(7,554)</u>	<u>(7,554)</u>
Investing Activities			
Interest on investments	-	21,004	21,004
Change in investment in Austin Community Foundation	-	(57,915)	(57,915)
Net Cash used for Investing Activities	<u>-</u>	<u>(36,911)</u>	<u>(36,911)</u>
Net Change in Cash and Cash Equivalents	301,524	19,140	320,664
Cash and Cash Equivalents, Beginning of Year	<u>-</u>	<u>525,638</u>	<u>525,638</u>
Cash and Cash Equivalents, End of Year	<u>\$ 301,524</u>	<u>\$ 544,778</u>	<u>\$ 846,302</u>
Reconciliation of Operating Gain (Loss) to Net Cash from Operating Activities			
Operating gain (loss)	\$ 301,524	\$ (122,426)	\$ 179,098
Adjustments to reconcile operating loss to net cash used for operating activities			
Noncash items included in net operating loss			
Depreciation		161,102	161,102
Change in assets and liabilities			
(Increase) decrease in			
Accounts receivable		5,400	5,400
Other assets		(16,970)	(16,970)
Increase (decrease) in			
Accounts payable		(2,092)	(2,092)
Other liabilities		19,834	19,834
Unearned revenues		18,758	18,758
Net Cash from Operating Activities	<u>\$ 301,524</u>	<u>\$ 63,606</u>	<u>\$ 365,129</u>

Integral Care
Statement of Net Position – Fiduciary Fund
August 31, 2018

	<u>Client Agency Fund</u>
Assets	
Cash and cash equivalents	<u>\$ 23,786</u>
Total assets	<u><u>\$ 23,786</u></u>
Liabilities	
Due to clients	<u>\$ 23,786</u>
Total liabilities	<u><u>\$ 23,786</u></u>

Note 1 - Reporting Entity

Austin Travis County Mental Health Mental Retardation Center dba Integral Care ('Integral Care') is established by the City of Austin and Travis County Central Health, as provided in the Texas Mental Health and Mental Retardation Act of 1965 (HB3). The purpose of this tax-exempt agency is to provide comprehensive behavioral health and intellectual & developmental disabilities services at the community level to citizens in the Austin and Travis County area. Principal funding sources are local, state and federal grants, the majority of which are subject to renewal on an annual basis. Integral Care is governed by a nine-member Board of Trustees (the Board) that has governance responsibilities over activities related to Integral Care. Integral Care is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. The appointed members of the Board have the authority to make decisions, possesses the power to designate management, have the responsibility to significantly influence operations, and maintain primary accountability for fiscal matters.

In evaluating how to define Integral Care for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity", as amended. GASB defines the reporting entity as the primary government and those component units for which the primary government is financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either A) the ability for the primary government to impose its will; or B) the possibility the component unit will provide a financial benefit to or impose a financial burden on the primary government. Although legally separate entities, blended component units are in substance, part of the government's operations and are combined with data of Integral Care. The component units discussed in Notes 3, 6, and 7 are included in Integral Care's reporting entity as blended component units because of the significance of their operational and financial relationships with Integral Care.

Note 2 - Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by intergovernmental revenues, are reported separately from business-type activities which rely, to a significant extent, on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as general revenue. Administrative expenses are allocated among Integral Care's programs, excluding interest on long-term debt, based on each program's proportionate share of expenses.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Note 3 - Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounting policies of Integral Care conform to generally accepted accounting principles (GAAP) as applicable to state and local governmental units as promulgated by the GASB.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to accrued employee time and claims and judgments, are recorded only when payment is due.

Grant revenue, patient fees and interest associated with the current fiscal period are all considered to be susceptible to accrual and so, have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by Integral Care.

Integral Care reports the following major governmental fund:

The General Fund is Integral Care's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Integral Care also reports the following nonmajor governmental fund:

The Capital Improvement Fund is used to account for financial resources to be used for the acquisition of capital improvements.

Additionally, Integral Care reports the following fund types:

The Enterprise Funds (proprietary fund types) are used to account for operations that are financed and operated in a manner similar to private business enterprises. Integral Care accounts for the activities of New Milestones Foundation (New Milestones) as a major enterprise fund. New Milestones is a component unit of Integral Care and is blended in this fund. Housing First, LLC is also included as a nonmajor enterprise fund.

The Agency Fund (a fiduciary fund type) includes assets held for clients of Integral Care. The fund is purely custodial (assets equal liabilities) and does not involve the measurement of the results of operations.

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

When both restricted and unrestricted resources are available for use, it is Integral Care's policy to use restricted resources first, then unrestricted resources as needed.

Note 4 - Assets, Liabilities and Net Position or Equity

Cash and Cash Equivalents

Integral Care's cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

Investments in public funds investment pools are reported at amortized cost. Investment in the Austin Community Foundation is reported at net asset value.

Interfund Balances

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interim loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans.) All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Employee Receivables

During fiscal year 2016, Integral Care made a payroll system conversion and a payroll change to its pay period from a bi-monthly (current) payroll period to bi-weekly (in-arrears) payroll period. A payroll advance was made available to all employees up to a maximum amount of 68 hours per employee. At August 31, 2018, the employee receivable balance on payroll advances was \$419,249, and the allowance for uncollectible was \$42,380. An additional payroll receivable of \$4,392 is also due from previous employees for health insurance (COBRA).

Due from Other Governments

Patient receivables are uncollateralized noninterest bearing patient and third-party payor obligations. Payments of patient receivables are allocated to the specific claims identified in the remittance advice or, if unspecified, are applied to the earliest unpaid claim.

The carrying amount of patient and client receivables is reduced by a valuation allowance that reflects management's estimate of amounts that will not be collected from patients and third-party payors. Management reviews patient and client receivables by payor class and applies percentages to determine estimated amounts that will not be collected from third parties under contractual agreements and amounts that will not be collected from patients due to bad debts. Management considers historical cash collections, write off and recovery information in determining the estimated bad debt provision. The allowance for uncollectible accounts in the General Fund as of August 31, 2018, is \$278,955.

Grant receivables represent contractual exchange transactions that are recognized as revenue as the services are performed or nonexchange operational grants. Management has not recorded an allowance on grants receivable as amounts are expected to be fully collected within the year.

Revenue

Net Patient and Client Service Revenue

The Center has agreements with third-party payors that provide for payments to the Center at contractually agreed upon rates. Net patient and client service revenue is reported at the estimated net realizable amounts from patients, clients, and third-party payors, and others for services rendered. The Center also entered into payment agreements with Medicare, certain commercial insurance carriers (managed care organizations) and other organizations. The basis for payment under these agreements is mostly based on fee for service arrangements. For uninsured patients, the Center recognizes revenue on the basis of its standard rates for services provided, adjusted for the minimum monthly fee provisions as mandated by the state of Texas. Revenue from Medicaid Waiver programs (such as 1115, Texas Home Living, YES) are recognized when services are rendered. These programs are billed based on state negotiated rates.

Laws and regulations governing the Medicare, Medicaid, and other programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

Grants

The Center receives grants from private organizations and state and federal agencies. Revenues from grants are recognized when all eligibility requirements, including time requirements, are met.

Other Revenues

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed, or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond August 31, 2018 are recorded as prepaid items in both government-wide and fund financial statements. Prepaid assets are equally offset by nonspendable fund balance in the governmental funds balance sheet, which indicates that it does not constitute available spendable resources even though they are components of total assets.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by Integral Care as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or acquisition value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Building and improvements	30-40 years
Furniture and equipment	3-20 years
Vehicles	5 years

Source of Funds

Some funds from federal and other state sources represent fees for service reimbursements, as well as project grants. The funds that are specifically for individual patient service reimbursements are reported as local funds under patient fees or insurance reimbursements, identified by source as directed by Texas Health and Human Services Commission (HHSC).

Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations, such as compensated absences payable, are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

Compensated Absences

Integral Care has personnel policies for vacation and holiday time which allow for accumulation of unused time. This can be taken by employees in future periods or paid upon termination. Integral Care accrues its liability for such accumulated unpaid benefits in the government-wide financial statements. Actual compensated absences benefits paid during the year are recorded as expenditures in the general fund.

Risk Management

Integral Care is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omission, injuries to employees, doctor's malpractice, and natural disasters. During fiscal year 2018, Integral Care was covered by insurance for these various risks at a cost it considered to be economically justifiable.

Net Position and Fund Balances

The government-wide and proprietary fund financial statements utilize a net position presentation. Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources and categorized as net investment in capital assets, restricted and unrestricted.

- Net Investment in Capital Assets— This category consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets.
- Restricted – This category reflects net position that is subject to constraints either by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

- Unrestricted – This category represents net position of Integral Care not restricted for any project or other purpose. Outstanding liabilities attributable to these assets reduce the balance of this category.

In the fund financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned or unassigned based primarily on the extent to which Integral Care is bound to honor constraints on the specific purposes for which amounts in the funds can be spent.

- Nonspendable fund balance
The nonspendable fund balance includes amounts that are not in spendable form or are legally or contractually required to be maintained intact. This classification includes prepaid items and long-term note receivable.
- Restricted fund balance
The restricted fund balance includes amounts with constraints on their use that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.
- Committed fund balance
The committed fund balance includes amounts that can only be used for the specific purposes determined by formal action of Integral Care’s highest level of decision- making authority, the Board of Trustees. Commitments may be changed only by the Board of Trustees taking the same formal action that originally imposed the constraint.
- Assigned fund balance
The assigned fund balance includes amounts that are constrained by Integral Care’s intent to be used for specific purposes. The intent can be expressed by either the highest level of decision-making authority or by a body or an official to which the Board of Trustees has delegated the authority.
- Unassigned fund balance
The unassigned fund balance is the residual classification for the General Fund and includes all amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed or assigned to those purposes.

When expenditures are incurred for which both restricted and unrestricted fund balance is available, the Center considers restricted funds to have been spent first. Similarly committed funds are considered spent first when there is a choice for the use of less restricted funds, then assigned and then unassigned funds.

Tax Exempt Status

The Internal Revenue Service has issued a determination letter dated October 1972, stating that Integral Care qualifies as an organization described in Section 501(c)(3) of the Internal Revenue Code and accordingly, is exempt from federal income taxes.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Accordingly, actual results could differ from those estimates.

Note 5 - Stewardship, Compliance and Accountability

The budget for the general fund is prepared on an accounting basis consistent with generally accepted accounting principles. The statement of revenues, expenditures and changes in fund balances – budget and actual, is presented using the same format, terminology and classifications used in the budget document. Integral Care’s annual budget for the general fund is prepared based on estimated expenditures provided on a unit basis summarized by program category. The budget is submitted to the Board of Trustees. The budget must have the Board of Trustees approval. Budget amendment of \$100,000 or more must be approved by the Board of Trustees. All annual appropriations lapse at fiscal year-end.

Note 6 - New Milestones Foundation, Inc.

The New Milestones Foundation, Inc. (New Milestones), a non-profit organization, was established in 1981 primarily for the purpose of acquiring real and personal property for use by Integral Care. Two of Integral Care’s Trustees are members of the New Milestones Board of Directors. Although it is legally separate from Integral Care, New Milestones is reported as if it were part of Integral Care because it provides services primarily to Integral Care. New Milestones is accounted for as an enterprise fund in the basic financial statements of Integral Care and has an August 31 fiscal year end. New Milestones uses the accrual basis of accounting. Complete financial statements of New Milestones can be obtained from the administrative offices of Integral Care.

Integral Care and New Milestones Transactions

New Milestones receives clerical and administrative assistance from Integral Care at no charge.

NMF Housing I-VII Corporations

A condition of the U.S. Department of Housing and Urban Development (HUD) Section 202 and 811 grants required New Milestones to form affiliated non-profit corporations – NMF Housing I, Inc., NMF Housing II, Inc., NMF Housing III, Inc., NMF Housing IV, Inc., NMF Housing V, Inc., NMF Housing VI, Inc., and NMF Housing VII, Inc. (NMF Housing I-VII corporations). At August 31, 2018, the assets, liabilities and net position of the corporations have been consolidated with New Milestones.

Mortgage Notes Payable

On September 18, 1995, NMF Housing I-VII corporations entered into capital advance program mortgage notes with HUD. The notes bear no interest and repayment is not required so long as the housing remains available for very low-income elderly persons or very low-income persons with disabilities in accordance with Section 202 of the Housing Act of 1959 or Section 811 of the National Affordable Housing Act of 1990 (Acts). The notes shall be deemed to be paid and discharged beginning June 1, 2036, provided that 1) the housing has remained available for occupancy by eligible families until the maturity date; and 2) the notes have not otherwise become due and payable by reasons of default. If default occurs under the terms of the note, the entire principal and interest shall be due and payable at an interest rate of 7.875%. The debt may not be prepaid prior to the maturity date without the prior written approval of HUD. As of August 31, 2018, New Milestones and its affiliated corporations had capital advances of \$6,570,299 which are deemed reimbursable costs under Section 202 and Section 811 of the Acts. The surplus cash was placed in a separate replacement reserve account in accordance with HUD guidelines.

Capital Assets

Capital assets of New Milestones, less accumulated depreciation, at August 31, 2018 consisted of the following:

Land	\$	530,700
Building and improvements		6,095,683
Equipment		28,533
		6,654,916
Less accumulated depreciation		(2,468,063)
Capital assets, net		\$ 4,186,853

Depreciation expense for the year ended August 31, 2018, was \$161,102. Capital assets are depreciated over their useful life on a straight-line basis. Useful lives range from 5 to 40 years.

Income Taxes

New Milestones and its affiliated non-profit corporations are qualified as not-for-profit organizations under Section 501(c)(3) of the Internal Revenue Code of 1986. Accordingly, they are exempt from federal income taxation.

Note 7 - Housing First, LLC

Housing First, LLC was organized as a Texas limited liability company and has Integral Care as its sole member. Housing First, LLC has entered into a Development Fee Agreement with Housing First Oak Springs, LP. As Developer, Housing First, LLC will receive \$2 million in Development Fees upon completion of specified conditions as outlined in the Development Fee Agreement of the Amended and Restated Limited Partnership Agreement of Housing First Oak Springs, LP dated December 19, 2017. The first portion of the Development Fees, \$301,524, has been received by Housing First, LLC and is shown within the business-type activities on the financial statements.

Although it is legally separate from Integral Care, Housing First, LLC is reported as if it were part of Integral Care because it provides services primarily to Integral Care. Housing First, LLC is accounted for as an enterprise fund in the basic financial statements of Integral Care and has an August 31 fiscal year end. Housing First, LLC uses the accrual basis of accounting.

Note 8 - Housing First Oak Springs, GP, LLC

Housing First Oak Springs, GP, LLC, with Integral Care as its sole member, entered into Housing First Oak Springs, LP as General Partner with a 0.01% interest, along with Limited Partner, NEF Assignment Corporation, with a 99.99% interest in the partnership. The purpose of Housing First Oak Springs, LP is primarily to acquire, construct, own, finance, lease, and operate Housing First Oak Springs (HFOS) in a manner that provides decent, safe and affordable housing for low-income persons and ensures HFOS will be and remain a qualified low income housing project within the meaning of Section 42 of the Code. Integral Care as the sole member of Housing First Oak Springs, GP, LLC made a capital contribution of \$740,000 representing the use of land transferred to the Limited Partnership pursuant to a ground lease in exchange for the 0.01% interest in the limited partnership. The limited partner will make capital contributions totaling \$7,906,525 to the partnership in accordance with terms outlined in the Amended and Restated Limited Partnership agreement. Financing within Housing First Oak Springs, LP includes a construction loan of \$11,500,000 and three subordinate cash flow loans to the limited partnership: City of Austin (Austin Housing Finance Corporation) \$3,888,112; Department of State Health Services (Health and Human Services Commission) \$4,442,438; and sponsor loan (Integral Care) \$4,640,995.

Note 9 - Deposits and Investments

Cash

Custodial Credit Risk – Deposits – Integral Care’s demand and time deposits are required to be fully secured at August 31, 2018 by federal deposit insurance and by pledged securities held by Integral Care’s agent in Integral Care’s name. Such total collateralization and insurance coverage is required by the Rules of the Commissioner of the Texas HHSC and the Board of Trustees of Integral Care.

State statutes and Integral Care’s investment policy require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies or instrumentalities that have a market value of not less than the principal amount of the deposits. Integral Care’s deposits were fully insured or collateralized as required by state statutes as of August 31, 2018.

Investments

Integral Care’s investment policies and types of investments are governed by the Public Funds Investment Act (PFIA). These policies authorize Integral Care to invest in 1) obligations of the United States Government, its agencies and instrumentalities, excluding all mortgage-backed securities; 2) fully insured or collateralized certificates of deposit from a bank doing business in the State of Texas; 3) FDIC insured brokered certificates of deposit purchased from a broker or a bank in Texas; 4) AAA-rated, no-load, SEC registered money market funds, restricted to investments authorized by the Act; 5) AAA- rated, constant-dollar Texas local government investment pools, as defined by the Act; 6) interest bearing accounts of banks doing business in Texas; and 7) general debt obligations of any U.S. state or locality rated AA or higher by at least one nationally recognized rating agency.

At August 31, 2018, Integral Care had the following investments:

	August 31, 2018	Due in less than one year
Investment in Austin Community Foundation	\$ 308,586	\$ 308,586
Texpool	2,265,862	2,265,862

Texpool, a Texas local government investment pool, uses amortized cost to value portfolio assets. In order to meet the criteria to be recorded at amortized cost, the investment pool must transact at a stable net asset value per share and maintain certain maturity, quality, liquidity and diversification requirements within the investment pool. The investment pool transacts at a net asset value of \$1.00 per share, has weighted average maturities of 60 days or less and weighted average lives of 120 days or less, investments held are highly rated by nationally recognized statistical rating organizations, have no more than 5% of portfolio with one issuer (excluding U.S. government securities), and can meet reasonably foreseeable redemptions. Texpool has a redemption notice period of one day and may redeem daily. The investment pool’s authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium or nation state of emergency that affect the pool’s liquidity.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates may adversely affect the fair value of an investment. The risk increases the longer the investment is held. At August 31, 2018, Integral Care’s investments mature in less than one year, thereby limiting exposure from rising interest rates.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law and Integral Care policy limit investments in public funds investment pools to those rated no lower than AAA or AAAM or an equivalent rating by at least one nationally recognized statistical rating organization. As of August 31, 2018, Integral Care’s investment in TexPool was rated AAAM by Standard & Poor’s, the highest rating a local government investment pool can achieve. Under the TexPool Participation Agreement, administrative and investment services to TexPool are provided by Federated Investors, Inc. through an agreement with the State of Texas Comptroller of Public Accounts. The State Comptroller is the sole officer, director, and shareholder of the Texas Treasury Safekeeping Trust Company authorized to operate TexPool.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of Integral Care’s investments in a single user. Integral Care’s investment policy does not limit investments in any one issuer, except as limited by the PFIA.

Note 10 - Due from Other Governments

Due from other governments are reimbursement of expenditures and fees for service provided under various programs and grants. All amounts are expected to be collected within the next year. A summary of these receivables follows:

Source of Grant	
City of Austin	\$ 587,564
Travis County	1,017,298
Community Care Collaborative (CCC)	2,891,004
HHSC -Behavioral Health & Substance Abuse	1,751,279
HHSC - Intellectual Developmental Disabilities	130,422
HHSC - Medicaid Administrative Claim, TxHmLvg	2,069,020
Medicaid/Medicare/HMO/State SA	1,094,149
TCOOMMI	428,241
Other Local	374,095
Other State	110,819
Other Federal	141,290
Total due from other governments	<u>10,595,181</u>
Allowance for uncollectible accounts	(278,955)
	<u><u>\$ 10,316,226</u></u>

Note 11 - Notes Receivable

On December 1, 2017, the Center entered into a promissory note receivable agreement with Housing First Oak Springs, LP, in the amount of \$4,442,438. The note does not accrue interest on the outstanding principal balance unless an event of default, as defined by the agreement, occurs and is continuing, in which case interest on the unpaid principal balance will accrue at the rate equal to the lower of 8% per annum, or the highest interest rate per annum allowed by applicable law, until the default is cured. The proceeds of this note were provided by DSHS to the Center as a healthy community collaborative grant by means of the 2014-2015 General Appropriations Act, 5.B.1 83rd Legislature 2013. The Proceeds of this note will be made available to borrower on a draw basis for the payment of budgeted items related to the construction of a 50-unit permanent supportive housing complex and related improvement for chronically homeless individuals. Beginning in calendar year 2020, the note will be repaid in forty annual installments of accrued interest only and in addition to the fortieth annual installment, all outstanding principal and accrued interest will be due and payable on maturity date in 2060. At August 31, 2018, the balance on this note receivable was \$4,442,438.

On December 1, 2017, the Center entered into a promissory note receivable agreement with Housing First Oak Springs, LP, in the amount of \$4,640,995. The note does not accrue interest on the outstanding principal balance unless an event of default, as defined by the agreement, occurs and is continuing, in which case interest on the unpaid principal balance will accrue at the rate equal to the lower of 8% per annum, or the highest interest rate per annum allowed by applicable law, until the default is cured. Beginning in calendar year 2020, the note will be repaid in forty annual installments of accrued interest only and in addition to the fortieth annual installment, all outstanding principal and accrued interest will be due and payable on maturity date in 2060. At August 31, 2018, the balance on this note receivable was \$4,640,995.

Note 12 - Capital Assets

A summary of changes in capital assets for governmental activities for the year ended August 31, 2018 is as follows:

	Balance at September 1, 2017	Additions	Retirements/ Transfers	Balance at August 31, 2018
Governmental Activities				
Non-depreciable assets:				
Land	\$ 1,582,517			\$ 1,582,517
Construction in progress	10,901,131	6,605,630	(15,561,882)	1,944,879
Total non-depreciable assets	12,483,648	6,605,630	(15,561,882)	3,527,396
Depreciable assets:				
Buildings and improvements	24,584,502	83,616	10,545,663	35,213,781
Furniture and equipment	4,139,337	334,727	(4,234)	4,469,830
Vehicles	942,716		(15,747)	926,969
Total depreciable assets	29,666,555	418,343	10,525,682	40,610,580
Less accumulated depreciation for:				
Buildings and improvements	(11,903,859)	(1,237,624)	518,185	(12,623,298)
Furniture and equipment	(2,650,172)	(567,991)	4,234	(3,213,929)
Vehicles	(767,244)	(98,659)	15,747	(850,156)
Total accumulated depreciation	(15,321,275)	(1,904,274)	538,166	(16,687,383)
Governmental activities capital assets, net	<u>\$ 26,828,928</u>	<u>\$ 5,119,699</u>	<u>\$ (4,498,034)</u>	<u>\$ 27,450,593</u>

Depreciation expense for the year ended August 31, 2018 was charged to the following function and program of the government-wide financial statements as follows:

Governmental Activities	
Behavioral health - adult	\$ 887,660
Behavioral health - children	128,697
Intellectual and developmental disabilities	133,470
Substance abuse	117,558
Early childhood intervention	43,378
1115 waiver transformation	460,205
Authority and general administration	<u>133,306</u>
 Total depreciation expense	 <u><u>\$ 1,904,274</u></u>

A summary of changes in capital assets for business-type activities is as follows:

	Balance at September 1, 2017	Additions	Retirements/ Transfers	Balance at August 31, 2018
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Business-Type Activities				
Non-depreciable assets				
Land	\$ 530,700			\$ 530,700
Depreciable assets				
Buildings and improvements	6,095,683			6,095,683
Equipment	20,979	7,554		28,533
	<u>6,116,662</u>	<u>7,554</u>	-	<u>6,124,216</u>
Less accumulated depreciation	<u>2,306,961</u>	<u>161,102</u>		<u>2,468,063</u>
Total depreciable assets	<u>3,809,701</u>	<u>(153,548)</u>	-	<u>3,656,153</u>
Business-type activities capital assets, net	<u><u>\$ 4,340,401</u></u>	<u><u>\$ (153,548)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 4,186,853</u></u>

Depreciation expense charged to operating expenses in the statement of revenues, expenses and changes in net position for proprietary funds, business-type activities - enterprise fund, for the year ended August 31, 2018 was \$161,102.

Note 13 - Long-Term Debt

The following is a summary of changes in long-term debt for the year ended August 31, 2018:

	Balance at September 1, 2017	Additions	Retirements	Balance at August 31, 2018	Due Within One Year
Governmental activities					
Capital lease payable	\$ 45,046		\$ (9,348)	\$ 35,698	\$ 1,564
Compensated absences	1,951,513	4,650,274	(4,697,301)	1,904,486	
Total	\$ 1,996,559	\$ 4,650,274	\$ (4,706,649)	\$ 1,940,184	\$ 1,564

In January 2015, Integral Care acquired a vehicle for a total of \$24,609 from Leasing Associates through a capital lease agreement. The lease requires sixty (60) monthly payments of \$579 beginning on February 1, 2015. The lease carries an effective interest rate of 15.5% and as of August 31, 2018 had a balance of \$10,062. Related amortization expense is included in depreciation expense.

Throughout the years, Integral Care has acquired copiers through capital lease arrangements ranging from \$7,213 to \$38,360. The leases require either forty-eight (48) or sixty (60) monthly payments ranging from \$119 to \$742. The leases carry an effective interest rate of 6.00% and as of August 31, 2018 had balances ranging from \$551 to \$22,509. Related amortization expense for these copiers is included in depreciation expense.

Minimum future lease payments on capital leases as of August 31, 2018 are:

2019	\$ 1,564
2020	50,037
2021	-
2022	-
2023	-
Total	51,601
Less amount representing interest	<u>15,903</u>
Present value of minimum lease payments	<u>\$ 35,698</u>

At August 31, 2018, Integral Care is not obligated in any manner for the debt of its component unit, New Milestones.

Note 14 - Leases

Integral Care leases equipment and certain of its facilities under operating leases which expire at various dates through 2022. The following is a schedule by year of future minimum lease payments under noncancelable operating leases with initial or remaining term greater than one year:

2019	\$ 2,403,384
2020	2,458,069
2021	2,084,365
2022	313,690
2023	9,485
Thereafter	<u>-</u>
 Total	 <u><u>\$ 7,268,993</u></u>

Total rent expenditures under operating leases, including leases with maturities of less than one year, were \$2,521,604 for the year ended August 31, 2018.

Note 15 - Interfund Receivables and Payables

The following is a summary of interfund receivables and payables:

	Interfund Receivables	Interfund Payables
General fund	\$ 128,649	\$ 159,660
Nonmajor governmental fund	159,660	
New Milestones Foundation		128,649
Total enterprise fund	<u><u>\$ 288,309</u></u>	<u><u>\$ 288,309</u></u>

The balance of \$159,660 due to the nonmajor governmental fund from the general fund resulted from payments due for capital improvement fees. All remaining balances resulted from various timing differences between dates that interfund goods and services are provided and payments between funds are made.

Note 16 - Fund Balances

At August 31, 2018, the fund balance for governmental funds is made up of the following:

	General Fund	Capital Improvement Fund	Total
Nonspendable			
Prepaid items	\$ 794,319		\$ 794,319
Note receivable	4,640,995		4,640,995
Committed			
Budget Contingency	433,351		433,351
Budget Contingency - Waiver DY7	2,537,286		2,537,286
Assigned			
Accrued compensated absences	1,904,486		1,904,486
1115 Waiver	13,413,155		13,413,155
Capital improvements		159,660	159,660
Unassigned	4,558,934		4,558,934
Total	<u>\$ 28,282,526</u>	<u>\$ 159,660</u>	<u>\$ 28,442,186</u>

The note receivable of \$4,640,995 represents funds Integral Care advanced to Housing First Oak Springs, LP. Of the amount, \$2,975,918 had been received through donations as of August 31, 2018.

Note 17 - Employee Benefit Plan

Integral Care has a benefit plan for its full-time employees under a 401(a) defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate after six months of service. Integral Care has elected to contribute four and one-half percent (4.5%) of the employees' base salary each pay period plus plan administrative costs. The plan allows loans by participants. Participants start to vest in the employers' contribution at the completion of one year of service with 100% vesting occurring after five years. Integral Care's contributions were \$1,778,531 for 2018 which were approximately 3.8% of the covered payroll. Integral Care also sponsors a Section 403(b) salary reduction plan, which is also a defined contribution plan that covers all full-time employees. Employees may contribute the maximum allowed by IRS regulations. Integral Care is not required to match the employee's contribution. Contributions from participating employees totaled \$1,315,683 for the year ended August 31, 2018. In addition, employees contributed an additional \$40,688 to a 457 plan and \$330,875 to a 403 ROTH.

Note 18 - Contingencies

Integral Care has participated in a number of state and federally assisted grant programs, Medicare, and Medicaid programs. These programs are subject to financial and compliance audits by the grantors or their representatives and regulatory authorities. The purpose of the audits is to ensure compliance with conditions relating to the granting of funds and other reimbursement regulations. Integral Care's management believes that any liability for reimbursement which may arise as the result of these audits is not believed to be material to the financial position of Integral Care. Integral Care is subject to certain penalties in the event that performance targets are not met.

For fiscal years 2013 through 2018, Integral Care funded 80% of workers' compensation premiums up front (assessed by Texas Council Risk Management Fund ('TCRMF') based on the standard contribution for that year). Based on actual claims for those years, TCRMF can later assess up to 110% of that year's standard contribution. Thus, Integral Care has contingencies relating to previous years' workers' compensation claims for plan years that have not been declared closed. Due to low reported losses to date for open plan years, Integral Care has not accrued any estimated liabilities for these contingencies in the accompanying financial statements.

Note 19 - Community Action Network

Effective February 1, 1998, Integral Care entered into an agreement with the Community Action Network (CAN) to act as the CAN's fiscal agent. The CAN is a separate organization that resulted from a contractual arrangement between the City of Austin and Austin Travis County Health and Human Services Department, United Way Capital Area, Greater Austin Chamber of Commerce, Health Partnership 2000, Austin Area Research Organization, Austin Independent School District, Community Justice Council, Austin Metropolitan Ministries, Workforce Development Board and Integral Care. Representatives from these organizations comprise the CAN Resource Council. Under the terms of the contract between Integral Care and the CAN, Integral Care's role entails the following:

The CAN staff members become official employees of Integral Care and are eligible for Integral Care's employee benefits, services, obligations and responsibilities. The CAN employees are paid through Integral Care's payroll using CAN funds. Integral Care has no direct supervisory control or authority over the staff of the CAN. Responsibility for the CAN employees is that of the CAN Resource Council. Integral Care receives all money contributed or paid to CAN and disburses all monies for CAN expenses as directed by the CAN staff and approved by the CAN Executive Director and CAN Executive Committee.

Integral Care provides monthly CAN income and expense reports to support CAN financial reporting requirements. The partners of the organization jointly control and govern the CAN. Each partner retains an ongoing financial responsibility of this organization.

Note 20 - Indigent Care Collaboration

Effective June 29, 2001, Integral Care entered into an agreement with the Indigent Care Collaboration (ICC) to act as the ICC’s fiscal agent. The ICC is a public-private organization of regional health care providers and partners established to improve healthcare services for the uninsured in Hays, Travis and Williamson counties. Representatives from these regional healthcare providers and partners comprise the ICC Council. Under the terms of the contract between Integral Care and the ICC, Integral Care’s role entails the following:

The ICC staff members become official employees of Integral Care and are eligible for Integral Care’s employee benefits, services, obligations and responsibilities. The ICC employees are paid through Integral Care’s payroll using ICC funds. Integral Care has no direct supervisory control or authority over the staff of the ICC. Responsibility for the ICC employees is that of the ICC Council.

Integral Care receives all money contributed or paid to ICC and disburses all monies for ICC expenses as directed by the ICC staff and approved by the ICC Executive Director and ICC Executive Committee. Integral Care provides monthly ICC income and expense reports to support ICC financial reporting requirements. The partners of the organization jointly control and govern the ICC. Each partner retains an ongoing financial responsibility of this organization.

Note 21 - Economic Dependence

The Center receives a substantial portion of its revenues in the form of annual performance contracts with HHSC to provide behavioral health and/or IDD services to its service area. The Center is economically dependent on the continuation of these contracts. At August 31, 2018, these contracts have been continued through August 31, 2019.

The following table shows the Center’s concentration of revenues greater than 10% of total revenue in the General Fund:

	Amount	Percent
HHSC - Mental Health	\$ 23,144,326	22.7%
1115 Transformation Waiver	22,061,903	21.6%

Note 22 - Austin Housing Finance Corporation

Effective March 10, 2010, Integral Care entered into a loan agreement with Austin Housing Finance Corporation in the amount of \$1,752,175 in order to renovate a former short-stay hotel facility to serve as a 24-unit/bed transitional housing facility for low-income individuals. The note matures on January 31, 2030 with principal and interest at 0%, due at that time. However, according to the loan agreement, provided Integral Care does not violate any of the terms and conditions of that certain RHDA Affordable Housing General Obligation Bonds Loan agreement, unpaid principal and accrued unpaid interest will be forgiven. As such, the loan proceeds are restricted as they are not available for operations in the current or future periods.

Note 23 - Healthcare Transformation and Quality Improvement Program 1115 Demonstration Waiver ('1115 Waiver')

In December 2011, the Centers for Medicare and Medicaid Services (CMS) approved the Texas Health and Human Services Commission (HHSC) Healthcare Transformation and Quality Improvement Program 1115 demonstration waiver (the '1115 wavier'). As it pertains to Community Centers like Integral Care, this 1115 waiver aims to:

- Transform the healthcare delivery system for low income Texans, and
- Increase access to quality behavioral health services as a recognized means to improve both individual and system level outcomes.

The 1115 waiver will be in effect until September 30, 2022. The 1115 waiver is intended to reimburse providers in the State of Texas that undertake and complete projects that accomplish the goals of the 1115 waiver. Integral Care (as a Community Center and a public Medicaid provider) has been designated as a performing provider of the 1115 waiver and has been granted the ability to transfer locally managed state and local dollars to draw down federal funding for projects of the 1115 waiver through intergovernmental transfers (IGT). Integral Care will be cooperating and collaborating with other community partners to carry out the 1115 waiver projects by increasing access to behavioral health services through the 1115 waiver's key component entitled the Delivery System Incentive Reform Payment (DSRIP) pool. The DSRIP portion of the 1115 Waiver, the portion in which Integral Care participates, will have funding through September 30, 2021. Beginning October 1, 2017, the DSRIP measures are moving to provider based measures for achievement of payment and will no longer be based on specific projects.

Fiscal year 2018 was the 1115 transformation waiver demonstration year 7. During fiscal year 2018, Integral Care recognized and earned \$22,061,903 in revenues from this program and of this amount, \$13,413,155 was categorized as 'assigned funds' in the balance sheet - governmental funds financial statements. At August 31, 2018, the 'assigned funds' are considered constrained by Integral Care's intent to be used for future 1115 transformation waiver projects.

Note 24 - Subsequent Events

On December 19, 2018, Integral Care issued Revenue Anticipation Note, Series 2018 in the amount of \$11,100,000. The note proceeds will provide the Center with interim funds for the payment of current and operating expenses for the 2019 fiscal year in anticipation of the receipt of revenues collected for the same fiscal year. In addition, the note is payable from revenues collected in the same fiscal year in which the note was issued. The note bears interest, payable quarterly, at the Wall Street Journal London Interbank Offered Rate (LIBOR) (for three months quoted in the most recently published issue of The Wall Street Journal (U.S. Edition) in the “Money Rates” column provided LIBOR will not decrease below a minimum LIBOR of 0.15% per annum) in effect from time to time (the “Index”), plus 2.25% per annum and matures on August 31, 2019.



Statistical Section (Unaudited)
August 31, 2018

Integral Care

Integral Care
Schedule of Revenues and Expenditures by Source of Funds – General Fund
(Unaudited)
Year Ended August 31, 2018

Fund Source	Total Revenues	Total Behavioral Health Adult Expenditures	Total Behavioral Health Children Expenditures	Total Crisis Services Expenditures	Total Intellectual & Developmental Disabilities Expenditures	Total Other Expenditures	Total Center Expenditures	Excess Revenues Over Expenditures
Objects of Expense								
Personnel	\$ 47,157,495	\$ 15,678,640	\$ 5,588,705	\$ 8,856,365	\$ 4,634,713	\$ 12,399,072	\$ 47,157,495	\$ -
Employee benefits	11,550,831	3,852,937	1,343,638	2,027,338	1,236,428	3,090,490	11,550,831	-
Professional and consultant services	19,604,803	1,968,453	379,363	13,687,550	542,692	3,026,745	19,604,803	-
Training and travel	884,163	325,741	92,412	72,503	115,987	277,520	884,163	-
Debt service	43,525	18,905	3,674	11,135	3,164	6,647	43,525	-
Capital outlay	6,978,909	40,114	7,720	50,513	2,003	6,878,559	6,978,909	-
Non-capitalized equipment	485,286	209,086	76,589	94,296	27,790	77,525	485,286	-
Pharmaceutical expense	400,978	170,307	179	58,281	5,739	166,472	400,978	-
Pharmaceutical expense (PAP only)	2,091,632	2,091,632	-	-	-	-	2,091,632	-
Other operating expense	10,993,983	3,730,955	1,008,507	1,814,205	674,429	3,765,887	10,993,983	-
Total expenditures	<u>\$ 100,191,605</u>	<u>\$ 28,086,770</u>	<u>\$ 8,500,787</u>	<u>\$ 26,672,186</u>	<u>\$ 7,242,945</u>	<u>\$ 29,688,917</u>	<u>\$ 100,191,605</u>	<u>\$ -</u>
Method of Finance								
General revenue - behavioral health	\$ 11,140,798	\$ 9,003,516	\$ 2,137,282				\$ 11,140,798	\$ -
General revenue - IDD	3,383,324				3,383,324		3,383,324	-
Mental Health Block Grant	1,621,777	1,207,418	414,359				1,621,777	-
CLOIP	282,689				282,689		282,689	-
Title XX - TANF	167,842	99,806		68,036			167,842	-
Title XX - Social Services Block Grant	550,985	63,684	487,301				550,985	-
Other federal - DADS	170,908				170,908		170,908	-
Other general revenue	4,034,121	3,265,609	144,146	515,124		109,242	4,034,121	-
Crisis services - mental health	8,377,247			8,377,247			8,377,247	-
Other state funds	5,863,261	1,480			5,775	5,856,006	5,863,261	-
Earned income	31,027,790	8,768,758	2,637,471	4,695,537	3,075,393	10,940,413	30,117,572	910,218
Required local match	3,079,393	2,030,261		730,520	318,612		3,079,393	-
Additional local match	34,377,605	3,646,238	2,680,228	12,285,722	6,244	12,783,256	31,401,688	2,975,917
Total expended sources	<u>\$ 104,077,740</u>	<u>\$ 28,086,770</u>	<u>\$ 8,500,787</u>	<u>\$ 26,672,186</u>	<u>\$ 7,242,945</u>	<u>\$ 29,688,917</u>	<u>\$ 100,191,605</u>	<u>\$ 3,886,135</u>

Integral Care
Reconciliation of Total Revenues and Expenditures to Fourth Quarter Financial Report
(Unaudited)
Year Ended August 31, 2018

	Revenues			Audited Financial Statements
	Care Report III	Additions	Deletions	
Local Revenues				
City funds	\$ 4,668,809			\$ 4,668,809
County funds	5,315,864			5,315,864
Other taxing authority funds	10,094,414			10,094,414
Earned income	10,860,776			10,860,776
Rental income	700,011			700,011
Miscellaneous income & contributions	7,998,861			7,998,861
Patient Assistance Programs	2,091,632		(2,091,632) (a)	-
Total local revenue	41,730,367	-	(2,091,632)	39,638,735
State Program Revenues				
HHSC - Mental Health	23,144,326			23,144,326
HHSC - substance use disorder	423,227			423,227
HHSC - IDD	3,666,013			3,666,013
TCOOMMI	121,360			121,360
HHSC - early childhood intervention	1,761,002			1,761,002
Other state programs	142,962			142,962
Total state program revenues	29,258,890	-	-	29,258,890
Federal Program Revenues				
HHSC - Mental Health	3,320,441			3,320,441
HHSC - substance use disorder	2,336,976			2,336,976
HHSC - IDD	170,908			170,908
Ryan White	286,163			286,163
CDBG - YAFAC	204,546			204,546
HUD - Lifeworks	17,300			17,300
HUD - supported housing	446,988			446,988
SAMSHA Aware	89,989			89,989
Travis County - Parents in Recovery (SAMHSA)	48,371			48,371
Veterans Administration - SafeHaven grant	631,944			631,944
HHSC - early childhood intervention	505,737			505,737
Medicaid Administrative Claiming	2,700,860			2,700,860
Capital metro	37,695			37,695
ISP Harvey	62,910			62,910
1115 Transformation Waiver	22,061,903			22,061,903
Total federal program revenues	32,922,730	-	-	32,922,730
Investment Earnings	165,752			165,752
Total revenues	\$ 104,077,739	\$ -	\$ (2,091,632)	\$ 101,986,107

(a) Free medicine used

Integral Care
Reconciliation of Total Revenues and Expenditures to Fourth Quarter Financial Report
(Unaudited)
Year Ended August 31, 2018

Function	Expenditures			Audited Financial Statements
	Care Report III	Additions	Deletions	
Personnel	\$ 47,157,495		47,027 (a)	\$ 47,204,522
Employee benefits	11,550,831			11,550,831
Professional and consultant service	19,604,803			19,604,803
Training and travel	884,163			884,163
Debt service	43,525		(651) (c)	42,874
Capital outlay	6,978,909			6,978,909
Non-capitalized equipment	485,286			485,286
Pharmaceutical expense	400,978			400,978
Pharmaceutical expense (PAP only)	2,091,632		(2,091,632) (b)	-
Other operating expense	10,993,983		650 (c)	10,994,633
	<u>\$ 100,191,605</u>	<u>\$ -</u>	<u>\$ (2,044,606)</u>	<u>\$ 98,146,999</u>

- (a) Change in compensated absences - used only in government-wide financial statements
(b) Free medicine used
(c) Reclassification of expenses to other operating expenses

Integral Care
Schedule of Indirect Costs
(Unaudited)
Year Ended August 31, 2018

	Total Costs	Nonallowable Costs	Depreciation	Total Adjusted Costs	Direct Costs	Indirect Costs
Personnel	\$ 47,157,495	\$ -	\$ -	\$ 47,157,495	\$ 41,029,507	\$ 6,127,988
Employee benefits	11,550,831	100,709		11,450,122	10,013,956	1,436,166
Capital outlay	6,978,909	6,978,909		-		-
Depreciation			1,904,274	1,904,274	1,770,968	133,306
Other operating expenses	32,412,737	373,247		32,039,490	29,554,751	2,484,739
 Total expenditures	 <u>\$ 98,099,972</u>	 <u>\$ 7,452,865</u>	 <u>\$ 1,904,274</u>	 <u>\$ 92,551,381</u>	 <u>\$ 82,369,182</u>	 <u>\$ 10,182,199</u>
 Indirect cost						10,182,199
Direct costs						<u>82,369,182</u>
 Indirect cost rate						 <u>12.36%</u>

Integral Care
Schedule of Insurance in Force
(Unaudited)
Year Ended August 31, 2018

Insurer	Policy Period	Coverage	Limits or Amounts	
Texas Council Risk Management Fund	9/1/17 - 9/1/2018	Workers Compensation	Statutory	
	9/1/17 - 9/1/2018	General Liability	\$ 1,000,000	Combined Single Limit
			\$ 1,000	Deductible
	9/1/17 - 9/1/2018	Errors & Omission	\$ 1,000,000	Per Claim
			\$ 3,000,000	Annual Aggregate
			\$ 25,000	Deductible
	9/1/17 - 9/1/2018	Professional Liability	\$ 1,000,000	Per Claim
			\$ 3,000,000	Annual Aggregate
			\$ 10,000	Deductible
	9/1/17 - 9/1/2018	Automobile Liability	\$ 1,000,000	Combined Single Limit
			Various	
			\$100,000/\$300,000 Limits	
	9/1/17 - 9/1/2018	Excess Liability	\$ 1,000,000	Combined Single Limit
			\$ 1,000,000	Aggregate
			\$ 20,902,132	
			\$ 5,048,717	
			\$ 35,879	
			\$ 6,414,124	
			\$ 250,000	
			\$ 1,000,000	
			\$ 1,000,000	
			\$ 500,000	
			\$ 10,000,000	
			\$ 1,500,000	
			\$ 50,000	
			\$ 1,000,000	
			\$ 100,000	
		\$ 500,000		
		\$ 1,000,000		
		\$ 500,000		
		\$ 500,000		
		\$ 10,000		
		\$ 10,000		
		\$ 357,737		
		\$ 10,000		
		\$ 250,000		
American Bankers Insurance Company of Florida	2/18/17-2/18/2018	Flood - Tahoe Trail-Building 1st	\$ 250,000	
		Floor		
		Contents		
	10/1/17-10/1/2018	Flood - Jones House Building	\$ 250,000	
		Contents		
	Deductible	\$ 1,250		

Integral Care
Schedule of Leases in Effect
(Unaudited)
Year Ended August 31, 2018

Lessor	Location	Period Covered	Amount (\$ per month)
Property Leases			
Collier Properties LLC	1700 S. Lamar, Bldg. 1	12/1/2012 6/30/2021	\$ 24,877
	1701 S. Lamar, Suite 230	7/1/2013 6/30/2021	\$ 6,490
	1701 S. Lamar, Suite 240	7/1/2016 6/30/2021	\$ 4,905
	1701 S. Lamar, Suite 322	7/1/2016 6/30/2021	\$ 4,405
Texas RioGrande Legal Aid, Inc. Sigland Properties II, Ltd	4920 North IH-35 Austin, TX	6/22/2012 6/22/2018	\$ 8,979
	825 E. Rundberg Lane - Base Rent	2/1/2015 7/31/2022	\$ 25,185
Oldwood Riverside Place, LP MIC Austin Lessee LLC	2410 E. Riverside, Suite G3	2/1/2015 1/31/2022	\$ 12,265
	5015 South IH-35	12/15/2013 6/14/2021	\$ 62,379
Vehicle Leases			
Leasing Associates	2015 Chevrolet 2500 Express Van	1/1/2015 12/31/2018	\$ 579
Storage Leases			
Storwise Ben White	2229 E. Ben White - Various	Month to Month	\$ 2,175
Cube Smart	2201 S. Pleasant Valley, F403	Month to Month	\$ 132
Copiers and Printers			
Various	Various	Various	\$ 10,350
Other Rental Payments			
Iron Mountain		Month to Month	\$ 2,480
LAZ Parking Texas		Month to Month	\$ 450
Safe Site, Inc.		Month to Month	\$ 1,587

Integral Care
Schedule of Bond Coverage
(Unaudited)
Year Ended August 31, 2018

Surety Company	Scope of Coverage	Limit	Deductible
Travelers 8/31/16 - 8/31/19	Employee Theft	\$4,000,000	\$ 40,000
	ERISA Fidelity	\$ 500,000	None
	Employee Theft of Client Property	\$ 100,000	\$ 5,000
	Forgery or Alteration	\$ 100,000	\$ 5,000
	On Premises	\$ 10,000	\$ 2,500
	In Transit	\$ 10,000	\$ 2,500
	Money Orders and Counterfeit Paper	\$ 10,000	\$ 2,500
	Computer Frauds and Funds Transfer	\$1,000,000	\$ 10,000
	Computer Program & Electronic Data Restoration	\$ 100,000	\$ 5,000
	Funds Transfer Fraud	\$1,000,000	\$ 10,000
	Personal Accounts Protection	\$ 25,000	\$ 1,000
	Third Party Crime Name DSHS	\$ 100,000	\$ 2,500
	Claim Expense	\$ 5,000	-
Chubb 01/16/2018 - 01/16/2019	Computer Privacy & Network Security Liability	\$1,000,000	\$ 25,000
	Regulatory Proceedings	\$ 500,000	\$ 25,000
	Electronic, Social and Printed Media Liability	\$1,000,000	\$ 25,000
	Network Extortion	\$1,000,000	\$ 25,000

Integral Care
Schedule of Professional and Consulting Fees and Contracted Provider Services
(Unaudited)
Year Ended August 31, 2018

Name	Type of Service	Amount
STG Design Inc	Architect & Engineering Fees	\$ 129,557
Duke C Garwood Architects Inc	Architect & Engineering Fees	18,976
Bleyl & Associates	Architect & Engineering Fees	26,800
BSA Lifestructures Inc	Architect & Engineering Fees	39,787
Broaddus Planning LLc	Architect & Engineering Fees	288,129
Austin Architectural Graphics Inc	Architect & Engineering Fees	16,303
Maxwell, Locke & Ritter, LLP	Audit/Accounting	22,000
R. Mendoza & Company, P.C.	Audit/Accounting	87,626
Maxim Staffing Solutions	Audit/Accounting	94,766
Jsa Health Corporation	Nurse Staffing	78,628
Nursestaffing	Nurse Staffing	60,531
Medical Staffing Network Inc	Nurse Staffing	58,583
Jennifer Brock-Garcia PMHNP	Psychiatric Nurse Practitioner	1,758
Locumtenens.Com	Psychiatric Services	725,950
Shane Mckay MD	Psychiatric Services	21,450
Meridian Psychiatric Services	Psychiatric Services	210,292
Tirado Institute for Chronic Conditions	Psychiatric Services	33,124
Carmen Zegarra MD	Psychiatric Services	2,288
Jackson & Coker Locumtenens LLC	Psychiatric Services	367,543
Naim A Memon MD	Psychiatric Services	1,381
Erin Dooley, MD	Psychiatric Services	5,282
Kurt L Cousins MD	Psychiatric Services	5,043
Tara Wagner MD	Psychiatric Services	4,000
Ghulam M Khan MD	Psychiatric Services	3,832
Harrison Psychological Services PLLC	Psychological Services	5,200
		\$ 2,308,829

Integral Care
Schedule of Legal Services
(Unaudited)
Year Ended August 31, 2018

Name	City	Type of Service	Amount
Haynes and Boone LLP	Austin	General Legal Counsel	\$ 8,000
Husch Blackwell	Austin	General Legal Counsel	8,314
Jackson Walker LLP	Austin	General Legal Counsel	297
Taylor Olson Adkins Sralla & Elam LLP	Austin	General Legal Counsel	7,308
			<hr/> <u>\$ 23,919</u>



Federal and State Award Section
August 31, 2018

Integral Care



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*

The Board of Trustees
Integral Care
Austin, Texas

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 the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Integral Care (the Center), as of and for the year ended August 31, 2018, and the related notes to the financial statements, which collectively comprise the Center’s basic financial statements, and have issued our report thereon dated January 28, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Center’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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Center’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 Center’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 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 "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Abilene, Texas
January 28, 2019



CPAs & BUSINESS ADVISORS

Independent Auditor’s Report on Compliance for Each Major Federal and State Program; Report on Internal Control over Compliance Required by the Uniform Guidance and the State of Texas Single Audit Circular

The Board of Trustees
Integral Care
Austin, Texas

Report on Compliance for Each Major Federal and State Program

We have audited Integral Care’s (the Center) compliance with the types of compliance requirements described in the *OMB Compliance Supplement, State of Texas Single Audit Circular (TSAC)* and *Guidelines for Annual Financial and Compliance Audits of Community Mental Health and Mental Retardation Centers* that could have a direct and material effect on each of the Center’s major federal and state programs for the year ended August 31, 2018. The Center’s major federal and state 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 and state awards applicable to its federal and state programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the Center’s major federal and state 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; 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); *State of Texas Single Audit Circular* and *Guidelines for Annual Financial and Compliance Audits of Community Mental Health and Mental Retardation Centers* (Audit Guidelines). Those standards, the Uniform Guidance, TSAC, and the Audit Guidelines 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 or state program occurred. An audit includes examining, on a test basis, evidence about the Center’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 and state program. However, our audit does not provide a legal determination of the Center’s compliance.

Opinion on Each Major Federal and State Program

In our opinion, the Center 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 and state programs for the year ended August 31, 2018.

Report on Internal Control Over Compliance

Management of the Center 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 Center's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state 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 and state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and TSAC, 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 Center'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 or state 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 or state 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 or state 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 and TSAC. Accordingly, this report is not suitable for any other purpose.

The image shows a handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Abilene, Texas
January 28, 2019

Integral Care
Schedule of Expenditures of State and Federal Awards (Exhibit K-1)
Year Ended August 31, 2018

Program Title	Pass Through Grantor Number	Expenditures	Subrecipient Expenditures
State Awards			
Texas Department of State Health Services (Behavioral Health)			
General Revenue - Behavioral Health Adult	537-17-0127-00004	\$ 9,003,517	\$ -
General Revenue - Behavioral Health Child	537-17-0127-00004	2,137,281	-
Crisis Redesign	537-17-0127-00004	2,382,825	-
PESC	537-17-0127-00004	3,419,892	-
Outpatient Competency Restoration	537-17-0127-00004	567,030	-
Private Psychiatric Beds	537-17-0127-00004	2,007,500	-
Veteran Services	537-17-0127-00004	99,286	96,804
Supportive Housing	537-17-0127-00004	310,655	-
Mental Health First Aid	2017-049422-001B	39,700	-
Healthy Community Collaboratives (HCC)	2016-048882-001C	2,645,942	496,023
SB292	HHS000134400011	409,092	-
HB13	HHS00014970015	104,447	-
Block Grant Homeless/Path - MH	2016-048124-001B	17,160	-
Total Texas Department of State Health Services (Behavioral Health)		<u>23,144,326</u>	<u>592,827</u>
Texas Department of Aging and Disability Services			
General Revenue - Intellectual & Developmental Disabilities	529-18-0020-00001	2,655,100	-
CLOIP	529-18-0020-00001	282,689	-
Permanency Planning	529-18-0020-00001	34,589	-
Crisis Intervention Specialist	529-18-0020-00001	228,259	-
Crisis Respite	529-18-0020-00001	155,478	-
Nursing Facility PASRR Service Coordination	529-18-0020-00001	293,675	-
Pre Admission Screening and Resident Review - Form 1048 Billings	529-18-0020-00001	20,213	-
Total Texas Department of Aging and Disability Services		<u>3,670,003</u>	<u>-</u>
Texas Department of Assistive & Rehabilitative Services			
Interagency Council of Early Childhood - Intervention	5382001546-01	118,552	-
Interagency Council of Early Childhood - Respite	5382001546-02	2,808	-
Total Texas Department of Assistive & Rehabilitative Services		<u>121,360</u>	<u>-</u>
Texas Department of State Health Services (Substance Abuse)			
HIV Early Intervention	2016-048243-003	17,002	-
HIV Outreach	2016-048178-003	20,842	-
Dual Diagnosis	2016-048319-005	37,423	-
Office Based Treatment	2018-050034-001	7,795	-
Prevention & Treatment of Substance Abuse - Treatment Adult (TRA)	2016-048529-003	304,370	-
Specialized Female (TRF)	2016-048319-006	901	-
Opioid Therapy Services	2016-049557-003	5,774	-
Youth Prevention Indicated (YPI)	2016-048100	29,647	-
Total Texas Department of State Health Services (Substance Abuse)		<u>423,754</u>	<u>-</u>
Cancer Prevention and Research Institute of Texas (CPRIT)			
Passed through The University of Texas MD Anderson Cancer Center			
Taking Texas Tobacco Free	R-18-0043	110,546	-
Taking Texas Tobacco Free	R-17-0003	26,641	-
Total Cancer Prevention and Research Institute of Texas (CPRIT)		<u>137,187</u>	<u>-</u>
Total State Awards		<u>\$27,496,631</u>	<u>\$ 592,827</u>

Integral Care
Schedule of Expenditures of State and Federal Awards
Year Ended August 31, 2018

Program Title	Federal CFDA Number	Pass Through Grantor Number	Expenditures	Subrecipient Expenditures
Federal Awards				
U.S. Department of Health and Human Services				
Passed through the Texas Health and Human Services Commission				
Medicaid Cluster				
Medicaid Administrative Claiming	93.778	529-09-0032-00050A	\$2,661,211	\$ -
ECI Medicaid Administrative Claiming	93.778	529-09-0032-00037A	39,648	-
Total Medicaid Cluster			<u>2,700,860</u>	-
Passed through the Texas Department of Aging and Disability Services				
Money Follows the Person - Transition Support Team	93.791	529-18-0020-00001	145,012	-
Money Follows the Person - Enhanced Community Coordination	93.791	529-18-0020-00001	25,897	-
Total CFDA 93.791			<u>170,908</u>	-
Passed through the Texas Department of State Health Services (Behavioral Health)				
Block Grant Homeless/PATH	93.150	2016-048124-001B	554,837	-
Temporary Assistance for Needy Families (TANF)	93.558 *	537-17-0127-00004	550,985	-
Social Services Block Grant - Title XX SSBG	93.667	537-17-0127-00004	167,842	-
Mental Health Block Grant	93.958 (1)	537-17-0127-00004	1,550,277	-
Mental Health Block Grant - Consumer Operated Services	93.958 (1)	537-17-0127-00004	71,500	65,000
MHBG Coordinated Specialty Care	93.958 (1)	2016-049446-001A	425,000	-
Passed through the Texas Department of Assistive & Rehabilitative Services				
Temporary Assistance for Needy Families (TANF)	93.558 *	5382001546-01	28,530	-
Passed through City of Austin				
Ryan White Title I Funds	93.914	NG170000042	135,203	-
Ryan White Title I Funds	93.914	NG170000042	150,960	-
			<u>286,163</u>	
Passed through the Texas Department of State Health Services (Substance Abuse)				
Opioid Therapy Services-Neonatal Abstinence Syndrome Office Based Treatment	93.788 (2)	2016-049557-003	1,174	-
	93.788 (2)	2018-050034-001	1,037	-
			<u>2,211</u>	
Block Grant for Prevention and Treatment of Substance Abuse - Treatment Adult	93.959 (3)	2016-048529-003	997,269	-
Block Grant for Prevention and Treatment of Substance Abuse - Treatment Adult	93.788 (2)	2016-048529-003	319,937	-
Block Grant for Prevention and Treatment of Substance Abuse - Dual Diagnosis	93.958 (1)	2016-048319-005	1,314	-
Block Grant for Prevention and Treatment of Substance Abuse - Dual Diagnosis	93.959 (3)	2016-048319-005	44,928	-
Block Grant for Prevention and Treatment of Substance Abuse - HIV Early Intervention	93.959 (3)	2016-048243-003	331,395	-
Block Grant for Prevention and Treatment of Substance Abuse - HIV Outreach	93.788 (2)	2016-048178-003	46,473	-
Block Grant for Prevention and Treatment of Substance Abuse - HIV Outreach	93.959 (3)	2016-048178-003	402,107	-
Block Grant for Prevention and Treatment of Substance Abuse - Specialized Female (TRF)	93.959 (3)	2016-048319-006	1,224	-
Block Grant for Prevention and Treatment of Substance Abuse - Youth Prevention Indicated (YPI)	93.959 (3)	2016-048100	190,121	-
(1) Total for CFDA 93.958	\$ 2,048,091			
(2) Total for CFDA 93.788	368,621			
(3) Total for CFDA 93.959	1,967,042			
* Total TANF Cluster	579,515			

Integral Care
Schedule of Expenditures of State and Federal Awards
Year Ended August 31, 2018

Program Title	Federal CFDA Number	Pass Through Grantor Number	Expenditures	Subrecipient Expenditure:
Direct award from Substance Abuse and Mental Health Service Administration				
AWARE	93.243	1H79SM062599-02	5,942	
AWARE	93.243	5H79SM062599-03	84,046	
			<u>89,989</u>	
Passed through Travis County Enhance the Safety of Children Affected by Parental Methamphetamine or Other Substance Abuse -System of Care	93.087	4400002870-Mod #25	48,371	
Total U.S. Department of Health and Human Services			<u>8,982,237</u>	<u>65,000</u>
Federal Emergency Management Agency Passed through the Texas Department of State Health Services MH/ISP (Hurricane Harvey)	97.032	FEMA-4332-DR-TX	62,910	
U.S. Department of Education - Office of Special Education Passed through Texas Department of Assistive & Rehabilitative Services				
Special Education - Grants to States (IDEA, Part B) - Special Education Cluster	84.027	5382001546-01	38,082	
Special Education - Grants for Infants and Families with Disabilities (IDEA, Part C)	84.181	5382001546-01	439,125	
Total U.S. Department of Education - Office of Special Education			<u>477,207</u>	<u>-</u>
U.S. Department of Transportation Passed through Capital Metro Enhanced Mobility of Seniors and Individuals with Disabilities - Transit Services Program Cluster	20.513	TX-2015-ATCIC	37,695	
Total U.S. Department of Education - Office of Special Education			<u>37,695</u>	<u>-</u>
U.S. Department of Housing and Urban Development Direct Awards				
Continuum of Care Program - HUD Fresh Start	14.267	TX0374L6J031502	204,407	
Continuum of Care Program - HUD Fresh Start	14.267	TX0374L6J031704	242,581	
			<u>446,988</u>	
Passed through City of Austin				
Community Development Block Grant - YAFAC	14.218	NI170000008	855	
Community Development Block Grant - YAFAC	14.218	NI170000008	203,691	
Total CDBG - Entitlement Grants Cluster			<u>204,546</u>	
Passed through Lifeworks HUD Emergency Solutions Grants (ESG) Program	14.231	42160002567	17,300	
Total U.S. Department of Housing and Urban Development			<u>668,833</u>	<u>-</u>
Total federal awards			<u>\$ 10,228,882</u>	<u>\$ 65,000</u>
Total state and federal awards			<u>\$ 37,725,513</u>	<u>\$657,827</u>

Note 1 - Reporting Entity

The accompanying Schedule of Expenditures of State and Federal Awards presents the activity of all applicable state and federal awards of Integral Care. Integral Care's reporting entity is defined in Note 1 to the basic financial statements. State and federal awards received directly from state and federal agencies, as well as federal awards passed through other governmental agencies, are included on the schedule.

The information in the Schedule of Expenditures of State and Federal Awards 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 of Expenditures of State and Federal Awards presents only a selected portion of the operations of the Center, it is not intended to and does not present the financial position, changes in financial position, or cash flows of the Center.

Note 2 - Basis of Accounting

The accompanying Schedule of Expenditures of State and Federal Awards is presented using the modified accrual basis of accounting. The modified accrual basis of accounting is described in Note 3 of the basic financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance or State of Texas *Uniform Grant Management Standards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. State and federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as unearned revenues until earned.

Note 3 - State Award Guidelines

State awards are subject to the Texas Health and Human Services Commission's (HHSC) *Guidelines for Annual Financial and Compliance Audits of Community MHMR Centers*. Such guidelines are consistent with those required under Title 2, U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), the State of Texas *Uniform Grant Management Standards*, and *Government Auditing Standards*, issued by the Comptroller General of the United States.

Note 4 - Relationship to Basic Financial Statements

Certain state and federal awards have been excluded from the Schedule of Expenditures of State and Federal Awards (SESFA).

Federal revenues earned and received from the Centers for Medicare and Medicaid Services (CMS) and passed through HHSC for the HHSC Healthcare Transformation and Quality Improvement Program – 1115 demonstration waiver are excluded from the Federal awards section of the SESFA. In addition, certain state contracts have been excluded from the State awards section of the SESFA by specific request of the funding agency. These contracts are with the Texas Correctional Office on the Offenders with Medical or Mental Impairments (TCOOMI) which is passed through the Texas Department of Criminal Justice.

The state and federal monies excluded from the SESFA are not considered federal or state awards as defined by the Uniform Guidance or State of Texas Single Audit Circular.

State and federal revenues in Integral Care’s basic financial statements differ from the accompanying schedule due to classifications based on the pass through entity.

A reconciliation of the SESFA to the audited financial statements is as follows:

State expenditures per SESFA	\$ 27,496,631
TCOOMMI	1,761,002
TRC Fees Billed	5,775
Other	<u>(4,517)</u>
State revenues per basic financial statements	<u>\$ 29,258,890</u>
Federal expenditures per SESFA	\$ 10,228,882
1115 Transformation Waiver	22,061,903
Veterans Administration	<u>631,944</u>
Federal revenues per basic financial statements	<u>\$ 32,922,729</u>

Note 5 - Indirect Cost Rate

Integral Care has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance but rather uses the rates established directly with the respective state and/or federal agency.

Section 1 - Summary of Auditors' Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weaknesses identified?	No
• Significant deficiencies identified that are not considered to be material weaknesses?	None Reported
Noncompliance material to financial statements noted?	No
Federal and State Awards	
Internal control over major programs:	
• Material weaknesses identified?	No
• Significant deficiencies identified that are not considered to be material weaknesses?	None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a) of the Uniform Guidance?	No
Identification of major programs:	
• CFDA Number 93.958 – Block Grants for Community Mental Health Services	
• State General Revenue: Behavioral Health - Adult Intellectual & Developmental Disabilities	
Dollar threshold used to distinguish between type A and type B programs?	
Federal awards	\$ 750,000
State awards	\$ 824,899
Auditee qualified as low-risk auditee?	Yes

Section II – Financial Statement Findings

None reported.

Section III - Federal and State Award Findings and Questioned Costs

None reported.