



Financial Statements  
August 31, 2019

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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 2019 from Eide Bailly LLP was reviewed and approved at a meeting of the Board of Trustees held on the 30<sup>th</sup> day of January, 2020.

  
Chairperson, Board of Trustees

January 30, 2020  
Date

## LISTING OF OFFICIALS

### BOARD OF TRUSTEES

#### Officers

Hal Katz – Chairperson  
Luanne Southern – Vice Chair  
Sarah Churchill Llamas – Secretary/Treasurer

#### Members

H. Ed Calahan  
Emmitt Hayes  
Cynthia Ramos  
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



## Independent Auditor's Report

To 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, 2019, 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 85.2%, 85.1% and 83.4%, of the assets, net position and revenues of the business-type activities and 90.3%, 90.5% and 83.4%, 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, 2019, 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.

### **Restatement of Prior Period Net Position**

As discussed in Note 25 to the financial statements, an error in the 2018 financial statements was noted during the current year. Accordingly, amounts reported for beginning net position have been restated in the 2019 financial statements to correct this error. Our opinions are not modified with respect to this matter.

### **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 6-16 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 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 basic financial statements. Such information has been subjected to the audit procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to basic 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 29, 2020, 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, 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.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP". The signature is written in black ink and is positioned above the typed name and date.

Abilene, Texas  
January 29, 2020

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, 2019.

## FINANCIAL HIGHLIGHTS

- The assets of Integral Care exceeded its liabilities at the close of the most recent fiscal year by \$65,617,369 (net position). Of this amount, \$34,572,266 (unrestricted net position) may be used to meet Integral Care's ongoing obligations.
- Integral Care's total government-wide net position increased by \$3,853,964 in fiscal year 2019. Of that, Integral Care's governmental operations provided an increase in net position of \$3,909,291. New Milestones Foundation had a decrease in net position of \$55,327 and Housing First, LLC had no change in net position.
- As of the close of the fiscal year, Integral Care's governmental funds reported combined ending fund balances of \$33,135,898, an increase of \$4,693,712 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 \$24,079,946, 24.46% 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, and Early Childhood Intervention*.



- 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 17-18 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 19-23 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 enterprise funds to account for both New Milestones Foundation and Housing First, LLC.

The basic proprietary fund financial statements can be found on pages 24-26 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 27 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 28-49 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. Required supplementary information can be found on pages 50-59 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 \$65,617,369 at the close of the most recent fiscal year.

Approximately 46.84% 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 52.68% portion of Integral Care's net position represents unrestricted financial resources available for future operations.

The remaining 0.48% balance of Integral Care's net position represents resources restricted by the terms of the permanent endowment.

**Summary of Net Position**

	Government Activities		Business-Type Activities		Total	
	8/31/2019	As Restated 8/31/2018	8/31/2019	8/31/2018	8/31/2019	As Restated 8/31/2018
Current assets	\$ 44,625,864	\$ 40,741,185	\$ 883,819	\$ 873,247	\$ 45,509,683	\$ 41,614,432
Noncurrent assets	26,636,457	25,726,204	4,438,265	4,495,439	31,074,722	30,221,643
<b>Total assets</b>	<b>71,262,321</b>	<b>66,467,389</b>	<b>5,322,084</b>	<b>5,368,686</b>	<b>76,584,405</b>	<b>71,836,075</b>
Current liabilities	8,791,196	7,858,125	284,650	275,926	9,075,846	8,134,051
Noncurrent liabilities	1,891,190	1,938,620	-	-	1,891,190	1,938,620
<b>Total liabilities</b>	<b>10,682,386</b>	<b>9,796,745</b>	<b>284,650</b>	<b>275,926</b>	<b>10,967,036</b>	<b>10,072,671</b>
<b>Net Position</b>						
Net investments in capital assets	26,606,838	27,414,895	4,125,756	4,186,853	30,732,594	31,601,748
Restricted for permanent endowment - nonspendable	-	-	312,509	308,586	312,509	308,586
Unrestricted	33,973,097	29,255,749	599,169	597,322	34,572,266	29,853,071
<b>Total net position</b>	<b>\$ 60,579,935</b>	<b>\$ 56,670,644</b>	<b>\$ 5,037,434</b>	<b>\$ 5,092,761</b>	<b>\$ 65,617,369</b>	<b>\$ 61,763,405</b>

**Governmental Activities.** Governmental activities increased Integral Care's net position by \$3,909,291. Key elements of the increase are as follows on the next page.

Integral Care  
Management's Discussion and Analysis  
August 31, 2019

	Government Activities		Business-Type Activities		Total	
	8/31/2019	As Restated 8/31/2018	8/31/2019	As Restated 8/31/2018	8/31/2019	As Restated 8/31/2018
<b>Revenues</b>						
Program revenues						
Charges for services	\$ 16,264,123	\$ 14,281,570	\$ -	\$ -	\$ 16,264,123	\$ 14,281,570
Operating grants and contributions	85,422,438	82,838,477	-	-	85,422,438	82,838,477
General revenues						
Unrestricted interest earnings	415,411	165,752	9,932	21,004	425,343	186,756
Contributions-not program restricted	987,876	2,975,918	-	-	987,876	2,975,918
Other income						
Property revenues	-	-	861,888	1,132,741	861,888	1,132,741
Other	-	-	167,239	123,671	167,239	123,671
<b>Total revenues</b>	<b>103,089,848</b>	<b>100,261,717</b>	<b>1,039,059</b>	<b>1,277,416</b>	<b>104,128,907</b>	<b>101,539,133</b>
<b>Expenses</b>						
Behavioral health adult	69,140,450	52,200,408	-	-	69,140,450	52,200,408
Behavioral health child	14,077,105	9,812,729	-	-	14,077,105	9,812,729
Intellectual & developmental disabilities	7,843,303	6,902,609	-	-	7,843,303	6,902,609
Substance Abuse	6,496,009	6,773,192	-	-	6,496,009	6,773,192
Early childhood intervention	1,580,682	1,467,787	-	-	1,580,682	1,467,787
1115 Transformation Waiver	-	15,884,332	-	-	-	15,884,332
Interest and fees on long-term debt	43,008	33,526	-	-	43,008	33,526
New Milestones Foundation Inc.	-	-	1,094,386	1,077,314	1,094,386	1,077,314
<b>Total expenses</b>	<b>99,180,557</b>	<b>93,074,583</b>	<b>1,094,386</b>	<b>1,077,314</b>	<b>100,274,943</b>	<b>94,151,897</b>
Increase (Decrease) in Net Position	3,909,291	7,187,134	(55,327)	200,102	3,853,964	7,387,236
Net Position, Fiscal Year Beginning	56,670,644	49,483,510	5,092,761	4,892,659	61,763,405	54,376,169
Net Position, Fiscal Year End	<u>\$ 60,579,935</u>	<u>\$ 56,670,644</u>	<u>\$ 5,037,434</u>	<u>\$ 5,092,761</u>	<u>\$ 65,617,369</u>	<u>\$ 61,763,405</u>

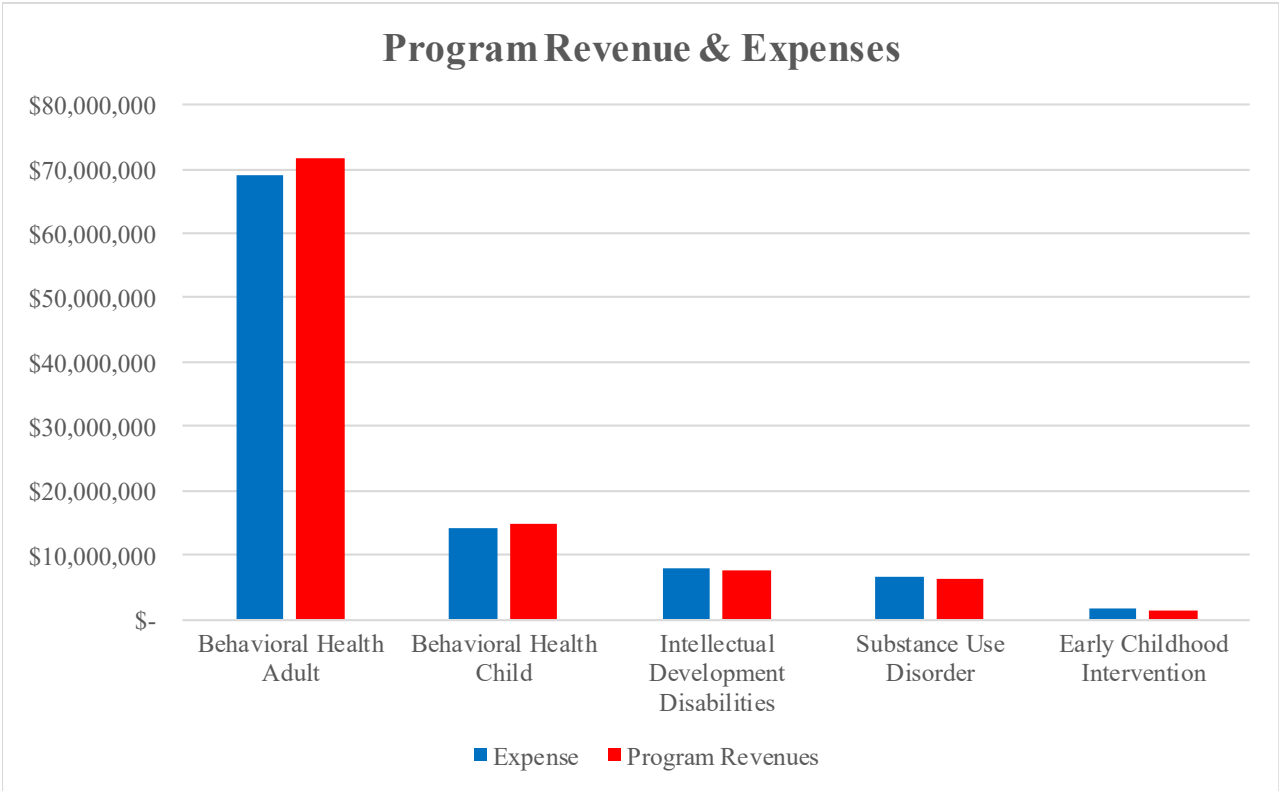
The \$987,876 in revenue listed as contributions not program restricted represents donations toward construction of Housing First Oak Springs, the 50-unit apartment complex being constructed for homeless individuals that will also have a clinic on site.

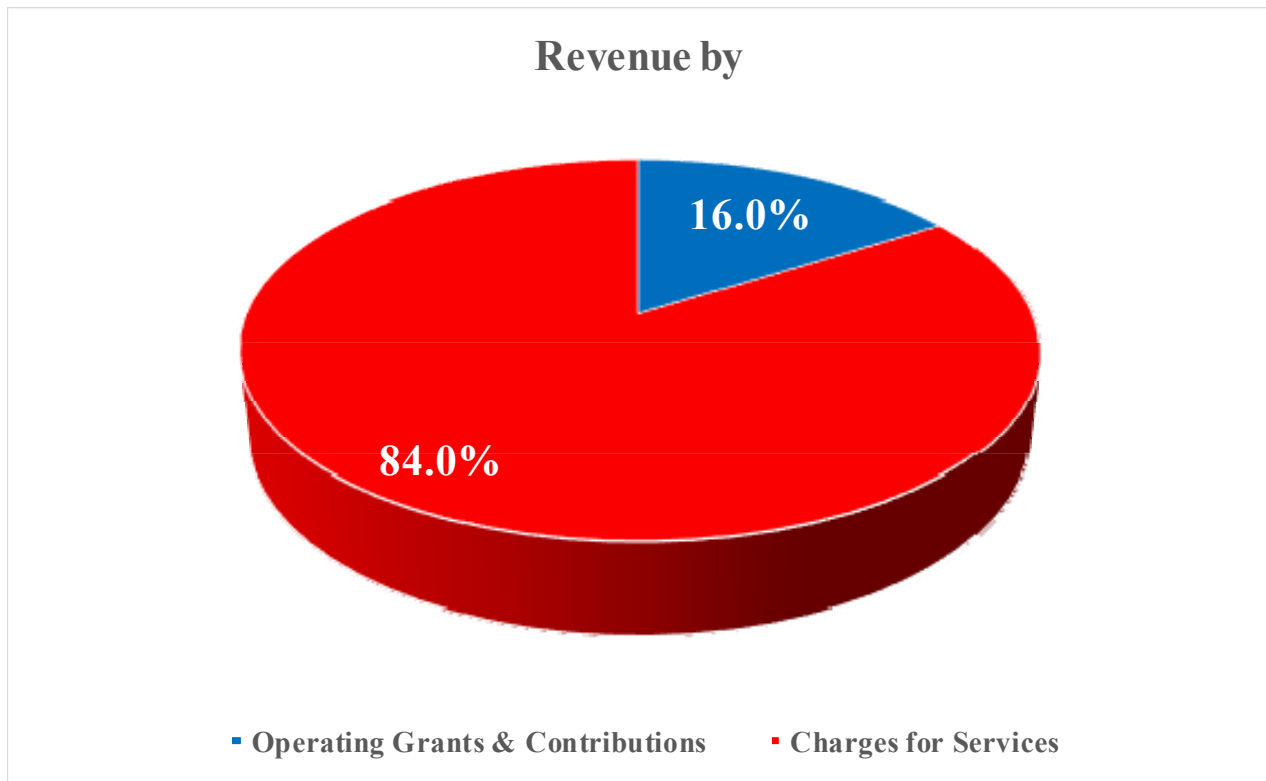
The increase in the Behavioral Health Adult, Behavioral Health Child and Intellectual and Developmental Disabilities from fiscal year 2018 to fiscal year 2019 is primarily a reflection of the distribution of the 1115 Waiver funds to the various programs as the waiver now concentrates on measures related to the total population being served as opposed to the initial waiver being specifically project based.

**BUSINESS-TYPE ACTIVITIES:**

Integral Care generated \$1,039,059 in revenue from Integral Care's business-type activities. Total expenses were \$1,094,386. Net position decreased by \$55,327 to \$5,037,434.

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 19, reported a *combined* fund balance of \$33,135,898 which is an increase of \$4,693,712 from last year's total of \$28,442,186.

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 \$24,079,946 while the total fund balance reached \$33,135,898. 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 24.46% of the total General Fund expenditures.

Integral Care continued participation in the Patient Assistance Program with a dispense value of \$2,757,477 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 \$55,327 reduction in net position in fiscal year 2019, compared to a decrease of \$101,422 in 2018. Housing First, LLC had no change in net position in fiscal year 2019, compared to a \$301,524 increase in fiscal year 2018.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The original General Fund budgeted revenue plus net changes in fund balances was equal to \$100,443,401. Over the course of the year, the budgeted revenue plus net changes in fund balance changed to \$107,477,702. This increase in budget of \$7,034,301 can be summarized as follows:

Budget Amendments \$100,000 or Greater:

Travis County System of Care	\$ 126,257
City of Austin Expanded Mobile Crisis Outreach Team (EMCOT)	1,147,229
Travis County Expanded Mobile Crisis Outreach Team (EMCOT)	764,819
City of Austin Projects for Assistance in Transition from Homelessness (PATH) Expansion	130,000
Downtown Austin Community Court	261,669
City of Austin Rapid Rehousing	400,000
Travis County ThriveCare	125,000
SAMHSA Mental Health Awareness Training	125,000
SAMHSA Amplify Care through CCBHC	2,000,000
SAMHSA Clinical High Risk Psychosis	400,000
Community Care Collaborative In-School Austin Independent School District	120,000
Austin Independent School District In-School Program	283,000
HHSC Integrated Care in Schools (House Bill 13)	356,972
Austin Independent School District Fee for Service Billings	220,612
HHSC Consumer Operated Services	110,000
Lifeworks	120,000
Dell Medical School Integrated Community Recovery	209,942
Texas Correctional Office on Offenders with Medical or Mental Impairments	159,185
HHSC Suicide Care Pilot Project	401,200
Reserve - Unearned Cost Reimbursement (EMCOT)	(115,000)
Waiver, Committed Fund Balance	(1,226,055)
All Other (line items < \$100,000)	914,471
	<u>914,471</u>
Total 2019 Revenue Budget Amendments	<u>\$ 7,034,301</u>

The volume of budget amendments demonstrates the ongoing effort to identify funding for particular initiatives that address unmet needs within the community. In addition, it demonstrates the increased reliance on grant funding, which, as new legislation regarding lower limits on the percentage increase in local taxes without voter approval take effect, has the potential to limit the availability of these resources in the future.

**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, 2019, amounts to \$30,762,213 (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	
	8/31/2019	8/31/2018	8/31/2019	8/31/2018	8/31/2019	8/31/2018
Land, buildings and construction in progress	\$ 39,795,448	\$ 38,741,177	\$ 6,691,797	\$ 6,626,383	\$ 46,487,245	\$ 45,367,560
Furniture and equipment	4,477,490	4,469,830	66,375	28,533	4,543,865	4,498,363
Vehicles	933,359	926,969	-	-	933,359	926,969
Less accumulated depreciation	(18,569,840)	(16,687,383)	2,632,416	(2,468,063)	(15,937,424)	(19,155,446)
	<u>\$ 26,636,457</u>	<u>\$ 27,450,593</u>	<u>\$ 9,390,588</u>	<u>\$ 4,186,853</u>	<u>\$ 36,027,045</u>	<u>\$ 31,637,446</u>

Additional information regarding Integral Care's capital assets can be found at Note 12 titled "Capital Assets" on pages 41-42 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, 2019 is \$29,619 and is shown at Note 13 titled "Long Term Debt" on page 43 of this report.



**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS**

Integral Care's current fiscal year 2020 amended budget of \$107,051,016 (October 2019) is a total decrease of \$426,686, from the final fiscal year 2019 budget of \$107,477,702.

Major Budget Changes include the following:

Health and Human Services Commission (HHSC) Healthy Community Collaborative	\$ 1,900,000
HHSC Mental Health Performance Contract	1,453,622
Episcopal Health Foundation	583,950
PreAdmission Screening & Resident Review (PASRR)	450,367
HHSC House Bill 13 Integrated Care in Schools	300,354
HHSC Intellectual and Developmental Disability Transition Support Team	179,438
HHSC Office Based Opioid Treatment (OBOT)	146,046
Pharmacy Prescription Sales	(100,000)
Saint David's Foundation Extended Observation Unit	(122,694)
Travis County Health & Human Services Integrated Fund	(126,257)
HHSC Substance Abuse HIV Early Intervention	(158,348)
HHSC Substance Abuse HIV Outreach	(216,181)
HHSC Substance Abuse Youth Prevention - Indicated	(252,705)
PASRR Service Coordination	(266,567)
Youth Empowerment Services (YES) Waiver Provider Services	(350,012)
Community Care Collaborative Austin Independent School District (AISD) In-School	(420,000)
University of Texas Medical School Interdisciplinary Practice Unit Staff	(545,262)
AISD In-School Program	(683,000)
HHSC Senate Bill 292	(1,848,320)
1115 Transformation Waiver	(299,375)
Fund Balance Reserve	(352,877)
Fee for Service Medicaid/Medicare/Texas Home Living/Managed Care	(200,617)
HHSC Substance Abuse Fee for Service	280,283
All Other Changes (Less than \$100,000 each)	221,469
	<hr/>
Total Fiscal Year 2019 to 2020 Budget Change	<u><u>\$ (426,686)</u></u>

The major budget issues that impact the 2020 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, Housing First Oak Springs, GP, LLC, whose sole member is Integral Care, entered into a Limited Partnership Agreement of Housing First Oak Springs, LP with NEF Assignment Corporation in which Housing First Oak Springs, GP, LLC (of which Integral Care is the sole member) 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 and the construction bond was repaid on November 1, 2019. Construction began in January 2018 and was completed in November 2019. Construction activities associated with Housing First Oak Springs have moved from Integral Care to Housing First Oak Springs, LP. The \$1.9 million budget change reflects one-time funding awarded to the Center of which \$500,000 will pass-through for funding the Salvation Army's Rathgeber Clinic.

- Integral Care's fiscal year 2019 was 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 2012 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 Austin Independent School District released a Request for Proposal for mental health services in the schools. While Integral Care's proposal was competitive, Integral Care was not awarded the contract for services beginning in fiscal year 2020. This change included the following budget reductions from fiscal year 2019 to fiscal year 2020: Community Care Collaborative Austin Independent School District (AISD) \$420,000 and AISD In-School Program \$683,000.
- The Integral Care Board of Trustees approved the utilization of Unassigned Fund Balance to be transferred to Committed Fund Balance in the amount of \$41,334 to support the fiscal year 2020 budget specifically for the Early Childhood Intervention Program.

## 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, 2019

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
<b>Current Assets</b>			
Cash and investments	\$ 18,514,248	\$ 846,809	\$ 19,361,057
Accounts receivable	4,547,565	506	4,548,071
Employee receivables, net	320,191		320,191
Due from other governments, net	11,392,043		11,392,043
Notes receivable	9,083,433		9,083,433
Prepaid expenses and other assets	768,384	36,504	804,888
Total current assets	<u>44,625,864</u>	<u>883,819</u>	<u>45,509,683</u>
<b>Noncurrent Assets</b>			
<b>Restricted assets</b>			
Investment in Austin Community Foundation		312,509	312,509
<b>Capital assets, net</b>			
Nondepreciable assets	4,021,919	530,700	4,552,619
Depreciable assets	22,614,538	3,595,056	26,209,594
Total noncurrent assets	<u>26,636,457</u>	<u>4,438,265</u>	<u>31,074,722</u>
Total assets	<u>71,262,321</u>	<u>5,322,084</u>	<u>76,584,405</u>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts payable	5,564,600	72,513	5,637,113
Accrued expenses and other liabilities	926,829	55,364	982,193
Internal balances	(128,649)	128,649	-
Unearned revenue	2,409,137	28,124	2,437,261
Capital lease - due within one year	19,279		19,279
Total current liabilities	<u>8,791,196</u>	<u>284,650</u>	<u>9,075,846</u>
<b>Noncurrent Liabilities</b>			
Capital lease - due in more than one year	10,340		10,340
Accrued compensated absences - due in more than one year	1,880,850		1,880,850
Total noncurrent liabilities	<u>1,891,190</u>	<u>-</u>	<u>1,891,190</u>
Total liabilities	<u>10,682,386</u>	<u>284,650</u>	<u>10,967,036</u>
<b>Net Position</b>			
Net investment in capital assets	26,606,838	4,125,756	30,732,594
Restricted for permanent endowment - nonexpendable		312,509	312,509
Unrestricted	33,973,097	599,169	34,572,266
Total net position	<u>\$ 60,579,935</u>	<u>\$ 5,037,434</u>	<u>\$ 65,617,369</u>

Integral Care  
Statement of Activities  
Year Ended August 31, 2019

	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
<b>Governmental Activities</b>								
Behavioral health - adult	\$ 61,360,354	\$ 7,780,096	\$ 69,140,450	\$ 6,270,309	\$ 65,284,347	\$ 2,414,206		\$ 2,414,206
Behavioral health - children	12,469,580	1,607,525	14,077,105	3,102,116	11,753,551	778,562		778,562
Intellectual & developmental disabilities	6,959,701	883,602	7,843,303	2,863,268	4,616,267	(363,768)		(363,768)
Substance use disorder	5,764,790	731,219	6,496,009	3,628,056	2,814,884	(53,069)		(53,069)
Early Childhood Intervention	1,400,217	180,465	1,580,682	400,374	953,389	(226,919)		(226,919)
Administration	11,163,178	(11,182,907)						
Interest and fees on debt	43,008		43,008			(43,008)		(43,008)
<b>Total governmental activities</b>	<b>99,160,828</b>	<b>-</b>	<b>99,180,557</b>	<b>16,264,123</b>	<b>85,422,438</b>	<b>2,506,004</b>	<b>-</b>	<b>2,506,004</b>
<b>Business-Type Activities</b>								
New Milestones Foundation	1,094,386		1,094,386	861,888	167,239		\$ (65,259)	(65,259)
Housing First, LLC				-			-	-
<b>Total business-type activities</b>	<b>1,094,386</b>	<b>-</b>	<b>1,094,386</b>	<b>861,888</b>	<b>167,239</b>	<b>-</b>	<b>(65,259)</b>	<b>(65,259)</b>
<b>Total primary government</b>	<b>\$ 100,255,214</b>	<b>\$ -</b>	<b>\$ 100,274,943</b>	<b>\$ 17,126,011</b>	<b>\$ 85,589,677</b>	<b>2,506,004</b>	<b>(65,259)</b>	<b>2,440,745</b>
				<b>General Revenues</b>				
					Investment earnings	415,411	9,932	425,343
					Contributions- not program restricted	987,876		987,876
					<b>Total general revenues</b>	<b>1,403,287</b>	<b>9,932</b>	<b>1,413,219</b>
					<b>Change in Net Position</b>	<b>3,909,291</b>	<b>(55,327)</b>	<b>3,853,964</b>
					<b>Net Position, Beginning</b>	<b>58,395,033</b>	<b>5,092,761</b>	<b>63,487,794</b>
					<b>Prior period adjustment</b>	<b>(1,724,389)</b>		<b>(1,724,389)</b>
					<b>Net position at beginning of year, as restated</b>	<b>56,670,644</b>	<b>5,092,761</b>	<b>61,763,405</b>
					<b>Net Position, Ending</b>	<b>\$ 60,579,935</b>	<b>\$ 5,037,434</b>	<b>\$ 65,617,369</b>

Integral Care  
Balance Sheet – Governmental Funds  
August 31, 2019

	General	Capital Improvement Fund	Total Governmental Funds
<b>Assets</b>			
Cash and investments	\$ 18,514,248	\$	\$ 18,514,248
Accounts receivable	4,547,565		4,547,565
Employee receivables, net	320,191		320,191
Due from other governments, net	11,392,043		11,392,043
Due from other funds	128,649		128,649
Note receivable	6,365,384		6,365,384
Prepaid items	768,384		768,384
	<u>\$ 42,036,464</u>	<u>\$ -</u>	<u>\$ 42,036,464</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ 5,564,600	\$	\$ 5,564,600
Accrued expenditures and other liabilities	926,829		926,829
Unearned revenues	2,409,137		2,409,137
	<u>8,900,566</u>	<u>-</u>	<u>8,900,566</u>
<b>Fund Balances</b>			
Nonspendable	7,133,768		7,133,768
Committed	41,334		41,334
Assigned	1,880,850		1,880,850
Unassigned	24,079,946		24,079,946
	<u>33,135,898</u>	<u>-</u>	<u>33,135,898</u>
	<u>\$ 42,036,464</u>	<u>\$ -</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	26,636,457
Long term note receivable not reported in the funds	2,718,049
The following liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Capital leases payable	(29,619)
Accrued compensated absences	(1,880,850)
	<u>(1,910,469)</u>
Net position of governmental activities	<u>\$ 60,579,935</u>

## Integral Care

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds  
Year Ended August 31, 2019

	General	Capital Improvement Fund	Total Governmental Funds
<b>Revenues</b>			
Local and earned revenues	\$ 38,656,217	\$	\$ 38,656,217
State programs	33,416,613		33,416,613
Federal programs	30,826,133		30,826,133
Investment earnings	415,411		415,411
<b>Total revenues</b>	<b>103,314,374</b>	<b>-</b>	<b>103,314,374</b>
<b>Expenditures</b>			
<b>Current</b>			
Behavioral health - adult	59,976,017		59,976,017
Behavioral health - child and adolescents	12,348,158		12,348,158
Intellectual and developmental disabilities	6,788,867		6,788,867
Substance use disorder	5,620,111		5,620,111
Early childhood intervention	1,386,235		1,386,235
Administration	11,152,466	19,730	11,172,196
<b>Debt service</b>			
Principal	6,079		6,079
Interest	43,008		43,008
Capital outlay	1,140,062	139,930	1,279,992
<b>Total expenditures</b>	<b>98,461,003</b>	<b>159,660</b>	<b>98,620,663</b>
<b>Net Change in Fund Balances</b>	<b>4,853,372</b>	<b>(159,660)</b>	<b>4,693,712</b>
Fund Balances, September 1, 2018	28,282,526	159,660	28,442,186
Fund Balances, August 31, 2019	<u>\$ 33,135,898</u>	<u>\$ -</u>	<u>\$ 33,135,898</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, 2019

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Net change in fund balance - total governmental funds \$ 4,693,712

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	1,279,992
Depreciation expense	(2,005,920)

Loss on disposition of assets are reported on the statement of activities but not in the governmental funds.	(88,208)
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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	6,079
Change in accrued compensated absences	23,636

Change in net position of governmental activities	<u>\$ 3,909,291</u>
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## Integral Care

Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund  
Year Ended August 31, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Local and Earned Revenues</b>				
City funds	\$ 4,780,704	\$ 6,866,945	\$ 5,913,587	\$ (953,358)
County funds	5,788,190	7,049,280	6,419,960	(629,320)
Other taxing authority funds	10,766,618	10,886,618	9,771,198	(1,115,420)
Earned income	11,140,566	11,489,962	11,103,213	(386,749)
Rental income	749,895	749,895	693,393	(56,502)
Miscellaneous income & contributions	3,544,403	3,772,218	4,754,866	982,648
<b>Total local revenues</b>	<b>36,770,376</b>	<b>40,814,918</b>	<b>38,656,217</b>	<b>(2,158,701)</b>
<b>State Program Revenues</b>				
HHSC - Mental Health	27,904,440	28,492,302	27,210,100	(1,282,202)
HHSC - substance use disorder	832,479	811,953	392,202	(419,751)
HHSC - IDD	3,801,829	3,774,721	3,685,701	(89,020)
HHSC - early childhood intervention	190,405	203,337	152,044	(51,293)
TCOOMMI	1,812,913	1,951,860	1,805,532	(146,328)
Other state programs	176,510	176,510	171,034	(5,476)
<b>Total state program revenues</b>	<b>34,718,576</b>	<b>35,410,683</b>	<b>33,416,613</b>	<b>(1,994,070)</b>
<b>Federal Program Revenues</b>				
HHSC - Mental Health	3,305,415	3,766,899	3,427,745	(339,154)
HHSC - substance use disorder	1,419,489	1,422,433	2,346,345	923,912
HHSC - IDD	211,745	417,461	186,733	(230,728)
Ryan White	380,274	392,672	430,362	37,690
CDBG - YAFAC	203,700	203,700	203,696	(4)
HUD Supported Housing	398,052	398,052	404,725	6,673
SAMSHA Aware	-	-	5,627	5,627
SAMHSA MHAT	-	125,000	70,965	(54,035)
SAMHSA CCBHC	-	2,000,000	1,069,418	(930,582)
SAMHSA CHR-P	-	400,000	184,054	(215,946)
UTDMS SAMHSA	-	209,942	16,515	(193,427)
Travis County - Parents in Recovery (SAMHSA)	55,386	68,731	54,505	(14,226)
Veterans Administration Safe Haven	771,975	771,975	754,599	(17,376)
HHSC - early childhood intervention	436,765	466,887	518,180	51,293
Medicaid Administrative Claiming	2,511,928	2,574,684	3,116,846	542,162
Capital metro	-	-	241	241
1115 Transformation Waiver	18,910,880	17,684,825	18,035,579	350,754
<b>Total federal program revenues</b>	<b>28,605,609</b>	<b>30,903,261</b>	<b>30,826,133</b>	<b>(77,128)</b>
Investment Earnings	348,840	348,840	415,411	66,571
<b>Total revenues</b>	<b>\$ 100,443,401</b>	<b>\$ 107,477,702</b>	<b>\$ 103,314,374</b>	<b>\$ (4,163,328)</b>



## Integral Care

Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund  
Year Ended August 31, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Expenditures				
Current				
Personnel	\$ 52,044,465	\$ 56,080,604	\$ 52,552,368	\$ 3,528,236
Employee benefits	13,147,585	13,843,046	12,128,850	1,714,196
Training and travel	971,259	1,145,537	1,145,571	(34)
Medication costs	336,115	337,739	460,131	(122,392)
Consumable supplies	384,550	417,285	349,505	67,780
Consultation and professional fees	19,791,873	21,585,614	18,370,949	3,214,665
Furniture and equipment	21,030	85,062	768,728	(683,666)
Facilities, telephone, and utilities	5,982,763	6,128,157	6,198,212	(70,055)
Insurance	364,126	379,658	361,266	18,392
Transportation	130,000	159,080	229,795	(70,715)
Professional fees	177,626	182,626	211,998	(29,372)
Client support costs	1,975,986	2,139,280	2,014,883	124,397
Other operating costs	1,896,420	2,234,195	2,479,599	(245,404)
Total current	<u>97,223,798</u>	<u>104,717,883</u>	<u>97,271,854</u>	<u>7,446,029</u>
Debt Service				
Principal	6,079	6,079	6,079	-
Interest	872	872	43,008	(42,136)
Total debt service	<u>6,951</u>	<u>6,951</u>	<u>49,087</u>	<u>(42,136)</u>
Capital Outlay	<u>3,212,652</u>	<u>2,752,868</u>	<u>1,140,062</u>	<u>1,612,806</u>
Total expenditures	<u>100,443,401</u>	<u>107,477,702</u>	<u>98,461,003</u>	<u>9,016,699</u>
Net Changes in Fund Balances	-	-	4,853,372	4,853,372
Fund Balances, September 1, 2018	<u>28,282,526</u>	<u>28,282,526</u>	<u>28,282,526</u>	<u>-</u>
Fund Balances, August 31, 2019	<u>\$ 28,282,526</u>	<u>\$ 28,282,526</u>	<u>\$ 33,135,898</u>	<u>\$ 4,853,372</u>

Integral Care  
Statement of Net Position – Proprietary Funds  
August 31, 2019

	Business-type Activities - Enterprise Funds		
	Housing First, LLC	New Milestones Foundation	Total
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	\$ 301,524	\$ 545,285	\$ 846,809
Accounts receivables, net	-	506	506
Other assets	-	36,504	36,504
Total current assets	<u>301,524</u>	<u>582,295</u>	<u>883,819</u>
<b>Noncurrent assets</b>			
<b>Restricted assets</b>			
Investment in Austin Community Foundation	-	312,509	312,509
Capital assets, net	-	4,125,756	4,125,756
Total noncurrent assets	<u>-</u>	<u>4,438,265</u>	<u>4,438,265</u>
Total assets	<u>301,524</u>	<u>5,020,560</u>	<u>5,322,084</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable	-	72,513	72,513
Other liabilities	-	55,364	55,364
Unearned revenues	-	28,124	28,124
Due to other funds	-	128,649	128,649
Total current liabilities	<u>-</u>	<u>284,650</u>	<u>284,650</u>
Total liabilities	<u>-</u>	<u>284,650</u>	<u>284,650</u>
<b>Net Position</b>			
Investment in capital assets	-	4,125,756	4,125,756
Restricted for permanent endowment - nonexpendable	-	312,509	312,509
Unrestricted	301,524	297,645	599,169
Total Net Position	<u>\$ 301,524</u>	<u>\$ 4,735,910</u>	<u>\$ 5,037,434</u>

Integral Care  
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds  
Year Ended August 31, 2019

	Business-type Activities - Enterprise Funds		
	Housing First, LLC	New Milestones Foundation	Total
Operating Revenues			
Charges for services	\$ -	\$ -	\$ -
Property revenues	-	861,888	861,888
Other revenues	-	167,239	167,239
Total operating revenues	-	1,029,127	1,029,127
Operating Expenses			
Property expenses	-	530,482	530,482
Depreciation	-	164,353	164,353
Administrative	-	399,551	399,551
Total operating expenses	-	1,094,386	1,094,386
Operating Gain (Loss)	-	(65,259)	(65,259)
Nonoperating Revenues/Expenses			
Investment income	-	9,932	9,932
Total nonoperating revenues/expenses	-	9,932	9,932
Change in Net Position	-	(55,327)	(55,327)
Net Position, Beginning of Year	301,524	4,791,237	5,092,761
Net Position, End of Year	<u>\$ 301,524</u>	<u>\$ 4,735,910</u>	<u>\$ 5,037,434</u>

Integral Care  
Statement of Cash Flows – Proprietary Funds  
Year Ended August 31, 2019

	<u>Business-type Activities - Enterprise Funds</u>		
	Housing First, LLC	New Milestones Foundation	Total
Operating Activities			
Cash received from customers	\$ -	\$ 861,550	\$ 861,550
Other receipts	-	167,239	167,239
Cash payments to suppliers for goods and services	-	(931,035)	(931,035)
Net Cash from Operating Activities	<u>-</u>	<u>97,754</u>	<u>97,754</u>
Capital and Related Financing Activities			
Purchase of capital assets	-	(103,256)	(103,256)
Net Cash used for Capital and Related Financing Activities	<u>-</u>	<u>(103,256)</u>	<u>(103,256)</u>
Investing Activities			
Interest on investments	-	9,932	9,932
Change in investment in Austin Community Foundation	-	(3,923)	(3,923)
Net Cash from Investing Activities	<u>-</u>	<u>6,009</u>	<u>6,009</u>
Net Change in Cash and Cash Equivalents	-	507	507
Cash and Cash Equivalents, Beginning of Year	<u>301,524</u>	<u>544,778</u>	<u>846,302</u>
Cash and Cash Equivalents, End of Year	<u>\$ 301,524</u>	<u>\$ 545,285</u>	<u>\$ 846,809</u>
Reconciliation of Operating Gain (Loss) to Net Cash from Operating Activities			
Operating gain (loss)	\$ -	\$ (65,259)	\$ (65,259)
Adjustments to reconcile operating loss to net cash from for operating activities			
Noncash items included in net operating loss			
Depreciation	-	164,353	164,353
Change in assets and liabilities			
(Increase) decrease in			
Accounts receivable	-	(338)	(338)
Other assets	-	(9,727)	(9,727)
Increase (decrease) in			
Accounts payable	-	15,463	15,463
Other liabilities	-	1,520	1,520
Unearned revenues	-	(8,258)	(8,258)
Net Cash from Operating Activities	<u>\$ -</u>	<u>\$ 97,754</u>	<u>\$ 97,754</u>

Integral Care  
Statement of Net Position – Fiduciary Fund  
August 31, 2019

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	<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, 2019, the employee receivable balance on payroll advances was \$361,428, and the allowance for uncollectible was \$42,380. An additional payroll receivable of \$1,147 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, 2019, is \$385,031.

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, 2019 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 2019, 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, 2019, 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, 2019, 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, 2019 consisted of the following:

Land	\$	530,700
Building and improvements		6,161,097
Equipment		66,375
		6,758,172
Less accumulated depreciation		2,632,416
Capital assets, net		\$ 9,390,588

Depreciation expense for the year ended August 31, 2019, was \$164,353. 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, 2019 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, 2019.

## 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, 2019, Integral Care had the following investments:

	<u>August 31, 2019</u>	<u>Due in less than one year</u>
Investment in Austin Community Foundation	\$ 312,509	\$ 312,509
Texpool	2,318,537	2,318,537

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, 2019, 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, 2019, 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	\$ 922,861
Travis County	1,528,552
Community Care Collaborative (CCC)	2,719,421
HHSC -Behavioral Health & Substance Abuse	2,749,225
HHSC - Intellectual Developmental Disabilities	161,094
HHSC - Medicaid Administrative Claim, TxHmLvg	1,582,134
Medicaid/Medicare/HMO/State SA	1,096,768
TCOOMMI	260,371
Other Local	172,600
Other State	66,384
Other Federal	517,664
Total due from other governments	<u>11,777,074</u>
Allowance for uncollectible accounts	<u>(385,031)</u>
	<u>\$ 11,392,043</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 83<sup>rd</sup> 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, 2019, 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, 2019, the balance on this note receivable was \$4,640,995.

\$1,724,389 of the DSHS funds referenced in the first paragraph of Note 11, were expensed by Integral Care toward Housing First Oak Springs in prior fiscal years prior to the closing of Housing First Oak Springs, LP. These funds were reimbursed to Integral Care upon closing and were then advanced to Housing First Oak Springs, LP to fully fund the DSHS note. As these funds were previously reported as expensed to DSHS, the \$1,724,389 of the note payable would be reimbursable to Integral Care. The \$1,724,389 plus the \$4,640,995 note receivable referenced in the second paragraph in Note 11, account for the \$6,365,384 note receivable reported by Integral Care in the general fund.

**Note 12 - Capital Assets**

A summary of changes in capital assets for governmental activities for the year ended August 31, 2019 is as follows:

	Balance at September 1, 2018	Additions	Retirements/ Transfers	Balance at August 31, 2019
<b>Governmental Activities</b>				
Non-depreciable assets:				
Land	\$ 1,582,517			\$ 1,582,517
Construction in progress	1,944,879	1,156,703	(662,180)	2,439,402
Total non-depreciable assets	3,527,396	1,156,703	(662,180)	4,021,919
Depreciable assets:				
Buildings and improvements	35,213,781	771,419	(211,671)	35,773,529
Furniture and equipment	4,469,830	7,660	-	4,477,490
Vehicles	926,969	6,390	-	933,359
Total depreciable assets	40,610,580	785,469	(211,671)	41,184,378
Less accumulated depreciation for:				
Buildings and improvements	(12,623,298)	(1,315,611)	120,883	(13,818,026)
Furniture and equipment	(3,213,929)	(617,039)	2,580	(3,828,388)
Vehicles	(850,156)	(73,270)	-	(923,426)
Total accumulated depreciation	(16,687,383)	(2,005,920)	123,463	(18,569,840)
Governmental activities capital assets, net	\$ 27,450,593	\$ (63,748)	\$ (750,388)	\$ 26,636,457

Depreciation expense for the year ended August 31, 2019 was charged to the following function and program of the government-wide financial statements as follows:

Governmental Activities	
Behavioral health - adult	\$ 1,384,337
Behavioral health - children	121,422
Intellectual and developmental disabilities	170,834
Substance abuse	144,679
Early childhood intervention	13,982
Authority and general administration	<u>170,666</u>
 Total depreciation expense	 <u><u>\$ 2,005,920</u></u>

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

	Balance at September 1, 2018	Additions	Retirements/ Transfers	Balance at August 31, 2019
Business-Type Activities				
Non-depreciable assets				
Land	\$ 530,700	\$ -	\$ -	\$ 530,700
Depreciable assets				
Buildings and improvements	6,095,683	65,414		6,161,097
Equipment	28,533	37,842		66,375
	<u>6,124,216</u>	<u>103,256</u>	<u>-</u>	<u>6,227,472</u>
Less accumulated depreciation	<u>(2,468,063)</u>	<u>(164,353)</u>		<u>(2,632,416)</u>
Total depreciable assets	<u>3,656,153</u>	<u>(61,097)</u>	<u>-</u>	<u>3,595,056</u>
Business-type activities capital assets, net	<u><u>\$ 4,186,853</u></u>	<u><u>\$ (61,097)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 4,125,756</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, 2019 was \$164,353.

**Note 13 - Long-Term Debt**

The following is a summary of changes in long-term debt for the year ended August 31, 2019:

	Balance at September 1, 2018	Additions	Retirements	Balance at August 31, 2019	Due Within One Year
Governmental activities					
Capital lease payable	\$ 35,698	\$ -	\$ (6,079)	\$ 29,619	\$ 19,279
Compensated absences	1,904,486	4,369,341	(4,392,977)	1,880,850	-
Total	<u>\$ 1,940,184</u>	<u>\$ 4,369,341</u>	<u>\$ (4,399,056)</u>	<u>\$ 1,910,469</u>	<u>\$ 19,279</u>

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, 2019 had a balance of \$2,244. 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, 2019 had balances ranging from \$395 to \$14,749. Related amortization expense for these copiers is included in depreciation expense.

Minimum future lease payments on capital leases as of August 31, 2019 are:

2020	\$ 19,279
2021	<u>11,914</u>
Total	31,193
Less amount representing interest	<u>1,574</u>
Present value of minimum lease payments	<u>\$ 29,619</u>

At August 31, 2019, 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 2024. 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:

2020	\$ 2,478,389
2021	2,116,693
2022	346,019
2023	41,530
2024	<u>19,772</u>
Total	<u>\$ 5,002,403</u>

Total rent expenditures under operating leases, including leases with maturities of less than one year, were \$2,301,060 for the year ended August 31, 2019.

**Note 15 - Interfund Receivables and Payables**

The following is a summary of interfund receivables and payables:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General fund	\$ 128,649	\$ -
New Milestones Foundation		128,649
Total enterprise fund	<u>\$ 128,649</u>	<u>\$ 128,649</u>

All 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, 2019, the fund balance for governmental funds is made up of the following:

	General Fund	Capital Improvement Fund	Total
Nonspendable			
Prepaid items	\$ 768,384	\$ -	\$ 768,384
Notes receivable	6,365,384		6,365,384
Committed			
Budget Contingency	41,334		41,334
Assigned			
Accrued compensated absences	1,880,850		1,880,850
Unassigned	24,079,946		24,079,946
Total	\$ 33,135,898	\$ -	\$ 33,135,898

The notes receivable of \$6,365,384 represents funds Integral Care advanced to Housing First Oak Springs, LP. Of that amount, \$3,963,794 had been received through donations as of August 31, 2019 and \$1,724,389 had been received from the Department of State Health Services.

**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 \$2,012,903 for 2019 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 \$1,472,892 for the year ended August 31, 2019. In addition, employees contributed an additional \$43,528 to a 457 plan and \$511,638 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 2014 through 2019, 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, 2019, these contracts have been continued through August 31, 2020.

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	\$ 27,210,100	26.3%
1115 Transformation Waiver	18,035,579	17.5%

**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.

**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 2019 was the 1115 transformation waiver demonstration year 8. During fiscal year 2019, Integral Care recognized and earned \$18,035,579 in revenues from this program.

**Note 24 - Subsequent Events**

On December 12, 2019, Integral Care issued Revenue Anticipation Note, Series 2019 in the amount of \$13,000,000. The note proceeds will provide the Center with interim funds for the payment of current and operating expenses for the 2020 fiscal year in anticipation of the receipt of revenues collected for the same fiscal year. The note was acquired to ensure there was no disruption in cash flow while the Intergovernmental Transfer was sent through the state to the federal government in order to receive the payment achieved in meeting the 1115 measures. 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. Based on historical submission of the Intergovernmental Transfer and receipt of payment for achieving 1115 waiver measures, the funds are typically outstanding for less than 30 days.

At the end of October 2019, Integral Care advanced \$2,428,984 to Housing First Oak Springs, LP in order to ensure funds were available as of November 1, 2019 to pay off the \$11,500,000 construction loan. The funds represent a short-term loan that will be paid back to Integral Care once the second disbursement of funds from the limited partner are made to the partnership in accordance with the terms of the limited partnership agreement.

On November 26, 2019, Integral Care purchased a facility located at 2501 W. William Cannon Drive in Austin, TX for \$3,256,415. The site will serve as the future site of the current Dove Springs clinic and Integral Care Pharmacy and is in alignment with Integral Care's Facility Master Plan regarding replacing high lease properties with properties owned by the Center.

### Note 25 - Prior Period Adjustment

The Statement of Net Position as of August 31, 2018 reflected Notes Receivable of \$9,083,433 comprised of two notes of \$4,442,438 and \$4,640,995 between Housing First Oak Springs, LP and Integral Care. As of August 31, 2018, the \$4,640,995 had been fully funded and \$2,718,049 of the \$4,442,438 note had been funded. The remaining \$1,724,389 of the \$4,442,438 note was funded during Fiscal Year 2019. As a portion of the Note Receivable was not funded until after August 31, 2018, an overstatement of Notes Receivable was reflected on the Statement of Net Position as of August 31, 2018. As of August 31, 2019, both notes were fully funded. The following is a summary of the effects of the prior period adjustment in the Center's governmental activities at and as of August 31, 2018:

	As Previously Reported	Adjustment	As Restated
<b>Statement of net position</b>			
Notes receivable	\$ 9,083,433	\$ (1,724,389)	\$ 7,359,044
Net position	58,395,033	(1,724,389)	56,670,644
<b>Statement of activities</b>			
Operating grants and contributions	84,562,866	(1,724,389)	82,838,477
Change in net position	8,911,523	(1,724,389)	7,187,134



Statistical Section (Unaudited)  
August 31, 2019

# Integral Care

Integral Care  
Schedule of Revenues and Expenditures by Source of Funds – General Fund  
(Unaudited)  
Year Ended August 31, 2019

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
<b>Objects of Expense</b>								
Personnel	\$ 52,528,733	\$ 18,293,642	\$ 7,281,248	\$ 9,779,912	\$ 5,020,870	\$ 12,153,061	\$ 52,528,733	\$ -
Employee benefits	12,128,850	4,304,532	1,656,414	2,151,434	1,238,136	2,778,334	12,128,850	-
Professional and consultant services	18,370,949	1,656,148	361,949	12,133,119	600,098	3,619,635	18,370,949	-
Training and travel	1,145,571	398,015	121,152	123,897	166,481	336,026	1,145,571	-
Debt service	49,860	21,737	5,283	12,091	3,873	6,876	49,860	-
Capital outlay	1,276,380	47,622	2,671	40,916	1,264	1,183,907	1,276,380	-
Non-capitalized equipment	768,728	350,854	78,959	89,598	49,438	199,879	768,728	-
Pharmaceutical expense	459,863	322,009	41	40,978	-	96,835	459,863	-
Pharmaceutical expense (PAP only)	2,757,477	2,757,477	-	-	-	-	2,757,477	-
Other operating expense	11,708,436	4,065,403	1,175,390	1,891,337	735,479	3,840,827	11,708,436	-
Total expenditures	<u>\$ 101,194,847</u>	<u>\$ 32,217,439</u>	<u>\$ 10,683,107</u>	<u>\$ 26,263,282</u>	<u>\$ 7,815,639</u>	<u>\$ 24,215,380</u>	<u>\$ 101,194,847</u>	<u>\$ -</u>
<b>Method of Finance</b>								
General revenue - behavioral health	\$ 11,189,244	\$ 9,025,227	\$ 2,164,017				\$ 11,189,244	\$ -
General revenue - IDD	3,390,015				3,390,015		3,390,015	-
Mental Health Block Grant	1,731,777	1,317,418	414,359				1,731,777	-
CLOIP	295,686				295,686		295,686	-
Title XX - TANF	159,113	92,347	66,766				159,113	-
Title XX - Social Services Block Grant	509,998	49,433	460,565				509,998	-
Other federal - DADS	186,733				186,733		186,733	-
Other general revenue	8,097,199	4,621,948	541,537	2,933,714			8,097,199	-
Crisis services - mental health	8,378,517			8,378,517			8,378,517	-
Other state funds	5,957,334	3,948			29,925	5,923,461	5,957,334	-
Earned income	28,661,705	9,085,402	2,399,650	3,716,375	3,321,765	6,188,407	24,711,599	3,950,106
Required local match	3,149,512	2,053,050		751,300	345,162		3,149,512	-
Additional local match	34,365,016	5,968,665	4,636,212	10,483,376	246,353	12,103,510	33,438,116	926,900
Total expended sources	<u>\$ 106,071,849</u>	<u>\$ 32,217,438</u>	<u>\$ 10,683,106</u>	<u>\$ 26,263,282</u>	<u>\$ 7,815,639</u>	<u>\$ 24,215,378</u>	<u>\$ 101,194,843</u>	<u>\$ 4,877,006</u>

Integral Care  
Reconciliation of Total Revenues and Expenditures to Fourth Quarter Financial Report  
(Unaudited)  
Year Ended August 31, 2019

	Revenues			Audited Financial Statements
	Care Report III	Additions	Deletions	
<b>Local Revenues</b>				
City funds	\$ 5,913,587	\$	\$	\$ 5,913,587
County funds	6,419,960			6,419,960
Other taxing authority funds	9,771,198			9,771,198
Earned income	11,103,213			11,103,213
Rental income	693,393			693,393
Miscellaneous income & contribution:	4,754,866			4,754,866
Patient Assistance Programs	2,757,477		(2,757,477) (a)	-
Total local revenue	<u>41,413,694</u>	<u>-</u>	<u>(2,757,477)</u>	<u>38,656,217</u>
<b>State Program Revenues</b>				
HHSC - Mental Health	27,210,100			27,210,100
HHSC - substance use disorder	392,202			392,202
HHSC - IDD	3,685,701			3,685,701
TCOOMMI	152,044			152,044
HHSC - early childhood intervention	1,805,532			1,805,532
Other state programs	171,034			171,034
Total state program revenues	<u>33,416,613</u>	<u>-</u>	<u>-</u>	<u>33,416,613</u>
<b>Federal Program Revenues</b>				
HHSC - Mental Health	3,427,745			3,427,745
HHSC - substance use disorder	2,346,345			2,346,345
HHSC - IDD	186,733			186,733
Ryan White	430,362			430,362
CDBG - YAFAC	203,696			203,696
HUD - supported housing	404,725			404,725
SAMSHA Aware	5,627			5,627
SAMHSA MHAT	70,965			70,965
SAMHSA CCBHC	1,069,418			1,069,418
SAMHSA CHR-P	184,054			184,054
UTDMS SAMHSA	16,515			16,515
Travis County - Parents in Recovery	54,505			54,505
VA - SafeHaven Grant	754,599			754,599
HHSC - early childhood intervention	518,180			518,180
Medicaid Administrative Claiming	3,116,846			3,116,846
Capital metro	241			241
1115 Transformation Waiver	18,035,579			18,035,579
Total federal program revenues	<u>30,826,133</u>	<u>-</u>	<u>-</u>	<u>30,826,133</u>
Investment Earnings	<u>415,411</u>			<u>415,411</u>
Total revenues	<u>\$ 106,071,851</u>	<u>\$ -</u>	<u>\$ (2,757,477)</u>	<u>\$ 103,314,374</u>

(a) Free medicine used

Integral Care  
Reconciliation of Total Revenues and Expenditures to Fourth Quarter Financial Report  
(Unaudited)  
Year Ended August 31, 2019

Function	Expenditures			Audited Financial Statements
	Care Report III	Additions	Deletions	
Personnel	\$ 52,528,733	\$	\$ 23,635 (a)	\$ 52,552,368
Employee benefits	12,128,850			12,128,850
Professional and consultant service	18,370,949			18,370,949
Training and travel	1,145,571			1,145,571
Debt service	49,860		(773) (c)	49,087
Capital outlay	1,276,380			1,276,380
Non-capitalized equipment	768,728			768,728
Pharmaceutical expense	459,863		268 (c)	460,131
Pharmaceutical expense (PAP only)	2,757,477		(2,757,477) (b)	-
Other operating expense	11,708,436		503 (c)	11,708,939
	<u>\$ 101,194,847</u>	<u>\$ -</u>	<u>\$ (2,733,844)</u>	<u>\$ 98,461,003</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, 2019

	Total Costs	Nonallowable Costs	Depreciation	Total Adjusted Costs	Direct Costs	Indirect Costs
Personnel	\$ 52,528,732	\$ -	\$ -	\$ 52,528,732	\$ 45,767,473	\$ 6,761,259
Employee benefits	12,128,850	-		12,128,850	10,629,448	1,499,402
Capital outlay	1,276,380	1,276,380		-	-	-
Depreciation			2,005,920	2,005,920	1,834,779	171,141
Other operating expenses	32,503,405	393,784		32,109,621	29,335,444	2,774,177
<b>Total expenditures</b>	<b>\$ 98,437,367</b>	<b>\$ 1,670,164</b>	<b>\$ 2,005,920</b>	<b>\$ 98,773,123</b>	<b>\$ 87,567,144</b>	<b>\$ 11,205,979</b>
Indirect cost						11,205,979
Direct costs						87,567,144
Indirect cost rate						12.80%



Integral Care  
Schedule of Insurance in Force  
(Unaudited)  
Year Ended August 31, 2019

Insurer	Policy Period	Coverage	Limits or Amounts	
Texas Council Risk Management Fund	9/1/18 - 9/1/2019	Workers Compensation	Statutory	
	9/1/18 - 9/1/2019	General Liability	\$1,000,000	Combined Single Limit
			\$1,000	Deductible
	9/1/18 - 9/1/2019	Errors & Omission	\$1,000,000	Per Claim
			\$3,000,000	Annual Aggregate
			\$25,000	Deductible
	9/1/18 - 9/1/2019	Professional Liability	\$1,000,000	Per Claim
			\$3,000,000	Annual Aggregate
			\$10,000	Deductible
	9/1/18 - 9/1/2019	Automobile Liability	\$1,000,000	Combined Single Limit
		Liability	Various	Limits
		Physical Damage	\$100k/\$300k	Limits
		Uninsured/Underinsured	\$1,000,000	Combined Single Limit
	9/1/18 - 9/1/2019	Excess Liability	\$1,000,000	Aggregate
		Buildings	\$27,541,765	
		Contents	\$6,231,762	
		Boiler & Machinery Equipment	\$79,992	
		EDP Equipment	\$6,574,721	
		Personal Effects	\$10,000	
		Vacant Buildings	\$481,052	
		Property - Off Premises	\$10,000	
		Valuable Papers	\$250,000	
		EDP - Media/Software	\$250,000	
		Loss of Revenue/Business	\$1,000,000	
		Extra Expense	\$1,000,000	
		Loss of Rents/Rental Income	\$500,000	
		Accounts Receivable	\$50,000	
		Flood - Other than Zones A/V	\$10,000,000	
		Newly Acquired Locations	\$1,500,000	
		Prop in the Course of Const.	\$1,000,000	
		Expediting Expenses	\$100,000	
		Property in Transit	\$500,000	
		Increased Cost of Construction	\$1,000,000	
		Demolition Cost	\$500,000	
		Debris Removal	\$500,000	
		Hazardous Materials Cleanup	\$10,000	
		Off-Premises Service Interr.	\$1,000,000	
		Miscellaneous Locations	\$500,000	
		Contingent Business Interr.	\$50,000	

**Integral Care**  
 Schedule of Insurance in Force  
 (Unaudited)  
 Year Ended August 31, 2019

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Insurer	Policy Period	Coverage	Limits or Amounts
American Bankers Insurance Company of Florida	2/18/18-2/18/19	Flood - Tahoe Trail-Building	
		1st Floor	\$250,000
		Contents	\$18,900
		Deductible	\$1,250
	10/1/18-10/1/19	Flood - Jones House Building	\$250,000
		Contents	\$100,000
		Deductible	\$1,250

Integral Care  
Schedule of Leases in Effect  
(Unaudited)  
Year Ended August 31, 2019

Lessor	Location	Period Covered	Amount (\$ per month)
<b>Property Leases</b>			
Collier Properties LLC	1700 S. Lamar, Bldg. 1	12/1/2012 6/30/2021	\$ 25,623
	1701 S. Lamar, Suite 230	7/1/2013 6/30/2021	\$ 5,052
	1701 S. Lamar, Suite 240	7/1/2016 6/30/2021	\$ 6,685
	1701 S. Lamar, Suite 322	7/1/2016 6/30/2021	\$ 4,537
Texas RioGrande Legal Aid, Inc.	4920 North IH-35 Austin, TX	6/22/2012 9/30/2021	\$ 8,979
Sigland Properties II, Ltd	825 E. Rundberg Lane - Base Rent	2/1/2015 7/31/2022	\$ 25,939
Oldwood Riverside Place, LP	2410 E. Riverside, Suite G3	2/1/2015 1/31/2022	\$ 12,264
Boyd Austin I GSA LL	5015 South IH-35	12/15/2013 6/14/2021	\$ 43,028
<b>Vehicle Leases</b>			
Leasing Associates	2015 Chevrolet 2500 Express Van	1/1/2015 12/31/2019	\$ 579
<b>Copiers and Printers</b>			
Various	Various	Various	\$ 10,885
<b>Other Rental Payments</b>			
Iron Mountain		Month to Month	\$ 2,480
Safe Site, Inc.		Month to Month	\$ 1,587

Integral Care  
Schedule of Bond Coverage  
(Unaudited)  
Year Ended August 31, 2019

Surety Company	Scope of Coverage	Limit	Deductible
Travelers 8/31/16 - 8/31/19	Employee Theft	\$ 3,500,000	\$ 25,000
	ERISA Fidelity	500,000	None
	Employee Theft of Client Property	100,000	5,000
	Forgery or Alteration	100,000	2,500
	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, 2019

Name	Type of Service	Amount
TWG Investments Ltd	Crises Residential Center Staffing	\$ 2,250,832
Westways Staffing Services Inc	Counselors/Nurse Staffing	556,286
Meridian Psychiatric Services	Psychiatric Services	221,430
Duke C Garwood Architects Inc	Architect & Engineering Fees	154,787
Locumtenens	Psychiatric Services	113,400
Carmahealth PLLC	Psychiatric Services	110,141
Eide Bailly LLP	Audit/Accounting	80,500
Matador Project Solutions	Consulting Fees	77,442
JSA Health Corporation	Psychiatric Services	62,783
Medical Staffing Network Inc	Pharmacy Staffing	58,024
Maxwell Locke & Ritter LLP	Audit/Accounting	33,300
Own Your Happiness	Psychosocial Therapy	25,805
Shane Mckay MD	Psychiatric Services	23,760
Moca Systems	Design Floor & Fire Evac Plans	22,007
Coda Consulting Group	Construction Monitoring	19,200
Holt Engineering Inc	Architect & Engineering Fees	18,193
Connie Heaps LPC	Therapy Services	13,475
Alma Mena	Bilingual Therapy	12,638
Harrison Psychological Services PLLC	Psychological Services	11,500
MBD Financial Partners LLC	Audit/Accounting	9,829
Texhahn Media Inc	Professional Services	7,500
Denis Trescot Flynn	Psychiatric Services	5,770
Cristina Peck LPC LMFTA	Therapy Services	4,845
R Mendoza & Company PC	Audit/Accounting	4,750
Amanda Robinson LLC	Licensed Professional Counseling	4,750
Witt & Witt Interior Design	Design Fees	4,537
Behavior Pioneer Austin	Therapy Services	3,750
Structure Development	Consulting Fees	2,863
Nursestaffing	Nurse Staffing	2,659
Sarah Mccafferty LCSW	Therapy Services	2,644
Landrum Counseling And Consulting PLLC	Therapy Services	2,550
Michael Downing	Therapy Services	2,515
Roth Psychotherapy Services	Psychotherapy Services	2,040
Bilingual Counselors Of Texas	Therapy Services	1,970
Michael D Romero LCSW	Therapy Services	1,575
Rebecca Roth PLLC	Therapy Services	1,530
Nrc Bilingual Psychological Services, PLLC	Psychological Services	1,525
Deans Professional Services	Psychiatric/Nursing Services	1,442
		<u>\$ 3,934,545</u>

Integral Care  
Schedule of Legal Services  
(Unaudited)  
Year Ended August 31, 2019

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Name	City	Type of Service	Amount
Haynes and Boone LLP	Austin	General Legal Counsel	\$ 3,135
Husch Blackwell	Austin	General Legal Counsel	2,066
Jackson Walker LLP	Austin	General Legal Counsel	2,030
Locke Lord LLP	Austin	General Legal Counsel	7,651
Taylor Olson Adkins Sralla & Elam LLP	Austin	General Legal Counsel	<u>6,325</u>
			<u><u>\$ 21,207</u></u>



Federal and State Award Section  
August 31, 2019

## 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**

To 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, 2019, 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 29, 2020.

**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 over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2019-001 that we consider to be a material weakness.



**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*.

**Integral Care's Response to Finding**

Integral Care's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Integral Care's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**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.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP".

Abilene, Texas  
January 29, 2020



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**

To 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, 2019. 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, 2019.

## **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.



Abilene, Texas  
January 29, 2020

**Integral Care**  
**Schedule of Expenditures of State and Federal Awards**  
**Year Ended August 31, 2019**

Program Title	Pass Through Grantor Number	Expenditures	Subrecipient Expenditures
<b>State Awards</b>			
<b>Texas Health and Human Services Commission</b>			
<b>Local Mental Health Authority (LMHA)</b>			
General Revenue - Behavioral Health Adult	529-17-0038-00004	\$ 9,025,227	\$ -
General Revenue - Behavioral Health Child	529-17-0038-00004	2,164,017	-
Crisis Redesign	529-17-0038-00004	2,384,095	-
PESC	529-17-0038-00004	3,419,892	-
Outpatient Competency Restoration	529-17-0038-00004	567,030	-
Private Psychiatric Beds	529-17-0038-00004	2,007,500	-
Veteran Services	529-17-0038-00004	99,286	96,804
Supportive Housing	529-17-0038-00004	310,655	-
Mental Health First Aid	HHS000017600002	61,900	-
Healthy Community Collaboratives (HCC)	2016-048882-001	2,462,280	306,894
Mental Health Grant for Justice-Involved Individuals (SB292)	HHS000134400011	4,151,606	-
Community Mental Health Grant Program (HB13)	HHS00014970015	483,959	-
Block Grant Homeless/Path - MH	2016-048124-001C	72,186	-
<b>Total LMHA</b>		<b>27,209,633</b>	<b>403,698</b>
<b>Local IDD Authority (LIDDA)</b>			
General Revenue - Intellectual & Developmental Disabilities	529-18-0020-00001	2,655,100	-
CLOIP	529-18-0020-00001	295,686	-
Permanency Planning	529-18-0020-00001	34,589	-
Crisis Intervention Specialists	529-18-0020-00001	245,028	-
Crisis Respite	529-18-0020-00001	133,430	-
Nursing Facility PASRR Service Coordination	529-18-0020-00001	266,567	-
Pre Admission Screening and Resident Review - Form 1048 Billings	529-18-0020-00001	55,357	-
<b>Total LIDDA</b>		<b>3,685,757</b>	<b>-</b>
<b>Interagency Council of Early Childhood - Intervention</b>	HHS 000191200034	<b>149,163</b>	<b>-</b>
<b>Interagency Council of Early Childhood - Respite</b>	HHS 000191200034	<b>2,881</b>	<b>-</b>
<b>Total ECI</b>		<b>152,044</b>	<b>-</b>
<b>Texas Department of State Health Services (Substance Abuse)</b>			
HIV Early Intervention	2016-048243-003	17,043	-
HIV Outreach	2016-048178-003	21,175	-
Dual Diagnosis	2016-048319-005	31,763	-
Office Based Treatment	2018-050034-001	10,432	-
Prevention & Treatment of Substance Abuse - Treatment Adult (TRA)	2016-048529-003	278,888	-
Specialized Female (TRF)	2016-048319-006	51	-
Opioid Therapy Services	2016-049557-003	4,036	-
Youth Prevention Indicated (YPI)	2016-048100-003	28,946	-
<b>Total Texas Department of State Health Services (Substance Abuse)</b>		<b>392,333</b>	<b>-</b>
<b>Cancer Prevention and Research Institute of Texas (CPRIT)</b>			
Passed through The University of Texas MD Anderson Cancer Center			
Taking Texas Tobacco Free	R-18-0043	141,222	-
<b>Total Cancer Prevention and Research Institute of Texas (CPRIT)</b>		<b>141,222</b>	<b>-</b>
<b>Total State Awards</b>		<b>\$ 31,580,989</b>	<b>\$ 403,698</b>

Integral Care  
Schedule of Expenditures of State and Federal Awards  
Year Ended August 31, 2019

Program Title	Federal CFDA Number	Pass Through Grantor Number	Expenditures	Subrecipient Expenditures
<b>Federal Awards</b>				
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	\$ 3,077,288	\$ -
ECI Medicaid Administrative Claiming	93.778	529-09-0032-00037A	39,558	-
Total CFDA 93.778 Medicaid Cluster			<u>3,116,846</u>	<u>-</u>
Passed through the Texas Department of Aging and Disability Services				
Money Follows the Person - Transition Support Team	93.791	529-18-0020-00001	147,386	-
Money Follows the Person - Enhanced Community Coordination	93.791	529-18-0020-00001	39,344	-
Total CFDA 93.791			<u>186,731</u>	<u>-</u>
Passed through the Texas Department of State Health Services (Behavioral Health)				
Block Grant Homeless/PATH	93.150	2016-048124-001C	499,811	-
Temporary Assistance for Needy Families (TANF)	93.558 *	529-17-0038-00004	509,998	-
Social Services Block Grant - Title XX SSBG	93.667	529-17-0038-00004	159,113	-
Mental Health Block Grant	93.958 (1)	529-17-0038-00004	1,550,277	-
Suicide Regional Expansion	93.958 (1)	HHSC000502700001	62,046	-
Mental Health Block Grant - Consumer Operated Services	93.958 (1)	529-17-0038-00004	181,500	162,338
MHBG Coordinated Specialty Care	93.958 (1)	2016-049446-001	465,000	-
Passed through the Texas Department of Assistive & Rehabilitative Services				
Temporary Assistance for Needy Families (TANF)	93.558 *	HHS 000191200034	51,293	-
Passed through City of Austin				
Ryan White Title I Funds	93.914	NG170000042	227,046	-
Ryan White Title I Funds	93.914	NG170000042	203,317	-
Total CFDA 93.914			<u>430,362</u>	<u>-</u>
Passed through the Texas Health and Human Services Commission (Substance Abuse)				
Opioid Therapy Services-Neonatal Abstinence Syndrome Office Based Treatment	93.788 (2)	2016-049557-003	1,940	-
	93.788 (2)	2018-050034-001	86,696	-
			<u>88,637</u>	<u>-</u>
Block Grant for Prevention and Treatment of Substance Abuse - Treatment Adult	93.959 (3)	2016-048529-003	758,660	-
Block Grant for Prevention and Treatment of Substance Abuse - Treatment Adult	93.788 (2)	2016-048529-003	468,327	-
Block Grant for Prevention and Treatment of Substance Abuse - Dual Diagnosis	93.958 (1)	2016-048319-005	1,601	-
Block Grant for Prevention and Treatment of Substance Abuse - Dual Diagnosis	93.959 (3)	2016-048319-005	18,124	-
Block Grant for Prevention and Treatment of Substance Abuse - HIV Early Intervention	93.959 (3)	2016-048243-003	299,220	-
Block Grant for Prevention and Treatment of Substance Abuse - HIV Outreach	93.788 (2)	2016-048178-003	54,959	-
Block Grant for Prevention and Treatment of Substance Abuse - HIV Outreach	93.959 (3)	2016-048178-003	427,857	-
Block Grant for Prevention and Treatment of Substance Abuse - Specialized Female (TRF)	93.959 (3)	2016-048319-006	5,780	-
Block Grant for Prevention and Treatment of Substance Abuse - Youth Prevention Indicated (YPI)	93.959 (3)	2016-048100-003	223,759	-
(1) Total for CFDA 93.958	\$ 2,260,424			
(2) Total for CFDA 93.788	611,923			
(3) Total for CFDA 93.959	1,733,400			
(4) Total for CFDA 93.243	277,160			
* Total TANF Cluster	561,291			

Integral Care  
Schedule of Expenditures of State and Federal Awards  
Year Ended August 31, 2019

Program Title	Federal CFDA Number	Pass Through Grantor Number	Expenditures	Subrecipient Expenditures
Direct award from Substance Abuse and Mental Health Service Administration				
AWARE	93.243 (4)	5H79SM062599-03	5,627	
Amplify Care Through CCBHC	93.829	1H79SM081907-01	1,069,418	
Clinical High Risk Psychosis	93.243 (4)	1H79SM081187-01	184,054	
Mental Health Awareness Training	93.243 (4)	1H79SM081224-01	70,965	
			<u>1,330,063</u>	
Passed through Dell Medical School and University of Texas at Austin				
SAMHSA A Community-Based Integrative Dual Disorders Treatment Intervention for Individuals Experiencing Homelessness in Austin, TX	93.243 (4)	1H79SM080714-01	16,515	
Passed through Travis County				
Enhance the Safety of Children Affected by Parental Methamphetamine or Other Substance Abuse -System of Care	93.087	4400003965 Mod#4	54,505	
Total U.S. Department of Health and Human Services			<u>10,960,984</u>	<u>162,338</u>
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	HHS 000191200034	59,760	
Special Education - Grants for Infants and Families with Disabilities (IDEA, Part C)	84.181	HHS 000191200034	407,127	
Total U.S. Department of Education - Office of Special Education			<u>466,887</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	241	
Total U.S. Department of Transportation			<u>241</u>	<u>-</u>
U.S. Department of Housing and Urban Development Direct Awards				
Continuum of Care Program - HUD Fresh Start	14.267	TX0374L6J031704	134,087	
Continuum of Care Program - HUD Fresh Start	14.267	TX0374L6J031704	270,638	
			<u>404,725</u>	
Passed through City of Austin				
Community Development Block Grant - YAFAC	14.218	NG180000008	19,480	
Community Development Block Grant - YAFAC	14.218	NG180000008	184,216	
Total CDBG - Entitlement Grants Cluster			<u>203,696</u>	
Total U.S. Department of Housing and Urban Development			<u>608,420</u>	<u>-</u>
Total federal awards			<u>\$ 12,036,532</u>	<u>\$ 162,338</u>
Total state and federal awards			<u>\$ 43,617,521</u>	<u>\$ 566,036</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	\$ 31,580,989
TCOOMMI	1,805,532
TRC Fees Billed	29,925
Other	<u>167</u>
State revenues per basic financial statements	<u>\$ 33,416,613</u>
Federal expenditures per SESFA	\$ 12,036,532
1115 Transformation Waiver	18,035,579
Veterans Administration	754,599
Other	<u>(577)</u>
Federal revenues per basic financial statements	<u>\$ 30,826,133</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? Yes
- 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 200.516(a) of the Uniform Guidance? No

Identification of major programs:

- CFDA Number
  - 93.778 – Medical Assistance Program (Medicaid Cluster)
  - 93.829 – Amplify Care through CCBHC
- State General Revenue:
  - Behavioral Health - Adult
  - Intellectual & Developmental Disabilities
  - Healthy Community Collaboratives
  - Private Psychiatric Beds
  - MH Grants for Justice-Involved Individuals (SB292)

Dollar threshold used to distinguish between type A and type B programs?

Federal awards	\$ 750,000
State awards	\$ 947,430

Auditee qualified as low-risk auditee? Yes

**Section II – Financial Statement Findings**

Finding 2019-001:	Financial Reporting
Type of Finding:	Material Weakness
Criteria or Specific Requirement:	Management of the Company is responsible for the preparation and fair presentation of the financial statements in accordance with generally accepted accounting principles (GAAP). This includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement.
Statement of Condition:	Our audit procedures indicated that a prior period adjustment was necessary to properly state beginning net position. Without the adjustment to beginning net position could have resulted in a material misstatement of the Center’s financial statements.
Cause:	The Center entered into an agreement that requires complex transactions related to a housing project. A note receivable was reflected in prior period as fully funded when only a portion of the note was funded at the time, therefore, net position was overstated.
Effect:	At August 31, 2018, notes receivable and net position of governmental activities were overstated by \$1,724,389. As a result, the Center recorded a prior period adjustment to reduce net position of governmental activities as of September 1, 2018 by \$1,724,389.
Recommendation:	The Center should evaluate and improve the controls over financial reporting to ensure accurate financial reporting.
View of Responsible Officials:	Management agrees with the noted finding. Refer to Corrective Action Plan.

**Section III - Federal and State Award Findings and Questioned Costs**

None reported.



## Corrective Action Plan

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### **Government Auditing Standards**

#### **Finding 2019-001**

*Statement of Condition:*

Our audit procedures indicated that a prior period adjustment was necessary to properly state beginning net position of governmental activities. Lack of the adjustment to beginning net position could have resulted in a material misstatement of the Center's financial statements.

*Cause:*

The Center entered into an agreement that requires complex transactions related to a housing project. A note receivable was reflected in prior period as fully funded when only a portion of the note was funded at the time; therefore, net position was overstated.

*Responsible Individual:*

David Weden, Chief Administrative Officer/Chief Financial Officer

*Corrective Action Plan:*

The Center's Chief Financial Officer has posted to our financial statements the prior period adjustment noted above. In addition, any future adjustments to Notes Receivable will be reviewed and approved by the Chief Administrative Officer/Chief Financial Officer prior to posting.

*Anticipated Completion Date:*

February 1, 2020