



Financial Statements  
August 31, 2022

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CERTIFICATE OF BOARD APPROVAL

I, Trish Young Brown, Chairperson of the Board of Trustees of Integral Care, hereby certify that this accompanying audit report for fiscal year 2022 from Eide Bailly LLP was reviewed and approved at a meeting of the Executive Committee of the Board of Trustees held on the 23<sup>rd</sup> day of February, 2023.

*Patricia A. Young Brown*

Chairperson, Board of Trustees

February 23, 2023

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  
Deborah Smith  
Trish Young Brown  
Guadalupe Zamora, M.D.  
Sheriff Sally Hernandez

#### Key Officers

David Evans  
Anna Arage  
Lisa Laky  
Dawn Handley  
Louise Lynch  
Ellen Richards  
Ken Winston  
Sherry Blyth

Mesha Barnes  
Kathleen Casey

Marlene Buchanan  
Kim Macakiage  
Dr. Craig Franke

Chief Executive Officer  
Deputy Chief Financial Officer  
General Counsel  
Chief Operations Officer  
Provider Network & Authority Officer  
Chief Strategy Officer  
Director of IDD Services  
Director of Practice Management,  
Crisis, Criminal Justice and Substance  
Use Treatment Services  
Executive Manager  
Director of Clinical Innovation and  
Development  
Director of System of Care  
Director of Accountable Care Systems  
Medical Director



## Independent Auditor's Report

To the Board of Trustees  
Integral Care  
Austin, Texas

### Report on the Audit of the Financial Statements

#### ***Opinions***

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Integral Care (the Center) as of and for the year ended August 31, 2022, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements as listed in the table of contents.

In our opinion, based on our report and the reports of other auditors, the accompanying 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, 2022, 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.

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 represent 81.56%, 80.59% and 97.56%, respectively, of the assets, net position and revenues of the business-type activities and 86.67%, 85.94% and 97.56%, respectively, of the assets, net position and revenues of the Integral Care 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 reports of the other auditors.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), and the *Guidelines for Annual Financial and Compliance Audits of Community Mental Health and Mental Retardation Centers*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Center and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Adoption of New Accounting Standard***

As discussed in Note 3 to the financial statements, the Center has adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 87, *Leases*, for the year ended August 31, 2022. Accordingly, a restatement has been made to the Governmental Activities net position as of September 1, 2021, to restate beginning right to use leased assets and related lease liability. Our opinions are not modified with respect to this matter.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Center's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the *Guidelines for Annual Financial and Compliance Audits of Community Mental Health and Mental Retardation Centers* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the *Guidelines for Annual Financial and Compliance Audits of Community Mental Health and Mental Retardation Centers*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Center's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Center's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Center's basic financial statements. The accompanying schedule of expenditures of state and federal awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Par 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the State of Texas *Single Audit Circular* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing 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 the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state and federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial

statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2023 on our consideration of the Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Center's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Abilene, Texas  
February 23, 2023



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, 2022.

## FINANCIAL HIGHLIGHTS

- The assets of Integral Care exceeded its liabilities at the close of the most recent fiscal year by \$71,606,401 (net position). Of this amount, \$35,530,791 (unrestricted net position) may be used to meet Integral Care's ongoing obligations.
- Integral Care's total government-wide net position decreased by \$2,866,142 in fiscal year 2022. Of that, Integral Care's governmental operations resulted in a decrease in net position of \$2,617,753. Integral Care Foundation had a decrease in net position of \$248,284 and Housing First, LLC had a decrease in net position of \$105.
- As of the close of the fiscal year, Integral Care's governmental funds reported combined ending fund balances of \$36,870,736, a decrease of \$2,117,572 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 \$22,476,433, 18.72% 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 Behavioral Health Services, Developmental Disabilities, and Substance Use Disorder*.

- The *business-type activities* of Integral Care include *Integral Care 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 19-20 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 two categories: governmental funds and proprietary 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 one individual governmental fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the General 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 21-25 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 Integral Care Foundation and Housing First, LLC.

The basic proprietary fund financial statements can be found on pages 26-28 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 29-52 of this report.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *statistical information* concerning Integral Care that is required by the Texas Health and Human Services Commission. This information can be found on pages 53-63 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 \$71,606,401 at the close of the most recent fiscal year.

Approximately 48.32% 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 49.62% portion of Integral Care's net position represents unrestricted financial resources available for future operations.

The remaining 2.06% balance of Integral Care's net position represents resources restricted by the terms of the permanent endowment (0.53%) and the stabilization reserve (1.53%).

**Summary of Net Position**

	Governmental Activities		Business-Type Activities		Total	
	8/31/2022	8/31/2021	8/31/2022	8/31/2021	8/31/2022	8/31/2021
Current assets	\$ 41,889,536	\$ 40,728,298	\$ 967,251	\$ 1,004,928	\$ 42,856,787	\$ 41,733,226
Noncurrent assets, restated	57,464,151	53,958,666	4,147,029	4,349,488	61,611,180	58,308,154
Total assets	99,353,687	94,686,964	5,114,279	5,354,416	104,467,966	100,041,380
Current liabilities, restated	14,527,711	9,847,198	280,489	272,236	14,808,200	10,119,434
Noncurrent liabilities, restated	18,053,365	15,449,402	-	-	18,053,365	15,449,402
Total liabilities	32,581,076	25,296,600	280,489	272,236	32,861,565	25,568,836
Net Position						
Net investment in capital assets	30,833,152	29,897,071	3,768,206	3,924,940	34,601,358	33,822,011
Restricted for stabilization reserve	1,095,430	-	-	-	1,095,430	-
Restricted for permanent endowment - nonspendable	-	-	378,823	424,548	378,823	424,548
Unrestricted	34,844,029	39,493,293	686,762	732,691	35,530,791	40,225,984
Total net position	\$ 66,772,611	\$ 69,390,364	\$ 4,833,790	\$ 5,082,179	\$ 71,606,401	\$ 74,472,543

**Governmental Activities.** Governmental activities decreased Integral Care's net position by \$2,617,753. Key elements of the decrease are as follows on the next page. The prior year noncurrent assets and current and noncurrent liabilities were restated to include right to use leased assets and lease liabilities as a result of implementation of Governmental Accounting Standards Board Statement (GASB) No. 87, *Leases*.

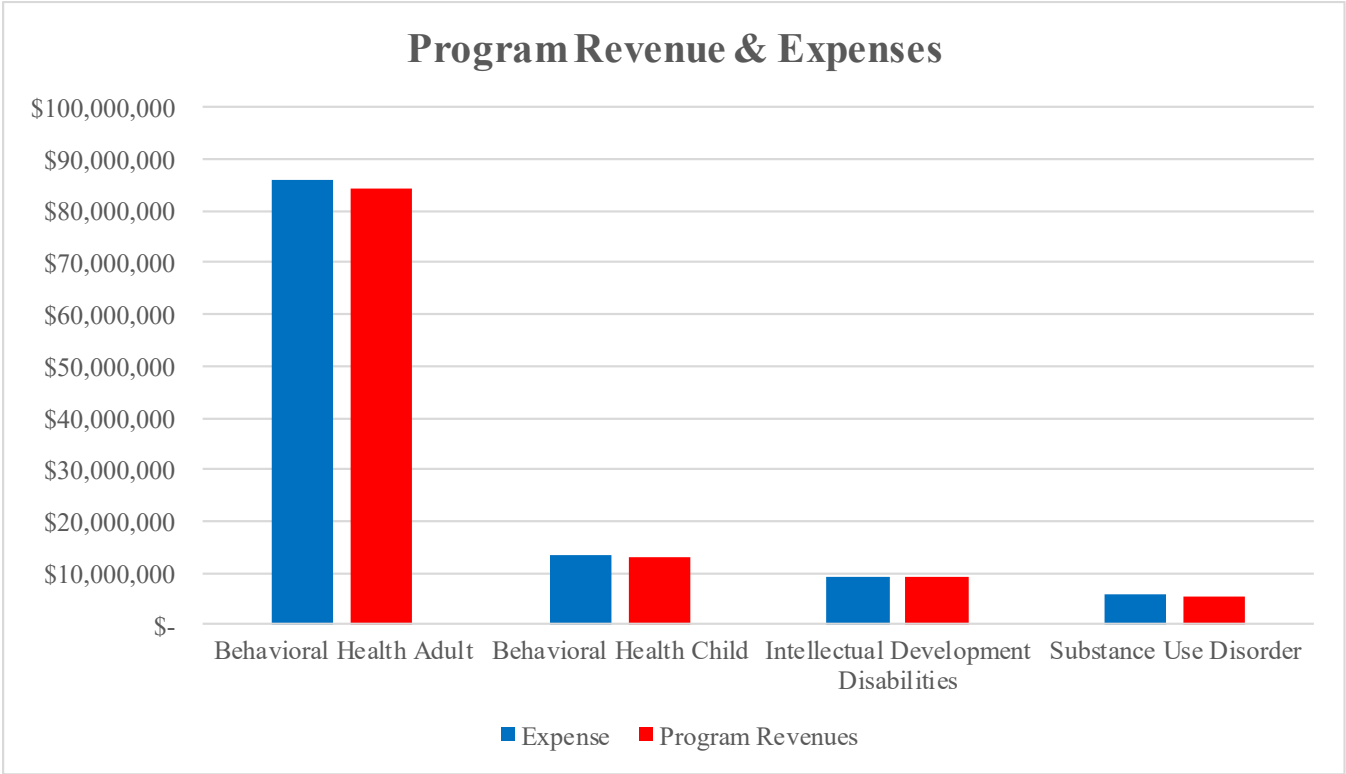
**Integral Care**  
**Management's Discussion and Analysis**  
**August 31, 2022**

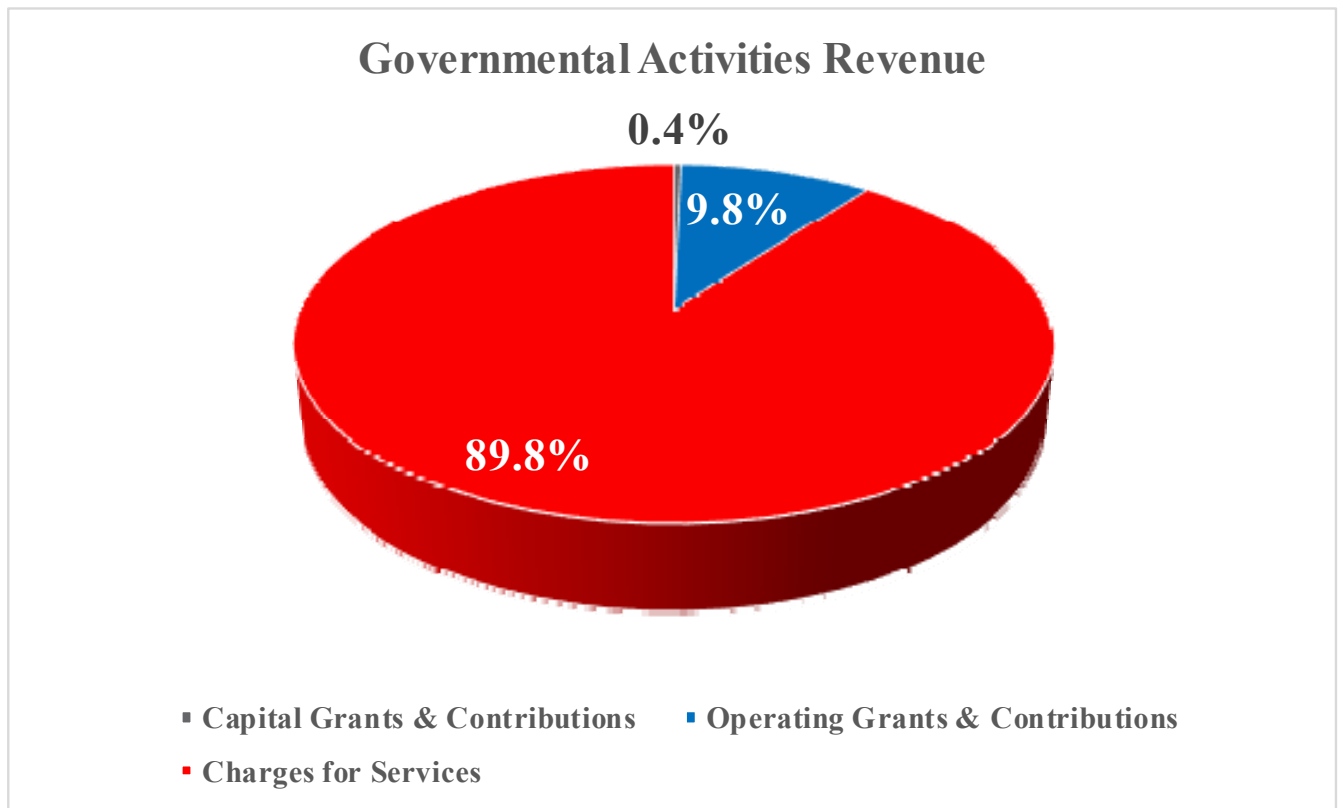
	Governmental Activities		Business-Type Activities		Total	
	8/31/2022	8/31/2021	8/31/2022	8/31/2021	8/31/2022	8/31/2021
<b>Revenues</b>						
Program revenues						
Charges for services	\$ 11,039,300	\$ 12,148,110	\$ -	\$ -	\$ 11,039,300	\$ 12,148,110
Operating grants and contributions	101,064,469	93,383,625	-	-	101,064,469	93,383,625
Capital grants and contributions	394,573	-	-	-	394,573	-
General revenues						
Unrestricted interest earnings	124,301	8,722	(41,218)	97,106	83,083	105,828
Other income						
Property revenues	-	-	886,324	900,620	886,324	900,620
Other	-	-	26,224	218,954	26,224	218,954
<b>Total revenues</b>	<b>112,622,643</b>	<b>105,540,457</b>	<b>871,330</b>	<b>1,216,680</b>	<b>113,493,973</b>	<b>106,757,137</b>
<b>Expenses</b>						
Behavioral health adult	85,896,605	76,330,013	-	-	85,896,605	76,330,013
Behavioral health child	13,303,895	13,388,085	-	-	13,303,895	13,388,085
Intellectual & developmental disabilities	9,461,034	8,937,622	-	-	9,461,034	8,937,622
Substance use disorder	5,945,678	5,550,107	-	-	5,945,678	5,550,107
Interest and fees on long-term debt	633,184	321,100	-	-	633,184	321,100
Integral Care Foundation	-	-	1,119,614	1,181,042	1,119,614	1,181,042
Housing First, LLC	-	-	105	-	105	-
<b>Total expenses</b>	<b>115,240,396</b>	<b>104,526,927</b>	<b>1,119,719</b>	<b>1,181,042</b>	<b>116,360,115</b>	<b>105,707,969</b>
(Decrease) Increase in Net Position	(2,617,753)	1,013,530	(248,389)	35,638	(2,866,142)	1,049,168
Net Position, Fiscal Year Beginning	69,390,364	68,376,834	5,082,179	5,046,541	74,472,543	73,423,375
Net Position, Fiscal Year End	\$ 66,772,611	\$ 69,390,364	\$ 4,833,790	\$ 5,082,179	\$ 71,606,401	\$ 74,472,543

**Business-Type Activities**

Integral Care generated \$871,330 in revenue from Integral Care's business-type activities. Total expenses were \$1,119,719. Net position decreased by \$248,389 to \$4,833,790.

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.

**Governmental 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, *unassigned 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 21, reported a *combined* fund balance of \$36,870,736, which is a decrease of \$2,117,572 from last year's total of \$38,988,308.

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 \$22,476,433 while the total fund balance decreased to \$36,870,736. 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 18.72% of the total General Fund expenditures.

Integral Care continued participation in the Patient Assistance Program with a dispense value of \$2,130,814 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 Integral Care Foundation had a \$248,284 decrease in net position in fiscal year 2022, compared to an increase of \$35,638 in 2021. Housing First, LLC had a \$105 decrease in net position in fiscal year 2022, compared to no change in net position in fiscal year 2021.

### GENERAL FUND BUDGETARY HIGHLIGHTS

The original General Fund budgeted revenue plus other financing sources was equal to \$124,973,829. Over the course of the year, the budgeted revenue plus other financing sources changed to \$138,780,088. This increase in budget of \$13,806,259 can be summarized as follows:

#### Major Budget Amendments:

Direct Payment Program - Component 1	\$ 4,212,281
SAMHSA Community Mental Health Clinic	2,500,000
Travis County Assertive Community Team	1,291,579
City of Austin Permanent Supported Housing	1,246,560
Direct Payment Program - Component 2	809,423
TDHCA Housing Stability	778,907
TANF Emergency Funds	728,367
Travis County Jail-Based Intake & Care Nav	715,300
Reserve - Unearned Fee Service	617,984
HHSC CFS System of Care	558,657
Travis County CFS Mobile Community Outreach Team	503,681
Travis County Outpatient Competency Restoration Expansion	494,750
Travis County IDD Crisis Respite	484,406
City of Austin Downtown Austin Community Court HEAL	400,000
Del Valle Victim of Crimes Assistance Program	393,363
Travis County EMCOT 911	350,280
Reserve - Unearned FFS Contract Max	338,982
All Other (Less than \$100,000 each)	337,024
Travis County American Rescue Plan Act	325,000
City of Austin Homeless Health and Wellness	311,167
City of Austin COVID/Prolodges	305,821
City of Austin - Project Recovery	261,668
Travis County IDD In-Home Respite	256,174
DSHS In Patient Public Private Beds	250,000
HHSC Capacity Expansion Child	185,664
DSHS Forensic Assertive Community Team (SB292)	173,681



Front Steps Southbridge	165,539
Travis County IDD Intake & Enrollment	126,073
Travis County HHHS Integrated Fn	121,653
Travis County Correctional Complex	110,988
Travis County SafeLanding	104,758
DSHS Residency Program	100,797
HHSC MFP (Support Foundation Communities)	(100,000)
UTDMS Youth Mental Health	(121,612)
DADS HUB Funds	(134,800)
Reserve - Unearned Cost Reimbursement	(146,514)
HHSC Capacity Expansion Adult	(147,291)
HHSC Block Grant Supportive Housing	(158,750)
TXMHMR General Revenue-Mental Health	(246,671)
City of Austin- Road to Recovery Expansion	(261,669)
Client Revenue	(262,074)
Downtown Austin Alliance Homeless Health and Wellness	(407,224)
Fund Balance Reserve	(411,601)
1115 Waiver Fund Balance Reserve	(445,255)
Fee For Service	(486,944)
1115 Transformation Waiver - DY5	(2,423,863)
Total 2022 Revenue Budget Amendments	<u>\$ 13,806,259</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.

Major variances between the final budgeted and actual amounts:

In regard to City funds and County funds, Integral Care has a large number of cost reimbursement contracts with both the City of Austin and Travis County. As these contracts are acquired, the full contract amount is budgeted on both the revenue and expense side. With the past pandemic and the continued workforce challenges in the community, it has increased the gap between the funds contracted for and budgeted for the programs and the ability to draw down the revenue with reimbursable personnel expenses within the scope of work due to staff vacancies.

The primary reasons for the earned income variance dealt with staffing and engagement challenges. Although billable services did continue, the residue of the pandemic caused an extended reduction of services provided compared to years before COVID 19. In addition, during the pandemic, the change of service delivery modalities to telehealth and telephone created additional challenges in keeping individuals engaged in a service long enough to meet the minimal threshold per billing guidelines.

Integral Care budgets Medicaid Administrative Claiming conservatively as the claims are dependent on both internal expenditures and on random moment time study results from across the statewide system of care. The variance is based on the difference between the actual quarterly claims and the conservative budget estimate.

During the Public Health Emergency, the Centers for Medicaid and Medicare Services has continued to pay an enhanced FMAP on supplemental waiver programs such as the 1115 Transformation Waiver. As the enhanced rate was contingent on the continuation of the public health emergency, Integral Care did not budget for the enhanced portion of the payment during FY22. The enhanced portion of the FMAP received by Integral Care during FY22 amounted to approximately \$1.4 million.

Regarding personnel and employee benefits, Integral Care has a large number of cost reimbursement contracts with various entities such as the City of Austin, Travis County, and Texas Health and Human Services Commission. As these contracts are acquired, the full contract amount is budgeted with the corresponding portions of the personnel and employee benefit expenditures being budgeted per the scope of work for the contract. With the current pandemic and overall workforce challenges in the community, it has increased the gap between the funds budgeted for personnel and benefit expenses in comparison to the actual expenses.

Integral Care acquired a \$14,000,000 note from Frost Bank in the prior fiscal year. \$9,405,644 of the note was utilized for purchase of property. The remaining \$4,594,356 was left to be drawn down for renovation of the property. To draw down the funds, architectural work was completed followed by City of Austin approval for appropriate building permits. The building permits were issued in December 2021 and the loan proceeds have been utilized during FY22 and into FY23 for renovation of the facility.

## 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, 2022, amounts to \$51,053,494 (net of accumulated depreciation and amortization). This investment in capital assets includes land, buildings, improvements, vehicles, furniture, equipment, and leased assets. The prior year capital assets were restated to include leased assets under GASB 87.

### Capital Assets (Net of Accumulated Depreciation and Amortization)

	Governmental Activities		Business-Type Activities		Total	
	8/31/2022	8/31/2021	8/31/2022	8/31/2021	8/31/2022	8/31/2021
Land, buildings and construction in progress	\$ 58,861,975	\$ 52,511,449	\$ 6,749,311	\$ 6,736,311	\$ 65,611,286	\$ 59,247,760
Furniture and equipment	9,426,871	9,388,545	167,985	160,285	9,594,856	9,548,830
Vehicles	1,087,719	1,042,582	-	-	1,087,719	1,042,582
Less accumulated depreciation	(26,405,106)	(23,639,861)	(3,149,090)	(2,971,656)	(29,554,196)	(26,611,517)
Right to use leased assets	6,183,279	5,572,518	-	-	6,183,279	5,572,518
Less accumulated amortization	(1,869,450)	-	-	-	(1,869,450)	-
	<u>\$ 47,285,288</u>	<u>\$ 44,875,233</u>	<u>\$ 3,768,206</u>	<u>\$ 3,924,940</u>	<u>\$ 51,053,494</u>	<u>\$ 48,800,173</u>

Additional information regarding Integral Care's capital assets can be found at Note 12 titled "Capital Assets" on pages 43-44 of this report.

**Long-term debt.** The Center has a liability of \$13,528,604 for the loan with Frost Bank received in April 2020, and a liability of \$99,593 for the loan with Frost Bank received in March 2022. Lease liabilities total \$4,441,455 at August 31, 2022.

Additional information on the Center's long-term obligations can be found in Note 13 to the financial statements.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

Integral Care's current fiscal year 2023 amended budget of \$151,559,632 is a total increase of \$12,779,544, from the final fiscal year 2022 budget of \$138,780,088.

Major Budget Changes include the following:

Public Health Provider Charity Pool	\$ 21,000,000
Fund Balance Reserve	4,139,738
Frost Bank Renovation Loan	3,793,015
HHSC American Rescue Plan Act	1,789,987
City of Austin Burnet Rd Renovation	1,364,210
Direct Payment Program - Component 2	1,259,489
Lifeline Expansion Planning	899,917
Austin Public Health Tenant Based Permanent Supported Housing	562,180
City of Austin Northbridge II	437,297
Medicaid Administrative Claiming	400,000
Reserve - Unearned Fee Service	367,038
Travis County Expanded Mobile Crisis Outreach Team	253,397
Episcopal Health Foundation	240,840
Travis County Assertive Community Team	204,941
City of Austin Homeless Health and Wellness	179,306
Private Insurance	176,185
City of Austin - Permanent Supported Housing	126,350
Austin Public Health CHW Services	124,967
Travis County Parenting in Recovery	105,241
City of Austin Manor Road Renovations	100,000
Rental Income	(103,031)
Travis County Correctional Complex	(110,988)
HHSC COVID 19 CCP-RSP	(153,712)
1115 Waiver - EFMAP	(164,536)
HHSC RA1SE Supplemental	(178,260)
Travis County HHSC Integrated Fn	(206,653)
DSHS Residency Program	(217,464)
City of Austin COVID/Prolodges	(305,821)
Travis County American Rescue Plan Act	(325,000)
Del Valle ISD Truancy Program	(335,803)
Direct Payment Program - Component 1	(370,015)
HHSC Capacity Expansion Adult	(490,016)
Reserve - Unearned Cost Reimbursement	(654,463)
Fee for Service	(717,644)
TANF Emergency Funds	(728,367)
City of Austin Rapid ReHousing	(755,168)
HHSC Block Grant Supportive Housing	(1,182,500)

1115 Waiver Fund Balance Reserve	(4,074,789)
1115 Transformation Waiver - DY5	(13,714,922)
All Other (Less than \$100k)	<u>44,598</u>
Total Fiscal Year 2022 to 2023 Budget Change	<u>\$ 12,779,544</u>

The major budget issues that impact the 2023 budget:

- Integral Care has implemented a Facility Master Plan. As part of the plan, Integral Care has continued to move toward purchase and renovation of facilities with the debt service replacing the ongoing lease payments Integral Care has been incurring. The \$4.5 million in proceeds from the Frost Note reflect funds toward renovation of one of the facilities. These funds have been coupled with up to an additional \$8.5 million to finance the completion of the project. Renovations have started and the expected completion date is July 2023.
- The Center for Medicare and Medicaid Services (CMS) has authorized through the State of Texas Health and Human Services Commission (HHSC) for participating community centers, including Integral Care, the 1115 Transformation Waiver Delivery System Reform Incentive Payment (DSRIP) program, which has been replaced with a Direct Payment Program Behavioral Health Services (DPP-BHS) and a Public Health Provider Charity Care Pool (PHP-CCP). The waiver has been extended for another 10 years.
- Integral Care has several new contract awards for Fiscal Year 2023. These are listed in the Fiscal Year 2022 to 2023 Budget Changes listed above. The volume of the new awards coupled with the ongoing COVID pandemic will present challenges with acquiring and onboarding necessary workforce to meet the scope of work for each of the contracts.

#### 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, 2022

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Current Assets			
Cash and investments	\$ 18,734,574	\$ 818,079	\$ 19,552,653
Restricted cash	1,617,516	-	1,617,516
Accounts receivable	472,991	132,134	605,125
Employee receivables, net	188,420	-	188,420
Due from other governments, net	16,873,151	-	16,873,151
DPP IGT deposit	3,240,943	-	3,240,943
Prepaid expenses and other assets	761,941	17,038	778,979
Total current assets	<u>41,889,536</u>	<u>967,251</u>	<u>42,856,787</u>
Noncurrent Assets			
Restricted assets			
Investment in Austin Community Fdn	-	378,823	378,823
Investment in Housing First Oak Springs, LP	1,095,430	-	1,095,430
Notes receivable	9,083,433	-	9,083,433
Capital assets, net			
Nondepreciable assets	18,969,075	530,700	19,499,775
Depreciable assets	24,002,384	3,237,506	27,239,890
Right to use leased assets	4,313,829	-	4,313,829
Total noncurrent assets	<u>57,464,151</u>	<u>4,147,029</u>	<u>61,611,180</u>
Total assets	<u>99,353,687</u>	<u>5,114,279</u>	<u>104,467,966</u>
<b>Liabilities</b>			
Current Liabilities			
Accounts payable	6,879,105	94,799	6,973,904
Accrued expenses and other liabilities	2,432,363	56,236	2,488,599
Internal balances	(125,081)	125,081	-
Unearned revenue	3,293,227	4,373	3,297,600
Leases payable - due within one year	1,467,393	-	1,467,393
Notes payable - due within one year	580,704	-	580,704
Total current liabilities	<u>14,527,711</u>	<u>280,489</u>	<u>14,808,200</u>
Noncurrent Liabilities			
Leases payable - due in more than one year	2,974,062	-	2,974,062
Notes payable - due in more than one year	13,047,493	-	13,047,493
Accrued compensated absences - due in more than one year	2,031,810	-	2,031,810
Total noncurrent liabilities	<u>18,053,365</u>	<u>-</u>	<u>18,053,365</u>
Total liabilities	<u>32,581,076</u>	<u>280,489</u>	<u>32,861,565</u>
<b>Net Position</b>			
Net investment in capital assets	30,833,152	3,768,206	34,601,358
Restricted for stabilization reserve	1,095,430	-	1,095,430
Restricted for permanent endowment - nonexpendable	-	378,823	378,823
Unrestricted	34,844,029	686,762	35,530,791
Total net position	<u>\$ 66,772,611</u>	<u>\$ 4,833,790</u>	<u>\$ 71,606,401</u>

See Notes to Financial Statements

Integral Care  
Statement of Activities  
Year Ended August 31, 2022

	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	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total
Governmental Activities									
Behavioral health - adult	\$ 76,615,988	\$ 9,280,617	\$ 85,896,605	\$ 4,601,646	\$ 79,582,847	\$ 394,573	\$ (1,317,539)	\$ -	\$ (1,317,539)
Behavioral health - children	11,867,120	1,436,775	13,303,895	2,350,457	10,675,852	-	(277,586)	-	(277,586)
Intellectual & developmental disabilities	8,417,368	1,043,666	9,461,034	2,127,356	7,234,250	-	(99,428)	-	(99,428)
Substance use disorder	5,295,307	650,371	5,945,678	1,959,841	3,571,520	-	(414,317)	-	(414,317)
Administration	12,411,429	(12,411,429)	-	-	-	-	-	-	-
Interest and fees on debt	633,184	-	633,184	-	-	-	(633,184)	-	(633,184)
Total governmental activities	115,240,396	-	115,240,396	11,039,300	101,064,469	394,573	(2,742,054)	-	(2,742,054)
Business-Type Activities									
Integral Care Foundation	1,119,614	-	1,119,614	886,324	26,224	-	-	(207,066)	(207,066)
Housing First, LLC	105	-	105	-	-	-	-	(105)	(105)
Total business-type activities	1,119,719	-	1,119,719	886,324	26,224	-	-	(207,171)	(207,171)
Total primary government	<u>\$ 116,360,115</u>	<u>\$ -</u>	<u>\$ 116,360,115</u>	<u>\$ 11,925,624</u>	<u>\$ 101,090,693</u>	<u>\$ 394,573</u>	<u>(2,742,054)</u>	<u>(207,171)</u>	<u>(2,949,225)</u>
General Revenues									
Investment earnings (loss)							124,301	(41,218)	83,083
Total general revenues							124,301	(41,218)	83,083
Change in Net Position							(2,617,753)	(248,389)	(2,866,142)
Net Position, Beginning							69,390,364	5,082,179	74,472,543
Net Position, Ending							<u>\$ 66,772,611</u>	<u>\$ 4,833,790</u>	<u>\$ 71,606,401</u>

Integral Care  
Balance Sheet – Governmental Funds  
August 31, 2022

	General	Total Governmental Funds
<b>Assets</b>		
Cash and investments	\$ 18,734,574	\$ 18,734,574
Restricted cash	1,617,516	1,617,516
Accounts receivable	472,991	472,991
Employee receivables, net	188,420	188,420
Due from other governments, net	16,873,151	16,873,151
Due from other funds	125,081	125,081
DPP IGT deposit	3,240,943	3,240,943
Prepaid items	761,941	761,941
Investment in Housing First Oak Springs, LP	1,095,430	1,095,430
Notes receivable	6,365,384	6,365,384
<b>Total assets</b>	<b>\$ 49,475,431</b>	<b>\$ 49,475,431</b>
<b>Liabilities and Fund Balances</b>		
<b>Liabilities</b>		
Accounts payable	\$ 6,879,105	\$ 6,879,105
Accrued expenditures and other liabilities	2,432,363	2,432,363
Unearned revenues	3,293,227	3,293,227
<b>Total liabilities</b>	<b>12,604,695</b>	<b>12,604,695</b>
<b>Fund Balances</b>		
Nonspendable	7,127,325	7,127,325
Restricted	1,095,430	1,095,430
Committed	4,139,738	4,139,738
Assigned	2,031,810	2,031,810
Unassigned	22,476,433	22,476,433
<b>Total fund balances</b>	<b>36,870,736</b>	<b>36,870,736</b>
<b>Total liabilities and fund balances</b>	<b>\$ 49,475,431</b>	

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	47,285,288
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:	
Leases payable	(4,441,455)
Notes Payable	(13,628,197)
Accrued compensated absences	(2,031,810)
<b>Net position of governmental activities</b>	<b>\$ 66,772,611</b>

**Integral Care**

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds  
Year Ended August 31, 2022

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	General	Total Governmental Funds
Revenues		
Local and earned revenues	\$ 37,421,575	\$ 37,421,575
State programs	34,643,226	34,643,226
Federal programs	40,433,541	40,433,541
Investment earnings	124,301	124,301
Total revenues	<u>112,622,642</u>	<u>112,622,642</u>
Expenditures		
Current		
Behavioral health - adult	73,304,819	73,304,819
Behavioral health - children	11,456,235	11,456,235
Intellectual and developmental disabilities	8,099,666	8,099,666
Substance use disorder	5,014,108	5,014,108
Administration	12,238,274	12,238,274
Debt service		
Principal	2,213,220	2,213,220
Interest	633,184	633,184
Capital outlay	7,085,417	7,085,417
Total expenditures	<u>120,044,923</u>	<u>120,044,923</u>
(Deficiency) Excess of Revenues over Expenditures	<u>(7,422,281)</u>	<u>(7,422,281)</u>
Other Financing Sources (Uses)		
Proceeds from leases	610,761	610,761
Proceeds from Frost Bank loan	4,693,948	4,693,948
Total other financing sources (uses)	<u>5,304,709</u>	<u>5,304,709</u>
Net Change in Fund Balances	(2,117,572)	(2,117,572)
Fund Balances, September 1, 2021	<u>38,988,308</u>	<u>38,988,308</u>
Fund Balances, August 31, 2022	<u>\$ 36,870,736</u>	<u>\$ 36,870,736</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, 2022

Net change in fund balance - total governmental funds	\$ (2,117,572)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	7,085,417
Depreciation and amortization expense	(4,675,362)

Repayment of long-term principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This amount includes \$471,396 in loan payments and \$1,741,824 in lease principal payments.	2,213,220
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Governmental funds report debt proceeds as financing sources when debt is first issued, whereas these are reported as long-term liabilities in the statement of net position. The net effect of reclassing loan proceeds (\$4,693,949) and lease proceeds (\$610,761) is to decrease net position.	(5,304,710)
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Long-term liabilities for compensated absences are accrued in the Statement of Net Position but they are not due and payable out of current resources and therefore are not reported as liabilities in the governmental fund balance sheet.

Change in accrued compensated absences	<u>181,254</u>
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Change in net position of governmental activities	<u><u>\$ (2,617,753)</u></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, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Local and Earned Revenues				
City funds	\$ 15,306,015	\$ 16,791,334	\$ 10,044,832	\$ (6,746,502)
County funds	7,119,534	11,632,566	7,672,981	(3,959,585)
Other taxing authority funds	8,514,231	8,522,400	7,826,222	(696,178)
Earned income	11,732,799	11,863,839	7,361,415	(4,502,424)
Rental income	710,836	710,836	562,349	(148,487)
Miscellaneous income & contributions	3,250,795	2,162,863	3,953,776	1,790,913
Total local revenues	46,634,210	51,683,838	37,421,575	(14,262,263)
State Program Revenues				
HHSC - Mental Health	28,777,340	29,055,139	28,570,844	(484,295)
HHSC - IDD	3,770,471	3,770,471	3,533,456	(237,015)
TCOOMMI	2,051,532	2,082,874	2,207,865	124,991
Other state programs	309,633	361,732	331,061	(30,671)
Total state program revenues	34,908,976	35,270,216	34,643,226	(626,990)
Federal Program Revenues				
City of Austin - Ryan White	361,147	373,266	314,802	(58,464)
City of Austin - CDBG - YAFAC	188,490	190,720	201,187	10,467
City of Austin - Prolodges	-	305,821	274,761	(31,060)
Travis County - Parents in Recovery	54,231	144,625	143,856	(769)
Travis County - SAMSO (SAMHSA)	218,609	218,609	118,957	(99,652)
Travis County - CDBG CV	-	-	24,828	24,828
Travis County - CSLFRF	-	325,000	181,764	(143,236)
HHSC - Mental Health	11,348,097	11,701,827	8,739,125	(2,962,702)
HHSC - Substance use disorder	1,521,870	1,860,852	1,486,055	(374,797)
HHSC - IDD	695,204	1,288,771	992,905	(295,866)
TDHCA Housing Stability	-	778,907	60,284	(718,623)
HUD Supported Housing	482,964	482,964	463,743	(19,221)
SAMHSA CCBHC	1,999,999	1,999,999	1,160,644	(839,355)
SAMHSA CHRP	400,000	400,000	222,833	(177,167)
SAMHSA MHAT	125,000	125,000	94,726	(30,274)
SAMHSA CMHC	-	2,500,000	1,243,582	(1,256,418)
SAMHSA AOT	1,000,000	1,000,000	790,876	(209,124)
Del Valle ISD - VOCA	-	393,363	31,956	(361,407)
UTDMS SAMHSA	209,942	209,942	186,536	(23,406)
UTDMS First	-	21,102	15,215	(5,887)
UTDMS EPINET	24,988	24,988	16,676	(8,312)
UTDMS Addiction Fellowship	-	82,335	67,990	(14,345)
Veterans Administration - Safe Haven	892,425	892,425	793,643	(98,782)
Medicaid Administrative Claiming	3,000,000	3,000,000	3,341,052	341,052
1115 Transformation Waiver	16,303,321	13,879,458	15,113,484	1,234,026
Directed Payment Program-Comp 1	-	4,212,281	3,344,207	(868,074)
Directed Payment Program-Comp 2	-	809,423	835,472	26,049
HHSC - COVID Provider Relief Funds	-	-	172,381	172,381
Total federal program revenues	38,826,287	47,221,678	40,433,541	(6,788,137)
Investment Earnings	10,000	10,000	124,301	114,301
Total revenues	\$ 120,379,473	\$ 134,185,732	\$ 112,622,642	\$ (21,563,090)

See Notes to Financial Statements

Integral Care

Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund  
Year Ended August 31, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Expenditures				
Current				
Personnel	\$ 61,345,367	\$ 70,018,629	\$ 60,215,173	\$ 9,803,456
Employee benefits	17,524,532	18,992,918	13,923,146	5,069,772
Training and travel	1,059,649	1,298,688	632,662	666,026
Medication costs	566,908	304,830	278,701	26,129
Consumable supplies	339,712	373,988	308,755	65,233
Consultation and professional fees	20,350,968	21,686,198	18,666,731	3,019,467
Furniture and equipment	492,930	680,308	625,676	54,632
Facilities, telephone, and utilities	8,177,831	8,545,871	6,142,153	2,403,718
Insurance	681,446	706,476	772,436	(65,960)
Transportation	223,560	225,907	166,352	59,555
Professional fees	173,278	169,047	174,581	(5,534)
Client support costs	4,440,611	5,260,806	3,557,471	1,703,335
Other operating costs	4,083,082	4,946,023	4,772,057	173,966
Total current	119,459,874	133,209,689	110,235,895	22,973,794
Debt Service				
Principal	470,242	470,242	2,213,220	(1,742,978)
Interest	414,353	414,353	633,184	(218,831)
Total debt service	884,595	884,595	2,846,404	(1,961,809)
Capital Outlay	4,629,360	4,685,804	6,962,624	(2,276,820)
Total expenditures	124,973,829	138,780,088	120,044,924	18,735,165
(Deficiency) excess of revenues over expenditures	(4,594,356)	(4,594,356)	(7,422,281)	(2,827,925)
Other Financing Sources (Uses)				
Proceeds from leases	-	-	610,761	610,761
Loan proceeds	4,594,356	4,594,356	4,693,948	99,592
Total other financing sources (uses)	4,594,356	4,594,356	5,304,709	710,353
Net Changes in Fund Balances	-	-	(2,117,572)	(2,117,572)
Fund Balances, September 1, 2021	38,988,308	38,988,308	38,988,308	-
Fund Balances, August 31, 2022	\$ 38,988,308	\$ 38,988,308	\$ 36,870,736	\$ (2,117,572)

Integral Care  
Statement of Net Position – Proprietary Funds  
August 31, 2022

	Business-type Activities - Enterprise Funds		
	Housing First, LLC	Integral Care Foundation	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 171,419	\$ 646,660	\$ 818,079
Accounts receivables, net	130,000	2,134	132,134
Other assets	-	17,038	17,038
Total current assets	301,419	665,832	967,251
Noncurrent assets			
Restricted assets			
Investment in Austin Community Foundation	-	378,823	378,823
Capital assets, net	-	3,768,206	3,768,206
Total noncurrent assets	-	4,147,029	4,147,029
Total assets	301,419	4,812,860	5,114,279
Liabilities			
Current liabilities			
Accounts payable	-	94,799	94,799
Other liabilities	-	56,236	56,236
Unearned revenues	-	4,373	4,373
Due to other funds	-	125,081	125,081
Total current liabilities	-	280,489	280,489
Total liabilities	-	280,489	280,489
Net Position			
Investment in capital assets	-	3,768,206	3,768,206
Restricted for permanent endowment - nonexpendable	-	378,823	378,823
Unrestricted	301,419	385,343	686,762
Total Net Position	\$ 301,419	\$ 4,532,371	\$ 4,833,790

**Integral Care**  
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds  
Year Ended August 31, 2022

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Housing First, LLC</u>	<u>Integral Care Foundation</u>	<u>Total</u>
Operating Revenues			
Property revenues	\$ -	\$ 886,324	\$ 886,324
Other revenues	-	26,224	26,224
Total operating revenues	-	912,548	912,548
Operating Expenses			
Property expenses	-	595,876	595,876
Depreciation	-	177,434	177,434
Administrative	105	346,304	346,304
Total operating expenses	105	1,119,614	1,119,614
Operating (Loss) Income	(105)	(207,066)	(207,066)
Nonoperating Revenues/Expenses			
Investment loss	-	(41,218)	(41,218)
Total nonoperating revenues/expenses	-	(41,218)	(41,218)
Change in Net Position	(105)	(248,284)	(248,389)
Net Position, Beginning of Year	301,524	4,780,655	5,082,179
Net Position, End of Year	<u>\$ 301,419</u>	<u>\$ 4,532,371</u>	<u>\$ 4,833,790</u>

Integral Care  
Statement of Cash Flows – Proprietary Funds  
Year Ended August 31, 2022

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Housing First, LLC</u>	<u>Integral Care Foundation</u>	<u>Total</u>
Operating Activities			
Cash received from customers	\$ -	\$ 886,409	\$ 886,409
Other receipts	-	26,224	26,224
Cash payments to suppliers for goods and services	(100,105)	(932,292)	(1,032,397)
Net Cash used for Operating Activities	<u>(100,105)</u>	<u>(19,658)</u>	<u>(119,763)</u>
Capital and Related Financing Activities			
Purchase of capital assets	-	(25,900)	(25,900)
Proceeds from disposition of capital assets	-	5,200	5,200
Net Cash used for Capital and Related Financing Activities	<u>-</u>	<u>(20,700)</u>	<u>(20,700)</u>
Investing Activities			
Interest on investments	-	(41,218)	(41,218)
Change in investment in Austin Community Foundation	-	45,725	45,725
Net Cash from Investing Activities	<u>-</u>	<u>4,507</u>	<u>4,507</u>
Net Change in Cash and Cash Equivalents	(100,105)	(35,851)	(135,956)
Cash and Cash Equivalents, Beginning of Year	<u>271,524</u>	<u>682,511</u>	<u>954,035</u>
Cash and Cash Equivalents, End of Year	<u>\$ 171,419</u>	<u>\$ 646,660</u>	<u>\$ 818,079</u>
Reconciliation of Operating Loss to Net Cash used for Operating Activities			
Operating loss	\$ (105)	\$ (207,066)	\$ (207,171)
Adjustments to reconcile operating loss to net cash used for operating activities			
Noncash items included in net operating loss			
Depreciation	-	177,434	177,434
Change in assets and liabilities			
(Increase) decrease in			
Accounts receivable	(100,000)	85	(99,915)
Other assets	-	1,636	1,636
Increase (decrease) in			
Accounts payable	-	8,464	8,464
Other liabilities	-	(212)	(212)
Net Cash used for Operating Activities	<u>\$ (100,105)</u>	<u>\$ (19,658)</u>	<u>\$ (119,763)</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 and 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 units. 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 and proprietary funds. 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 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.



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 Integral Care Foundation as a major enterprise fund. Integral Care Foundation is a component unit of Integral Care and is blended in this fund. Housing First, LLC is also included as a nonmajor enterprise fund.

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.

#### **Implementation of GASB Statement No. 87**

As of September 1, 2021, the Center adopted GASB Statement No. 87, *Leases*. The implementation of this standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The standard requires recognition of certain right to use leased assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. As a result of implementing this standard, the Center recognized right of use assets and lease liability of \$5,572,518 as of September 1, 2021. As a result of these adjustments, there was no change to beginning net position of governmental activities. The additional disclosures required by this standard are included in Notes 12, 13, and 14.

#### **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.

##### **Restricted Cash**

Restricted cash in the general fund at August 31, 2022 consists of unexpended loan proceeds for construction.

### **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, 2022, the employee receivable balance on payroll advances was \$217,601, and the allowance for uncollectible was \$43,377. An additional payroll receivable of \$14,196 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, 2022, is \$528,924.

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, DPP, 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.

### Intergovernmental Transfer (IGT)

The Center has enrolled in the Directed Payment Program (DPP) for Behavioral Health Services and, as of August 31, 2022, has a deposit balance of \$3,240,943 of their intergovernmental transfer (IGT) sent to HHSC in order to leverage federal funding, which is reported in the statement of net position and the general fund balance sheet.

### Prepaid Items

Payments made to vendors for services that will benefit periods beyond August 31, 2022 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 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.

Capital assets 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

Right to use leased assets are recognized at the lease commencement date and represent the Center's right to use an underlying asset for the lease term. Right to use leased assets are measured at the initial value of the lease liability plus any payments made to the lessor before commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term, plus any initial direct costs necessary to place the lease asset into service. Right to use leased assets are amortized over the shorter of the lease term or useful life of the underlying asset using the straight-line method. The amortization period varies from 1 to 12 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. Proceeds from issuance of debt is reported as other financing sources in governmental funds.

Lease liabilities represent the Center's obligation to make lease payments arising from the lease. Lease liabilities are recognized at the lease commencement date based on the present value of future lease payments expected to be made during the lease term. The present value of lease payments are discounted based on a borrowing rate determined by the Center.

### **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 2022, 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 amendments of \$100,000 or more must be approved by the Board of Trustees. All annual appropriations lapse at fiscal year-end.

**Note 6 - Integral Care Foundation, Inc.**

The Integral Care Foundation, Inc., 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 Integral Care Foundation Board of Directors. Although it is legally separate from Integral Care, Integral Care Foundation is reported as if it were part of Integral Care because it provides services primarily to Integral Care. Integral Care Foundation is accounted for as an enterprise fund in the basic financial statements of Integral Care and has an August 31 fiscal year end. Integral Care Foundation uses the accrual basis of accounting. Complete financial statements of Integral Care Foundation can be obtained from the administrative offices of Integral Care.

**Integral Care and Integral Care Foundation Transactions**

Integral Care Foundation 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 Integral Care Foundation 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, 2022, the assets, liabilities and net position of the corporations have been consolidated with Integral Care Foundation.

**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, 2022, Integral Care Foundation 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 Integral Care Foundation, less accumulated depreciation, at August 31, 2022 consisted of the following:

Land	\$ 530,700
Building and improvements	6,218,611
Equipment	167,985
	<u>6,917,296</u>
Less accumulated depreciation	(3,149,090)
Capital assets, net	<u><u>\$ 3,768,206</u></u>

Depreciation expense for the year ended August 31, 2022, was \$177,434. Capital assets are depreciated over their useful life on a straight-line basis. Useful lives range from 5 to 40 years.

## Income Taxes

Integral Care Foundation 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.

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. Integral Care keeps track of all expenses related to the project and is invoiced directly by contractors. Integral Care in turn records a receivable from Housing First as Integral Care is not liable for these expenses. The amount receivable from Housing First Oak Springs, GP, LLC was \$472,991 at August 31, 2022.

Integral Care, as sole member of Housing First Oak Springs, GP, LLC, General Partner of Housing First Oak Springs, LP, has been in discussions with the limited partner of Housing First Oak Springs, LP, NEF Assignment Corporation, regarding establishment of a Stabilization Reserve in the amount of \$1,879,391 in order to bring the property to the fiscal stability standards required by the Texas Department of Housing and Community Affairs in order to have the Low Income Housing Tax Credits authorized. \$784,061 of the reserve will be financed from Non-Deferred Development Fees that have not yet been paid. The remaining \$1,095,430 was financed by Integral Care and from a \$1,000,000 donation toward Housing First that is currently being collected. The Stabilization Reserve has established annual maximums that can be drawn in order to assist with property expenses. The Integral Care Board of Trustees authorized the Subsidy Reserve agreement at the June 24, 2021 meeting and the documents were fully executed on December 28, 2021.

**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, 2022 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, 2022.

## 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, 2022, Integral Care had the following investments:

	August 31, 2022	Due in less than one year
Investment in Austin Community Foundation	\$ 378,823	\$ -
TexPool	2,356,817	2,356,817

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, 2022, 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, 2022, 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	\$ 2,672,053
Travis County	2,235,168
Community Care Collaborative (CCC)	2,014,671
HHSC -Behavioral Health & Substance Abuse	4,044,568
HHSC - Medicaid Administrative Claim, TxHmLvg	2,607,127
Medicaid/Medicare/HMO/State SA	1,435,342
TCOOMMI	445,282
Other Local	496,679
Other State	96,380
Other Federal	1,354,805
Total due from other governments	<u>17,402,075</u>
Allowance for uncollectible accounts	(528,924)
	<u><u>\$ 16,873,151</u></u>

### **Note 11 - Notes Receivable**

On December 1, 2017, the Center entered into a promissory note receivable agreement with Housing First Oak Springs, LP, in the amount of \$4,442,438. The note does not accrue interest on the outstanding principal balance unless an event of default, as defined by the agreement, occurs and is continuing, in which case interest on the unpaid principal balance will accrue at the rate equal to the lower of 8% per annum, or the highest interest rate per annum allowed by applicable law, until the default is cured. The proceeds of this note were provided by DSHS to the Center as a healthy community collaborative grant by means of the 2014-2015 General Appropriations Act, 5.B.1 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, 2022, 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, 2022, 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, 2022 is as follows:

	(Restated) Balance at September 1, 2021	Additions	Retirements/ Transfers	Balance at August 31, 2022
Governmental Activities				
Nondepreciable assets:				
Land	\$ 1,551,017	\$ -	\$ -	\$ 1,551,017
Construction in progress	11,291,313	6,238,998	(112,253)	17,418,058
Total nondepreciable assets	12,842,330	6,238,998	(112,253)	18,969,075
Depreciable assets:				
Buildings and improvements	39,669,119	111,528	112,253	39,892,900
Furniture and equipment	9,388,545	38,326	-	9,426,871
Vehicles	1,042,582	85,804	(40,667)	1,087,719
Total depreciable assets	50,100,246	235,658	71,586	50,407,490
Less accumulated depreciation for:				
Buildings and improvements	(15,928,725)	(1,093,552)	-	(17,022,277)
Furniture and equipment	(6,744,812)	(1,674,288)	-	(8,419,100)
Vehicles	(966,324)	(38,072)	40,667	(963,729)
Total accumulated depreciation	(23,639,861)	(2,805,912)	40,667	(26,405,106)
Net capital assets	39,302,715	3,668,744	-	42,971,459
Right to use leased assets being amortized				
Buildings	5,572,518	610,761	-	6,183,279
Total right to use leased assets being amortized	5,572,518	610,761	-	6,183,279
Less accumulated amortization				
Buildings	-	(1,869,450)	-	(1,869,450)
Total accumulated amortization	-	(1,869,450)	-	(1,869,450)
Net right to use leased assets	5,572,518	(1,258,689)	-	4,313,829
Governmental activities capital assets, net	\$ 44,875,233	\$ 2,410,055	\$ -	\$ 47,285,288

Depreciation and amortization expense for the year ended August 31, 2022 was charged to the following functions and programs of the government-wide financial statements as follows:

Governmental Activities	
Behavioral health - adult	\$ 3,311,167
Behavioral health - children	410,885
Intellectual and developmental disabilities	317,701
Substance use disorder	281,199
Authority and general administration	<u>354,411</u>
Total depreciation and amortization expense	<u><u>\$ 4,675,362</u></u>

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

	Balance at September 1, 2021	Additions	Retirements/ Transfers	Balance at August 31, 2022
Business-Type Activities				
Nondepreciable assets				
Land	<u>\$ 530,700</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 530,700</u>
Depreciable assets				
Buildings and improvements	6,205,611	13,000	-	6,218,611
Equipment	<u>160,285</u>	<u>12,900</u>	<u>(5,200)</u>	<u>167,985</u>
	6,365,896	25,900	(5,200)	6,386,596
Less accumulated depreciation	<u>(2,971,656)</u>	<u>(177,434)</u>	<u>-</u>	<u>(3,149,090)</u>
Total depreciable assets	<u>3,394,240</u>	<u>(151,534)</u>	<u>(5,200)</u>	<u>3,237,506</u>
Business-type activities capital assets, net	<u><u>\$ 3,924,940</u></u>	<u><u>\$ (151,534)</u></u>	<u><u>\$ (5,200)</u></u>	<u><u>\$ 3,768,206</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, 2022 was \$177,434.

Estimated costs to complete significant construction projects in progress at year-end totaled approximately \$8,696,480.

### Note 13 - Long-Term Debt

The following is a summary of changes in long-term debt for the year ended August 31, 2022:

	(Restated) Balance at September 1, 2021	Additions	Retirements	Balance at August 31, 2022	Due Within One Year
Governmental activities					
Frost Bank loan, fully collateralized by real property. Interest is payable monthly at 3.13%. Loan matures April 2040.	\$ 9,405,644	\$ 4,594,356	\$ (471,396)	\$ 13,528,604	\$ 580,704
Frost Bank loan, fully collateralized by real property. Interest is payable monthly at 3.92%. Loan matures March 2042.	-	99,593	-	99,593	-
Leases payable	5,572,518	610,761	(1,741,824)	4,441,455	1,467,393
Compensated absences	2,213,064	5,772,181	(5,953,435)	2,031,810	-
Total	<u>\$ 17,191,226</u>	<u>\$ 11,076,891</u>	<u>\$ (8,166,655)</u>	<u>\$ 20,101,462</u>	<u>\$ 2,048,097</u>

In April 2020, Integral Care obtained a loan from Frost Bank in order to purchase and renovate property at 6397 N IH-35 in Austin, Texas. The total amount of the note was \$14,000,000. At August 31, 2022, the loan had a balance of \$13,528,604. Principal and interest payments are required through the maturity date in April 2040.

In March 2022, Integral Care obtained a loan from Frost Bank in order to renovate property at 6397 N IH-35 in Austin, Texas. The total amount of the note was \$8,500,000. At August 31, 2022, the loan had a balance of \$99,593, representing the amount funded to date. Principal and interest payments are required through the maturity date in March 2042.

A schedule of future maturities of long-term notes follows:

	Principal	Interest	Total
2023	\$ 580,704	\$ 489,048	\$ 1,069,752
2024	889,983	731,246	1,621,229
2025	948,140	703,270	1,651,410
2026	981,397	670,014	1,651,411
2027	1,015,835	635,575	1,651,410
2028-2032	5,637,012	2,620,037	8,257,049
2033-2037	6,703,299	1,553,751	8,257,050
2038-2042	5,272,234	373,837	5,646,071
Total	\$ 22,028,604	\$ 7,776,778	\$ 29,805,382
Less: funding to be advanced in FY2023	(8,400,407)		
	<u>\$ 13,628,197</u>		

The following are debt service requirements for leases payable to maturity:

	Principal	Interest	Total
2023	\$ 1,467,393	\$ 139,095	\$ 1,606,488
2024	884,508	96,406	980,914
2025	832,995	64,199	897,194
2026	893,595	31,925	925,520
2027	104,702	10,559	115,261
2028-2032	194,099	31,665	225,764
2033-2037	64,163	1,728	65,891
Total minimum future leases	<u>\$ 4,441,455</u>	<u>\$ 375,577</u>	<u>\$ 4,817,032</u>

At August 31, 2022, Integral Care is not obligated in any manner for the debt of its component unit, Integral Care Foundation.

#### **Note 14 - Leases**

In prior years, the Center entered into lease agreements as lessee for various buildings and facilities used in operations. As of August 31, 2022, the value of the lease liabilities was \$4,441,455. The Center is required to make various monthly principal and interest payments through March 2037. The lease liabilities were valued using a discount rate of 3.75% as determined by the Center's management based on the Center's estimated incremental borrowing rate.



### Note 15 - Fund Balances

At August 31, 2022, the fund balance for governmental funds is comprised of the following:

	<u>General Fund</u>
Nonspendable	
Prepaid items	\$ 761,941
Notes receivable	6,365,384
Restricted	
Stabilization reserve	1,095,430
Committed	
Budget contingency	4,139,738
Assigned	
Accrued compensated absences	2,031,810
Unassigned	<u>22,476,433</u>
Total	<u><u>\$ 36,870,736</u></u>

The notes receivable of \$6,365,384 represents funds Integral Care advanced to Housing First Oak Springs, LP. Of that amount, \$2,595,356 had been received through donations as of August 31, 2022 and \$1,724,389 had been received from the Department of State Health Services.

### Note 16 - Interfund Receivables and Payables

The following is a summary of interfund receivables and payables:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General fund	\$ 125,081	\$ -
Integral Care Foundation	-	125,081
Total enterprise fund	<u><u>\$ 125,081</u></u>	<u><u>\$ 125,081</u></u>

All balances resulted from various timing differences between dates that interfund goods and services are provided and payments between funds are made.

### **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 \$2,336,222 for 2022 which were approximately 4.0% of the covered payroll, \$831,392 of which were funded by forfeitures. 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 \$1,617,118 for the year ended August 31, 2022. In addition, employees contributed an additional \$21,857 to a 457 plan and \$717,767 to a 403 ROTH.

As of January 1, 2023, the Board of Trustees approved the closing of the 401(a) account in favor of opening the 403(b) account for the 4.5% Employer contributions. The total benefit to the employees remains the same as does the vesting schedule for employer contributions, with the exception that all balances in employee 401(a) accounts as of December 31, 2022 became fully vested regardless of the employees' term of service.

### **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 2017 through 2022, 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 - Integrated Care Collaboration**

Effective June 29, 2001, Integral Care entered into an agreement with the Integrated 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, 2022, these contracts have been continued through August 31, 2023.

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

	<u>Amount</u>	<u>Percent</u>
HHSC - Mental Health	\$ 37,309,969	33.1%
1115 Transformation Waiver	15,113,484	13.4%

### 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 - Patient Assistance Program

Consumers periodically receive prescription medications through a program known as the Patient Assistance Program (PAP). These prescriptions are provided at no cost to the consumer. These items do not meet the criteria for recognition on the Center's financial statements; however, they do provide significant assistance to the consumers the Center serves. Management estimates that consumers received prescription medications through this program valued at \$2,130,814 during the year ending August 31, 2022.

**Note 24 - Healthcare Transformation and Quality Improvement Program 1115 Demonstration Waiver ('1115 Waiver')**

The State of Texas was originally approved for a five-year Medicaid demonstration waiver (through September 30, 2016) that enabled hospitals and other providers to earn up to \$11.4 billion in funds for Delivery System Reform Incentive Payment (DSRIP) projects. DSRIP projects were designed to improve Texas' health care delivery system, including access to care, quality of care, and health outcomes. Texas allocated a minimum of 10% of the DSRIP funds to the community mental health centers that serve mentally ill Medicaid and indigent patients throughout the state. An extension was granted until December 2017. On December 21, 2017, the Centers for Medicare & Medicaid Services (CMS) approved Texas HHSC's request to extend Texas' section 1115(a) demonstration project effective from January 1, 2018 through September 30, 2022. Under the new terms, there are two years of level funding, followed by two years of funding which will decrease each year. The fifth year of the extension, from October 1, 2021 through September 30, 2022, is reserved for any payments for performance metrics earned from the previous four years. The Center reported twice a year on milestone and outcome achievements in order to earn DSRIP funds. The program ended in the current fiscal year.

On January 15, 2021, the Centers for Medicare and Medicaid Services approved an extension of the 1115 Waiver in Texas through September 30, 2030. A portion of the extension includes an initial \$500,000,000 Public Health Providers Charity Care Pool (PHP-CCP) which includes publicly owned and operated community mental health clinics in participation. The PHP-CCP, along with the Directed Payment Program for Behavioral Health Services, provides a path to provide financial stability through the transition of the 1115 Waiver.

In November 2021, CMS approved the Directed Payment Program for Behavioral Health Services (DPP BHS) for the period covering September 1, 2021 through August 31, 2022 in the amount of \$176 million. This program will take the place of the DSRIP program, but community mental health centers (CMHC) are encouraged to continue successful DSRIP innovations. DPP BHS is a value-based payment program to promote and improve access to behavioral health services, care coordination, and successful care transitions. It also incentivizes continuation of services to Medicaid-enrolled individuals that are aligned with the Certified Community Behavioral Health Clinic (CCBHC) model of care. DPP BHS payments will be included in MCO capitation rates and distributed through two components to enrolled CMHCs who meet program requirements. Component 1 is a uniform dollar increase issued in monthly payments to all qualifying providers participating in the program. As a condition of participation, providers will report on progress made toward certification or maintenance of CCBHC status. Enrolled providers will also be required to report on the implementation status of activities foundational to quality improvement, such as telehealth services, collaborative care, integration of physical and behavioral health, and improved data exchange. Component 2 is a uniform percent increase on certain CCBHC services based on achievement of quality metrics that align with CCBHC measures and goals. The Center was enrolled in the program in fiscal year 2022 and submitted intergovernmental transfers (IGT) to HHSC totaling \$3,790,414 in order to leverage federal funding. The Center has also submitted one IGT for fiscal year 2023 in the amount of \$2,452,494. The Center received \$2,523,244 of the IGT payment during the fiscal year and have a current deposit balance of \$3,240,943. This amount can be found in the Statement of Net Position and the Balance Sheet – Governmental Funds. The Center recognized revenues of \$4,179,679 related to DPP-BHS. The Center has also recorded a reserve of \$943,389 as an estimate of what they could be required to return related to Component 1 settle up based on actual customers served.

## **Note 25 - Subsequent Events**

### **6937 North Interstate Highway 35**

As of August 31, 2022, construction for the Founders building located at 6937 N. I-35 continues with an extended completion date from the original estimated date of January and/or February 2023 to July 2023. This delay is mainly due to material shortages and backorders. The contracted construction cost by Trimbuilt for \$12,540,634 increased due to Change Orders totaling \$935,652, for a total contract cost of \$13,476,286 as of December 31, 2022. This construction includes modifying the facility to house the call center, an adult mental health clinic, a children's mental health clinic, the pharmacy, learning and development, various administrative offices, and other programs.

### **Housing Expansions**

Negotiations have begun, along with some Memorandums of Understanding (MOU) between local partners, to continue the process of expanding housing within the Integral Care catchment area.

There are currently two main areas of consideration for housing. The first is with Capital A Housing, Inc., which is for the construction of a 60-unit multifamily rental housing development that would be located at 3515 Manor Road in Austin. This complex, Seabrook Square 2, would consist of one building with 60 efficiency units. Integral Care or an affiliated entity would be 100% owner and controller of the housing units. The construction of the Development would be financed from the following sources to include approximately \$6 Mil grant of American Rescue Plan Act (ARPA) funds from Travis County and another \$6 Mil grant of ARPA funds from Texas Department of Housing and Community Affairs (TDHCA).

Secondly, an agreement between Integral Care and Elizabeth Property Group Texas, LLC., has been entered into for a thirty (30) floating residential units for Qualifying Residents, which is located at Kensington Apartment, 3300 Manor Road in Austin. Following this agreement, the owner transferred the land to Integral Care. As such, the new landowner, Integral Care, entered into a certain 99-year ground lease for the land.

Integral Care sold property, La Paloma Apartments, located at 5515 Woodrow Avenue in Austin, which resulted in net proceeds of \$1,784,886 in February 2023. These proceeds are Board committed to be used for housing.

### **1115 Waiver Transition**

As Integral Care moves forward into the second year of transitioning from the 1115 Delivery System Reform Incentive Payment (DSRIP) program to the Direct Payment Program Behavioral Health Services (DPP-BHS) and the Public Health Provider Charity Care Pool (PHP-CCP), the Uninsured/Uncompensated category, which is included in the cost reporting reimbursement for FFY22 for CCP, will not be included in FFY23. This is due to the Medicaid shortfall no longer being included. This could result in a major reduction of Charity Care payment as much as 33%. However, as costs eligible for reimbursement increase, and if a portion of other potential appropriations qualify, it could help support the payment reimbursement for FFY23.

At this time, the Texas Council of Community Centers, who is currently working diligently for all centers to determine the payments associated with the FFY22 CCP cost reporting, have not been finalized with Texas Health and Human Services.



Statistical Section (Unaudited)  
August 31, 2022

**Integral Care**

Integral Care  
Schedule of Revenues and Expenditures by Source of Funds – General Fund  
(Unaudited)  
Year Ended August 31, 2022

Fund Source	Total Revenues	Total Behavioral Health Adult Expenditures	Total Behavioral Health Children Expenditures	Total Crisis Services Expenditures	Total Intellectual & Developmental Disabilities Expenditures	Total Other Expenditures	Total Center Expenditures	Excess Revenues Over Expenditures
Objects of Expense								
Personnel	\$ 60,033,919	\$ 22,708,414	\$ 6,966,271	\$ 10,779,444	\$ 5,958,897	\$ 13,620,893	\$ 60,033,919	\$ -
Employee benefits	13,923,146	5,179,458	1,656,212	2,406,622	1,403,156	3,277,698	13,923,146	-
Professional and consultant services	18,666,731	2,543,013	374,893	12,215,117	594,692	2,939,016	18,666,731	-
Training and travel	632,662	225,592	68,898	127,556	52,586	158,030	632,662	-
Debt service	2,846,404	-	-	-	-	2,846,404	2,846,404	-
Capital outlay	6,962,624	76,147	11,866	91,158	670	6,782,783	6,962,624	-
Non-capitalized equipment	625,676	242,935	75,708	78,540	44,780	183,713	625,676	-
Pharmaceutical expense	278,700	196,350	48	11,212	20	71,070	278,700	-
Pharmaceutical expense (PAP only)	2,130,814	2,130,814	-	-	-	-	2,130,814	-
Other operating expense	15,893,807	7,168,855	1,390,048	2,672,971	933,891	3,728,042	15,893,807	-
Total expenditures	<u>\$ 121,994,483</u>	<u>\$ 40,471,578</u>	<u>\$ 10,543,944</u>	<u>\$ 28,382,620</u>	<u>\$ 8,988,692</u>	<u>\$ 33,607,649</u>	<u>\$ 121,994,483</u>	<u>\$ -</u>
Method of Finance								
General revenue - behavioral health	\$ 12,643,499	\$ 10,260,624	\$ 2,320,612	\$ -	\$ -	\$ 62,263	\$ 12,643,499	\$ -
General revenue - IDD	3,553,626	-	-	-	3,553,626	-	3,553,626	-
Mental Health Block Grant	2,978,979	2,037,289	941,690	-	-	-	2,978,979	-
Other federal - DADS	1,038,424	-	-	-	1,038,424	-	1,038,424	-
Other general revenue	7,278,681	5,052,022	900,110	1,326,549	-	-	7,278,681	-
Crisis services - mental health	8,851,444	805,456	54,028	7,991,960	-	-	8,851,444	-
Other state funds	4,147,469	-	-	-	52,232	4,095,237	4,147,469	-
Other federal funds	30,316,772	15,066,523	2,873,427	6,857,813	-	5,519,009	30,316,772	-
Earned income	5,606,277	715,550	13,235	26,095	3,200,887	1,650,510	5,606,277	-
Required local match	3,643,307	-	2,541,135	728,415	373,757	-	3,643,307	-
Additional local match	39,999,686	6,534,112	899,706	11,451,788	769,766	20,344,314	39,999,686	-
Total expended sources	<u>\$ 120,058,164</u>	<u>\$ 40,471,576</u>	<u>\$ 10,543,943</u>	<u>\$ 28,382,620</u>	<u>\$ 8,988,692</u>	<u>\$ 31,671,333</u>	<u>\$ 120,058,164</u>	<u>\$ -</u>



**Integral Care**  
**Reconciliation of Total Revenues and Expenditures to Fourth Quarter Financial Report**  
(Unaudited)  
**Year Ended August 31, 2022**

	Revenues			Audited
	Care Report III	Additions	Deletions	Financial Statements
Local Revenues				
City funds	\$ 10,044,832	\$ -	\$ -	\$ 10,044,832
County funds	7,672,981	-	-	7,672,981
Other taxing authority funds	7,826,222	-	-	7,826,222
Earned income	7,361,415	-	-	7,361,415
Rental income	562,349	-	-	562,349
Miscellaneous income & contribution	3,953,776	-	-	3,953,776
Patient Assistance Programs	2,130,814	-	(2,130,814) (a)	-
Total local revenue	39,552,389	-	(2,130,814)	37,421,575
State Program Revenues				
HHSC - Mental Health	28,570,844	-	-	28,570,844
HHSC - IDD	3,533,456	-	-	3,533,456
TCOOMMI	2,207,865	-	-	2,207,865
Other state programs	331,061	-	-	331,061
Total state program revenues	34,643,226	-	-	34,643,226
Federal Program Revenues				
City of Austin - Ryan White	314,802	-	-	314,802
City of Austin - CDBG - YAFAC	201,187	-	-	201,187
City of Austin - Prologes	274,761	-	-	274,761
Travis County - Parents in Recovery	143,856	-	-	143,856
Travis County - SAMSO (SAMHSA)	118,957	-	-	118,957
Travis County - CDBG CV	24,828	-	-	24,828
Travis County - CSLFRF	181,764	-	-	181,764
HHSC - Mental Health	8,739,125	-	-	8,739,125
HHSC - Substance use disorder	1,486,055	-	-	1,486,055
HHSC - IDD	992,905	-	-	992,905
TDHCA Housing Stability	60,284	-	-	60,284
HUD Supported Housing	463,743	-	-	463,743
SAMHSA CCBHC	1,160,644	-	-	1,160,644
SAMHSA CHRP	222,833	-	-	222,833
SAMHSA MHAT	94,726	-	-	94,726
SAMHSA CMHC	1,243,582	-	-	1,243,582
SAMHSA AOT	790,876	-	-	790,876
Del Valle ISD - VOCA	31,956	-	-	31,956
UTDMS SAMHSA	186,536	-	-	186,536
UTDMS EPINET	16,676	-	-	16,676
UTDMS First	15,215	-	-	15,215
UTDMS Addiction Fellowship	67,990	-	-	67,990
Veterans Administration - Safe Haven	793,643	-	-	793,643
Medicaid Administrative Claiming	3,341,052	-	-	3,341,052
1115 Transformation Waiver	15,113,484	-	-	15,113,484
Directed Payment Program-Comp 1	3,344,207	-	-	3,344,207
Directed Payment Program-Comp 2	835,472	-	-	835,472
HHSC - COVID Provider Relief Funds	172,381	-	-	172,381
Total federal program revenues	40,433,541	-	-	40,433,541
Investment Earnings	124,301	-	-	124,301
Total revenues	\$ 114,753,456	\$ -	\$ (2,130,814)	\$ 112,622,642

(a) Free medicine used

**Integral Care**  
Reconciliation of Total Revenues and Expenditures to Fourth Quarter Financial Report  
(Unaudited)  
Year Ended August 31, 2022

Function	Expenditures			Audited Financial Statements
	Care Report III	Additions	Deletions	
Personnel	\$ 60,033,919	\$ 181,254 (b)	\$ -	\$ 60,215,173
Employee benefits	13,923,146	-	-	13,923,146
Professional and consultant service	18,666,731	-	-	18,666,731
Training and travel	632,662	-	-	632,662
Debt service	2,846,404	-	-	2,846,404
Capital outlay	6,962,624	-	-	6,962,624
Non-capitalized equipment	625,676	-	-	625,676
Pharmaceutical expense	278,700	-	-	278,700
Pharmaceutical expense (PAP only)	2,130,814	-	(2,130,814) (a)	-
Other operating expense	15,893,807	-	-	15,893,807
	<u>\$ 121,994,483</u>	<u>\$ 181,254</u>	<u>\$ (2,130,814)</u>	<u>\$ 120,044,923</u>

(a) Free medicine used

(b) Change in compensated absences - used only in government-wide financial statements

Integral Care  
Schedule of Indirect Costs  
(Unaudited)  
Year Ended August 31, 2022

	Total Costs	Nonallowable Costs	Depreciation	Total Adjusted Costs	Direct Costs	Indirect Costs
Personnel	\$ 60,033,919	\$ 71,849	\$ -	\$ 59,962,070	\$ 52,209,213	\$ 7,752,857
Employee benefits	13,923,146	6,161	-	13,916,985	12,242,995	1,673,990
Capital outlay	7,085,417	7,085,417	-	-	-	-
Depreciation	-	-	2,805,911	2,805,911	2,591,253	214,658
Other operating expenses	39,002,441	683,026	-	38,319,415	33,976,251	4,343,164
Total expenditures	<u>\$ 120,044,923</u>	<u>\$ 7,846,453</u>	<u>\$ 2,805,911</u>	<u>\$ 115,004,381</u>	<u>\$ 101,019,712</u>	<u>\$ 13,984,669</u>
Indirect cost						13,984,669
Direct costs						<u>101,019,712</u>
Indirect cost rate						<u>13.84%</u>

**Integral Care**  
Schedule of Insurance in Force  
(Unaudited)  
Year Ended August 31, 2022

Insurer	Policy Period	Coverage	Limits or Amounts
Texas Council Risk Management Fund	9/1/21 - 9/1/2022	Workers Compensation	Statutory
	9/1/21 - 9/1/2022	General Liability	\$1,000,000 Combined Single Limit \$1,000 Deductible
	9/1/21 - 9/1/2022	Errors & Omission	\$1,000,000 Per Claim \$3,000,000 Annual Aggregate \$25,000 Deductible
	9/1/21 - 9/1/2022	Professional Liability	\$1,000,000 Per Claim \$3,000,000 Annual Aggregate \$10,000 Deductible
	9/1/21 - 9/1/2022	Automobile Liability	\$1,000,000 Combined Single Limit
		Liability	Various
		Physical Damage	\$100,000/\$300,000 Limits
		Uninsured/Underinsured	
	9/1/21 - 9/1/2022	Additional Liability	\$1,000,000 Combined Single Limit \$2,000,000 Aggregate
	9/1/21 - 9/1/2022	Property Coverages	Each Occurrence
American Bankers Insurance Company of Florida		Buildings	\$31,740,318
		Contents	\$6,692,542
		Boiler & Machinery Equipment	\$100,744
		EDP Equipment	\$3,894,700
		Misc Property & Equipment	\$243,973
		Vacant Buildings	\$13,340,000
	2/18/21 - 2/18/2022	Flood - Tahoe Trail-Building 1st Floor	\$250,000
		Contents	\$21,800
		Deductible	\$1,250
	10/1/21 - 10/1/2022	Flood - Jones House Building	\$250,000
		Contents	\$100,000
		Deductible	\$1,250
	11/28/21 - 11/28/2022	Flood - 403 E 15th St	\$500,000
		Contents	\$35,000
		Deductible	\$2,000

Integral Care  
Schedule of Insurance in Force  
(Unaudited)  
Year Ended August 31, 2022

Insurer	Policy Period	Coverage	Limits or Amounts
Lloyds of London	10/1/21 - 10/1/2022	Excess Flood Building	\$2,000,000
Chubb	1/16/21 - 1/16/2022	Computer Privacy, Network Security, Liability	
		Network Extortion	\$2,000,000
		Regulatory Proceedings	\$500,000
		Electronic, Social and Printed Media Liability	\$1,000,000
		Deductible	\$50,000
Tokia Marine HCC	1/16/2022 - 1/16/2023	Cyber Extortion, System Failure, Breach Insurance, Multimedia Liab	\$5,000,000 Combined Single Limit
Houston Casualty Co.	1/16/2022 - 1/16/2023	Privacy Regulatory Defense	\$5,000,000 Maximum Aggregate
		Cyber Crime	\$250,000
		Deductible	\$50,000

Integral Care  
Schedule of Leases in Effect  
(Unaudited)  
Year Ended August 31, 2022

Lessor	Location	Period Covered		Amount (\$ per month)
Property Leases				
Collier Properties LLC	1700 S. Lamar, Bldg. 1	12/1/2012	6/30/2022	\$28,067
	1701 S. Lamar, Suite 230	7/1/2013	6/30/2024	\$5,682
	1701 S. Lamar, Suite 240	7/1/2016	6/30/2022	\$7,322
	1701 S. Lamar, Suite 322	7/1/2016	6/30/2024	\$5,131
Travis County	502 E. Highland Mall	10/1/2021	9/30/2026	\$10,248
Sigland Properties II, Ltd	825 E. Rundberg Lane - Base Rent	2/1/2015	1/31/2022	\$32,468
Oldwood Riverside Place, LP	2410 E. Riverside, Suite G3	2/1/2015	1/31/2022	\$13,398
Boyd Austin I GSA LL	5015 South IH-35	12/15/2013	9/30/2026	\$54,353
Houston First Oak Spgs LP	3000 Oak Springs (amend)	12/1/2017	12/1/2033	\$2,997
Copiers and Printers				
Various	Various	Various		\$8,800
Other Rental Payments				
Iron Mountain		Month	to Month	\$3,662
Safe Site, Inc.		Month	to Month	\$1,764

Integral Care  
Schedule of Bond Coverage  
(Unaudited)  
Year Ended August 31, 2022

Surety Company	Scope of Coverage	Limit	Deductible
Travelers 8/31/19 - 8/31/22	Employee Theft	\$7,500,000	\$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
	Claim Expense	\$5,000	-

**Integral Care**  
Schedule of Professional and Consulting Fees and Contracted Provider Services  
(Unaudited)  
Year Ended August 31, 2022

Name	Type of Service	Amount
COHNREZNICK	Accounting Services	\$ 11,050
EIDE BAILLY LLP	Accounting Services	89,860
MAXWELL LOCKE & RITTER LLP	Accounting Services	25,000
MIGL ENGINEERING & CONSULTING	Architect & Engineering Fees	3,217
STG DESIGN INC	Architect & Engineering Fees	135,796
ALMA MENA	Bilingual Therapy	9,785
AUSTIN RECOVERY	Client Medical Services	16,400
BENITA BONNIE HERNANDEZ	Client Medical Services	4,163
CULTIVATE BEHAVIORAL HEALTH & EDUCATION	Client Medical Services	4,704
MAINTENANCE & RECOVERY SERVICES	Clinical Svcs	101,248
UNIVERSITY OF TX AT AUSTIN	Clinical Svcs	652,938
KAMATH COACHING AND CONSULTING	Consulting Svc - Strategic Plan	85,000
MANAGEMENT ADVISORY GROUP INTERNATIONAL INC	Consulting Svc - Class Comp Study	88,020
NEF COMMUNITY INVESTMENTS	Consulting Svc - Asset Mgmt	11,704
SMITH RESEARCH & CONSULTING LLC	Consulting Svc - Racial Equity	66,230
WESTWAYS STAFFING SERVICES INC	Counselors/Nurse Staffing	227,575
TWG INVESTMENTS LTD	Crises Residential Center Staffing	2,571,741
AUSTIN ORAL & MAXILLOFACIAL SURGERY ASSOC	Dental Services	1,502
MANOS DE CRISTO INC	Dental Services	7,881
MCFARLANE DENTAL	Dental Services	9,807
METRO PERIODONTICS LLC	Dental Services	2,068
DOUBLETREE RESIDENTIAL SERVICES INC	Direct Care Services	123,110
FRIEND OF A FRIEND YOUTH & FAMILY SERVICES	Direct Care Services	7,769
A TO Z HEALTHCARE SERVICES LLC	Healthcare Services Consultant	52,963
TX STATE OPTICAL OF CAPITAL PLAZA	Optical	3,139
MEDICAL STAFFING NETWORK INC	Pharmacy Staffing	33,678
CARMAHEALTH PLLC	Psychiatric Services	36,963
DENIS TRESCOT FLYNN	Psychiatric Services	7,475
JSA HEALTH CORPORATION	Psychiatric Services	12,985
LOCUMTENENS.COM	Psychiatric Services	736,324
MERIDIAN PSYCHIATRIC SERVICES	Psychiatric Services	1,815
NEXUS ASSESSMENT AND PSYCHOLOGICAL SERVICES	Psychiatric Services	31,183
PSYCHWIRE	Psychiatric Services	184,080
SPELBER PSYCHIATRY LLC	Psychiatric Services	48,384
HARRISON PSYCHOLOGICAL SERVICES PLLC	Psychological Services	10,000
LISA M LASATER PHD	Psychological Services	2,500
NRC BILINGUAL PSYCHOLOGICAL SERVICES, PLLC	Psychological Services	2,090
OWN YOUR HAPPINESS	Psychosocial Therapy	8,950
ANIMAL-ASSISTED THERAPIST LLC	Psychotherapy Svcs	4,590
ANA MARIA CABEZAS LPC	Therapy Services	3,575
BILINGUAL COUNSELORS OF TEXAS	Therapy Services	19,183
CRISTINA PECK LPC LMFTA	Therapy Services	3,205
DIANA VERDIN LPC	Therapy Services	4,670



Integral Care  
Schedule of Professional and Consulting Fees and Contracted Provider Services  
(Unaudited)  
Year Ended August 31, 2022

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Name	Type of Service	Amount
JERRY L STRICKLAND	Therapy Services	\$ 8,925
LABYRINTH COUNSELING	Therapy Services	6,353
MAYRA ROSALES M.ED LPC	Therapy Services	3,895
MICHAEL D ROMERO LCSW	Therapy Services	5,460
NEXUS RECOVERY CENTER INC	Therapy Services	1,966
OVERLAND CHILDREN & FAMILY SERVICES	Therapy Services	5,045
REBECCA ROTH PLLC	Therapy Services	7,160
		<u>\$ 5,503,124</u>

Integral Care  
Schedule of Legal Services  
(Unaudited)  
Year Ended August 31, 2022

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Name	City	Type of Service	Amount
Drenner Group	Austin	General Legal Counsel	\$ 5,978
Husch Blackwell	Austin	General Legal Counsel	250
Kuperman Orr & Albers PC	Austin	General Legal Counsel	12,490
Locke Lord LLP	Austin	General Legal Counsel	2,565
Taylor Olson Adkins	Austin	General Legal Counsel	550
Orrick, Harrington, & Sutcliffe	Austin	Revenue Anticipation Note	2,132
			<u>\$ 23,965</u>



Federal and State Awards Reports in Accordance with Uniform  
Guidance and Texas Single Audit Circular  
August 31, 2022

**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 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, 2022, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements and have issued our report thereon dated February 23, 2023.

**Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control.

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

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

## **Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Abilene, Texas  
February 23, 2023



**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**

***Opinion on Each Major Federal and State Program***

We have audited Integral Care's compliance with the types of compliance requirements identified as subject to audit 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 Integral Care's major federal and state programs for the year ended August 31, 2022. Integral Care'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.

In our opinion, Integral Care complied, in all material respects, with the 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, 2022.

***Basis for Opinion on Each Major Federal and State Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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 (TSAC)* and *Guidelines for Annual Financial and Compliance Audits of Community Mental Health and Mental Retardation Centers (Guidelines)*. Our responsibilities under those standards and the Uniform Guidance, TSAC, and the Guidelines are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Integral Care and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal and state program. Our audit does not provide a legal determination of Integral Care's compliance with the compliance requirements referred to above.

### ***Other Matter – Federal Expenditures Not Included in the Compliance Audit***

Integral Care’s basic financial statements include the operations of the following component units: 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 expended \$5,407,091 in federal awards which is not included in Integral Care’s schedule of expenditures of state and federal awards during the year ended August 31, 2022. Our compliance audit, described in the “Opinion on Each Major Federal and State Program” does not include the operations of the component units because the component units engaged other auditors to perform an audit of compliance.

### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Integral Care’s federal and state programs.

### ***Auditor’s Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Integral Care’s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, TSAC, and the Guidelines will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Integral Care’s compliance with the requirements of each major federal and state program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, TSAC, and the Guidelines, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Integral Care’s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Integral Care’s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Integral Care’s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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  
February 23, 2023



**Integral Care**  
**Schedule of Expenditures of State and Federal Awards**  
**Year Ended August 31, 2022**

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	HHS001022200004	\$ 10,260,624	\$ -
General Revenue - Behavioral Health Child	HHS001022200004	2,382,875	-
Crisis Redesign	HHS001022200004	2,384,095	-
PESC	HHS001022200004	3,419,892	-
Outpatient Competency Restoration	HHS001022200004	544,518	-
Private Psychiatric Beds	HHS001022200004	2,502,939	-
Veteran Services	HHS001022200004	99,286	96,804
Supportive Housing	HHS001022200004	310,655	-
Non-Physician Mental Health	HHS001022200004	115,000	-
Post Discharge Meds for Civil Commitments	HHS001022200004	1,558	-
Mental Health First Aid	HHS000017600002	30,300	-
Healthy Community Collaboratives (HCC)	HHS000930600003	2,956,147	348,579
Mental Health Grant for Justice-Involved Individuals (SB292)	HHS000134400011 Amd #3	2,673,681	-
Community Mental Health Grant Program (HB13)	HHS000477100044	856,972	-
PRSP Residency	HHS001022700001	9,388	-
Block Grant Homeless/Path - MH	HHS000231500016	11,468	-
Rider 39	HHS000740900004	11,445	-
<b>Total LMHA</b>		<b>28,570,843</b>	<b>445,383</b>
<b>Local IDD Authority (LIDDA)</b>			
General Revenue - Intellectual & Developmental Disabilities	HHS000995500001	2,669,190	-
CLOIP	HHS000995500001	267,933	2,400
Permanency Planning	HHS000995500001	32,149	-
Crisis Intervention Specialists	HHS000995500001	248,335	-
Crisis Respite	HHS000995500001	63,185	-
Outpatient Learning Collaborative	HHS000995500001	252,665	-
<b>Total LIDDA</b>		<b>3,533,457</b>	<b>2,400</b>
<b>Cancer Prevention and Research Institute of Texas (CPRIT)</b>			
<b>Passed through The University of Houston</b>			
Taking Texas Tobacco Free	R-20-0072	11,625	-
Taking Texas Tobacco Free	R-21-0037	25,643	-
Taking Texas Tobacco Free	R-21-0037	13,428	-
Federally Qualified Health Centers	R-21-0076	139,488	-
Federally Qualified Health Centers	R-21-0076	56,546	-
Homeless	R22-0013	32,100	-
<b>Total Cancer Prevention and Research Institute of Texas (CPRIT)</b>		<b>278,830</b>	<b>-</b>
<b>Total State Awards</b>		<b>\$ 32,383,130</b>	<b>\$ 447,783</b>

**Integral Care**  
**Schedule of Expenditures of State and Federal Awards**  
**Year Ended August 31, 2022**

Federal Grantor / Pass-through Grantor / Program or Cluster Title	Federal Financial Assistance Listing/Federal CFDA Number	Pass Through Grantor Number	Expenditures	Subrecipient Expenditures
<b>Federal Awards</b>				
U.S. Department of Health and Human Services				
Direct: COVID 19 Provider Relief Fund and American Rescue				
Plan (ARP) Rural Distribution	93.498	N/A	\$ 546,669	\$ -
Passed through the Texas Health and Human Services Commission				
Medicaid Administrative Claiming- Medicaid Cluster	93.778	529-09-0032-00050A	3,341,052	-
Money Follows the Person - Transition Support Team	93.791	HHS000995500001	376,698	-
Money Follows the Person - Enhanced Community Coordination	93.791	HHS000995500001	38,122	-
Total CFDA 93.791			414,820	-
Block Grant Homeless/PATH	93.150	HHS000231500016	370,802	-
Temporary Assistance for Needy Families (TANF)	93.558 (6)	HHS001022200004	509,998	-
Social Services Block Grant - Title XX SSBG	93.667	HHS001022200004	159,113	-
Mental Health Block Grant	93.958 (1)	HHS001022200004	1,550,277	-
Mental Health First Aid	93.958 (1)	HHS000017600002	81,331	-
Supportive Housing	93.958 (1)	HHS001022200004	10,176	-
Suicide Regional Expansion	93.958 (1)	HHS000502700001	323,467	-
Lifeline Expansion	93.243 (4)	HHS000790600003	1,484,872	-
Community MH Worker	93.959 (3)	HHS000780300001 Amd#1	668,342	-
Mental Health Block Grant -				
Consumer Operated Services	93.958 (1)	HHS001022200004	181,500	166,875
MHBG Coordinated Specialty Care	93.958 (1)	2016-049446-001 Am #4	418,561	5,630
MHBG Coordinated Specialty Care Supplemental	93.958 (1)	2016-049446-001 Am #4	212,239	35,579
COVID-19 TANF Pandemic Emergency Assistance Funds	93.558 (6)	HHS001120200032	578,091	-
System of Care	93.104	HHS001100700001	144,813	-
COVID-19 Supplemental Grant Program- Attachment				
AO5 Consumer Operated Srv	93.958 (1)	HHS001108400004	59,068	56,568
COVID-19 Supplemental Grant Program- Attachment				
AO2 Housing & Homeless Programs	93.958 (1)	HHS001108400004	943,453	-
COVID-19 Supplemental Grant Program- Attachment				
AO2 Housing & Homeless Programs	93.959 (3)	HHS001108400004	247,066	-
COVID-19 Attachment AO1 Outpatient Capacity				
Expansion	93.958 (1)	HHS001108400004	1,237,757	-
COVID-19 Disaster Crisis Counseling Program RSP	93.982	HHS000434500032-4485 RSP	133,762	-
Block Grant for Prevention and Treatment of				
Medication Assisted Treatment	93.959 (3)	HHS000663700146	1,153,225	-
Outpatient Treatment for Adults (TRA)	93.959 (3)	HHS000663700221	68,639	-
Passed through City of Austin				
Ryan White Title I Funds	93.914 (5)	NG170000042	308,948	-
COVID-19 Ryan White	93.914 (5)	NG170000042	5,855	-
Passed through University of Texas San Antonio				
UT San Antonio OBOT	93.788	170146/42943-06	262,292	-
Direct award from Substance Abuse and				
Mental Health Service Administration				
Amplify Care Through CCBHC	93.829	1H79SM081907-01	1,160,644	-
SAMHSA Assistive Outpatient Treatment	93.997	1H79SM082924-01	790,876	1,251
CMHC	93.958 (1)	1H79SM085571-01	1,243,582	-
Clinical High Risk Psychosis	93.243 (4)	1H79SM081187-01	222,833	-
Mental Health Awareness Training	93.243 (4)	1H79SM081224-01	94,726	20,382
			3,512,661	21,633

**Integral Care**  
**Schedule of Expenditures of State and Federal Awards**  
**Year Ended August 31, 2022**

Federal Grantor / Pass-through Grantor / Program or Cluster Title	Federal Financial Assistance Listing/Federal CFDA Number	Pass Through Grantor Number	Expenditures	Subrecipient Expenditures
Passed through Dell Medical School and University of Texas at Austin				
UTDMS First	93.242 (2)	R01MH124965	15,215	-
UTDMS EPINET	93.242 (2)	R01MH120599	16,676	-
UTDMS HRSA Addiction Medicine Fellowship	93.732	5 T25HP37626-02-00	67,990	-
SAMHSA A Community-Based Integrative Dual Disorders Treatment Intervention for Individuals Experiencing Homelessness in Austin, TX	93.243 (4)	1H79SM080714-01	188,131	-
			<u>288,012</u>	<u>-</u>
Passed through Travis County Managed Services Organization SAMHSA Enhance the Safety of Children Affected by Parental Methamphetamine or Other Substance Abuse -System of Care	93.243 (4)	4400004025	118,957	-
	93.087	4400003965 Mod#11	143,856	-
Total U.S. Department of Health and Human Services			<u>19,479,674</u>	<u>286,285</u>
U.S. Department of Justice				
Passed through Del Valle ISD				
Del Valle ISD VOCA	16.575	2019-2020 QMHP MOU	31,956	-
Total U.S. Department of Justice			<u>31,956</u>	<u>-</u>
U.S. Department of the Treasury				
Direct: Coronavirus State and Local Fiscal Recovery Funds	21.027	44010006140	181,764	-
Passed through Texas Dept of Housing and Community Affairs Emergency Rental Assistance Program	21.023	20220000009	60,284	-
Total U.S. Department of the Treasury			<u>242,048</u>	<u>-</u>
U.S. Department of Housing and Urban Development				
Passed through Travis County COVID-19 CDBG COVID	14.228	CDBG-CV	24,828	-
Direct Award				
Continuum of Care Program - HUD Fresh Start	14.267	TX0374L6J031805	155,507	-
Continuum of Care Program - HUD Fresh Start	14.267	TX0374L6J032007	308,235	-
Total CCP - HUD Fresh Start			<u>463,742</u>	<u>-</u>
Passed through City of Austin				
Community Development Block Grant - YAFAC	14.218	NG17000008	12,297	-
Community Development Block Grant - YAFAC	14.218	MA 7200 NG220000036	188,890	-
Total CDBG - Entitlement Grants Cluster			<u>201,187</u>	<u>-</u>
Total U.S. Department of Housing and Urban Development			<u>689,757</u>	<u>-</u>
Total federal awards			<u>\$ 20,443,435</u>	<u>\$ 286,285</u>
Total state and federal awards			<u>\$ 52,826,565</u>	<u>\$ 734,068</u>
(1) Total for CFDA 93.958	\$	6,261,411		
(2) Total for CFDA 93.242		31,891		
(3) Total for CFDA 93.959		2,137,272		
(4) Total for CFDA 93.243		2,109,519		
(5) Total for CFDA 93.914		314,803		
(6) Total 477 Cluster		1,088,089		

**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.

The Center received amounts from the U.S. Department of Health and Human Services (HHS) through the Provider Relief Fund (PRF) and American Rescue Plan (ARP) Rural Distribution (Federal Financial Assistance Listing #93.498) during the years ended August 31, 2020, 2021 and 2022. The Center incurred eligible expenditures and, therefore, recognized revenues totaling \$576,060 and \$172,381 for the years ended August 31, 2021 and 2022, respectively, on the financial statements. PRF expenditures are not recognized on the Schedule of Expenditures of State and Federal Awards until the expenditures are included in the reporting to HHS as required under the PRF program.

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	\$ 32,383,130
TCOOMMI	2,207,865
TRC Fees Billed	<u>52,231</u>
State revenues per basic financial statements	<u><u>\$ 34,643,226</u></u>
Federal expenditures per SESFA	\$ 20,443,435
Directed Payment Program-Comp 1	3,344,207
Directed Payment Program-Comp 2	835,472
1115 Transformation Waiver	15,113,484
Veterans Administration	793,643
City of Austin- Prolodges	274,761
Provider Relief Funds reported as revenue during FY 2022 related to period 4	172,381
Provider Relief Funds reported as revenue during FY 2021 related to period 2	(546,669)
Other	<u>2,827</u>
Federal revenues per basic financial statements	<u><u>\$ 40,433,541</u></u>

#### **Note 5 - Indirect Cost Rate**

Integral Care has elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

## Section 1 - Summary of Auditors' Results

### Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weaknesses identified? No
- Significant deficiencies identified that are not considered to be material weaknesses? None Reported

Noncompliance material to financial statements noted? No

### Federal and State Awards

Internal control over major programs:

- Material weaknesses identified? No
- Significant deficiencies identified that are not considered to be material weaknesses? None Reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) of the Uniform Guidance? No

Identification of major programs:

- Federal Financial Assistance Listing/CFDA Number
  - 93.778 – Medical Assistance Program (Medicaid Cluster)
  - 93.829 – COVID 19 Section 223 Demonstration Programs to Improve Community Mental Health Services CCBHC Expansion Project
  - 93.498 – COVID 19 Provider Relief Funds and American Rescue Plan Rural Distribution
  - 93.558 – Temporary Assistance for Needy Families (TANF) – 477 Cluster
  - 93.997 – Assisted Outpatient Treatment Care
- State General Revenue:
  - Behavioral Health (Mental Health Adult and Crisis, Mental Health Child, PESC, PPB)
  - Intellectual & Developmental Disabilities
  - Healthy Community Collaboratives
  - Justice Involved Individuals – SB292

Dollar threshold used to distinguish between type A and type B programs?	
Federal awards	\$ 750,000
State awards	\$ 971,494
Auditee qualified as low-risk auditee?	Yes

**Section II – Financial Statement Findings**

The audit disclosed no findings required to be reported.

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

The audit disclosed no findings and questioned costs required to be reported.