



Financial Statements  
August 31, 2025

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CERTIFICATE OF BOARD APPROVAL

I, Patricia Young Brown, Chairperson of the Board of Trustees of Integral Care, hereby certify that this accompanying audit report for fiscal year 2025 from Eide Bailly LLP was reviewed and approved at a meeting of the Executive Committee of the Board of Trustees held on the 30<sup>th</sup> day of April 2026.

*Patricia A. Young Brown*  
\_\_\_\_\_  
Chairperson, Board of Trustees

## LISTING OF OFFICIALS

### BOARD OF TRUSTEES

#### Officers

Patricia Young Brown – Chairperson

Emmitt Hayes – Vice Chair

Deborah Smith – Secretary/Treasurer

Stephanie Bazan – Secretary/Treasurer (effective after October 29, 2024)

#### Members

Stephanie Bazan

H. Ed Calahan

Sarah Churchill Llamas

Hal Katz

Ann Kitchen

Guadalupe Zamora, M.D.

Sheriff Sally Hernandez

#### Key Officers

Jeff Richardson

Rusty Taylor

Lisa Laky

Dawn Handley Vice President and Chief Operations Officer

Elizabeth Marrero

Kathleen Casey

Rodney Guinn

Scott Ruff

Ziyad Nuwayhid

Chief Executive Officer

Chief Financial Officer

General Counsel

Provider Network & Authority Officer

Chief Strategy Officer

Chief Human Resources Officer

Chief Technology Officer and

Chief Administrative Officer

Chief Medical Officer



## 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 Integral Care (the Center) as of and for the year ended August 31, 2025, 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 audit and the reports of the 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, 2025, 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 26.35%, 38.90% and 27.68%, respectively, of the assets, net position and revenues of the business-type activities and 82.56%, 81.03% and 96.28%, 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*). 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.

### ***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 and *Government Auditing Standards* 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 and *Government Auditing Standards* 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 GAAS, 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* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the Texas Grant Management Standards 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 GAAS. 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 April 29, 2026 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.

*Eide Bailly LLP*

Abilene, Texas  
April 29, 2026

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, 2025.

## FINANCIAL HIGHLIGHTS

- The assets of Integral Care exceeded its liabilities at the close of the most recent fiscal year by \$84,039,131 (net position). Of this amount, \$38,034,683 (unrestricted net position) may be used to meet Integral Care's ongoing obligations.
- Integral Care's total government-wide net position increased by \$4,414,589 in fiscal year 2025. Of that, Integral Care's governmental operations resulted in an increase in net position of \$1,162,909 and business-type operations had an increase of \$3,251,680 in net position.
- As of the close of the fiscal year, Integral Care's governmental funds reported combined ending fund balances of \$37,731,556, an increase of \$771,996 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 \$26,123,077, 16.3% 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, *Integral Care Seabrook, LLC*, a limited liability corporation, of which Integral Care is the sole member to build and operate low income housing units, 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 three *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 Integral Care Foundation, Integral Care Seabrook, LLC 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 29-54 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 55-63 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 \$84,039,131 at the close of the most recent fiscal year.

Approximately 53% of Integral Care's net position reflect its net investment in capital assets (e.g., land, buildings, vehicles, furniture and equipment, right of use lease or subscription IT asset net of accumulated depreciation and amortization), 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, approximately 45% of Integral Care's net position represents unrestricted financial resources available for future operations.

The remaining approximately 2% balance of Integral Care's net position represents resources restricted by the terms of the permanent endowment (0.60%) and the stabilization reserve (1.30%).

**Summary of Net Position**

	Governmental Activities		Business-Type Activities		Total	
	8/31/2025	8/31/2024	8/31/2025	8/31/2024	8/31/2025	8/31/2024
Current assets	\$ 50,230,671	\$ 47,459,570	\$ 2,571,210	\$ 3,842,621	\$ 52,801,881	\$ 51,302,191
Noncurrent assets, restated	69,703,890	68,283,187	12,436,691	7,561,688	82,140,581	75,844,875
<b>Total assets</b>	<b>119,934,561</b>	<b>115,742,757</b>	<b>15,007,901</b>	<b>11,404,309</b>	<b>134,942,462</b>	<b>127,147,066</b>
Current liabilities, restated	23,566,821	19,327,806	2,109,434	3,046,494	25,676,255	22,374,300
Noncurrent liabilities	21,455,517	22,665,637	3,771,559	2,482,587	25,227,076	25,148,224
<b>Total liabilities</b>	<b>45,022,338</b>	<b>41,993,443</b>	<b>5,880,993</b>	<b>5,529,081</b>	<b>50,903,331</b>	<b>47,522,524</b>
<b>Net Position</b>						
Net investment in capital assets	36,243,886	35,165,197	8,162,825	4,617,721	44,406,711	39,782,918
Restricted for stabilization reserve	1,095,430	1,095,430	-	-	1,095,430	1,095,430
Restricted for permanent endowment - nonspendable	-	-	502,307	461,380	502,307	461,380
Unrestricted	37,572,907	37,488,687	461,776	796,127	38,034,683	38,284,814
<b>Total net position</b>	<b>\$ 74,912,223</b>	<b>\$ 73,749,314</b>	<b>\$ 9,126,908</b>	<b>\$ 5,875,228</b>	<b>\$ 84,039,131</b>	<b>\$ 79,624,542</b>

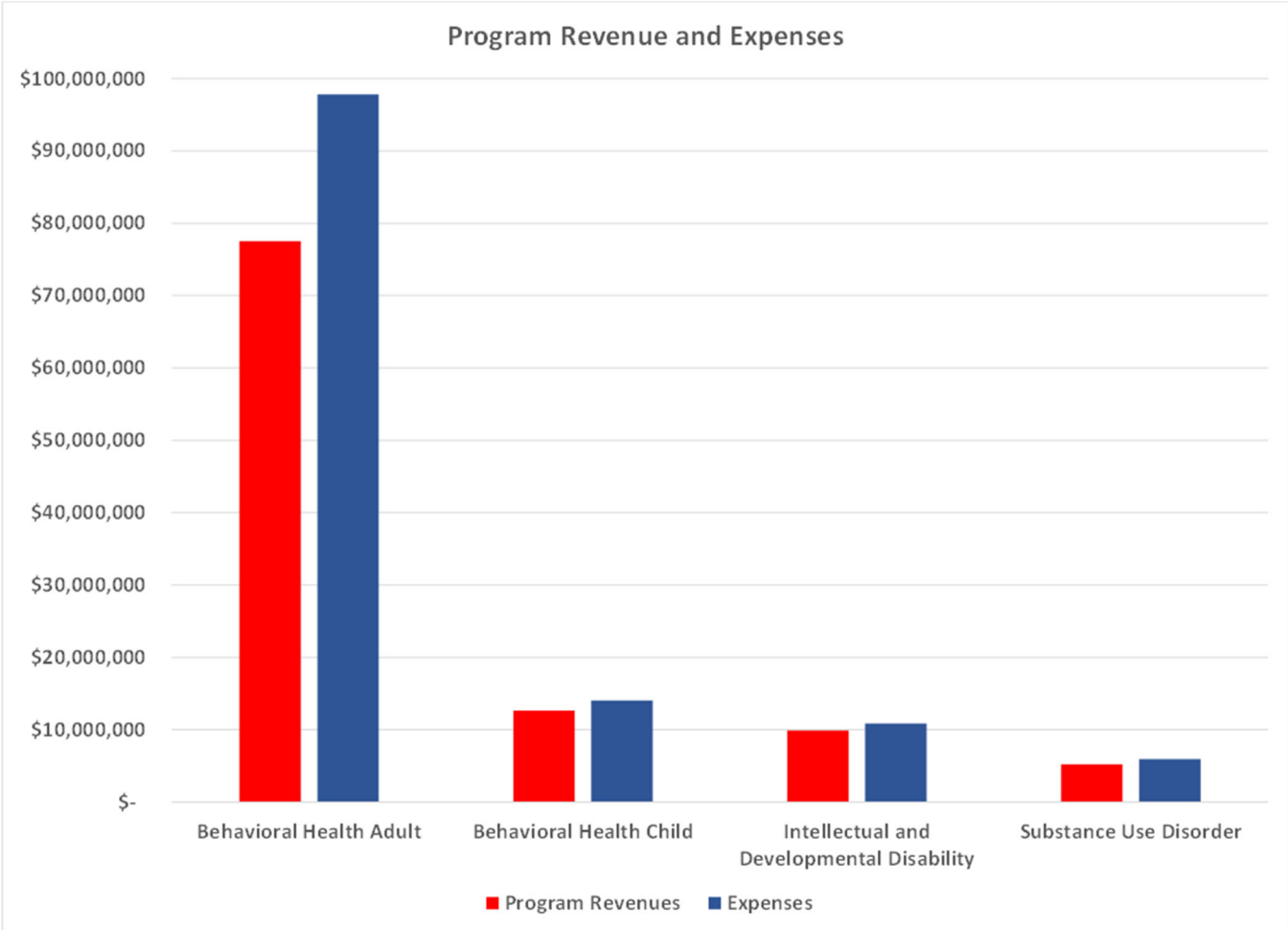
**Governmental Activities.** Governmental activities increased Integral Care's net position by \$1,162,909. Key elements of the increase are as follows:

	Governmental Activities		Business-Type Activities		Total	
	8/31/2025	8/31/2024	8/31/2025	8/31/2024	8/31/2025	8/31/2024
<b>Revenues</b>						
Program revenues						
Charges for services	\$ 64,254,656	\$ 10,665,353	\$ -	\$ -	\$ 64,254,656	\$ 10,665,353
Operating grants and contributions	78,633,110	109,776,326	-	-	78,633,110	109,776,326
Capital grants and contributions	1,240,294	2,153,407	3,417,873	265,000	4,658,167	2,418,407
General revenues						
Charity Cost Pool	13,700,802	16,535,149	-	-	13,700,802	16,535,149
Special Claims Revenue	-	819,813	-	-	-	819,813
Gain on sale of property	-	100,803	-	-	-	100,803
Unrestricted interest earnings	957,412	987,468	51,948	70,377	1,009,360	1,057,845
Other income						
Property revenues	-	-	1,317,651	1,365,411	1,317,651	1,365,411
Other	-	-	9,474	54,989	9,474	54,989
<b>Total revenues</b>	<b>158,786,274</b>	<b>141,038,319</b>	<b>4,796,946</b>	<b>1,755,777</b>	<b>163,583,220</b>	<b>142,794,096</b>
<b>Expenses</b>						
Behavioral health adult	120,981,456	101,993,732	-	-	120,981,456	101,993,732
Behavioral health child	18,344,898	14,586,731	-	-	18,344,898	14,586,731
Intellectual & developmental disabilities	11,259,955	10,948,790	-	-	11,259,955	10,948,790
Substance use disorder	6,249,275	6,587,004	-	-	6,249,275	6,587,004
Interest and fees on long-term debt	787,781	834,486	-	-	787,781	834,486
Integral Care Foundation	-	-	1,545,266	1,241,581	1,545,266	1,241,581
<b>Total expenses</b>	<b>157,623,365</b>	<b>134,950,743</b>	<b>1,545,266</b>	<b>1,241,581</b>	<b>159,168,631</b>	<b>136,192,324</b>
Transfers	-	(761,339)	-	761,339	-	-
<b>Increase in Net Position</b>	<b>1,162,909</b>	<b>5,326,237</b>	<b>3,251,680</b>	<b>1,275,535</b>	<b>4,414,589</b>	<b>6,601,772</b>
Net Position, Fiscal Year Beginning	73,749,314	68,423,077	5,875,228	4,599,693	79,624,542	73,022,770
Net Position, Fiscal Year End	\$ 74,912,223	\$ 73,749,314	\$ 9,126,908	\$ 5,875,228	\$ 84,039,131	\$ 79,624,542

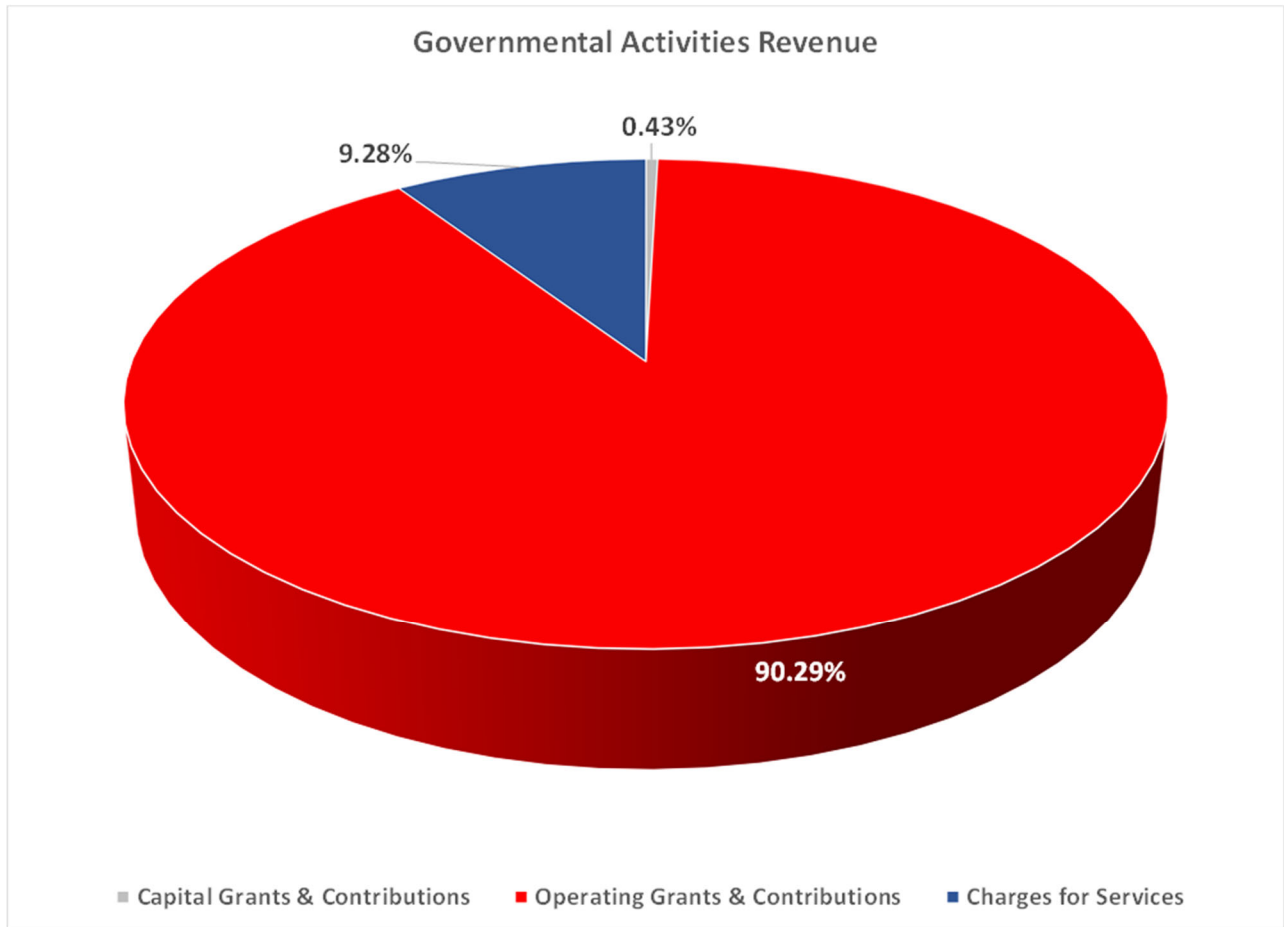
**Business-Type Activities**

Integral Care generated \$4,796,946 in revenue from Integral Care's business-type activities. Total expenses were \$1,545,266. Net position increased by \$3,251,680 .

**GOVERNMENTAL ACTIVITIES**



**Note:** The graphs do not include \$13,700,802 of Charity Care Pool funds that are included in general revenues.



**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.

The General Fund is the chief operating fund of Integral Care. As Integral Care completed the year, its general fund, as presented in the balance sheet on page 21, reported a fund balance of \$37,731,556, which is an increase of \$771,996 from last year's total of \$36,959,560. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$26,123,077. 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 16.27% of the total General Fund expenditures.

Integral Care continued participation in the Patient Assistance Program with a dispense value of \$2,440,720 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 \$165,918 decrease in net position in fiscal year 2025, compared to a increase of \$249,211 in 2024. Housing First, LLC had no change in net position in fiscal year 2025 or 2024. Additionally, in FY 2024, Integral Care Seabrook, LLC was formed to build and operate a low-income housing complex in partnership with the City of Austin and Travis County and continued these endeavors in FY 25 with an increase in net position of \$1,026,324 related to grants received to help complete this project.

#### **GENERAL FUND BUDGETARY HIGHLIGHTS**

The original General Fund budgeted revenue plus other financing sources and excluding any transfers from reserves that were budgeted was equal to \$167,931,210. Over the course of the year, the budgeted revenue plus other financing sources changed to \$166,795,316. This decrease in budget of \$1,135,894 can be summarized as follows:

Major Budget Amendments:

Central Health Behavioral Health Services	\$ 3,000,000
Central Health Psychiatric Emergency Services	1,500,000
DSHS In Patient Public Private Beds	1,460,000
HHSC Mental Health Grant for Justice-Involved Individuals (Rider 48)	1,220,160
Travis County Assisted Outpatient Treatment	871,626
HHSC Peer Run Youth Crisis Respite	731,022
HHSC Forensic Support Teams	661,386
General Revenue - Mental Health	601,553
Austin Public Health Tenant Based Permanent Supported Housing	457,820
City of Austin - Permanent Supported Housing	429,028
City of Austin - Therapeutic Diversion Program	300,000
Del Valle ISD Victims of Crime Assistance Program	278,500
R. White Title I - HIV Grant	248,841
TDHCA Veteran Transitional Housing	200,000
SAMHSA Zero Suicide Cohort 5	169,440
HHSC Capacity Expansion Adult	167,791
Travis County Youth Mental Health First Aid	109,125
Travis County Children Crisis Respite	100,008
All Other (Less than \$ 100k)	49,966
Reserve - Unearned Cost Reimbursement	(208,306)
Federal Home Loan Bank	(407,515)
Temporary Assistance to Needy Families (93.667 Social Services Block Grant)	(601,553)
Central Health Diversion	(1,651,061)
Public Health Provider Charity Care Pool	(2,848,940)
State and Local Fiscal Recovery Funds	(3,029,928)
Rental Housing Development Assistance Funds	(4,944,857)
	<u>\$ (1,135,894)</u>

The volume of budget amendments demonstrates the ongoing effort to identify funding for 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:

The primary reasons for variances between the final budget and actual results continued to relate to staffing and service engagement challenges. Integral Care holds many cost reimbursement contracts with entities such as the City of Austin, Travis County, and the Texas Health and Human Services Commission. When contracts are awarded, the full contract amount is budgeted together with the corresponding personnel and benefit expenditures allocated per the scope of work. Given ongoing workforce challenges in the region, actual personnel and benefit expenditures have continued to fall below budgeted levels, resulting in a gap between budgeted and actual spending.

Integral Care continues to face workforce recruitment and retention challenges due to compensation levels that are constrained by the absence of cost-of-living adjustments in existing contracts, and competition from private-sector healthcare entities that offer higher market rates. These dynamics also contribute to increased reliance on contracted staff and external vendors, whose costs have risen due to the same inflationary pressures.

## 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, 2025, amounts to \$71,459,411 (net of accumulated depreciation and amortization). This investment in capital assets includes land, buildings, improvements, vehicles, furniture, equipment, leased assets and subscription IT assets.

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

	Governmental Activities		Business-Type Activities		Total	
	8/31/2025	8/31/2024	8/31/2025	8/31/2024	8/31/2025	8/31/2024
Land, buildings and construction in progress	\$ 75,648,892	\$ 74,665,651	\$ 15,448,355	\$ 10,439,828	\$ 91,097,247	\$ 85,105,479
Furniture and equipment	9,903,329	9,456,947	193,458	173,958	10,096,787	9,630,905
Vehicles	1,833,747	1,146,390	-	-	1,833,747	1,146,390
Less accumulated depreciation	(31,435,129)	(29,369,500)	(3,707,429)	(3,513,478)	(35,142,558)	(32,882,978)
Right to use leased assets	4,791,357	4,791,357	-	-	4,791,357	4,791,357
Less accumulated amortization	(3,538,466)	(2,586,521)	-	-	(3,538,466)	(2,586,521)
Right to use subscription IT assets	2,366,602	-	-	-	2,366,602	-
Less accumulated amortization	(45,305)	-	-	-	(45,305)	-
	<u>\$ 59,525,027</u>	<u>\$ 58,104,324</u>	<u>\$ 11,934,384</u>	<u>\$ 7,100,308</u>	<u>\$ 71,459,411</u>	<u>\$ 65,204,632</u>

Additional information regarding Integral Care's capital assets can be found in Note 16 to the financial statements.

**Long-term debt.** The Center has a liability of \$11,730,944 for a loan with Frost Bank received in April 2020, and a liability of \$7,878,387 for a loan with Frost Bank received in March 2022. Both of these are in governmental activities. Integral Care Seabrook, LLC has a loan with the Austin Housing Finance Corporation for up to \$7.9 million with a current balance of \$3,771,559 to fund the building of the low-income housing units. Lease liabilities total \$1,399,609 and SBITA liabilities total \$2,272,201 at August 31, 2025.

During the fiscal year, the Center adopted GASB Statement No. 101, *Compensated Absences*. There was not a significant effect on the Center's financial statements as a result of this adoption. The Center's liability for compensated absences is \$2,201,702 at August 31, 2025.

Additional information on the Center's long-term obligations can be found in Note 17 to the financial statements.

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

Integral Care's current fiscal year 2026 amended budget of \$164,724,998 is a total decrease of \$2,070,318 from the final fiscal year 2025 budget of \$166,795,316.

The fiscal year 2026 budget reflects modest net contraction compared to fiscal year 2025, driven primarily by the conclusion of several time-limited housing, homelessness, and capacity expansion grants, the wind-down of the Private Psychiatric Bed program, and continued pressure on the Public Health Provider Charity Care Pool. These reductions were partially offset by new and expanded investments in justice-involved mental health services, crisis outreach, and diversion programs, as well as modest growth in locally earned revenues including fee-for-service income, private insurance, and fundraising.

Integral Care enters fiscal year 2026 with a continued emphasis on expanding community-based crisis and diversion capacity, deepening partnerships with Central Health, Travis County, and the City of Austin, and sustaining its forensic psychiatric programs. The organization will continue to monitor federal grant funding uncertainty, the trajectory of the statewide Charity Care Pool, and workforce availability as the primary factors most likely to affect the organization's ability to fully execute its funded programs.

Workforce availability and compensation continue to be the most significant operational constraints on Integral Care's ability to fully deploy its funded capacity. The Austin metropolitan area continues to experience above-average wage inflation, and the absence of cost-of-living provisions in most existing contracts limits the organization's ability to respond competitively. Competition with private-sector healthcare employers for qualified staff, combined with the volume of programs requiring specialized clinical and administrative personnel, is expected to continue presenting execution challenges in fiscal year 2026. Management is actively pursuing strategies to reduce compensation gaps, improve retention, and strengthen workforce pipelines as a priority for the coming year.

In parallel with its workforce strategy, Integral Care is making targeted investments in operational infrastructure to strengthen the organization's long-term financial management capacity. This includes the implementation of Workday as an integrated enterprise resource planning platform, which is expected to improve financial reporting accuracy, streamline accounting workflows, and enhance visibility across the organization's complex funding structure. Alongside this system investment, Integral Care is prioritizing the recruitment and development of technically skilled finance staff with experience in modern financial systems and data analytics. These investments are intended to address the internal control weaknesses identified in fiscal year 2025, build a more resilient finance function capable of supporting the organization's growing scale, and position Integral Care to better leverage emerging technologies in financial management and program reporting.

Additionally, new legislation establishing lower limits on the percentage increase in local taxes without voter approval has the potential to limit the growth of locally sourced funding over time, increasing Integral Care's reliance on state and federal grants that are subject to annual appropriation and policy change. Integral Care continuously evaluates its funding portfolio, program mix, and cost structure to maintain financial sustainability and ensure alignment with the evolving needs of the community it serves.

#### **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, 2025

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
<b>Current Assets</b>			
Cash and investments	\$ 19,639,089	\$ 1,302,924	\$ 20,942,013
Accounts receivable	916,720	1,229,506	2,146,226
Employee receivables, net	88,859	-	88,859
Due from other governments and patient receivables, net	27,313,290	-	27,313,290
DPP IGT deposit	1,377,619	-	1,377,619
Prepaid expenses and other assets	895,094	38,780	933,874
<b>Total current assets</b>	<b>50,230,671</b>	<b>2,571,210</b>	<b>52,801,881</b>
<b>Noncurrent Assets</b>			
<b>Restricted assets</b>			
Investment in Austin Community Fdn	-	502,307	502,307
Investment in Housing First Oak Springs, LP	1,095,430	-	1,095,430
Notes receivable	9,083,433	-	9,083,433
<b>Capital assets, net</b>			
Nondepreciable assets	5,717,756	8,912,330	14,630,086
Depreciable assets	50,233,083	3,022,054	53,255,137
Right to use leased assets	1,252,891	-	1,252,891
Right to use subscription IT assets	2,321,297	-	2,321,297
<b>Total noncurrent assets</b>	<b>69,703,890</b>	<b>12,436,691</b>	<b>82,140,581</b>
<b>Total assets</b>	<b>119,934,561</b>	<b>15,007,901</b>	<b>134,942,462</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts payable	7,600,111	-	7,600,111
Accrued expenses and other liabilities	3,545,026	671,322	4,216,348
Internal balances	(1,433,738)	1,433,738	-
Due to governments	7,171,694	-	7,171,694
Unearned revenue	2,656,402	4,374	2,660,776
Leases payable - due within one year	995,241	-	995,241
SBITA payable - due within one year	597,622	-	597,622
Notes payable - due within one year	981,340	-	981,340
Accrued compensated absences - due within one year	1,453,123	-	1,453,123
<b>Total current liabilities</b>	<b>23,566,821</b>	<b>2,109,434</b>	<b>25,676,255</b>
<b>Noncurrent Liabilities</b>			
Leases payable - due in more than one year	404,368	-	404,368
SBITA payable - due in more than one year	1,674,579	-	1,674,579
Notes payable - due in more than one year	18,627,991	3,771,559	22,399,550
Accrued compensated absences - due in more than one year	748,579	-	748,579
<b>Total noncurrent liabilities</b>	<b>21,455,517</b>	<b>3,771,559</b>	<b>25,227,076</b>
<b>Total liabilities</b>	<b>45,022,338</b>	<b>5,880,993</b>	<b>50,903,331</b>
<b>Net Position</b>			
Net investment in capital assets	36,243,886	8,162,825	44,406,711
Restricted for stabilization reserve	1,095,430	-	1,095,430
Restricted for permanent endowment - nonexpendable	-	502,307	502,307
Unrestricted	37,572,907	461,776	38,034,683
<b>Total net position</b>	<b>\$ 74,912,223</b>	<b>\$ 9,126,908</b>	<b>\$ 84,039,131</b>



Integral Care  
Balance Sheet – Governmental Funds  
August 31, 2025

	General	Total Governmental Funds
<b>Assets</b>		
Cash and investments	\$ 19,639,089	\$ 19,639,089
Related Party Accounts receivable	916,720	916,720
Employee receivables, net	88,859	88,859
Due from other governments and patient receivables, net	27,313,290	27,313,290
Due from other funds	1,433,738	1,433,738
DPP IGT deposit	1,377,619	1,377,619
Prepaid items	895,094	895,094
Investment in Housing First Oak Springs, LP	1,095,430	1,095,430
Notes receivable	6,365,384	6,365,384
	<u>\$ 59,125,223</u>	<u>\$ 59,125,223</u>
<b>Liabilities, Deferred Inflows and Fund Balances</b>		
<b>Liabilities</b>		
Accounts payable	\$ 7,600,111	\$ 7,600,111
Accrued expenditures and other liabilities	3,545,026	3,545,026
Due to governments	7,171,694	7,171,694
Unearned revenues	2,656,402	2,656,402
	<u>20,973,233</u>	<u>20,973,233</u>
<b>Deferred inflows of resources</b>		
Unavailable revenue	420,434	420,434
	<u>420,434</u>	<u>420,434</u>
<b>Fund Balances</b>		
Nonspendable	7,260,478	7,260,478
Restricted	1,095,430	1,095,430
Committed	1,050,869	1,050,869
Assigned	2,201,702	2,201,702
Unassigned	26,123,077	26,123,077
	<u>37,731,556</u>	<u>37,731,556</u>
<b>Total fund balances</b>	<u>37,731,556</u>	<u>37,731,556</u>
<b>Total liabilities, deferred inflows and fund balances</b>	<u>\$ 59,125,223</u>	

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	59,525,027
Long term note receivable not reported in the funds	2,718,049
Unavailable revenue recognized in government-wide statements	420,434
The following liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Leases payable	(1,399,609)
SBITA Payable	(2,272,201)
Notes Payable	(19,609,331)
Accrued compensated absences	(2,201,702)
	<u>\$ 74,912,223</u>

Integral Care

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds  
Year Ended August 31, 2025

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	General	Total Governmental Funds
Revenues		
Local and earned revenues	\$ 59,021,762	\$ 59,021,762
State programs	54,197,209	54,197,209
Federal programs	44,752,661	44,752,661
Investment earnings	957,412	957,412
Total revenues	158,929,044	158,929,044
Expenditures		
Current		
Behavioral health - adult	106,917,000	106,917,000
Behavioral health - children	16,386,599	16,386,599
Intellectual and developmental disabilities	10,157,500	10,157,500
Substance use disorder	5,547,892	5,547,892
Administration	14,091,762	14,091,762
Debt service		
Principal	2,024,588	2,024,588
Interest	787,781	787,781
Capital outlay	4,610,528	4,610,528
Total expenditures	160,523,650	160,523,650
(Deficiency) Excess of Revenues over Expenditures	(1,594,606)	(1,594,606)
Other Financing Sources (Uses)		
Proceeds from leases	2,366,602	2,366,602
Total other financing sources (uses)	2,366,602	2,366,602
Net Change in Fund Balances	771,996	771,996
Fund Balances, September 1, 2024	36,959,560	36,959,560
Fund Balances, August 31, 2025	\$ 37,731,556	\$ 37,731,556

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental  
Funds to the Statement of Activities  
Year Ended August 31, 2025

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Net change in fund balance - total governmental funds \$ 771,996

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	4,610,528
Depreciation and amortization expense	(3,189,825)

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 \$948,085 in loan payments and \$1,076,503 in lease/SBITA principal payments. 2,024,588

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 SBITA proceeds (\$2,366,602) is to decrease net position. (2,366,602)

Certain receivables reported in the statement of activities do not meet the measurable and available criteria for revenue recognition in the funds, and therefore, are only reported as revenues in governmental activities on a full accrual basis. This is the amount of the change in these revenues. (142,770)

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	(545,006)
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Change in net position of governmental activities	\$ 1,162,909
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Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund  
Year Ended August 31, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Local and Earned Revenues				
City funds	\$ 12,442,523	\$ 13,546,894	\$ 11,860,181	\$ (1,686,713)
County funds	12,627,351	13,636,439	12,239,022	(1,397,417)
Other taxing authority funds	19,298,764	22,171,339	22,465,963	294,624
Earned income	5,892,302	5,659,181	6,880,624	1,221,443
Rental income	764,473	764,473	660,460	(104,013)
Miscellaneous income & contributions	5,200,150	4,787,699	4,915,512	127,813
Total local revenues	<u>56,225,563</u>	<u>60,566,025</u>	<u>59,021,762</u>	<u>(1,544,263)</u>
State Program Revenues				
HHSC - Mental Health	47,606,524	51,619,259	47,265,820	(4,353,439)
HHSC - IDD	3,906,133	3,906,133	4,009,021	102,888
TCOOMMI	2,103,585	2,103,585	2,073,529	(30,056)
Other state programs	1,460,400	1,660,400	848,839	(811,561)
Total state program revenues	<u>55,076,642</u>	<u>59,289,377</u>	<u>54,197,209</u>	<u>(5,092,168)</u>
Federal Program Revenues				
City of Austin - Ryan White	159,171	408,012	415,384	7,372
City of Austin - HOPWA	171,367	158,637	145,498	(13,139)
City of Austin - CDBG - YAFAC	196,179	196,179	195,453	(726)
Travis County - Parents in Recovery	150,150	150,150	150,093	(57)
Travis County - CSLFRF	5,029,928	2,109,125	3,047,696	938,571
Travis County - Jail-Based SU Intake	-	-	112,501	112,501
HHSC - Mental Health	15,383,110	14,959,739	14,452,394	(507,345)
HHSC - Substance use disorder	2,199,825	2,199,825	851,615	(1,348,210)
HHSC - IDD	664,908	660,188	548,475	(111,713)
MFP Bridge to Star Plus Pilot Program	470,394	470,394	55,163	(415,231)
HHSC Forensic Support Teams	-	661,386	225,280	(436,106)
HHSC Disaster Relief ISP	-	-	44,836	44,836
HUD Supported Housing	491,316	522,206	737,053	214,847
RHDA Funds	4,944,857	-	-	-
OOG Mobile Crisis Outreach	-	-	111,100	111,100
SAMHSA CHRP	400,000	400,000	377,109	(22,891)
SAMHSA MHAT	125,000	125,000	50,813	(74,187)
SAMHSA Zero Suicide	360,000	529,440	297,954	(231,486)
Tobacco and Control Grant Program	481,732	559,005	144,623	(414,382)
Del Valle ISD - VOCA	37,500	316,000	184,011	(131,989)
Del Valle Health Adolescent Project	90,534	90,534	79,651	(10,883)
UTDMS First	28,839	28,839	9,340	(19,499)
UTDMS EPINET	24,988	24,988	8,564	(16,424)
Veterans Administration - Safe Haven	1,396,869	1,396,869	1,231,729	(165,140)
Medicaid Administrative Claiming	3,744,441	3,744,441	3,349,541	(394,900)
Charity Care Pool	16,545,179	13,696,239	13,700,802	4,563
Directed Payment Program	2,782,461	2,782,461	4,225,983	1,443,522
Total federal program revenues	<u>55,878,748</u>	<u>46,189,657</u>	<u>44,752,661</u>	<u>(1,436,996)</u>
Investment Earnings	<u>750,257</u>	<u>750,257</u>	<u>957,412</u>	<u>207,155</u>
Total revenues	<u>\$ 167,931,210</u>	<u>\$ 166,795,316</u>	<u>\$ 158,929,044</u>	<u>\$ (7,866,272)</u>

Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund  
Year Ended August 31, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Expenditures				
Current				
Personnel	\$ 78,607,963	\$ 82,028,126	\$ 77,704,636	\$ 4,323,490
Employee benefits	21,470,618	21,913,762	19,585,701	2,328,061
Training and travel	986,895	1,026,945	1,013,330	13,615
Medication costs	249,121	249,841	264,759	(14,918)
Consumable supplies	352,878	371,411	328,015	43,396
Consultation and professional fees	35,571,504	37,611,567	33,627,816	3,983,751
Furniture and equipment	367,028	392,252	1,004,126	(611,874)
Facilities, telephone, and utilities	8,094,749	8,293,562	7,934,182	359,380
Insurance	1,303,134	1,332,219	1,156,488	175,731
Transportation	155,666	149,015	169,384	(20,369)
Professional fees	181,637	182,116	240,232	(58,116)
Client support costs	4,725,822	5,468,363	3,798,686	1,669,677
Other operating costs	5,542,647	5,788,408	6,273,398	(484,990)
Total current	157,609,662	164,807,587	153,100,753	11,706,834
Debt Service				
Principal	654,634	654,634	2,024,588	(1,369,954)
Interest	477,245	477,245	787,781	(310,536)
Total debt service	1,131,879	1,131,879	2,812,369	(1,680,490)
Capital Outlay	9,189,669	855,850	4,610,528	(3,754,678)
Total expenditures	167,931,210	166,795,316	160,523,650	6,271,666
(Deficiency) excess of revenues over expenditures	-	-	(1,594,606)	(1,594,606)
Other Financing Sources (Uses)				
Proceeds from leases/SBITAs	-	-	2,366,602	2,366,602
Total other financing sources (uses)	-	-	2,366,602	2,366,602
Net Changes in Fund Balances	-	-	771,996	771,996
Fund Balances, September 1, 2024	36,959,560	36,959,560	36,959,560	-
Fund Balances, August 31, 2025	\$ 36,959,560	\$ 36,959,560	\$ 37,731,556	\$ 771,996

Integral Care  
Statement of Net Position – Proprietary Funds  
August 31, 2025

	Business-type Activities - Enterprise Funds			
	Housing First, LLC	Integral Care Seabrook, LLC	Integral Care Foundation	Total
<b>Assets</b>				
Current assets				
Cash and cash equivalents	\$ 171,419	\$ 482,518	\$ 648,987	\$ 1,302,924
Accounts receivables, net	130,000	1,051,886	47,620	1,229,506
Other assets	-	-	38,780	38,780
Total current assets	<u>301,419</u>	<u>1,534,404</u>	<u>735,387</u>	<u>2,571,210</u>
Noncurrent assets				
Restricted assets				
Investment in Austin Community Foundation	-	-	502,307	502,307
Capital assets, net	-	8,381,630	3,552,754	11,934,384
Total noncurrent assets	<u>-</u>	<u>8,381,630</u>	<u>4,055,061</u>	<u>12,436,691</u>
Total assets	<u>301,419</u>	<u>9,916,034</u>	<u>4,790,448</u>	<u>15,007,901</u>
<b>Liabilities</b>				
Current liabilities				
Accounts payable and other liabilities	-	540,600	130,722	671,322
Unearned revenues	-	-	4,374	4,374
Due to other funds	-	1,159,953	273,785	1,433,738
Total current liabilities	<u>-</u>	<u>1,700,553</u>	<u>408,881</u>	<u>2,109,434</u>
Non Current Liabilities				
Notes Payable	-	3,771,559	-	3,771,559
Total non current liabilities	<u>-</u>	<u>3,771,559</u>	<u>-</u>	<u>3,771,559</u>
Total liabilities	<u>-</u>	<u>5,472,112</u>	<u>408,881</u>	<u>5,880,993</u>
<b>Net Position</b>				
Investment in capital assets	-	4,610,071	3,552,754	8,162,825
Restricted for permanent endowment - nonexpendable	-	-	502,307	502,307
Unrestricted	301,419	(166,149)	326,506	461,776
Total Net Position	<u>\$ 301,419</u>	<u>\$ 4,443,922</u>	<u>\$ 4,381,567</u>	<u>\$ 9,126,908</u>

**Integral Care**  
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds  
Year Ended August 31, 2025

	Business-type Activities - Enterprise Funds			Total
	Housing First, LLC	Integral Care Seabrook, LLC	Integral Care Foundation	
Operating Revenues				
Property revenues	\$ -	\$ -	\$ 1,317,651	\$ 1,317,651
Travis County - ARPA Grant	-	3,315,473	-	3,315,473
Other revenues	-	102,400	9,474	111,874
<b>Total operating revenues</b>	<b>-</b>	<b>3,417,873</b>	<b>1,327,125</b>	<b>4,744,998</b>
Operating Expenses				
Property expenses	-	-	929,475	929,475
Depreciation	-	-	193,951	193,951
Administrative	-	-	421,840	421,840
<b>Total operating expenses</b>	<b>-</b>	<b>-</b>	<b>1,545,266</b>	<b>1,545,266</b>
<b>Operating Income (Loss)</b>	<b>-</b>	<b>3,417,873</b>	<b>(218,141)</b>	<b>3,199,732</b>
Nonoperating Revenues/(Expenses)				
Bank charges	-	(275)	-	(275)
Investment income	-	-	52,223	52,223
<b>Total nonoperating revenues/expenses</b>	<b>-</b>	<b>(275)</b>	<b>52,223</b>	<b>51,948</b>
<b>Income (Loss) before Transfers</b>	<b>-</b>	<b>3,417,598</b>	<b>(165,918)</b>	<b>3,251,680</b>
Transfers in (out)	-	-	-	-
<b>Change in Net Position</b>	<b>-</b>	<b>3,417,598</b>	<b>(165,918)</b>	<b>3,251,680</b>
Net Position, Beginning of Year	301,419	1,026,324	4,547,485	5,875,228
<b>Net Position, End of Year</b>	<b>\$ 301,419</b>	<b>\$ 4,443,922</b>	<b>\$ 4,381,567</b>	<b>\$ 9,126,908</b>

Integral Care  
Statement of Cash Flows – Proprietary Funds  
Year Ended August 31, 2025

	Business-type Activities - Enterprise Funds			Total
	Housing First, LLC	Integral Care Seabrook, LLC	Integral Care Foundation	
<b>Operating Activities</b>				
Cash received from customers	\$ -	\$ -	\$ 1,352,780	\$ 1,352,780
Other receipts	-	2,530,987	9,474	2,540,461
Cash paid to other funds	-	(1,345,442)	(34,061)	(1,379,503)
Cash payments to suppliers for goods and services	-	(106,369)	(1,305,456)	(1,411,825)
<b>Net Cash from Operating Activities</b>	<b>-</b>	<b>1,079,176</b>	<b>22,737</b>	<b>1,101,913</b>
<b>Capital and Related Financing Activities</b>				
Purchase of capital assets	-	(4,467,927)	(19,500)	(4,487,427)
Proceeds from notes payable	-	1,288,972	-	1,288,972
Payments for bank charges	-	(275)	-	(275)
<b>Net Cash used for Capital and Related Financing Activities</b>	<b>-</b>	<b>(3,179,230)</b>	<b>(19,500)</b>	<b>(3,198,730)</b>
<b>Investing Activities</b>				
Interest on investments	-	-	52,223	52,223
Change in investment in Austin Community Foundation	-	-	(40,927)	(40,927)
<b>Net Cash from Investing Activities</b>	<b>-</b>	<b>-</b>	<b>11,296</b>	<b>11,296</b>
<b>Net Change in Cash and Cash Equivalents</b>	<b>-</b>	<b>(2,100,054)</b>	<b>14,533</b>	<b>(2,085,521)</b>
Cash and Cash Equivalents, Beginning of Year	171,419	2,582,572	634,454	3,388,445
Cash and Cash Equivalents, End of Year	<u>\$ 171,419</u>	<u>\$ 482,518</u>	<u>\$ 648,987</u>	<u>\$ 1,302,924</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities</b>				
Operating loss	\$ -	\$ 3,417,873	\$ (218,141)	\$ 3,199,732
Adjustments to reconcile operating loss to net cash used for operating activities				
Noncash items included in net operating loss				
Depreciation	-	-	193,951	193,951
Change in assets and liabilities				
(Increase) decrease in				
Accounts receivable	-	(886,886)	35,128	(851,758)
Other assets	-	-	37,648	37,648
Increase (decrease) in				
Other liabilities	-	(106,369)	8,212	(98,157)
Due to other funds	-	(1,345,442)	(34,061)	(1,379,503)
<b>Net Cash from Operating Activities</b>	<b>\$ -</b>	<b>\$ 1,079,176</b>	<b>\$ 22,737</b>	<b>\$ 1,101,913</b>

**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, 7, and 8 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 most 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 and Integral Care Seabrook, LLC as major enterprise funds. Integral Care Foundation and Integral Care Seabrook, LLC are component units of Integral Care and are 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.

#### **Note 4 - Assets, Liabilities and Net Position or Equity**

##### **Cash and Cash Equivalents**

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

##### **Investments**

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

##### **Interfund Balances**

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

##### **Employee Receivables**

During fiscal year 2016, Integral Care made a payroll system conversion and a payroll change to its pay period from a bi-monthly (current) payroll period to bi-weekly (in-arrears) payroll period. A payroll advance was made available to all employees up to a maximum amount of 68 hours per employee. At August 31, 2025, the employee receivable balance on payroll advances was \$107,343, and the allowance for uncollectible was \$43,377. An additional payroll receivable of \$24,893 is also due from previous employees for health insurance (COBRA).

### **Due from Other Governments and Patient Receivables**

Due from other governments consist of patient receivables and grant receivables. 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 due from other governments receivables as amounts are expected to be fully collected within the year.

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, 2025, is \$648,154.

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 due from other governments receivables 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, 2025, has a deposit balance of \$1,377,619 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, 2025 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.

Right to use subscription IT assets are recognized at the subscription commencement date and represent the Center's right to use the underlying IT asset for the subscription term. Right to use subscription IT assets are measured at the initial value of the subscription liability plus any payments made to the vendor at the commencement of the subscription term, less any subscription incentives received from the vendor at or before the commencement of the subscription term, plus any capitalizable initial implementation costs necessary to place the subscription asset into service. Right to use subscription IT assets are amortized over the shorter of the subscription term or useful life of the underlying asset using the straight-line method. The amortization period varies from 3 to 5 years.

#### **Source of Funds**

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

#### **Unearned Revenue**

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

#### **Deferred Inflows of Resources**

Deferred inflows of resources represent the acquisition of resources that apply to a future period and so will not be recognized as an inflow of resources (revenue) until that time. Deferred outflows of resources represent a consumption of resources that applies to a future period and so will not be recognized as an outflow of resources (expense) until that time. As of August 31, 2024, deferred inflows consisted of \$563,204 related to Medicaid Administrative Claiming.

#### **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.

Subscription Liabilities represent the Center's obligation to make subscription payments arising from the subscription contract. Subscription liabilities are recognized at the subscription commencement date based on the present value of future subscription payments expected to be made during the subscription term. The present value of subscription 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 accordance with GASB Statement No. 101, *Compensated Absences*, 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 2025, 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.

### **Adoption of New Standards**

#### Compensated Absences

As of September 1, 2024, the Center adopted GASB Statement No. 101, *Compensated Absences*. The provisions of this standard modernize the types of leave that are considered a compensated absence and provides guidance for a consistent recognition and measurement of the compensated absence liability. There was not a significant effect on the Center's financial statements as a result of the implementation of this standard.

#### Certain Risk Disclosures

As of September 1, 2024, the Center adopted GASB Statement No. 102, *Certain Risk Disclosures*, which requires management to evaluate whether there are risks related to a government's vulnerabilities due to certain concentrations or constraints that require disclosure. The disclosure requirements required by this standard are disclosed in Note 25.

### **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, 2025, 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, 2025, Integral Care Foundation and its affiliated corporations had capital advances of \$6,125,325 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, 2025 consisted of the following:

Land		\$	530,700
Building and improvements			6,536,025
Equipment			193,458
			7,260,183
Less accumulated depreciation			(3,707,429)
Capital assets, net		\$	3,552,754

Depreciation expense for the year ended August 31, 2025, was \$193,951. 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 - Integral Care Seabrook, LLC**

Integral Care Seabrook, LLC (Seabrook), a non-profit Texas limited liability company established in 2023 primarily for the purpose of acquiring a long-term leasehold interest in real property upon which it will construct a building that will be owned by Seabrook and used to provide affordable housing. Integral Care is the sole member of Seabrook. Seabrook does not have a separate board and Integral Care's board serves in this role. Although it is legally separate from Integral Care, Seabrook is reported as if it were part of Integral Care because it provides operates primarily to assist Integral Care in the conduct of Integral Care's services. Seabrook is accounted for as an enterprise fund in the basic financial statements of Integral Care and has an August 31 fiscal year end. Seabrook uses the accrual basis of accounting.

### **Note 8 - 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 9 - 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 \$916,720 at August 31, 2025.

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 10 - Kensington GP, LLC**

Kensington GP, LLC with Integral Care as its sole member, entered as the general partner into a general partnership known as Kensington Apartments Austin, LP (KAALP), with Kensington GP, LLC owning a 0.01% interest in the partnership and sole limited partner, Kensington EPG, LLC, owning a 99.99% interest in the partnership. The purpose of KAALP is primarily to acquire a long term leasehold interest in real property owned by Integral Care, and on that real property construct, own, finance, lease, and operate a residential facility in a manner that provides decent, safe and affordable housing for low-income persons and ensures that the residential property owned by KAALP will be and remain a qualified low income housing project within the meaning of Section 42 of the Code.

#### **Note 11 - Tejas Behavioral Health Services, Inc.**

Tejas Behavioral Health Services, Inc. (Tejas) is a behavioral health organization certified by the Texas State Board of Medical Examiners pursuant to Section 162 of the Medical Practice Act. Tejas is a Texas nonprofit corporation that was designated to provide behavioral health services for governmental programs including CHIP and STAR members. Austin-Travis County Mental Health and Mental Retardation Center (currently dba Integral Care) is the sole member of Tejas. There was no activity in Tejas for the fiscal year ended August 31, 2025.

**Note 12 - Deposits and Investments**

**Cash**

Custodial Credit Risk – Deposits – Integral Care’s demand and time deposits are required to be fully secured at August 31, 2025 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. The Center’s cash accounts were undercollateralized at August 31, 2025 by \$274,835 of which \$191,457 related to Seabrook and \$83,378 related to Integral Care Foundation, Inc.

**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, 2025, Integral Care had the following investments:

	August 31, 2025	Due in less than one year
Investment in Austin Community Foundation	\$ 502,307	\$ -
TexPool	2,714,162	2,714,162

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, 2025, 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, 2025, 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 13 - Due from Other Governments and Patient Receivables**

Due from other governments and patient receivables 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	\$ 1,936,427
Travis County	6,475,973
Central Health	8,632,265
HHSC -Behavioral Health & Substance Abuse	4,337,255
HHSC - Intellectual Developmental Disabilities	1,536
HHSC - Medicaid Administrative Claim, TxHmLvq	2,712,106
Medicaid/Medicare/HMO/State SA	1,429,403
TCOOMMI	403,178
Other Local	1,043,480
Other State	322,433
Other Federal	667,388
Total due from other governments	27,961,444
Allowance for uncollectible accounts	(648,154)
	\$ 27,313,290

#### **Note 14 - Unearned Revenue**

The Center has recorded \$2,656,402 of unearned revenue at August 31, 2025. This related to resources that have been received but not yet earned the majority of which is from various donors the Center has.

#### **Note 15 - 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, 2025, 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, 2025, 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 16 - Capital Assets**

A summary of changes in capital assets for governmental activities for the year ended August 31, 2025 is as follows:

	Balance at September 1, 2024	Additions	Retirements	Transfers	Balance at August 31, 2025
<b>Governmental Activities</b>					
Nondepreciable assets:					
Land	\$ 5,303,704	\$ -	\$ -	\$ -	\$ 5,303,704
Construction in progress	3,681,346	706,527	-	(3,973,821)	414,052
Total nondepreciable assets	8,985,050	706,527	-	(3,973,821)	5,717,756
Depreciable assets:					
Buildings and improvements	65,680,601	276,714	-	3,973,821	69,931,136
Furniture and equipment	9,456,947	446,382	-	-	9,903,329
Vehicles	1,146,390	814,303	(126,946)	-	1,833,747
Total depreciable assets	76,283,938	1,537,399	(126,946)	3,973,821	81,668,212
Less accumulated depreciation for:					
Buildings and improvements	(18,989,935)	(2,019,990)	-	-	(21,009,925)
Furniture and equipment	(9,403,090)	(46,801)	-	-	(9,449,891)
Vehicles	(976,475)	(125,784)	126,946	-	(975,313)
Total accumulated depreciation	(29,369,500)	(2,192,575)	126,946	-	(31,435,129)
Net capital assets	55,899,488	51,351	-	-	55,950,839
Right to use leased assets being amortized					
Buildings	4,713,979	-	-	-	4,713,979
Vehicles	77,378	-	-	-	77,378
Total right to use leased assets being amortized	4,791,357	-	-	-	4,791,357
Less accumulated amortization					
Buildings	(2,577,494)	(936,469)	-	-	(3,513,963)
Vehicles	(9,027)	(15,476)	-	-	(24,503)
Total accumulated amortization	(2,586,521)	(951,945)	-	-	(3,538,466)
Net right to use leased assets	2,204,836	(951,945)	-	-	1,252,891
Right to use subscription IT assets being amortized					
Subscription IT assets	-	2,366,602	-	-	2,366,602
Total right to use subscription IT assets being amortized	-	2,366,602	-	-	2,366,602
Less accumulated amortization					
Subscription IT assets	-	(45,305)	-	-	(45,305)
Total accumulated amortization	-	(45,305)	-	-	(45,305)
Net right to use subscription IT assets	-	2,321,297	-	-	2,321,297
Governmental activities capital assets, net	\$ 58,104,324	\$ 1,420,703	\$ -	\$ -	\$ 59,525,027

Depreciation and amortization expense for the year ended August 31, 2025 was charged to the following functions and programs of the government-wide financial statements as follows:

Governmental Activities		
Behavioral health - adult	\$	2,522,271
Behavioral health - children		201,734
Intellectual and developmental disabilities		24,289
Substance use disorder		103,002
Authority and general administration		338,529
		<u>3,189,825</u>
Total depreciation and amortization expense	\$	<u>3,189,825</u>

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

	Balance at September 1, 2024	Additions	Retirements	Transfers	Balance at August 31, 2025
Business-Type Activities					
Nondepreciable assets					
Land	\$ 530,700	\$ -	\$ -	\$ -	\$ 530,700
Construction in Progress	3,373,103	5,008,527	-	-	8,381,630
Total nondepreciable assets	3,903,803	5,008,527	-	-	8,912,330
Depreciable assets					
Buildings and improvements	6,536,025	-	-	-	6,536,025
Equipment	173,958	19,500	-	-	193,458
	6,709,983	19,500	-	-	6,729,483
Less accumulated depreciation	(3,513,478)	(193,951)	-	-	(3,707,429)
Total depreciable assets	3,196,505	(174,451)	-	-	3,022,054
Business-type activities capital assets, net	\$ 7,100,308	\$ 4,834,076	\$ -	\$ -	\$ 11,934,384

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, 2025 was \$193,951.

**Note 17 - Long-Term Debt**

The following is a summary of changes in long-term debt for the year ended August 31, 2025:

	Balance at September 1, 2024	Additions	Retirements	Balance at August 31, 2025	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.	\$ 12,349,612	\$ -	\$ (618,668)	\$ 11,730,944	\$ 638,589
Frost Bank loan, fully collateralized by real property. Interest is payable monthly at 3.92%. Loan matures March 2042.	8,207,804	-	(329,417)	7,878,387	342,751
Austin Housing Finance Corporation, fully collateralized by real property. 0% interest. Loan matures on June 1, 2066.	2,482,587	1,288,972	-	3,771,559	-
Leases payable	2,381,711	-	(982,102)	1,399,609	995,241
Subscription IT payable	-	2,366,602	(94,401)	2,272,201	597,622
Compensated absences	1,656,696 *	545,006	-	2,201,702	1,453,123
Total	<u>\$ 27,078,410</u>	<u>\$ 4,200,580</u>	<u>\$ (2,024,588)</u>	<u>\$ 29,254,402</u>	<u>\$ 4,027,326</u>

\*Compensated absences are presented as net change in the current fiscal year as allowed by GASB 101, *Compensated Absences*.

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, 2025, the loan had a balance of \$11,730,944. 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, 2025, the loan had a balance of \$7,535,636. Principal and interest payments are required through the maturity date in March 2042.

On May 31, 2024, Integral Care Seabrook, LLC entered into a promissory note with Austin Housing Finance Corporation for a maximum amount of \$7,900,000 to finance the construction of Seabrook housing complex. The note has 0% interest and matures on June 1, 2066. Interest on matured unpaid amounts accrues at 10%. The note is secured by a Deed of Trust on the Seabrook real property. The balance of the note was \$3,771,559 at August 31, 2025.

A schedule of future maturities of long-term notes (excluding the Austin Housing Finance Corporation loan that full amount is due on June 1, 2066) is as follows:

	Principal	Interest	Total
2026	\$ 981,340	\$ 670,071	\$ 1,651,411
2027	1,015,776	635,634	1,651,410
2028	1,049,771	601,638	1,651,409
2029	1,088,303	563,107	1,651,410
2030	1,126,542	524,868	1,651,410
2031-2035	6,253,297	2,002,752	8,256,049
2036-2040	7,099,700	823,129	7,922,829
2041-2042	994,602	33,325	1,027,927
Total	<u>\$ 19,609,331</u>	<u>\$ 5,854,524</u>	<u>\$ 25,463,855</u>

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

	Principal	Interest	Total
2026	\$ 995,241	\$ 39,489	\$ 1,034,730
2027	120,757	13,635	134,392
2028	50,934	10,721	61,655
2029	43,768	8,003	51,771
2030	38,683	6,430	45,113
2031-2034	150,226	9,991	160,217
Total minimum future leases	<u>\$ 1,399,609</u>	<u>\$ 88,269</u>	<u>\$ 1,487,878</u>

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

	Principal	Interest	Total
2026	\$ 597,622	\$ 88,367	\$ 685,989
2027	525,969	68,225	594,194
2028	557,610	46,927	604,537
2029	591,000	24,079	615,079
Total minimum future subscription IT	\$ 2,272,201	\$ 227,598	\$ 2,499,799

At August 31, 2025, Integral Care is not obligated in any manner for the debt of its component unit, Integral Care Foundation.

**Note 18 - Leases and Subscription-based IT Assets**

In prior years, the Center entered into lease agreements as lessee for various buildings, facilities and vehicles used in operations. As of August 31, 2025, the value of the lease liabilities was \$1,399,609. The Center is required to make various monthly principal and interest payments through March 2034. The lease liabilities were valued using a discount rate ranging from 3.75% to 9% as determined by the Center’s management based on the Center’s estimated incremental borrowing rate.

In the current year, the Center entered into subscription based IT contracts for various subscription based IT endeavors including the planned implementation of Workday in FY 27. As of August 31, 2025, the value of the SBITA liabilities was \$2,272,201. The Center is required to make various monthly principal and interest payments through August 2030. The SBITA liabilities were valued using a discount rate of 4% as determined by the Center’s management based on the Center’s estimated incremental borrowing rate.

**Note 19 - Fund Balances**

At August 31, 2025, the fund balance for governmental funds is comprised of the following:

	General Fund	Total
Nonspendable		
Prepaid items	\$ 895,094	\$ 895,094
Notes receivable	6,365,384	6,365,384
Restricted		
Stabilization reserve	1,095,430	1,095,430
Committed		
Permanent Supportive Housing	1,050,869	1,050,869
Assigned		
Accrued compensated absences	2,201,702	2,201,702
Unassigned	26,123,077	26,123,077
Total	\$ 37,731,556	\$ 37,731,556

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, 2025 and \$1,724,389 had been received from the Department of State Health Services.

**Note 20 - Interfund Receivables and Payables**

The following is a summary of interfund receivables and payables:

	Interfund Receivables	Interfund Payables
General fund	\$ 1,433,738	\$ -
Integral Care Seabrook, LLC	-	1,159,953
Integral Care Foundation	-	273,785
Total	\$ 1,433,738	\$ 1,433,738

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

### **Note 21 - Employee Benefit Plan**

Integral Care has a benefit plan for its full-time employees under a 403(b) 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 \$3,011,906 of which \$51,216 were covered by forfeitures for 2025 which was approximately 4.2% of the covered payroll. Integral Care also sponsors a Section 403(b) salary reduction plan, which is also a defined contribution plan that covers all full-time employees. Employees may contribute the maximum allowed by IRS regulations. Integral Care is not required to match the employee's contribution. Contributions from participating employees totaled \$1,965,063 for the year ended August 31, 2025. In addition, employees contributed an additional \$23,000 to a 457 plan and \$987,860 to a 403 ROTH plan for the year ended August 31, 2025. Integral Care contributed \$23,000 to a 457 plan for the year ended August 31, 2025, which is included in the total employer's contribution.

### **Note 22 - 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 2020 through 2025, 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 23 - 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 24 - 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 25 - 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, 2025, these contracts have been continued through August 31, 2026.

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

	Amount	Percent
HHSC - Mental Health	\$ 61,718,214	38.8%
Other taxing authority funds	22,465,963	14.1%

The Center has received various grants and funding related to COVID-19 including an enhanced Federal Medical Assistance Percentage (FMAP) rate on Medicaid payments. The FMAP increase has been phased out over 12 months and was completely phased out by the end of the 2<sup>nd</sup> quarter of the fiscal year 2025. The federal and state COVID-19 related grants are not anticipated being renewed in another form of funding. Further, there may be other federal grants that may not be renewed depending on the current administration at the federal government. The Center continuously evaluates its funding sources and programs to ensure they meet the needs of the community.

**Note 26 - 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 27 - 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 \$2,244,720 during the year ending August 31, 2025.

**Note 28 - Medicaid 1115 Waiver Programs – Charity Care Pool and Directed Payment Program**

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 DSRIP program ended in fiscal year 22.

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.

The Center received \$13,700,802 for PHP-CCP based on the cost report submitted in the fall of 2024.

In November 2021, CMS approved the Directed Payment Program for Behavioral Health Services (DPP BHS). 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 began participating in the program in fiscal year 2022 and has continued its participation in FY 25.

The Center has submitted intergovernmental transfers (IGT) to HHSC totaling \$2,326,068 related to FY 25 in order to leverage federal funding. The Center has also submitted one IGT for fiscal year 2026 in the amount of \$1,068,987. The Center has received IGT payments for FY 25 back and has a deposit balance of \$1,377,619 at August 31, 2025. This amount can be found in the Statement of Net Position and the Balance Sheet – Governmental Funds. The Center recognized revenues of \$4,225,983 related to DPP-BHS some of which related to prior year reconciliation process.

Statistical Section (Unaudited)  
August 31, 2025

## Integral Care

Integral Care  
Schedule of Revenues and Expenditures by Source of Funds – General Fund  
(Unaudited)  
Year Ended August 31, 2025

Fund Source	Total Revenues	Total Behavioral Health Adult Expenditures	Total Behavioral Health Children Expenditures	Total Crisis Services Expenditures	Total Intellectual & Developmental Disabilities Expenditures	Total Other Expenditures	Total Center Expenditures	Excess Revenues Over Expenditures
<b>Objects of Expense</b>								
Personnel	\$ 68,057,075	\$ 17,031,503	\$ 7,154,002	\$ 20,108,080	\$ 5,876,732	\$ 17,886,758	\$ 68,057,075	\$ -
Employee Benefits	17,016,377	4,431,384	1,982,548	4,392,146	1,635,496	4,574,803	17,016,377	-
Professional and Consultant Services	32,985,883	1,514,869	122,940	11,408,953	441,094	19,498,027	32,985,883	-
Training and Travel	929,903	279,596	87,853	112,699	134,309	315,446	929,903	-
Debt Service	1,345,663	456,735	273,746	310,868	11,080	293,234	1,345,663	-
Capital Outlay	2,132,769	187,071	31,265	228,189	32,033	1,654,211	2,132,769	-
Non-Capitalized Equipment	488,764	115,127	49,967	148,010	50,115	125,545	488,764	-
Pharmaceutical Expense	262,711	129,716	-	28,098	-	104,897	262,711	-
Pharmaceutical Expense (PAP only)	2,440,720	2,440,720	-	-	-	-	2,440,720	-
Other Operating Expense	18,310,071	5,532,073	1,122,621	3,491,666	662,285	7,501,426	18,310,071	-
Indirect Costs	16,742,985	4,396,818	1,610,580	5,985,395	1,315,717	3,434,474	16,742,984	-
<b>Total expenditures</b>	<b>\$ 160,712,921</b>	<b>\$ 36,515,612</b>	<b>\$ 12,435,522</b>	<b>\$ 46,214,104</b>	<b>\$ 10,158,861</b>	<b>\$ 55,388,821</b>	<b>\$ 160,712,920</b>	<b>\$ -</b>
<b>Method of Finance</b>								
HHSC MH (DSHS) General Revenue	\$ 15,435,215	\$ 10,232,688	\$ 1,865,838	\$ 3,336,689	-	-	\$ 15,435,215	\$ -
HHSC IDD (DADS) - General Revenue	3,802,936.00	-	-	-	3,802,936	-	3,802,936	-
HHSC MH (DSHS) Mental Health Block Grant & TANF	2,408,231.00	1,466,542	874,923	66,766	-	-	2,408,231	-
Community Mental Health Hospitals (CMHH)	11,400,400.00	-	-	-	-	11,400,400	11,400,400	-
HHSC MH (DSHS) Other General Revenue	9,142,418.00	3,834,671	1,602,647	3,496,965	-	208,135	9,142,418	-
HHSC MH (DSHS) Crisis Services	10,232,317.00	-	-	3,986,922	-	6,245,395	10,232,317	-
Other State Funds	4,502,210.00	580,499	-	117,379	34,216	3,770,116	4,502,210	-
Other Federal	37,409,894.00	10,413,662	4,260,992	14,734,967	4,136,440	3,863,833	37,409,894	-
Earned Income	6,764,219.00	1,547,818	2,105,174	519,316	-	2,591,911	6,764,219	-
Required Local Match	6,814,038.00	5,907,054	-	-	-	906,984	6,814,038	-
Additional Local Match	52,801,043.00	2,532,678	1,725,948	19,955,100	2,185,270	26,402,047	52,801,043	-
<b>Total expended sources</b>	<b>\$ 160,712,921</b>	<b>\$ 36,515,612</b>	<b>\$ 12,435,522</b>	<b>\$ 46,214,104</b>	<b>\$ 10,158,862</b>	<b>\$ 55,388,821</b>	<b>\$ 160,712,921</b>	<b>\$ -</b>
Exclude PAP	(2,440,720)						(2,440,720)	-
Remove compensated absences	-						(306,480)	306,480
Add GASB 96 Entries	2,366,602						2,366,602	-
Final Year End Journal Entries not on Report III	656,843						191,327	465,516
<b>Audited amounts per Budget to Actual</b>	<b>\$ 161,295,646</b>						<b>\$ 160,523,650</b>	<b>\$ 771,996</b>

Integral Care  
Schedule of Indirect Costs  
(Unaudited)  
Year Ended August 31, 2025

	Total Costs	Nonallowable Costs	Depreciation	Total Adjusted Costs	Direct Costs	Indirect Costs
Personnel	\$ 78,011,116	\$ 14,572	\$ -	\$ 77,996,544	\$ 68,032,858	\$ 9,963,686
Employee benefits	19,585,701	267,771	-	19,317,930	17,021,484	2,296,446
Capital outlay	4,613,961	4,613,961	-	-	-	-
Depreciation	-	-	3,189,825	3,189,825	2,784,434	405,391
Other operating expenses	58,619,349	1,706,145	-	56,913,204	52,947,876	3,965,328
 Total expenditures	 <u>\$ 160,830,127</u>	 <u>\$ 6,602,449</u>	 <u>\$ 3,189,825</u>	 <u>\$ 157,417,503</u>	 <u>\$ 140,786,652</u>	 <u>\$ 16,630,851</u>
 Indirect cost						 16,630,851
Direct costs						 <u>140,786,652</u>
 Indirect cost rate						 <u>11.81%</u>

Integral Care  
Schedule of Insurance in Force  
(Unaudited)  
Year Ended August 31, 2025

Insurer	Policy Period	Coverage	Limits or Amounts		
Texas Council Risk Management Fund	9/1/24 - 9/1/2025	Workers Compensation	Statutory		
	9/1/24 - 9/1/2025	General Liability	\$ 1,000,000	Combined Single Limit	
			1,000	Deductible	
	9/1/24 - 9/1/2025	Errors & Omission	1,000,000	Per Claim	
			3,000,000	Annual Aggregate	
			25,000	Deductible	
	9/1/24 - 9/1/2025	Professional Liability	1,000,000	Per Claim	
		3,000,000	Annual Aggregate		
			10,000	Deductible	
9/1/24 - 9/1/2025	9/1/24 - 9/1/2025	Automobile Liability	1,000,000	Combined Single Limit	
		Liability	Various		
		Physical Damage	100,000/300,000	Limits	
	9/1/24 - 9/1/2025	Additional Liability		1,000,000	Combined Single Limit
				2,000,000	Aggregate
	9/1/24 - 9/1/2025	9/1/24 - 9/1/2025	Property Coverages		Each Occurrence
			Buildings	67,701,748	
Contents			13,286,027		
Boiler & Machinery Equipment			135,835		
EDP Equipment			7,128,878		
Misc. Property & Equipment			759,476		
Loss of Revenue/Business Interruption			1,000,000		
American Bankers Insurance Company of Florida	2/18/24 - 02/18/2025	Flood - Tahoe Trail-Building 1st Floor	405,000		
		Contents	23,000		
		Deductible	1,250		
10/01/24-10/01/25	10/01/24-10/01/25	Flood - Jones House Building	250,000		
		Contents	100,000		
		Deductible	1,250		
11/28/24 - 11/28/2025	11/28/24 - 11/28/2025	Flood - 403 E 15th St	500,000		
		Contents	41,000		
		Deductible	2,000		
Lloyds of London	11/28/24-11/28/25	Excess Flood Building	2,000,000		
Tokia Marine HCC Houston Casualty Co.	1/16/2025 - 1/16/2026	Cyber Extortion, System Failure, Breach			
		Insurance, Multimedia Liab	5,000,000	Combined Single Limit	
		Privacy Regulatory Defense	5,000,000	Maximum Aggregate	
		Cyber Crime	250,000		
		Deductible	50,000		
Lloyds of London	1/21/25-1/21/2026	Abuse/Molestation	500,000		
		Deductible	100,000		
Attain	4/22/25-4/22/26	General Liability/Excess Liability 5015 S IH35	2,000,000		

Integral Care  
Schedule of Leases in Effect  
(Unaudited)  
Year Ended August 31, 2025

Lessor	Location	Period Covered			Amount (\$ per month)
<b>Property Leases</b>					
SL 1700 South Lamar LP	1701 S. Lamar, Suite 230	7/1/2013	12/31/2025	\$	5,853
Travis County	502 E. Highland Mall	10/1/2021	9/30/2026		11,180
Boyd Austin I GSA LL	5015 South IH-35	12/15/2013	9/30/2026		58,313
Houston First Oak Spgs LP	3000 Oak Springs (amend)	12/1/2017	12/1/2033		3,275
Safe Haven	5307 E. Riverside Drive	4/1/2021	3/31/2026		100
Safe Alliance	4800 Manor Road, Cottage D	6/17/2024	6/30/2026		6,667
<b>Vehicle Leases</b>					
Leasing Associates	2023 Ford Transit T350 Van	2/1/2024	1/31/2029		1,594
<b>Copiers and Printers</b>					
ImageNet	Various	Various			5,621
<b>Other Rental Payments</b>					
Iron Mountain		Month	to	Month	5,100
Safe Site, Inc.		Month	to	Month	1,830

Integral Care  
Schedule of Bond Coverage  
(Unaudited)  
Year Ended August 31, 2025

Surety Company	Scope of Coverage	Limit	Deductible
Travelers 8/31/24 - 8/31/25	Employee Theft	\$ 9,000,000	\$ 25,000
	ERISA Fidelity	500,000	None
	Employee Theft of Client Property	9,000,000	5,000
	Forgery or Alteration	100,000	5,000
	On Premises	10,000	2,500
	In Transit	10,000	2,500
	Money Orders and Counterfeit Paper	10,000	2,500
	Computer Frauds and Funds Transfer	1,000,000	10,000
	Computer Program & Electronic Data Restoration	100,000	5,000
	Funds Transfer Fraud	1,000,000	10,000
	Personal Accounts Protection	25,000	1,000
	Claim Expense	5,000	-

Integral Care  
Schedule of Professional and Consulting Fees and Contracted Provider Services  
(Unaudited)  
Year Ended August 31, 2025

Name	Type of Service	Amount
TWG INVESTMENTS LTD	Crises Residential Center Staffing	\$ 3,295,187
GOOD GUARD SECURITY INC	Building Security	1,581,762
NORTH AMERICA SECURITY SERVICES	Building Security	896,520
A NEW ENTRY INC	Direct Care Services	627,495
UNIVERSITY OF TX AT AUSTIN	Clinical Svcs	602,489
LONE STAR CIRCLE OF CARE	Primary Healthcare Medical Services	244,754
MAINTENANCE & RECOVERY SERVICES	Clinical Svcs	209,163
AUSTIN TURNING POINT LLC	Direct Care Services	205,140
LOCUMTENENS.COM	Psychiatric Services	203,463
3 BRIDGES SIGN LANGUAGE SERVICES LLC	Interpreting Services	194,286
NEXUS RECOVERY CENTER INC	Therapy Services	156,188
EIDE BAILLY LLP	Accounting Services	146,700
BLUEBONNET TRAILS COMMUNITY MHMR	Therapy Services & Staff Development	143,787
FORGE CRAFT ARCHITECTURE & DESIGN	Architect & Engineering Fees	136,472
LANGUAGE LINE SERVICES	Interpreting Services	114,618
ANA G MACIAS	Direct Care Services	105,307
STG DESIGN INC	Architect & Engineering Fees	92,664
HARRISON Psychiatric Services PLLC	Psychological Services	85,500
MIGUEL ANGEL QUINTERO NARANJO	Direct Care Services	75,333
CENIKOR FOUNDATION	Direct Care Services	70,950
DOUBLETREE RESIDENTIAL SERVICES INC	Direct Care Services	68,264
WORKQUEST	Temporary Clerical Personnel	62,552
CHANGING HOW I LIVE LIFE	Therapy Services	61,999
DURAN Psychiatric Services PLLC	Psychiatric Services	60,750
VEGA INTEGRITY SERVICES	Direct Care Services	60,360
KRISTIN CAMPBELL CONSULTING	Consulting Services	58,500
RECOVERY CENTERED LIVING LLC	Direct Care Services	56,536
ALEJANDRA I SALDANA GARZA	Direct Care Services	56,524
ALEJANDRA FRIAS	Direct Care Services	55,761
BEACON NONPROFIT CONSULTING LLC	Consulting Services	55,000
MEDICAL STAFFING NETWORK INC	Pharmacy Staffing	50,141
THE RIGHT STEP	Therapy Services	49,875
FAVORITE HEALTHCARE STAFFING	Temporary Nursing Services	48,711
MOSS ADAMS LLP	Medical Billing/Coding	47,225
THE SOBERING CENTER	Direct Care Services	43,303
ROBERT BROADHEAD JR	Therapy Services	41,492
MANAGEMENT RECRUITERS OF CHEVY CHASE DC LLC	Professional Recruitment Firm	40,000
COLDCHAIN TECHNOLOGY SERVICES LLC	Building Security	37,173
SETON SHOAL CREEK HOSPITAL	Hospital Bed Day	35,325
LEVY PSYCHOLOGICAL ASSOCIATES	Psychological Services	31,500
JOHNSON CONTROLS SECURITY SOLUTIONS	Building Security	30,310
HOPE RISING COUNSELING SVC	Therapy Services	28,675
BLINK ENERGY SERVICES	Consulting Services	26,500
DOWN HOME RANCH INC	Therapy Services	26,322
SUBIDA COUNSELING PLLC	Therapy Services	25,623
RENE TENORIO	Therapy Services	23,010
WESTWAYS STAFFING SERVICES INC	Counselors/Nurse Staffing	21,393

Integral Care  
Schedule of Professional and Consulting Fees and Contracted Provider Services  
(Unaudited)  
Year Ended August 31, 2025

Name	Type of Service	Amount
DEMETRIA WILEY	Direct Care Services	19,862
CARE STRATEGIES	Therapy Services	18,909
BETTER LIVES LP	Staff Development	18,810
BERNARD MARTINEZ	Direct Care Services	17,552
RICHARD B LEVINSON	Staff Development	17,500
IRENE GOMEZ DBA WORDLINK LANGUAGE SERVICES	Interpreting Services	17,344
ALICE LOCKHART	Therapy Services	16,818
GERALD WILLIE	Direct Care Services	16,581
COHNREZNICK	Accounting Services	16,075
ALEJANDRINA VALDEZ	Therapy Services	15,657
J.S. GOLDSBERRY & ASSOCIATES	Staff Development	15,000
LIVING IN RECOVERY LLC	Therapy Services	14,155
ATX BEHAVIOR SUPPORT	Consulting Services	14,100
ROUND ROCK HOME HEALTH SERVICE	Therapy Services	14,084
IRENE GOMEZ (DBA WORDLINK LANGUAGE SERVICES)	Interpreting Services	14,007
LAURA RUSHING	Therapy Services	13,512
TRANSLATION & INTERPRETATION NETWORK	Interpreting Services	12,861
MUSIC THERAPY SERVICES OF AUSTIN LLC	Therapy Services	12,352
MESHALIQUE HUBERT	Therapy Services	12,158
ROSANNA K WORTHINGTON	Therapy Services	12,155
RABA KISTNER INC	Engineering Consultant	12,126
ERICA HELLER	Consulting Services	11,970
FAMILY ELDERCARE INC	Direct Care Services	11,060
NURSES ETC STAFFING	Nurse Staffing	10,941
SANTA MARIA HOSTEL	Direct Care Services	10,750
KRISTIN ATKINSON	Therapy Services	10,563
BENITA BONNIE HERNANDEZ	Client Medical Services	10,506
4WARD LAND SURVEYING LLC	Architect & Engineering Fees	10,500
JEFF GARRISON-TATE	Case Review Services	10,013
BLESSINGS FUNDAMENTAL DAY HABILITATION SVC	Therapy Services	9,947
SECURITAS TECHNOLOGY	Building Security	9,049
CARISSA FISHER	Therapy Services	8,709
HEALING WITH HORSES RANCH	Therapy Services	8,060
DIANA VERDIN LPC	Therapy Services	8,000
BETTER LIVES LLC	Consulting Services	7,900
COMMUNICATION BY HAND	Interpreting Services	7,761
REBECCA ROTH PLLC	Therapy Services	7,725
LATRONDA D WASHINGTON	Psychiatric Services	7,691
ROCK SPRINGS	Psychiatric Services	7,577
MCFARLANE DENTAL	Dental Services	6,066
EARLE INC	Therapy Services	5,993
CHRISTINA VASQUEZ	Psychological Assessment	5,950
MAGNOLIA SPEAKS SPEECH THERAPY CENTER	Consulting Services	5,340
MANOS DE CRISTO INC	Dental Services	5,110
CHERRI STOREY	Direct Care Services	5,100
AUSTIN DBT ASSOCIATES	Staff Development	4,800
CROSS CREEK HOSPITAL	Hospital Bed Day	4,696
AUSTIN BILINGUAL THERAPY	Therapy Services	4,500

Integral Care  
Schedule of Professional and Consulting Fees and Contracted Provider Services  
(Unaudited)  
Year Ended August 31, 2025

Name	Type of Service	Amount
COMMUNITY ARTS LLC	Therapy Services	4,130
LAURIE A DONOVAN LMFT LCSW	Therapy Services	3,963
DESTINEY J WELLS	Direct Care Services	3,950
AUSTIN NEUROPSYCHOLOGY PLLC	Therapy Services	3,850
VANESSA J GRANJERO RAMIREZ	Direct Care Services	3,808
LELE T KHIN	Interpreting Services	3,663
BERNADINE SAMUEL	Staff Development	3,607
EMS CONSULTING GROUP, INC	Staff Development	3,486
PEGASUS SCHOOLS INC	Residential and Vocational Services	3,410
JASMEEN WILSON	Therapy Services	3,399
HANDLE WITH CARE BEHAVIOR MGMT	Staff Development	3,050
KATHERINE WELSH	Therapy Services	3,000
CRAVE COUNSELING	Therapy Services	3,000
SEG CONSULTING	Therapy Services	3,000
KENNETH M GREEN	Direct Care Services	2,957
MASTERWORD SERVICES INC	Interpreting Services	2,826
KAREN R BURKE	Staff Development	2,500
CECILIA LOMENT	Staff Development	2,500
JOSE ANTONIO AGUILAR PSYD	Staff Development	2,400
CONSCIOUS CONNECTIONS PSYCHOLOGICAL SVC	Staff Development	2,400
ARC OF CAPITAL AREA	Direct Care Services	2,263
KAREN L GOMEZ MORALES	Therapy Services	2,178
YOLANDA ALDACO	Direct Care Services	1,955
RECOVERY UNPLUGGED AUSTIN LLC	Direct Care Services	1,925
AUSTIN ENVIRONMENTAL INC	Environmental Inspection Services	1,900
SUBSTANCE USE THERAPY	Staff Development	1,800
PORTIA THOMAS	Direct Care Services	1,683
CRANIAL TECHNOLOGIES INC	Client Medical Services	1,639
LANGO LLC	Interpreting Services	1,535
CAMILLE PROCTOR	Interpreting Services	1,500
SYNERGY BEHAVIOR CONSULTING	Staff Development	1,500
ALERT MEDIA INC	Building Security	1,434
TEXAS DEPT OF PUBLIC SAFETY	Background Investigation Fee	1,296
MIGL ENGINEERING & CONSULTING	Architect & Engineering Fees	1,275
SONIA OVSEP ELL	Interpreting Services	1,208
JEAN B MANKOWSKI PHD	Staff Development	1,200
TX CLINIC FULTON	Client Medical Services	1,190
JOE T GALLAGHER	Staff Development	1,125
KATIE COMPTON	Psychiatric Consulting	1,050
GUADALUPE ZAMORA M.D.	Client Medical Services	1,041
REDISCOVERY THERAPY	Therapy Services	1,000

Integral Care  
Schedule of Legal Services  
(Unaudited)  
Year Ended August 31, 2025

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Name	City	Type of Service	Amount
Drenner Group	Austin	General Legal Counsel	\$ 12,860
Husch Blackwell	Austin	General Legal Counsel	540
Locke Lord LLP	Austin	General Legal Counsel	<u>6,625</u>
			<u>\$ 20,025</u>

Federal and State Awards Reports in Accordance with Uniform  
Guidance and Texas Grant Management Standards  
August 31, 2025

**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 (*Government Audit Standards*), 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, 2025, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements and have issued our report thereon dated April 29, 2026.

**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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2025-01 that we consider to be a material weakness.

## **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*.

## **Center's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the Center's response to the finding identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. The Center's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Center'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 Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Abilene, Texas  
April 29, 2026



**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 Texas Grant Management Standards**

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 (the Center) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement and Texas Grant Management Standards* (TxGMS) that could have a direct and material effect on each of the Center’s major federal and state programs for the year ended August 31, 2025. The Center’s major federal and state programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Center 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, 2025.

***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), and TxGMS. Our responsibilities under those standards and the Uniform Guidance and TxGMS, are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Center 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 the Center’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 \$7,012,665 in federal awards which is not included in the Center’s schedule of expenditures of state and federal awards during the year ended August 31, 2025. Our compliance audit, described in the “Opinion on Each Major Federal and State Program” does not include the operations of these component units because these 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 the Center’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 the Center’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 and TxGMS 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 the Center’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 and TxGMS, 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 the Center’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 the Center’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 TxGMS, but not for the purpose of expressing an opinion on the effectiveness of the Center’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.

### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2025-002. Our opinion on each major federal and state program is not modified with respect to these matters.

*Government Auditing Standards* requires the auditor to perform limited procedures on the Center's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Center's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control over Compliance**

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, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

*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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2025-002 to be a significant deficiency.

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.

*Government Auditing Standards* requires the auditor to perform limited procedures on the Center's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Center's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 TxGMS. Accordingly, this report is not suitable for any other purpose.

*Eide Bailly LLP*

Abilene, Texas  
April 29, 2026

Integral Care  
Schedule of Expenditures of State and Federal Awards  
Year Ended August 31, 2025

Program Title	Pass Through Grantor Number	Expenditures	Subrecipient Expenditures
<b>State Awards</b>			
Texas Health and Human Services Commission			
Local Mental Health Authority (LMHA)			
General Revenue - Behavioral Health Adult	HHS001324500004	\$ 10,192,631	\$ -
General Revenue - Behavioral Health Child	HHS001324500004	2,382,875	-
Crisis Redesign	HHS001324500004	2,384,095	-
PESC	HHS001324500004	3,366,454	-
Outpatient Competency Restoration	HHS001324500004	567,030	-
Private Psychiatric Beds	HHS001324500004	6,245,394	-
Veteran Services	HHS001324500004	98,256	91,804
Supportive Housing	HHS001324500004	295,572	-
Non-Physician Mental Health	HHS001324500004	105,733	-
Mental Health First Aid	HHS001335500004	59,900	-
Healthy Community Collaboratives (HCC)	HHS000930600003	2,554,329	-
Mental Health Grant for Justice-Involved Individuals (SB292)	HHS000134400011	1,559,647	-
Mental Health Grant for Justice-Involved Individuals (SB292)	HHS001545200002	1,114,034	-
Community Mental Health Grant Program (HB13)	HHS001392500059	1,422,464	-
Block Grant Homeless/Path - MH	HHS000231500016	12,376	-
HHSC Rider 48	HHS001545200002	911,759	-
Children's Crisis Respite Grant Program	HHS001222700005	999,999	-
MH- Maintenance of Critical Services – AMH	HHS001324500004	246,704	-
MH- Maintenance of Critical Services – CMH	HHS001324500004	82,275	-
MH- Maintenance of Critical Services – Crisis	HHS001324500004	75,642	-
HHSC Smart Innovation Program	HHS001513400003	341,624	-
HHSC Peer Run Youth Crisis Respite	HHS001479500001	700,467	-
HHSC Community Mental Health Worker	HHS000780300001	146,160	-
Inpatient Competency Restoration Program	HHS001418100004	11,400,400	-
Total LMHA		<u>47,265,820</u>	<u>91,804</u>
Local IDD Authority (LIDDA)			
General Revenue - Intellectual & Developmental Disabilities	HHS001333300005	2,737,261	-
CLOIP	HHS001333300005	326,139	-
Permanency Planning	HHS001333300005	32,149	-
Crisis Intervention Specialists	HHS001333300005	260,404	-
Crisis Respite	HHS001333300005	179,348	-
Nursing Facility PASRR Service Coordination	HHS001333300005	256	-
Outpatient Learning Collaborative	HHS001333300005	267,378	-
IDD ARPA	HHS001333300005	206,086	-
Total LIDDA		<u>4,009,021</u>	<u>-</u>
Substance Abuse and Mental Health Services Administration			
Medication Assisted Treatment	HHS000663700146	438,076	-
Outpatient Treatment for Adults (TRA)	HHS000663700221	26,633	-
Total Substance Abuse and Mental Health Services Administration		<u>464,709</u>	<u>-</u>
Total Texas Health and Human Services Commission		<u>51,739,550</u>	<u>91,804</u>
Texas Veterans Commission (TVC)			
Mental Health Clinical Counseling	VMH24-C-0019	118,864	-
Homeless Veteran Support	FVA24-H-083	182,299	-
Total Texas Veterans Commission (TVC)		<u>301,163</u>	<u>-</u>
Texas Department of Housing and Community Affairs			
Texas Homeless Housing and Services Program	31245030004	82,967	-
Total State Awards		<u>\$ 52,123,680</u>	<u>\$ 91,804</u>

Integral Care  
Schedule of Expenditures of State and Federal Awards  
Year Ended August 31, 2025

Federal Grantor / Pass-through Grantor / Program or Cluster Title	Federal Financial Assistance Listing		Pass Through Grantor Number	Expenditures	Subrecipient Expenditures
Federal Awards					
U.S. Department of Health and Human Services					
Passed through the Texas Health and Human Services Commission					
Medicaid Administrative Claiming- Medicaid Cluster	93.778		HHS000537900305	\$ 3,349,541	\$ -
Money Follows the Person - Transition Support Team	93.791	(5)	HHS001333300005	487,313	-
ECC	93.791	(5)	HHS001333300005	39,658	-
Money Follows the Person - Bridge to Star Plus Pilot Program	93.791	(5)	HHS001272400002	55,163	-
Block Grant Homeless/PATH	93.150		HHS000231500016	525,699	-
Temporary Assistance for Needy Families (TANF)	93.558		HHS001324500004	509,998	-
Social Services Block Grant - Title XX SSBG	93.667		HHS001324500004	159,113	-
Mental Health Block Grant	93.958	(1)	HHS001324500004	1,550,277	-
Mental Health First Aid	93.958	(1)	HHS001335500004	83,808	-
Supportive Housing	93.958	(1)	HHS001324500004	9,677	-
Suicide Regional Expansion	93.958	(1)	HHS000502700001	297,918	-
Lifeline Expansion	93.243	(4)	HHS001277500004	2,472,564	-
Lifeline Expansion	93.958	(1)	HHS001277500004	2,368,761	-
Community MH Worker	93.959	(3)	HHS000780300001	519,602	-
MFP - Support Foundation Communities	93.791	(5)	HHS001269800001	21,504	-
MHBG - Consumer Operated Services	93.958	(1)	HHS001324500004	179,685	-
MHBG Coordinated Specialty Care	93.958	(1)	HHS001329300002	508,710	-
MHBG Coordinated Specialty Care Supplemental	93.958	(1)	HHS001329300002	376,831	-
MHBG HHSC Crisis MCOT	93.958	(1)	HHS001108400004	43,917	-
MHBG Children's MH System Navigator	93.958	(1)	HHS001491600001	64,492	-
System of Care	93.104		HHS001100700001	438,635	-
COVID-19 Supplemental Grant Program- Attachment					
AO5 Consumer Operated Srv	93.958	(1)	HHS001108400004	41,758	-
COVID-19 Supplemental Grant Program- Attachment					
AO2 Housing & Homeless Programs	93.959	(3)	HHS001108400004	3,027,736	-
COVID-19 Attachment AO1 Outpatient Capacity Expansion	93.958	(1)	HHS001108400004	1,273,213	-
National and State Tobacco and Control Grant Program	93.387		HHS001446700001	144,623	-
HHSC Forensic Support Teams	93.958	(1)	HHS001530400001	225,280	-
HHSC Disaster Relief ISP (Crisis Counseling ISP)	97.032		HHS001453900004	44,836	-
Block Grant for Prevention and Treatment of Medication Assisted Treatment	93.959	(3)	HHS000663700146	748,933	-
Co-Occurring Psychiatric and Substance Use Disorder	93.959	(3)	HHS000663700068	368	-
Outpatient Treatment for Adults (TRA)	93.959	(3)	HHS000663700221	102,314	-
Total passed through THHSC				<u>19,671,927</u>	<u>-</u>
Passed through City of Austin					
Teenage Pregnancy Prevention Program (DVHAP)	93.297		T1AH000293-01-00	79,651	-
Ryan White Title I Funds	93.914		NG170000042	415,384	-
Total passed through City of Austin				<u>495,035</u>	<u>-</u>
Direct award from Substance Abuse and Mental Health Service Administration					
Clinical High Risk Psychosis	93.243	(4)	1H79SM081187-01	377,109	-
SAMHSA Zero Suicide	93.243	(4)	6H79SM088427-01M002	273,125	-
SAMHSA Zero Suicide	93.243	(4)	5H79SM088427-02	24,829	-
Mental Health Awareness Training	93.243	(4)	1H79SM081224-01	50,813	13,588
Total SAMHSA				<u>725,876</u>	<u>13,588</u>

Integral Care  
Schedule of Expenditures of State and Federal Awards  
Year Ended August 31, 2025

Federal Grantor / Pass-through Grantor / Program or Cluster Title	Federal Financial Assistance Listing		Pass Through Grantor Number	Expenditures	Subrecipient Expenditures
Passed through Dell Medical School and University of Texas at Austin					
UTDMS First	93.242	(2)	R01MH124965	9,340	-
UTDMS EPINET	93.242	(2)	R01MH120599	8,564	-
				<u>17,904</u>	<u>-</u>
Passed through Travis County Enhance the Safety of Children Affected by Parental Methamphetamine or Other Substance Abuse -System of Care					
	93.087		4400003965 Mod#11	150,093	-
Total U.S. Department of Health and Human Services				<u>21,060,835</u>	<u>13,588</u>
U.S. Department of Justice					
Passed through State of Texas Office of the Governor					
State Crisis Intervention: Mobile Crisis Outreach Team Exp.	16.738		CI5150601	111,100	-
Passed through Travis County					
Jail-Based Substance Use Intake Program	16.838		15PBJA-24-GG-04482-COAP	112,501	-
Passed through Del Valle ISD					
Del Valle ISD VOCA	16.575		2019-2020 QMHP MOU	184,011	-
Total U.S. Department of Justice				<u>407,612</u>	<u>-</u>
U.S. Department of the Treasury					
Passed through Travis County					
Youth Mental Health First Aid Services	21.027		4400007296	47,025	-
Crisis Care Diversion Pilot Project	21.027		4400007665	3,000,671	-
Integral Care Seabrook, LLC	21.027		4400007681	3,315,473	-
Total 21.027				<u>6,363,169</u>	<u>-</u>
Total U.S. Department of the Treasury				<u>6,363,169</u>	<u>-</u>
U.S. Department of Housing and Urban Development					
Direct Award					
Continuum of Care Program - HUD Fresh Start	14.267	(7)	TX0374L6J032007	556,766	-
Continuum of Care Program - HUD	14.267	(7)	TX0720L6J032300	180,287	-
Passed through City of Austin					
Housing Opportunities for Persons with AIDS (HOPWA)	14.241		TXH24-F004	145,498	-
Community Development Block Grant - YAFAC	14.218		MA 7200 NG220000036	195,453	-
Total CDBG - Entitlement Grants Cluster				<u>195,453</u>	<u>-</u>
Total U.S. Department of Housing and Urban Development				<u>1,078,004</u>	<u>-</u>
Total federal awards				<u>\$ 28,909,620</u>	<u>\$ 13,588</u>
Total state and federal awards				<u>\$ 81,033,300</u>	<u>\$ 105,392</u>

(1) Total for FFAL 93.958	\$ 7,024,327
(2) Total for FFAL 93.242	17,904
(3) Total for FFAL 93.959	4,398,953
(4) Total for FFAL 93.243	3,198,440
(5) Total for FFAL 93.791	603,638
(6) Total for FFAL 21.027	6,363,169
(7) Total for FFAL 14.267	737,053

**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, except for subrecipient expenditures, which are recorded on the cash basis. 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 *Texas 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 *Texas 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 Charity Cost Pool or Directed Payment Programs are excluded from the Federal awards section of the SESFA. The Veterans Administration revenue is excluded from the SEFA as it is not a direct award or pass through award to the Center but contract for housing for the VA from the Center through the Veteran's Safe Haven Program. 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 Texas Grant Management Standards.

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.

Integral Care Seabrook, LLC is an enterprise fund and therefore included on the SEFSA but not on the budget to actual for the general fund. A reconciliation of the SESFA to the audited financial statements general fund budget to actual is as follows:

State expenditures per SESFA	\$ 52,123,680
TCOOMMI	<u>2,073,529</u>
State revenues reported in the general fund	<u>\$ 54,197,209</u>
Federal expenditures per SESFA	\$ 28,909,620
Directed Payment Program	4,225,983
Charity Care Pool	13,700,802
Veterans Administration	1,231,729
Integral Care Seabrook, LLC 21.027 ARPA funds	<u>(3,315,473)</u>
Federal revenues reported in the general fund	<u>\$ 44,752,661</u>

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

Integral Care has elected to use the 10% or 15% de minimis indirect cost rate allowed under the Uniform Guidance as appropriate.

**Section I - Summary of Auditors' Results**

**Financial Statements**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weaknesses identified? Yes
- Significant deficiencies identified that are not considered to be material weaknesses? None Reported

Noncompliance material to financial statements noted? No

**Federal and State Awards**

Internal control over major programs:

- Material weaknesses identified? No
- Significant deficiencies identified that are not considered to be material weaknesses? Yes

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? Yes

Identification of major programs:

- Federal Financial Assistance Listing:  
 21.027 – Coronavirus State and Local Fiscal Recovery Funds  
 93.778 – Medicaid Administrative Claiming – Medicaid Cluster
- State General Revenue:  
 Behavioral Health (Mental Health Adult and Crisis, Mental Health Child, PESC, PPB)  
 Intellectual & Developmental Disabilities  
 Mental Health Grant for Justice-Involved Individuals (SB292)  
 Community Mental Health Grant Program (HB13)

Dollar threshold used to distinguish between type A and type B programs?  
     Federal awards \$ 867,289  
     State awards \$ 1,563,710

Auditee qualified as low-risk auditee? Yes

## Section II – Financial Statement Findings

<b>Finding 2025-001:</b>	<p>There was a lack of accurate and timely performance of account reconciliations (specifically accounts receivable, unearned revenue and liability accounts) within the organization to ensure the accuracy of monthly and annual financial statements. The Center should ensure the accuracy of the reconciliations in addition to ensuring the subledger agrees to the general ledger.</p> <p>Material Weakness in internal control over financial reporting.</p>
Criteria:	<p>A properly designed system of internal control over financial reporting includes timely reconciliations of balance sheet accounts on a monthly or quarterly basis, depending on the account. Comprehensive reconciliations should include sub-ledger or alternative system documentation that supports and justifies the balance within the account, demonstrates a roll forward from the prior period which ties to revenue (where applicable), and ensures any reconciling items are timely addressed and cleared.</p>
Condition:	<p>The Center has not consistently or timely performed balance sheet reconciliations throughout the year that are comprehensive, accurate, and that adequately justified the balances within the account throughout the year (at month end close) or at year end close.</p>
Cause:	<p>The Center has experienced a substantial shortage of qualified workers while the industry demand for more workers continues to grow. This has caused the Center to lose focus of core activities required to produce timely and accurate financial statements. The Center has hired additional individuals in the current year and has gone through a process to ensure the accuracy of these accounts by the close of the audit.</p>
Effect:	<p>Monthly financials that management and the board use to make decisions could be misstated without proper account reconciliations. The production of audit schedules at year end were substantially delayed as a result of reconciliations having to be completed, reviewed, and entries made to adjust reconciling items occurring earlier in the year including a restatement of prior year due.</p>
Recommendation:	<p>We recommend that management ensure all significant balance sheet accounts are reconciled on a timely basis, as is appropriate for the account, in a manner that supports the account balance, with any reconciling items being addressed in a timely manner.</p>
Views of Responsible Officials:	<p>Management acknowledges the finding and is making every effort to ensure that accounts will be accurately and timely reconciled each month for FY 2026 and going forward.</p>

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

**2025-002      Mental Health Grant for Justice-Involved Individuals SB292 (State Award – No FFAL)**

**Allowable Costs  
Cash Management  
Non-Material Noncompliance  
Significant Deficiency in Internal Control**

**(Note initial finding occurred in Fiscal Year 2024 and was finding 2024-001)**

*Criteria:*

Section 2 CFR 200.414 establishes that recipients and subrecipients that do not have a current Federal negotiated indirect cost rate (including provisional rate) may elect to charge a de minimis rate of up to 15 percent of modified total direct costs (MTDC). The recipient or subrecipient is authorized to determine the appropriate rate up to this limit. When applying the de minimis rate, costs must be consistently charged as either direct or indirect costs and may not be double charged or inconsistently charged as both. The de minimis rate does not require documentation to justify its use and may be used indefinitely. Once elected, the recipient or subrecipient must use the de minimis rate for all Federal awards until the recipient or subrecipient chooses to receive a negotiated rate.

Per 2 CFR 200.1, modified total direct cost (MTDC) means all direct salaries and wages, applicable fringe benefits, materials and supplies, services, travel, and up to the first \$50,000 of each subaward (regardless of the period of performance of the subawards under the award). MTDC excludes equipment, capital expenditures, charges for patient care, rental costs, tuition remission, scholarships and fellowships, participant support costs, and the portion of each subaward in excess of \$50,000. Other items may only be excluded when necessary to avoid a serious inequity in the distribution of indirect costs and with the approval of the cognizant agency for indirect costs. TxGMS follow this same guidance.

**Condition:**      The Center did not exclude charges for patient care when calculating modified total direct costs (MTDC).

**Cause:** Due to the Center improperly calculating modified total direct costs (MTDC), an indirect rate other than the de minimis indirect cost rate elected by the Center and allowed under the Uniform Guidance and TxGMS was being charged to and reimbursed by the state grants.

**Effect:** Insufficient procedures and internal controls over cash management resulted in noncompliance.

**Section III – Federal and State Award Findings and Questioned Costs (Continued)**

Questioned Costs:

- Mental Health Grant for Justice-Involved Individuals – there were no known questioned costs as the Center corrected the finding during the FY 25.

Context/Sampling:

- Mental Health Grant for Justice-Involved Individuals - A nonstatistical sample of 3 out of 12 reimbursement requests for the fiscal year were selected for cash management testing. For the 3 reimbursements selected, we tested approximately \$583,971 of reimbursements out of total reimbursements of approximately \$2,273,681.

*Repeat Finding  
from Prior Years:*

Yes (PY finding 2024-001).

*Recommendation:*

We recommend that the Center establish and adhere to policies and procedures, including internal controls, to ensure compliance with cash management requirements as established by 2 CFR 200.414 and 2 CFR 200.1 and TxGMS.

*Views of Responsible  
Officials:*

Management agrees with the finding.



Finding 2024-001

Finding Summary:

The Center did not exclude charges for patient care when calculating modified total direct costs (MTDC) in accordance with Uniform Guidance and TxGMS and thus the indirect rate used in calculating the indirect amount charged to the grant was not consistently accurate.

Significant deficiency over compliance of Single Audit Programs.

Responsible Individuals:

Rusty Taylor, Chief Financial Officer

Status update:

The Center has evaluated all grants and corrected the formula during the second half of FY 25 and recorded a liability for any of the funds that will be paid back. The repeat finding is due to the project not being completed until the 2<sup>nd</sup> half of FY 25.



Management's Response to Auditor's Findings:

Corrective Action Plan

August 31, 2025

Prepared by Management of

**Integral Care**

## Corrective Action Plan

### Finding 2025-001

**Finding Summary:** There was a lack of accurate and timely performance of account reconciliations (specifically accounts receivable, unearned revenue and liability accounts) within the organization to ensure the accuracy of monthly and annual financial statements. The Center should ensure the accuracy of the reconciliations in addition to ensuring the subledger agrees to the general ledger.

**Corrective Action Plan:** The Center is systematically working through each balance sheet account to ensure there is a methodology and procedure to perform effective accurate account reconciliations.

**Responsible Individuals:** Rusty Taylor, CFO

**Anticipated Completion Date:** August 2026.

### Finding 2025-002

**Finding Summary:** The Center did not exclude charges for patient care when calculating modified total direct costs (MTDC) in accordance with Uniform Guidance and TxGMS and thus the indirect rate used in calculating the indirect amount charged to the grant was not consistently accurate.

**Corrective Action Plan:** The Center has historically calculated the indirect amount using the same methodology over time. Given the small volume of patient receipts, the impact on the total indirect amount is minor. We believe that had we modified our calculations, we would have had enough modified total direct costs to cover the change in the calculation. The Center will modify all future calculations to ensure alignment. We also reviewed all grants in FY 25 and trued up these costs as appropriate and the impact was minimal. We believe at this time we have effectively and completely remediated this finding. reimbursement requests. Similarly, we will conduct a review of that fiscal year to determine the impact of the change and verify it is not significant.

**Responsible Individuals:** Rusty Taylor, CFO  
Joe Carrington, Director of Financial Planning and Analysis

**Anticipated Completion Date:** This was remediated as of August 2025.