INTERMOUNTAIN CENTERS FOR HUMAN DEVELOPMENT, INC.

YEAR ENDED SEPTEMBER 30, 2021

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YEAR ENDED SEPTEMBER 30, 2021

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BeachFleischman

Independent Auditors' Report

Board of Directors and Management
Intermountain Centers for Human Development, Inc.
Tucson, Arizona

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Intermountain Centers for Human Development, Inc. (the Organization), which comprise the consolidated statement of financial position as of September 30, 2021, and the related consolidated statements of activities, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, except for the effects of not properly accounting for business combinations and not consolidating in all of the activity of entities that the Organization is the sole member of, described in the Basis for Qualified Opinion section of our report, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Intermountain Centers for Human Development, Inc. as of September 30, 2021, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion

As more fully described in Note 1 to the consolidated financial statements, the Organization has recorded acquired assets, including goodwill, and certain liabilities at their carrying value and has not determined if there was any excess purchase value resulting from its acquisitions. The Organization also omitted certain disclosures required in business combinations. In our opinion, accounting principles generally accepted in the United States of America require that assets and liabilities obtained through business combinations be recorded at fair value. In addition, the Organization has not consolidated all of the accounts of an entity that it is the sole member of as required by accounting principles generally accepted in the United States of America. Quantification of the effects on the consolidated financial statements of the preceding practices is not practicable.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Intermountain Centers for Human Development, Inc. 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 qualified audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Intermountain Centers for Human Development, Inc.'s ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. 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 generally accepted auditing standards 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 consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards 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 consolidated 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 consolidated 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 Intermountain Centers for Human Development, Inc.'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 consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Intermountain Centers for Human Development, Inc.'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.

Report on Consolidating Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on pages 25 through 30 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations, of the individual entities, and it is not a required part of the consolidated 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 consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated January 24, 2023, on our consideration of the Organization'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 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 Organization'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 Organization's internal control over financial reporting and compliance.

BeachFleischman PLLC

Tucson, Arizona
January 24, 2023

INTERMOUNTAIN CENTERS FOR HUMAN DEVELOPMENT, INC.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

SEPTEMBER 30, 2021

ASSETS	
Current assets:	
Cash and cash equivalents	$ 6,634,979
Healthcare accounts receivable	5,964,548
Prepaid expenses and other current assets	720,982
Total current assets	13,320,509
Property and equipment, net	24,429,881
Goodwill	5,803,709
Deposits and other assets	181,054
Assets whose use is limited	124,502
Investment in insurance reciprocal	757,160
Due from affiliate	21,999
Total assets	$ 44,638,814
LIABILITIES AND NET ASSETS	
Current liabilities:	
Note payable, bank	$ 25,369
Current portion of long-term debt	362,054
Accounts payable	1,667,789
Accrued expenses	4,457,039
Deferred revenue	3,219,203
Advances from providers	1,231,651
OIG settlement	39,619
Total current liabilities	11,002,724
Long-term debt, net of current portion	9,766,382
Total liabilities	20,769,106
Commitments and contingencies	
Net assets:	
Without donor restrictions:	
Invested in property, equipment and assets held for sale	14,301,445
Undesignated	7,692,256
	21,993,701
With donor restrictions	1,876,007
Total net assets	23,869,708
Total liabilities and net assets	$ 44,638,814

See notes to consolidated financial statements.

INTERMOUNTAIN CENTERS FOR HUMAN DEVELOPMENT, INC.

CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2021

	Without donor restriction	With donor restriction	Total
Revenues and support:			
Healthcare service contracts	$ 60,060,627	$ -	$ 60,060,627
Contributions	160,110	-	160,110
Rental income	3,948,442	-	3,948,442
Other income	3,731,373	-	3,731,373
	67,900,552	-	67,900,552
Investment income, net	541,318	-	541,318
Gain on disposal of assets	199,725	-	199,725
	68,641,595	-	68,641,595
Expenses:			
Program services	58,564,904	-	58,564,904
Support services	9,150,221	-	9,150,221
Fundraising	224,559	-	224,559
	67,939,684	-	67,939,684
Change in net assets	701,911	-	701,911
Net assets, beginning	21,291,790	1,876,007	23,167,797
Net assets, ending	$ 21,993,701	$ 1,876,007	$ 23,869,708

INTERMOUNTAIN CENTERS FOR HUMAN DEVELOPMENT, INC.

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED SEPTEMBER 30, 2021

Cash flows from operating activities:	
Change in net assets	$ 701,911
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	1,098,693
Gain on disposal of assets	(199,725)
Equity method income	(223,431)
Changes in operating assets and liabilities:	
Healthcare accounts receivable	2,878,212
Prepaid expenses and other current assets	(66,702)
Deposits and other assets	54,806
Accounts payable	278,898
Accrued expenses	791,177
Deferred revenue	679,593
OIG settlement	(112,826)
Net adjustments	5,178,695
Net cash provided by operating activities	5,880,606
Cash flows from investing activities:	
Purchases of property and equipment	(622,887)
Proceeds from disposal of assets	320,066
Advances to affiliate	(21,999)
Net cash used in investing activities	(324,820)
Cash flows from financing activities:	
Net repayments on note payable, bank	(25,000)
Principal payments on long-term debt	(262,686)
Repayments on Advances from providers	(8,867,549)
Net cash used in financing activities	(9,155,235)
Net decrease in cash and cash equivalents	(3,599,449)
Cash and cash equivalents, beginning	10,234,428
Cash and cash equivalents, ending	$ 6,634,979

See notes to consolidated financial statements.

INTERMOUNTAIN CENTERS FOR HUMAN DEVELOPMENT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2021

1. Description of organization and summary of significant accounting policies:

Organization:

Intermountain Centers for Human Development, Inc. (ICHD) was incorporated in August 1973 as a not-for-profit corporation that provides educational, vocational, outpatient, substance use, rehabilitative and residential services to individuals, organizations and communities. These services are provided through residential homes, foster care homes and in the homes of client families. Therefore, ICHD's viability is dependent upon the strength of the health care and nonprofit industries, its payors and other resource providers, and ICHD's ability to collect on its contracts. ICHD is the sole member of the following entities:

Catalina Housing Foundation, Inc. (CHF) was incorporated in January 2000 as a not-for-profit corporation to hold real property, investments and to construct and operate a seven-unit housing project in Tucson, Arizona known as the Kiva Apartments.

Intermountain Foundation (FNDN) was incorporated in June 1998 as a not-for-profit corporation to hold real property and invest, manage and distribute resources to ICHD.

Behavioral Consultation Services, Inc. (BCS) was incorporated in March 2016 as a not-for-profit corporation. BCS provides behavioral health services in the local Head Start Centers and schools and on the Navajo Nation, as well as home based functional behavior assessments and home based support for individuals diagnosed with developmental disabilities.

Intermountain Health Center, Inc. (IHC) was established in September 2015 as a not-for-profit corporation that provides high quality and goal focused behavioral health services for children, adults and their families. Services are provided, but not limited, to the following populations: seriously mentally ill, general mental health, foster care, substance use disorder, intellectual and developmental disabilities, autism spectrum, trauma focused and those who are presenting cognitive, emotional or behavioral challenges.

Intermountain Foster Care, LLC (IFC) is a single member limited liability company that was organized in September 2020 to provide an array of services and support to foster parents.

Intermountain Academy of Tucson, LLC (IAT) is a single member limited liability company that was organized in April 2020 to provide a positive teaching environment for youth with autism that builds on each child's strengths and interests.

Community Partners, Inc. (CPI) was formed as a not-for-profit corporation in June 2013 with operations beginning October 1, 2013. CPI was formed to support the provision and promotion of the delivery of quality behavioral healthcare services to indigent and other persons who are seriously mentally ill, children who are at risk of or suffering from drug abuse, alcohol abuse, mental health disorders, or domestic violence. CPI is the sole member of the following entities:

1. Description of organization and summary of significant accounting policies (continued):

Organization (continued):

Community Partnership Care Coordination, LLC (CPCC) is a single member limited liability company that was organized in April 2012 to provide an array of outpatient behavioral healthcare services to adults, children and families with commercial healthcare coverage.

Community Partners Business Solutions, Inc. (CPBS) is a for-profit C corporation that was organized in March 2014 to provide healthcare consulting, administrative services, conference center, catering and environmental services.

Mental Health Resources, Inc. (MHR) was formed as a not-for-profit corporation in January 2014 for the purpose of owning multi unit housing facilities located in Pima County, Arizona which are used in part to provide reduced cost re-entry housing to individuals coping with a variety of health and behavioral problems.

Community Behavioral Health Properties of Southern Arizona, LLC (CBHP) is a single member limited liability company that was organized in July 2002 for the purpose of acquiring and holding real estate.

Community Partnership of Southern Arizona, Inc. (CPSA) is a not-for-profit corporation formed in February 1995. Through September 30, 2015 CPSA had been designated as the Regional Behavioral Health Authority (RBHA) for the geographic service area of Pima County. CPSA continuing role is to serve as the Collaborative Applicant and U.S. Department of Housing and Urban Development recipient.

Sonrisa Apartments, Inc. (SA) is a not-for-profit corporation formed in March 2009 for the purpose of developing, owning, improving, and operating housing that is affordable to low and moderate income young adults receiving behavioral health services. CPSA is the sole member of SA.

Community Partners Integrated Healthcare, Inc. (CPIH) was acquired by CPI in March 2017 to provide an array of outpatient behavioral healthcare to low income adults, children and families and residential services to adults under contracts with the state of Arizona and commercial healthcare coverage.

Assurance Assertive Community Treatment, LLC (AACT) is a single member limited liability company that was organized in January 2017 for the purpose of providing assertive community treatment to adults and children who are Medicaid eligible under a contract with the state of Arizona. CPIH is the sole member of AACT.

1. Description of organization and summary of significant accounting policies (continued):

Organization (continued):

Pinal Hispanic Council (PHC) is a not-for-profit corporation established in 1987 as a professional counseling firm to provide a full and integrated continuum of outpatient behavioral health care focusing on seriously mentally ill, alcohol and drug treatment and prevention, mental health and children's services. Services include counseling for individuals, families and groups. Prevention services are focused on youth and community members. PHC also provides case management, transportation and service advocacy services.

For all limited liability companies, the member's liability is limited.

Principles of consolidation:

The consolidated financial statements include all accounts of ICHD and all of its subsidiaries (collectively referred to as the Organization) except for FNDN as described in the Departures from accounting principles generally accepted in the United States. All significant intercompany accounts and transactions have been eliminated.

Departures from accounting principles generally accepted in the United States:

ICHD acquired PHC in November 2017 and CPI and all of its wholly owned and controlled entities in August 2018. ICHD is required to determine the fair value of identifiable net assets acquired in its acquisitions of PHC and CPI. The Organization has not performed this analysis or determined if there was any excess purchase value resulting from its acquisitions and has instead recorded the acquired assets, including goodwill previously recorded in CPI's accounts, and liabilities at their carrying value. Because the acquired goodwill should have been eliminated in the acquisition, an annual assessment for impairment has not been performed. In addition, certain disclosures required in business combinations have been omitted.

As discussed above, ICHD is the sole member of FNDN, and as such GAAP requires FNDN to be included in the consolidated financial statements. Management has elected to omit certain assets and net assets of FNDN and all of its revenue, support and expenses. In addition, intercompany transactions involving FNDN have not been eliminated.

The effects of these departures from accounting principles generally accepted in the United States of America (GAAP) have not been determined.

Estimates:

The preparation of consolidated financial statements in conformity with GAAP 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 consolidated financial statements and the reported amounts of revenues, support and expenses during the reporting period. On an ongoing basis, management evaluates its estimates and assumptions, including those related to inputs used to recognize revenue over time. Actual results could differ from those estimates and assumptions.

1. Description of organization and summary of significant accounting policies (continued):

Net assets:

Net assets, support, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- Net assets without donor restrictions - Net assets available for use in general operations and not subject to donor restrictions.

- Net assets with donor restrictions - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Adoption of new accounting standard:

In May 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-09, "Revenue from Contracts with Customers (Topic 606)." Topic 606 and all related Accounting Standards Updates supersedes previous revenue recognition requirements and establishes a core principle requiring the recognition of revenue to depict the transfer of care to its patients in an amount reflecting the consideration to which the entity expects to be entitled in exchange for providing those services. These amounts are due from healthcare payors (including insurers and government programs), and others and include variable consideration (reductions to revenue) for retroactive revenue adjustments due to settlement of ongoing and future audits, reviews and investigations. Upon adoption, the revenue reported includes an implicit price concession which was previously reported as allowance for uncollectible accounts in the accompanying consolidated statements of activities and functional expenses. The new rule requires an entity to (1) identify the contract, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations, and (5) recognize revenue based on a point in time or over time.

Effective October 1, 2020, the Organization adopted Topic 606 utilizing the full retrospective method. Under the full retrospective method, the standard was applied to each prior reporting period presented. In implementing Topic 606, the Organization was required to recalculate the revenue earned from providing services to patients in progress at the implementation date and to restate the revenues as if Topic 606 had been followed from the inception of the services. The Organization's revenue recognition practices under Topic 606 do not differ significantly from prior practices. Since no material differences were calculated, no retrospective analysis of patient service revenues was required.

1. Description of organization and summary of significant accounting policies (continued):

Adoption of new accounting standard (continued):

Practical expedients and exemptions:

Upon the adoption of Topic 606, the Organization utilized certain permitted practical expedients and exemptions as follows:

- The portfolio approach was used to evaluate a portfolio of healthcare contracts with similar characteristics because it was determined that the effects of applying this method to the portfolio of healthcare contracts would produce the same results as if each contract in the portfolio was evaluated through the five-step approach individually. Based on historical collection trends and other analyses, the Organization believes that revenue recognized by utilizing the portfolio approach approximates the revenue that would have been recognized if an individual contract approach were used.
- The transaction price is not adjusted for the effects of a significant financing component if the Organization expects that the period between when the Organization provides services to individuals and others and when the healthcare payors pay for that service will be one year or less, at the inception of the service. The Organization at times receives payments from healthcare payors in excess of a year from the date of service. For those cases, the financing component is not deemed to be significant to the contract.

Revenues and support:

Healthcare service contracts:

Healthcare service contract revenues are reported as exchange transactions at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing care to individuals. These amounts are due from healthcare payors and include variable consideration for retroactive revenue adjustments due to settlement of audits, reviews and investigations. The Organization's healthcare services are provided under the subprovider agreements with several providers, including: Arizona Complete Health (AzCH), Banner University Family Care (Banner), Mercy Care (Mercy Care), Steward Health Choice (Steward), and United Health Care (United). Generally, the Organization bills healthcare payors within several days after the services are performed. Revenues are recognized as the performance obligations are satisfied. The Organization uses a portfolio approach to account for categories of healthcare service contracts, in lieu of recognizing revenue on an individual contract basis. The portfolios consist of major payor classes for healthcare service contract revenues.

Performance obligations are determined based on the nature of the services provided by the Organization. All of the Organization's healthcare service contract revenues are outpatient in nature and are satisfied at a point in time. Revenues for performance obligations satisfied at a point in time are recognized when goods or services are provided, and the Organization does not believe it is required to provide additional services under the transaction.

1. Description of organization and summary of significant accounting policies (continued):

Healthcare service contracts (continued):

The Organization's initial estimate of the transaction price for services provided to individuals is recognized at the amount of net consideration the Organization expects to be entitled to in exchange for providing care to the individuals. This transaction price is derived as the sum of the standard charges for services provided, reduced by various elements of variable consideration, including contractual adjustments provided to healthcare payors, discounts, implicit price concessions and other adjustments to standard charges. Variable consideration is generally estimated using the expected value method. The Organization estimates explicit price concessions based on contractual agreements, discount policies and historical experience. The Organization determines its estimate of implicit price concessions based on its historical collection experience with applicable healthcare contract portfolios. Subsequent changes to the estimate of the transaction price are recorded as adjustments to revenues in the period of the change. Subsequent changes that are determined to be the result of an adverse change in the third-party payor's ability to pay are recorded as bad debt expense.

The Organization has an agreement with healthcare payors that provides for payments to the Organization at amounts different from their established rates. This payment arrangement includes Arizona Health Care Cost Containment System (AHCCCS). Outpatient services rendered to AHCCCS program beneficiaries enrolled in health plans with AZCH, Banner, Mercy Care, Steward and United are reimbursed on prospectively determined per-visit amounts. Final determination of amounts reimbursed is subject to review by appropriate governmental authorities or their agents. The subprovider agreements are contracted under AHCCCS rates.

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

Other healthcare payors – The Organization has also entered into payment agreements with other commercial insurance carriers and managed care organizations. The basis for payment to the organization under these agreements includes prospectively determined rates per visit, which are based on established charges and prospectively determined rates.

The Organization has determined that the nature, amount, timing and uncertainty of revenues and cash flows are primarily affected by the payors. Healthcare service contract revenue by payor is as follows:

State and Federal health plans	$ 51,393,187
Commercial	4,078,300
Other	4,589,140
	$ 60,060,627

1. Description of organization and summary of significant accounting policies (continued):

Healthcare service contracts (continued):

For 2021, net healthcare service contract revenues decreased by $3,154,039 related to changes in explicit and implicit price concessions from prior years.

At September 30, 2021, $2,345,061 was estimated as payable related to managed behavioral health service contracts, all of which is included in deferred revenue. The Organization has completed its analysis of the 2021 contractual year encounter reporting to the RBHAs. At this time, the Organization is in negotiations with the RBHAs regarding the estimated payable as well as certain receivables that have been fully allowed for, and depending on the results of these negotiations, will either recognize additional revenue or repay amounts in excess of adjudicated encounters. Deferred revenue is a contract liability. At October 1, 2020, the balance of deferred revenue was $1,464,146.

Contributions:

Contributions are recognized in the appropriate category of net assets in the period received. Contributions of assets other than cash are recorded at their estimated fair value at the date of gift. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. Endowment contributions are reported as additions to net assets with donor restrictions.

Support arising from donated goods and services is recognized in the consolidated financial statements at its fair value. Donated services are recognized when the services received meet one of the following criteria:

(a) create or enhance nonfinancial assets
(b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Although the Organization utilizes the services of outside volunteers to perform a variety of tasks that assist the Organization, the fair value of all these services may not be reflected in the consolidated financial statements because the above criteria are not met.

Rental income:

Rental income derived from government contracts to assist low-income tenants is reported as an exchange transaction and recognized as services are performed. Rental payments from qualified low-income tenants are recognized as rent becomes due. Rental income from commercial leases is recognized on a straight-line basis over the term of the lease.

Cash and cash equivalents:

All highly liquid debt instruments purchased with a maturity of three months or less are considered to be cash equivalents.

1. Description of organization and summary of significant accounting policies (continued):

Cash and cash equivalents (continued):

All cash and cash equivalents are placed with various credit institutions. At times, such amounts may be in excess of the FDIC and SIPC insurance limits; however, management does not believe they are exposed to any significant credit risk on cash and cash equivalents.

Healthcare accounts receivable:

The Organization grants unsecured credit to healthcare payors without interest. Healthcare accounts receivable are considered past due after 30 days. The Organization records contract assets in the form of estimated unbilled healthcare accounts receivable and healthcare payor settlements that represent the Organization's unconditional right to consideration in exchange for the services they have transferred to an individual, but for which: (a) the healthcare payor has not paid, (b) payment is not yet due and (c) the Organization cannot yet bill the healthcare payor. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. At October 1, 2020, the balance of healthcare accounts receivable was $8,922,808.

Property and equipment:

Property and equipment are stated at cost except for donated equipment, which is recorded at its fair market value at the date of gift. Property and equipment with a value of greater than or equal to $5,000 and a useful life of more than one year is capitalized. Depreciation and amortization are calculated using the straight-line method over the following estimated useful lives of the assets:

Asset	Useful life (in years)
Buildings and leasehold improvements	7 - 30
Office furniture and equipment	3 - 10
Software	3
Vehicles	4

The Organization records property and equipment classified as held for sale at the lower of its carrying amount or fair value less costs to sell. Once the criteria for held for sale treatment is met, the Organization ceases depreciating the held for sale asset. Management periodically reviews the carrying value of long-lived assets for possible impairment when events and circumstances warrant such a review. No impairment was recorded during 2021.

Investment in insurance reciprocal:

The Organization holds investments in Arizona Health Reciprocal Insurance Company (AHRIC). The investments have been recorded using the equity method of accounting.

1. Description of organization and summary of significant accounting policies (continued):

Derivative financial instruments:

The Organization has only limited involvement with derivative financial instruments and does not use them for trading purposes. The Organization utilizes an interest rate swap agreement to manage interest rate risk associated with certain of their variable rate debt. The interest rate swap agreement does not meet the criteria for cash flow hedge accounting. Amounts receivable or payable due to settlement of the interest rate swap agreement are recorded as an adjustment to interest expense on a monthly basis. A mark-to-market adjustment is recorded to reflect the fair value of the interest rate swap agreement. The gain or loss related to this adjustment is recognized as an increase (decrease) in net assets in the current period.

Functional expense allocations:

The consolidated financial statements report certain categories of expenses that are attributable to one or more program or supporting services of the Organization. Those expenses include salaries and wages, payroll taxes and benefits, certain operating and occupancy costs, and technology and communications costs. Salaries and wages and payroll taxes and benefits are allocated based on an informal time study. Occupancy costs are allocated based on a square footage basis. Operating costs are allocated based on employee counts and utilization. Technology and communications costs are allocated based on an informal cost study of specific technology utilized.

Self insurance:

ICHD and IHC are self insured for their unemployment insurance for employees. ICHD and IHC are liable for unemployment claims to eligible past employees who are unemployed through no fault of their own. The estimated expense for incurred but not reported or paid claims is recorded by charges to operations based on claims experience and pending claims.

Because of inherent uncertainties in estimating claims, it is at least reasonably possible that the estimates used will change within the near term. Management believes that the provisions, included in accrued expenses, are sufficient to cover all estimated claims, including claims incurred but not reported.

ICHD and IHC use a third party administrator (TPA) to administer unemployment insurance claims and payments made to former employees. At inception, the TPA created a trust for contributions received from ICHD and IHC less any claims and expenses paid out. The trust's balance was $124,502 at September 30, 2021. This amount is included in assets whose use is limited.

Income taxes:

The following entities are exempt from income taxes under both the federal Internal Revenue Code and Arizona income tax laws. In addition, CPCC, CBHP and AACT are disregarded entities for tax purposes.

Entity	Tax status	Public charity status
ICHD, IHC, CHF, BCS, PHC, MHRI and SA	501(c)(3)	509(a)(2)
FNDN	501(c)(3)	509(a)(3) Type I
CPI	501(c)(3)	509(a)(3) Type II

1. Description of organization and summary of significant accounting policies (continued):

Income taxes (continued):

CPSA	501(c)(3)	509(a)(1)
CPBS, CPIH	C Corporation	N/A

Income from certain activities not directly related to the Organization's tax-exempt purpose, however, may be subject to taxation as unrelated business taxable income (UBTI). From time to time, the Organization may be subject to penalties and interest assessed by various taxing authorities, which will be classified as management and general expenses, if they occur.

Subsequent events:

The Organization's management has evaluated the events that have occurred subsequent to September 30, 2021 through January 24, 2023, the date that the consolidated financial statements were available to be issued. Management has no responsibility to update these consolidated financial statements for events and circumstances occurring after this date.

2. Liquidity and availability of financial assets:

The following reflects the Organization's financial assets as of the date of the consolidated statement of financial position, reduced by amounts not available for general use within one year of the date of the consolidated statement of financial position because of contractual or donor-imposed restrictions, or internal designations.

	2021
Cash and cash equivalents	$ 6,634,979
Healthcare accounts receivable	5,964,548
Total financial assets	12,599,527
Less donor-imposed restricted net assets	(1,876,007)
Financial assets available to meet cash needs for general expenditures within one year	$ 10,723,520

As part of the Organization’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Organization invests cash in excess of daily requirements in interest-bearing accounts and short-term investments. To help manage unanticipated liquidity needs, the Organization has a revolving line of credit with Bank of the West as discussed in Note 5.

3. Property and equipment:

Land	$ 3,540,651
Buildings	23,510,316
Leasehold improvements	7,409,170
Office furniture and equipment	3,721,097
Software	3,627,631
Vehicles	1,434,371
Construction in process	79,359
	43,322,595
Less accumulated depreciation and amortization	18,892,714
	$ 24,429,881

4. Investment in insurance reciprocal:

CPI and ICHD are invested in Arizona Health Reciprocal Insurance Company (Insurance Reciprocal), a captive insurance company, formed by several behavioral health nonprofits to provide health insurance coverage to the invested nonprofits, in exchange for an ownership interest. The primary goal of the insurance reciprocal is to reduce health insurance costs through pooling self-insured risk and smoothing volatility. During 2021, CPI notified the Insurance Reciprocal that it wished to with draw its investment. It's investment in the reciprocal will be repaid over the next four years.

The Insurance Reciprocal had total assets of $17,880,000, total liabilities of $4,606,000 and equity of $13,274,000 at September 30, 2021 and revenues of $21,227,000, expenses of $17,965,000 and a net profit of $3,262,000 for the nine-months then ended.

The Organization recognized losses from these investments totaling $223,431 during the year ended September 30, 2021. At September 30, 2021, the Organization's investment in the Insurance Reciprocal was $757,160, which represents approximately an 5% ownership interest. The Organization pays monthly insurance premiums to the Insurance Reciprocal based on the terms of the contract. Premiums paid for 2021 were approximately $900,000 and are included in insurance expense.

5. Note payable, bank

The Organization has a revolving line of credit agreement with Bank of the West for a maximum amount of $2,500,000 through April 2023. The line requires monthly interest payments at the secured overnight financing rate (SOFR) (0.05% at September 30, 2021) rate plus 2.8% with a 3.3% floor and is collateralized with financial assets. At September 30, 2021 the line had an outstanding balance of $25,369.

The Organization is required to be in compliance with various financial and nonfinancial covenants under the note payable and long-term debt with Bank of the West. At September 30, 2021, the Organization was not in compliance and the bank subsequently waived the requirement.

6. Accrued expenses

Accrued payroll and payroll taxes	$ 3,315,849
Accrued expenses	1,141,190
	$ 4,457,039

7. Long-term debt:

Note payable to City of Tucson with annual payments of $21,500, including simple interest at 2%, through September 2054. Interest will accrue at $430 per year for a total of $17,200. Accrued interest may be forgivable after 20 years. The note is collateralized by real property.	$ 709,500
Note payable to Arizona Department of Housing with no required annual payment and no interest. Principal is forgivable in December 2033 as long as the Organization complies with the terms of the agreement and program requirements are met. The note is collateralized by real property.	750,000
Mortgage payable to the U.S. Department of Housing and Urban Development (HUD) under Section 811 of the Supportive Housing for Persons with Disabilities of the National Affordable Housing Act. The mortgage payable requires no annual payments and no interest. The loan is forgivable provided the Organization continues to offer the housing unit to very low-income eligible individuals and families, as defined by HUD, until at least June 2043. The note is collateralized by real property.	411,700
Note payable, Wells Fargo Bank under the Federal Home Loan Bank Affordable Housing Program with no required principal payments and no interest. The outstanding principal balance is forgivable in August 2028 as long as the Organization complies with the terms of the agreement. The note is collateralized by real property.	200,000
Note payable, First Commerce Bank, payable in monthly installments of $2,421, including interest at 4.95% through September 2024, collateralized by real property.	80,760

7. Long-term debt: (continued):

Note payable, Bank of the West, payable in aggregate monthly installments of $12,173 including interest at one-month LIBOR plus 1.75% (0.083% at September 30, 2021) through July 2029, with a balloon payment due in July 2029 of $1,211,654, collateralized by real property.	$ 1,850,405
Note payable, Bank of the West, payable in monthly installments of $20,285 including interest at one-month LIBOR plus 1.68% swapped to a fixed rate of 3.62% as discussed in Note 8, through July 2029, collateralized by real property.	1,787,093
Note payable, USDA Rural Development, payable in monthly installments of $6,840 including interest at 4% through September 2041. The note is unsecured.	1,258,129
Notes payable, individuals, payable in annual interest only installments of $67,200 at 2.24% through March 2022. Beginning in March 2023, the notes require annual principal and interest installments of $640,916 at 2.24% through March 2026, with a balloon payment of all remaining principal and interest outstanding due March 2027. The notes are collateralized by real property.	3,000,000
Note payable, Toyota Financial, payable in monthly installments of $480 including interest at 7.2%, through October 2023, collateralized by a vehicle.	11,038
Capital lease payable, Marlin Leasing Corporation, payable in monthly installments of $2,445 including interest at prime through June 2024, collateralized by equipment.	69,811
	10,128,436
Less current portion	362,054
	$ 9,766,382

Future maturities of long-term debt are as follows:

Year ending September 30,	
2022	$ 362,054
2023	951,311
2024	966,682
2025	943,410
2026	973,352
Thereafter	4,569,927
Debt expected to be forgiven	1,361,700
	$ 10,128,436

8. Interest rate swap agreement:

The Organization has an interest rate swap agreement with Bank of the West to reduce the variability in cash flows caused by changes in interest payments on one of it's notes payable. Under the swap agreement, the Organization pays interest at the fixed rate and receives interest at the variable rate. The Organization's derivative instrument is held to manage interest rate risk and has not been designated as a cash flow hedge.

The swap was issued at market terms so that it had no value at inception. The notional amount under the agreement decreases as principal payments on the note are made and was $1,787,093 at September 30, 2021. The duration of the swap agreement is structured to coincide with the maturity of the note. No value was recorded related to the swap at September 30, 2021.

9. OIG settlement:

PHC entered into a settlement agreement with AHCCCS for improper billing procedures between the years 2011 and 2014. Under the terms of the settlement, PHC was required to pay AHCCCS $501,303 with an initial payment of $50,000 due on October 1, 2016 and subsequent monthly payments of $9,402 through October 2020. The settlement was modified to reduce the required payments to $3,000 through September 2019 at which time the payments would increase to $9,402 until the settlement was paid in full. Payments of $3,000 were made through July 2020. PHC began making monthly payments of $9,402 in August 2020. At September 30, 2021, the unpaid balance on the settlement was $39,619. The remaining balance was paid in full subsequent to September 30, 2021.

10. Net assets with donor restrictions:

Net assets with donor restrictions are restricted for the following purposes and periods:

Subject to expenditure for specified purpose:	
Housing related restricted funds	$ 1,837,300
Event restricted funds	38,707
	$ 1,876,007

CPI received certain housing grants from the U.S. Department of Housing and Urban development and the City of Tucson to provide low income housing through September 2051. These amounts were recorded as net assets with donor restrictions.

11. Retirement plans:

ICHD plan:

ICHD has a defined contribution plan for all eligible employees. Participants can elect to make salary deferral contributions up to statutory limits. The plan also provides for discretionary matching and discretionary employer contributions. ICHD made contributions of $52,091 to the plan during the year ended September 30, 2021.

CPI plan:

CPI has a defined contribution plan which required a safe harbor employer contribution of 3% of all eligible employee compensation through December 2018, at which time all participants were merged into the ICHD plan. Eligible employees were able to make contributions to the plan not to exceed specified limits. Plan participants were immediately vested in both the employer and employee contributions. CPI made contributions of $46,532 to the plan during the year ended September 30, 2021.

CPI may also make discretionary profit sharing contributions to the plan. Participants vest in these contributions over a three-year period. No profit sharing contribution was made during the year ended September 30, 2021.

PHC plan:

PHC has a simple individual retirement account plan for its employees. The plan requires PHC to match employee contributions up to 3% of eligible employee compensation. PHC made contributions of $19,437 to the plan during the year ended September 30, 2021.

12. Operating leases:

The Organization leases real property, office equipment and vehicles under operating leases that expire at various dates through December 2034. Lease expense for real property leases for the year ended September 30, 2021 was approximately $3,600,000.

12. Operating leases (continued):

Future minimum lease payments under operating leases are as follows:

Year ending September 30,	
2022	$ 3,369,000
2023	3,068,000
2024	2,786,000
2025	2,022,000
2026	1,291,000
Thereafter	306,000
	$ 12,842,000

CBHP leases commercial space to tenants under noncancelable operating leases expiring on various dates through June 2024. Rental income related to these leases for the years ended September 30, 2021 was approximately $250,000.

Future minimum rental income to be received from these leases are as follows:

Year ending September 30,	
2022	$ 45,000
2023	53,000
2024	54,000
2025	41,000
2026	25,000
	$ 218,000

13. Contingencies:

Litigation:

From time to time, the Organization is involved in litigation and claims arising in the normal course of operations. It is not possible to predict with certainty whether or not the Organization will ultimately be successful in any of these legal matters or, if not, what the impact might be. However, the Organization's management does not expect that any legal proceedings will have a material adverse effect on the Organization's financial statements.

13. Contingencies (continued):

Funding:

The Organization received a substantial amount of its support from governmental and other pass-through agencies. A significant reduction in the level of this support, if it were to occur, would have a material effect on the programs and activities of the Organization. The governmental funding is subject to compliance audits by the respective governmental agencies. Assessments from such audits, if any, are recorded when the amounts of such assessments are reasonably determinable. For the year ended September 30, 2021, two agencies comprised 52% of total revenue. At September 30, 2021, three agencies accounted for approximately 64% of healthcare accounts receivable.

14. Statement of cash flows:

Supplemental disclosure of cash flow information:

Cash paid for interest was $127,618 for the year ended September 30, 2021.

15. Functional expenses:

	2021			
	Program	Support	Fundraising	Total expenses
Salaries and wages	$ 29,142,008	$ 5,020,627	$ 123,736	$ 34,286,371
Payroll taxes and benefits	4,817,104	801,129	10,555	5,628,788
	33,959,112	5,821,756	134,291	39,915,159
Advertising	7,088	311	14,045	21,444
Depreciation	1,017,085	80,358	1,250	1,098,693
Equipment	372,674	17,506	1,908	392,088
Insurance	972,112	88,857	2,930	1,063,899
Interest	50,998	65,928	-	116,926
Occupancy	6,322,688	550,046	-	6,872,734
Office	583,468	64,788	1,720	649,976
Operating	2,151,856	159,267	4,131	2,315,254
Professional and contract services	7,642,516	1,219,206	57,217	8,918,939
Supported housing assistance	4,068,427	-	-	4,068,427
Technology and communication	1,363,831	1,073,881	5,358	2,443,070
Travel	53,049	8,317	1,709	63,075
	$ 58,564,904	$ 9,150,221	$ 224,559	$ 67,939,684

16. Subsequent events:

Subsequent to September 30, 2021, the Organization repaid all $1,231,651 of advances from providers.

17. Pending pronouncements:

In February 2016, the FASB issued ASU 2016-02 “Leases.” ASU 2016-02 requires a lessee to recognize in the statement of financial position a liability to make lease payments and a right-of-use asset representing its right to use the underlying asset for the lease term, along with additional qualitative and quantitative disclosures. ASU 2016-02 is effective for reporting periods beginning after December 15, 2021, with early adoption permitted. Management is currently evaluating the effect that these standards will have on the consolidated financial statements.

INTERMOUNTAIN CENTERS FOR HUMAN DEVELOPMENT, INC.

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

SEPTEMBER 30, 2021

	Intermountain entities	CPI	Pinal Hispanic	Memo	Eliminations	Total
ASSETS						
Current assets:						
Cash and cash equivalents	$ 2,833,220	$ 3,485,956	$ 315,803	$ 6,634,979	$ -	$ 6,634,979
Healthcare accounts receivable	3,280,191	2,080,570	603,787	5,964,548	-	5,964,548
Prepaid expenses and other current assets	251,295	461,560	8,127	720,982	-	720,982
Total current assets	6,364,706	6,028,086	927,717	13,320,509	-	13,320,509
Property and equipment, net	10,127,725	11,967,012	2,335,144	24,429,881	-	24,429,881
Goodwill	20,000	5,783,709	-	5,803,709	-	5,803,709
Deposits and other assets	61,609	122,085	(2,640)	181,054	-	181,054
Assets whose use is limited	124,502	-	-	124,502	-	124,502
Investment in insurance reciprocal	432,445	324,715	-	757,160	-	757,160
Due from affiliate	-	-	-	-	21,999	21,999
Total assets	$ 17,130,987	$ 24,225,607	$ 3,260,221	$ 44,616,815	$ 21,999	$ 44,638,814
LIABILITIES AND NET ASSETS						
Current liabilities:						
Note payable, bank	$ 25,369	$ -	$ -	$ 25,369	$ -	$ 25,369
Current portion of long-term debt	324,321	5,129	32,604	362,054	-	362,054
Accounts payable	1,171,136	414,726	81,927	1,667,789	-	1,667,789
Accrued expenses	2,404,301	1,814,715	238,023	4,457,039	-	4,457,039
Deferred revenue	926,428	2,289,928	2,847	3,219,203	-	3,219,203
Advances from providers	797,054	434,597	-	1,231,651	-	1,231,651
OIG Settlement	-	-	39,619	39,619	-	39,619
Due to (from) affiliate	1,261,862	(367,963)	(915,898)	(21,999)	21,999	-
Total current liabilities	6,910,471	4,591,132	(520,878)	10,980,725	21,999	11,002,724
Long-term debt, net current portion	5,534,948	3,005,909	1,225,525	9,766,382	-	9,766,382
Total liabilities	12,445,419	7,597,041	704,647	20,747,107	$ 21,999	20,769,106
Commitments and contingencies						
Net assets:						
Without donor restrictions	4,685,568	14,791,266	2,516,867	21,993,701	-	21,993,701
With donor restrictions	-	1,837,300	38,707	1,876,007	-	1,876,007
Total net assets	4,685,568	16,628,566	2,555,574	23,869,708	-	23,869,708
Total liabilities and net assets	$ 17,130,987	$ 24,225,607	$ 3,260,221	$ 44,616,815	$ 21,999	$ 44,638,814

INTERMOUNTAIN CENTERS FOR HUMAN DEVELOPMENT, INC.

CONSOLIDATING STATEMENT OF FINANCIAL POSITION - INTERMOUNTAIN ENTITIES

SEPTEMBER 30, 2021

	ICHD	IHC	BCS	CHF	FNDN	Other entities	Memo	Eliminations	Intermountain
ASSETS									
Current assets:									
Cash and cash equivalents	$ 2,250,427	$ 532,080	$ 14,995	$ 29,380	$ -	$ 6,338	$ 2,833,220	$ -	$ 2,833,220
Healthcare accounts receivable	3,257,926	-	-	22,265	-	-	3,280,191	-	3,280,191
Prepaid expenses and other current assets	225,136	26,280	-	-	-	(121)	251,295	-	251,295
Total current assets	5,733,489	558,360	14,995	51,645	-	6,217	6,364,706	-	6,364,706
Property and equipment, net	388,187	7,784	-	321,203	9,405,917	4,634	10,127,725	-	10,127,725
Goodwill	-	-	20,000	-	-	-	20,000	-	20,000
Deposits and other assets	36,247	-	23,072	2,290	-	-	61,609	-	61,609
Assets whose use is limited	69,997	54,505	-	-	-	-	124,502	-	124,502
Investment in insurance reciprocal	432,445	-	-	-	-	-	432,445	-	432,445
Total assets	$ 6,660,365	$ 620,649	$ 58,067	$ 375,138	$ 9,405,917	$ 10,851	$ 17,130,987	$ -	$ 17,130,987
LIABILITIES AND NET ASSETS									
Current liabilities:									
Note payable, bank	$ 25,369	$ -	$ -	$ -	$ -	$ -	$ 25,369	$ -	$ 25,369
Current portion of long-term debt	23,098	-	-	-	301,223	-	324,321	-	324,321
Accounts payable	1,019,461	36,580	834	213	114,048	-	1,171,136	-	1,171,136
Accrued expenses	1,378,540	909,376	36,712	1,816	35,776	42,081	2,404,301	-	2,404,301
Deferred revenue	926,425	-	-	3	-	-	926,428	-	926,428
Advances from providers	797,054	-	-	-	-	-	797,054	-	797,054
Due to (from) affiliate	1,389,131	(881,816)	516,689	68,755	11,943	157,160	1,261,862	-	1,261,862
Total current liabilities	5,559,078	64,140	554,235	70,787	462,990	199,241	6,910,471	-	6,910,471
Long-term debt, net of current portion	46,714	-	-	411,700	5,076,534	-	5,534,948	-	5,534,948
Total liabilities	5,605,792	64,140	554,235	482,487	5,539,524	199,241	12,445,419	-	12,445,419
Net assets:									
Without donor restrictions	1,054,573	556,509	(496,168)	(107,349)	3,866,393	(188,390)	4,685,568	-	4,685,568
With donor restrictions	-	-	-	-	-	-	-	-	-
Total net assets	1,054,573	556,509	(496,168)	(107,349)	3,866,393	(188,390)	4,685,568	-	4,685,568
Total liabilities and net assets	$ 6,660,365	$ 620,649	$ 58,067	$ 375,138	$ 9,405,917	$ 10,851	$ 17,130,987	$ -	$ 17,130,987

INTERMOUNTAIN CENTERS FOR HUMAN DEVELOPMENT, INC.

CONSOLIDATING STATEMENT OF FINANCIAL POSITION - CPI ENTITIES

SEPTEMBER 30, 2021

	CPI	CPIH	CPSA	CBHP	MHR	Other entities	Memo	Eliminations	Intermountain
ASSETS									
Current assets:									
Cash and cash equivalents	$ 127,953	$ 2,510,527	$ 72,503	$ 1,742	$ 584,179	$ 189,052	$ 3,485,956	$ -	$ 3,485,956
Healthcare accounts receivable	(4,686)	1,197,165	693,648	-	26,369	355,263	2,267,759	(187,189)	2,080,570
Prepaid expenses and other current assets	227,384	20,746	200,576	-	101	12,753	461,560	-	461,560
Total current assets	350,651	3,728,438	966,727	1,742	610,649	557,068	6,215,275	(187,189)	6,028,086
Property and equipment, net	3,645	910,565	1,202,990	4,893,036	3,192,467	1,764,309	11,967,012	-	11,967,012
Goodwill	-	5,783,709	-	-	-	-	5,783,709	-	5,783,709
Deposits and other assets	28,659	92,195	-	-	-	1,231	122,085	-	122,085
Investment in insurance reciprocal	324,715	-	-	-	-	-	324,715	-	324,715
Investment in subsidiaries	9,242,640	-	15,357,521	-	-	-	24,600,161	(24,600,161)	-
Intercompany advances net	1,139,912	-	-	-	-	-	1,139,912	(1,139,912)	-
Total assets	$ 11,090,222	$ 10,514,907	$ 17,527,238	$ 4,894,778	$ 3,803,116	$ 2,322,608	$ 50,152,869	$ (25,927,262)	$ 24,225,607
LIABILITIES AND NET ASSETS									
Current liabilities:									
Current portion of long-term debt	$ -	$ 5,129	$ -	$ -	$ -	$ -	$ 5,129	$ -	$ 5,129
Accounts payable	34,472	887,532	424,462	107,009	56,492	231,860	1,741,827	(1,327,101)	414,726
Accrued expenses	1,114,965	562,654	12,679	-	89,482	34,935	1,814,715	-	1,814,715
Deferred revenue	-	1,512,633	-	-	-	777,295	2,289,928	-	2,289,928
Advances from providers	-	435,485	-	-	(888)	-	434,597	-	434,597
Due to (from) affiliate	(3,460,892)	2,333,012	2,566,479	135,306	772,311	(2,714,179)	(367,963)	-	(367,963)
Total current liabilities	(2,311,455)	5,736,445	3,003,620	242,315	917,397	(1,670,089)	5,918,233	(1,327,101)	4,591,132
Long-term debt, net of current portion	-	3,005,909	-	-	-	-	3,005,909	-	3,005,909
Total liabilities	(2,311,455)	8,742,354	3,003,620	242,315	917,397	(1,670,089)	8,924,142	(1,327,101)	7,597,041
Net assets:									
Without donor restrictions	13,401,677	1,772,553	14,523,618	4,652,463	2,885,719	2,155,397	39,391,427	(24,600,161)	14,791,266
With donor restrictions	-	-	-	-	-	1,837,300	1,837,300	-	1,837,300
Total net assets	13,401,677	1,772,553	14,523,618	4,652,463	2,885,719	3,992,697	41,228,727	(24,600,161)	16,628,566
Total liabilities and net assets	$ 11,090,222	$ 10,514,907	$ 17,527,238	$ 4,894,778	$ 3,803,116	$ 2,322,608	$ 50,152,869	$ (25,927,262)	$ 24,225,607

INTERMOUNTAIN CENTERS FOR HUMAN DEVELOPMENT, INC.

CONSOLIDATING STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2021

	Intermountain entities	CPI	Pinal Hispanic	Memo	Eliminations	Total
Revenue and support:						
Healthcare service contracts	$ 20,681,934	$ 33,459,863	$ 5,918,830	$ 60,060,627	$ -	$ 60,060,627
Contributions	160,110	-	-	160,110	-	160,110
Rental income	49,737	3,898,705	-	3,948,442	-	3,948,442
Other income	3,341,594	140,924	248,855	3,731,373	-	3,731,373
	24,233,375	37,499,492	6,167,685	67,900,552	-	67,900,552
Investment income, net	421,240	113,016	7,062	541,318	-	541,318
Gain on disposal of assets	4,800	183,455	11,470	199,725	-	199,725
	24,659,415	37,795,963	6,186,217	68,641,595	-	68,641,595
Total expenses	24,422,452	38,043,545	5,473,687	67,939,684	-	67,939,684
Change in net assets	236,963	(247,582)	712,530	701,911	-	701,911
Net assets, beginning	4,448,605	16,876,148	1,843,044	23,167,797	-	23,167,797
Net assets, ending	$ 4,685,568	$ 16,628,566	$ 2,555,574	$ 23,869,708	$ -	$ 23,869,708

INTERMOUNTAIN CENTERS FOR HUMAN DEVELOPMENT, INC.

CONSOLIDATING STATEMENT OF ACTIVITIES - INTERMOUNTAIN ENTITIES

YEAR ENDED SEPTEMBER 30, 2021

	ICHD	IHC	BCS	CHF	Other entities	Memo	Eliminations	Intermountain
Revenues and support:								
Healthcare service contracts	$ 13,134,028	$ 5,799,596	$ 449,270	$ -	$ 1,299,040	$ 20,681,934	$ -	$ 20,681,934
Contributions	160,110	-	-	-	-	160,110	-	160,110
Rental income	-	-	-	49,737	-	49,737	-	49,737
Other income	3,336,004	5,590	-	-	-	3,341,594	-	3,341,594
	16,630,142	5,805,186	449,270	49,737	1,299,040	24,233,375	-	24,233,375
Investment income, net	385,056	36,085	98	1	-	421,240	-	421,240
Gain on disposal of assets	4,800	-	-	-	-	4,800	-	4,800
	17,019,998	5,841,271	449,368	49,738	1,299,040	24,659,415	-	24,659,415
Total expenses	16,736,099	5,563,306	570,050	65,567	1,487,430	24,422,452	-	24,422,452
Change in net assets	283,899	277,965	(120,682)	(15,829)	(188,390)	236,963	-	236,963
Net assets, beginning	770,674	278,544	(375,486)	(91,520)	3,866,393	4,448,605	-	4,448,605
Net assets, ending	$ 1,054,573	$ 556,509	$ (496,168)	$ (107,349)	$ 3,678,003	$ 4,685,568	$ -	$ 4,685,568

INTERMOUNTAIN CENTERS FOR HUMAN DEVELOPMENT, INC.

CONSOLIDATING STATEMENT OF ACTIVITIES - CPI ENTITIES

YEAR ENDED SEPTEMBER 30, 2021

	CPI	CPIH	CPSA	CBHP	MHR	Other entities	Memo	Eliminations	CPI
Revenues and support:									
Healthcare service contracts	$ -	$ 28,342,346	$ -	$ -	$ (21,825)	$ 5,278,489	$ 33,599,010	$ (139,147)	$ 33,459,863
Rental income	-	-	3,137,921	231,022	1,193,248	5,819	4,568,010	(669,305)	3,898,705
Other income	130	136,949	339	390	-	3,116	140,924	-	140,924
	130	28,479,295	3,138,260	231,412	1,171,423	5,287,424	38,307,944	(808,452)	37,499,492
Investment income, net	3	113,013	-	-	-	-	113,016	-	113,016
Gain on disposal of assets	-	900	-	-	182,555	-	183,455	-	183,455
	133	28,593,208	3,138,260	231,412	1,353,978	5,287,424	38,604,415	(808,452)	37,795,963
Total expenses	2	28,629,718	3,797,753	485,815	1,581,336	4,357,373	38,851,997	(808,452)	38,043,545
Change in net assets	131	(36,510)	(659,493)	(254,403)	(227,358)	930,051	(247,582)	-	(247,582)
Net assets, beginning	13,401,546	1,809,063	15,183,111	4,906,866	3,113,077	3,062,646	41,476,309	(24,600,161)	16,876,148
Net assets, ending	$ 13,401,677	$ 1,772,553	$ 14,523,618	$ 4,652,463	$ 2,885,719	$ 3,992,697	$ 41,228,727	$ (24,600,161)	$ 16,628,566

INTERMOUNTAIN CENTERS FOR HUMAN DEVELOPMENT, INC.

SINGLE AUDIT REPORTS

YEAR ENDED SEPTEMBER 30, 2021

INTERMOUNTAIN CENTERS FOR HUMAN DEVELOPMENT, INC.

SINGLE AUDIT REPORTS

YEAR ENDED SEPTEMBER 30, 2021

CONTENTS

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors and Management
Intermountain Centers for Human Development, Inc.
Tucson, Arizona

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Intermountain Centers for Human Development, Inc. (the Organization), which comprise the consolidated statement of financial position as of September 30, 2021, and the related consolidated statements of activities, statement of functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated January 24, 2023.

In our opinion, except for the effects of not properly accounting for business combinations and not consolidating in all of the activity of entities that the Organization is the sole member of, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Intermountain Centers for Human Development, Inc. as of September 30, 2021, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization'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 opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's consolidated 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.

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Our consideration of the 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 a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-001 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated 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 consolidated financial statement. 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*.

The Organization's Response to Findings

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

Purpose of this Report

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

BeachFleischman PLLC

Tucson, Arizona
January 24, 2023

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM, ON INTERNAL CONTROL OVER COMPLIANCE, AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors and Management
Intermountain Centers for Human Development, Inc.
Tucson, Arizona

Report on Compliance for Each Major Federal Program

We have audited Intermountain Centers for Human Development, Inc.'s (the Organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended September 30, 2021. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2021.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstance for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2021-002 that we consider to be a significant deficiency.

The Organization’s response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization’s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the consolidated financial statements of the Organization as of and for the year ended September 30, 2021, and have issued our report thereon dated January 24, 2023, which contained a qualified opinion on those consolidated financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

BeachFleischman PLLC

Tucson, Arizona
January 24, 2023

INTERMOUNTAIN CENTERS FOR HUMAN DEVELOPMENT, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED SEPTEMBER 30, 2021

Federal Grant/Pass-Through Grantor/ Program or Cluster Title	Federal assistance listing number	Pass-through entity identifying number	Passed through to subrecipients	Federal expenditures
U.S. Department of Housing and Urban Development				
Supportive Housing for the Elderly	14.157			
Section 811 Direct Loan		Not applicable	$ -	$ 411,700
Emergency Solutions Grant Program	14.231			
Passed through:				
Arizona Department of Economic Security		DES-HMLS-2B12	-	87,562
Home Investment Partnerships Program	14.239			
Passed through:				
Arizona Department of Housing		Unavailable	-	750,000
City of Tucson		Unavailable	-	709,500
			-	1,459,500
Continuum of Care Program	14.267			
Direct		Not applicable	-	429,557
Passed through:				
Arizona Department of Housing		596-20/542-21/549-20/539-21/595-20/541-21	-	1,474,828
City of Tucson		18889/19023/18969/19033	-	817,003
Total Continuum of Care Program			-	2,721,388
Youth Homelessness Demonstration Program	14.276		-	
Direct		Not applicable	-	207,772
Total U.S. Department of Housing and Urban Development			-	4,887,922
U.S. Department of Health and Human Services				
Block Grants for Community Mental Health Services	93.958			
Passed through:				
Arizona Complete Health		Unavailable	-	153,142
Block Grants for Prevention and Treatment of Substance Abuse	93.959			
Passed through:				
Arizona Complete Health		Unavailable	-	10,841
Total U.S. Department of Health and Human Services			-	163,983
Total expenditures of federal awards			$ -	$ 5,051,905

See accompanying notes to schedule of expenditures of federal awards

INTERMOUNTAIN CENTERS FOR HUMAN DEVELOPMENT, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED SEPTEMBER 30, 2021

1. Basis of presentation:

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Intermountain Centers for Human Development, Inc. (ICHD) under programs of the federal government for the year ended September 30, 2021. The information in this Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of ICHD, it is not intended to and does not present the financial position, changes in net assets or cash flows of ICHD.

2. Summary of significant accounting policies:

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

3. Federal Assistance Listing Numbers (ALN):

The program titles and ALN or federal identification numbers were obtained from the federal or pass-through grantor or the update to the *Catalog of Federal Domestic Assistance*.

INTERMOUNTAIN CENTERS FOR HUMAN DEVELOPMENT, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED SEPTEMBER 30, 2021

SUMMARY OF AUDITORS' RESULTS

Financial Statements

The auditors' report expressed a qualified opinion on whether the consolidated financial statements of Intermountain Centers for Human Development, Inc. were prepared in accordance with accounting principles generally accepted in the United States of America.

Internal control over financial reporting:

Material weakness(es) identified?	__X__ Yes	_____ No
Significant deficiency(ies) identified?	_____ Yes	__X__ None reported

Noncompliance material to financial statements noted?	_____ Yes	__X__ No

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?	_____ Yes	__X__ No
Significant deficiency(ies) identified?	__X__ Yes	_____ None reported

The auditors' report on compliance for the major federal awards program of Intermountain Centers for Human Development, Inc. expressed an unmodified opinion on its major program.

Audit findings that are required to be reported in accordance with 2 CFR 200.516(a) are reported in the Schedule.

Identification of major federal program:

CFDA 14.239	Home Investment Partnerships Program
CFDA 14.267	Continuum of Care Program

Dollar threshold used to distinguish between Type A and Type B programs: $750,000

Auditee qualified as a low-risk auditee?	_____ Yes	__X__ No

FINDINGS - FINANCIAL STATEMENT AUDIT

MATERIAL WEAKNESS

2021-001 Significant delays in getting the annual financial statement and compliance audits completed.

We noted supporting schedules were not reconciled to the general ledger in a timely manner, which resulted in a delay in the audit.

This is a repeat finding.

Recommendation: We recommend management enhance procedures over year-end close process including reconciling supporting schedules to the trial balance in a timely manner.

Views of responsible officials of the auditee: We are in agreement with the finding and are in the process of updating our procedures to mitigate issues in the future.

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

2021-002 **Federal Assistance Listing Number and Title:** 14.267 Continuum of Care Program (COC)
Federal Agency: U.S. Department of Housing and Urban Development
Federal Award Numbers: Various
Grant period: Year ended September 30, 2021

Criteria:

COC program rules state that the Organization is required to maintain separate case records for each individual serviced by the program, including specific items such as executed lease agreements, and documentation related to required annual re-certification of tenant income and safety inspection of the rental property. In addition, the Uniform Guidance requires entities receiving Federal awards to establish and maintain internal controls that are designed to reasonably ensure compliance with Federal laws, regulations, and program compliance.

Condition:

We identified the following during our testing: tenant case file documentation was incomplete with respect to required items for documentation related to (1) executed lease agreement for 1 of the 25 tenant case files tested, (2) income certification and/or related backup for 1 of the 25 tenant case files tested.

Cause and Effect:

This finding was the result of an internal control breakdown with respect to the retention of case records and documentation in accordance with the program requirements. Not maintaining appropriate case records for each individual in the program and lack of a detailed review of tenant case files could lead to unsupported and/or fraudulent amounts billed under the contracts.

Context:

A sample of 25 transactions, totaling $15,529 was selected for audit from a population totaling $2,721,388. The test found a transaction did not have supporting documentation.

Questioned costs:

No known or likely questioned costs over $25,000.

Repeat Finding:

This is a repeat finding.

Recommendation:

We recommend the Organization implement policies and procedures to improve the retention and maintenance of required documentation within the tenant case files.

Views of responsible officials of the auditee:

We are in agreement with the finding and are in the process of updating our procedures to mitigate issues in the future.

INTERMOUNTAIN CENTERS FOR HUMAN DEVELOPMENT, INC.

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

YEAR ENDED SEPTEMBER 30, 2021

FINANCIAL STATEMENT AUDIT FINDINGS

FINDING 2020-001: Significant delays in getting the annual financial statement and compliance audits completed.

Condition:
Consolidated financial statements were not fully reconciled in a timely manner.

Recommendation:
We recommend the Organization enhance procedures over year-end close process to ensure journal entries are posted to the trial balance within a timely manner.

Current Status:
The current status of finding 2021-001 also applied to this finding.

MAJOR FEDERAL AWARD PROGRAM AUDIT FINDINGS

FINDING 2020-002: Continuum of Care Program - ALN 14.267

Condition:
We identified during our testing that certain tenant case file documentation was incomplete with respect to required items for documentation.

Recommendation:
We recommend the Organization implement policies and procedures to improve the retention and maintenance of required documentation within the tenant case files.

Current Status:
The current status of finding 2021-002 also applied to this finding.

MAJOR FEDERAL AWARD PROGRAM AUDIT FINDINGS (CONTINUED)

FINDING 2020-003: Continuum of Care Program -ALN 14.267

Condition:
The Organization was adequately procuring items under the Uniform Guidance, however, certain language required by 2 CFR Part 200 was not included in the Organization's approved policy.

Recommendation:
We recommend the Organization implement changes to the procurement policy so it contains all the requirements of 2 CFR Part 200.

Current Status:
No similar findings were noted in the current year.

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Corrective Action Plan
For the Year Ended September 30, 2021

FINANCIAL STATEMENT FINDINGS

MATERIAL WEAKNESS

2021-001 Significant delays in getting the annual financial statement and compliance audits completed.

We noted supporting schedules were not reconciled to the general ledger in a timely manner, which resulted in delay in the audit.

This is a repeat finding.

Recommendation - We recommend management enhance procedures over year-end close process including reconciling supporting schedules to the trial balance in a timely manner.

Views of responsible officials of the auditee - We are in agreement with the finding and are in the process of updating our procedures to mitigate issues in the future.

Corrective Action Plan - It is the opinion of management that we are now on track to issue annual financial statements in a timely manner. This is evidenced by our internal financial statement reporting and the hiring of additional key staff within the finance department.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

FINDING 2021-002 - CFDA Number and Title: Continuum of Care Program (COC) - CFDA 14.267

Federal Agency: U.S. Department of Housing and Urban Development

Federal Award Numbers: Various

Grant period: Year ended September 30, 2021

Criteria - COC program rules state that the Organization is required to maintain separate case records for each individual serviced by the program, including specific items such as executed lease agreements, and documentation related to required annual re-certification of tenant income and safety inspection of the rental property. In addition, the Uniform Guidance requires entities receiving Federal awards to establish and maintain internal controls that are designed to reasonably ensure compliance with Federal laws, regulations, and program compliance.

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Condition - We identified the following during our testing: tenant case file documentation was incomplete with respect to required items for documentation related to (1) executed lease agreement for 1 of the 25 tenant case files tested, (2) income certification and/or related backup for 1 of the 25 tenant case files tested.

Cause and Effect - This finding was the result of an internal control breakdown with respect to the retention of case records and documentation in accordance with the program requirements. Not maintaining appropriate case records for each individual in the program and lack of a detailed review of tenant case files could lead to unsupported and/or fraudulent amounts billed under the contracts.

Context - A sample of 25 transactions, totaling $15,529 was selected for audit from a population totaling $2,721,388. The test found a transaction did not have supporting documentation.

Questioned costs - No known or likely questioned costs over $25,000.

Repeat Finding - This is a repeat finding.

Recommendation - We recommend the Organization implement policies and procedures to improve the retention and maintenance of required documentation within the tenant case files.

Views of responsible officials of the auditee - We are in agreement with the finding and are in the process of updating our procedures to mitigate issues in the future.

Corrective Action Plan - A checklist has been created by the Outreach & Engagement Specialist and maintained for each new tenant and their respective tenant file to ensure paperwork completeness and program eligibility. A Housing Program Assistant reviews and approves each file prior to housing the tenant. Periodic reviews are then made by the Housing Programs Manager, of the internal audits, processes, and required updates to the data systems are performed. In addition to the previous mentioned processes, the Housing Program has augmented supervisory staff which should allow for significant improvement in program records and compliance. All documentation regarding the noted finding has been acquired and is in compliance.

Intermountain Centers for Human Development, Inc.

Rose Lopez
Chief Executive Officer

Jim Vitt
Chief Financial Officer