Community Care Collaborative

Financial Statements
as of and for the Years Ended
September 30, 2021 and 2020 and
Independent Auditors' Report

MAXWELL
& LOCKE
RITTER

MAXWELL LOCKE & RITTER LLP
Accountants and Consultants
An Affiliate of CPAmerica International
tel (512) 370 3200 fax (512) 370 3250
www.mlrpc.com

Austin: 401 Congress Avenue, Suite 1100
Austin, TX 78701

Round Rock: 411 West Main Street, Suite 300
Round Rock, TX 78664

Independent Auditors' Report

To the Board of Directors of
Community Care Collaborative:

We have audited the accompanying financial statements of the Community Care Collaborative (the "CCC") (a nonprofit organization), which comprise the statements of financial position as of September 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the CCC as of September 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Maxwell Locke & Ritter LLP

Austin, Texas
January 25, 2022

Community Care Collaborative

Statements of Financial Position
September 30, 2021 and 2020

	2021	2020
Assets		
Current assets:		
Cash and cash equivalents	$ 26,463,741	$ 27,138,094
Prepaids and other current assets	102,840	216,319
Total assets	$ 26,566,581	$ 27,354,413
Liabilities and Net Assets		
Liabilities:		
Accrued expenses	$ 4,868,668	$ 6,574,041
Deferred revenue	7,455,418	4,350,228
Due to Central Health	119,351	114,016
Total liabilities	12,443,437	11,038,285
Net assets without donor restrictions	14,123,144	16,316,128
Total liabilities and net assets	$ 26,566,581	$ 27,354,413

See notes to financial statements.

Community Care Collaborative

Statements of Activities
Years Ended September 30, 2021 and 2020

	2021	2020
Revenues:		
Delivery System Reform Incentive Payment	$ 59,363,558	$ 60,414,314
Personnel services received from affiliates	261,294	342,800
Other revenue	15,285	124,821
Total revenues	59,640,137	60,881,935
Expenses:		
Health Care Services	14,091,755	15,263,657
Payment per the University of Texas affiliation agreement	35,000,000	35,000,000
Delivery System Reform Incentive Payment projects	11,591,227	8,810,969
Administration	1,150,139	1,222,966
Total expenses	61,833,121	60,297,592
Change in net assets without donor restrictions	(2,192,984)	584,343
Net assets without donor restrictions, beginning of year	16,316,128	15,731,785
Net assets without donor restrictions, end of year	$ 14,123,144	$ 16,316,128

See notes to financial statements.

Community Care Collaborative

Statement of Functional Expenses
Year Ended September 30, 2021
(with summarized comparative totals for the year ended September 30, 2020)

	2021				
	Health Care Services	Delivery System Reform Incentive Payment projects	Administration	Total	2020 Total
Primary Care	$ 978,864	$ -	$ -	$ 978,864	$ 650,759
Specialty Care	4,251,385	-	-	4,251,385	4,856,366
Behavioral Health	7,899,071	-	-	7,899,071	7,963,874
Other Healthcare Services	35,200,001	11,388,017	-	46,588,018	44,608,214
Personnel Costs	-	203,210	772,859	976,069	1,184,170
Other Purchased Goods & Services	762,434	-	377,280	1,139,714	1,034,209
Total expenses	$ 49,091,755	$ 11,591,227	$ 1,150,139	$ 61,833,121	$ 60,297,592

See notes to financial statements.

Community Care Collaborative

Statement of Functional Expenses
Year Ended September 30, 2020

	Health Care Services	Delivery System Reform Incentive Payment projects	Administration	Total
Primary Care	$ 650,759	$ -	$ -	$ 650,759
Specialty Care	4,856,366	-	-	4,856,366
Behavioral Health	7,963,874	-	-	7,963,874
Other Healthcare Services	36,094,248	8,513,966	-	44,608,214
Personnel Costs	-	294,730	889,440	1,184,170
Other Purchased Goods & Services	698,410	2,273	333,526	1,034,209
Total expenses	$ 50,263,657	$ 8,810,969	$ 1,222,966	$ 60,297,592

See notes to financial statements.

Community Care Collaborative

Statements of Cash Flows
Years Ended September 30, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities:		
Change in net assets	$ (2,192,984)	$ 584,343
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Changes in operating assets and liabilities that provided (used) cash:		
Accounts receivable	-	393,998
Prepaids and other current assets	113,479	4,750
Accounts payable	-	(752,175)
Accrued expenses	(1,705,373)	(8,284,738)
Deferred revenue	3,105,190	2,389,186
Due to Central Health	5,335	(1,153,462)
Net cash used in operating activities	(674,353)	(6,818,098)
Cash and cash equivalents, beginning of year	27,138,094	33,956,192
Cash and cash equivalents, end of year	$ 26,463,741	$ 27,138,094

See notes to financial statements.

1. Organization and Mission

The Community Care Collaborative (the "CCC") is a 501(c)(3) corporation formed on October 4, 2012. Pursuant to a Master Agreement between the Travis County Healthcare District, (dba and herein after referred to as "Central Health"), and the Seton Healthcare Family ("Seton"), the CCC was created to better organize and integrate the safety net population healthcare delivery system in Travis County and to provide a framework for participating in the Texas Healthcare and Quality Improvement Program, a statewide Medicaid 1115 waiver program ("the 1115 waiver").

The CCC is owned by its two members, Central Health, which owns 51% of the CCC, and Seton, which owns 49%. The CCC is governed by a five-member Board of Directors (the "Board"), three of which are appointed by Central Health and two of which are appointed by Seton. However, each of the two owners has certain powers and material decisions reserved to it that precludes either party from imposing its will on the other.

2. Summary of Significant Accounting Policies

Basis of Presentation - The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") as defined by the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC").

Use of Estimates - The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Classification of Net Assets - Net assets, revenues, gains, losses, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

> Without Donor Restrictions **-** These net assets are not subject to donor-imposed stipulations. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions, unless their use is restricted by explicit donor stipulation or by law. Net assets without donor restrictions are those currently available for use by the CCC, or at the discretion of the Board for the CCC's use.
>
> With Donor Restrictions **-** These net assets are subject to donor-imposed stipulations, which limit their use to a specific purpose and/or the passage of time, or which require them to be maintained permanently. Net assets which are required to be maintained permanently are not available for use in operations and limitations neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the CCC. There were no donor restricted net assets as of September 30, 2021 and 2020.

Cash and Cash Equivalents - The CCC considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Revenues and Expenses Related to the Delivery System Reform Incentive Payment - The CCC receives Delivery System Reform Incentive Payment ("DSRIP") funds as a performing provider in the 1115 waiver to enhance access to health care and improve the associated outcomes of care provided for a defined covered population, which is Central Health's Medical Access Program Members. Central Health provides the local share in the form of an Intergovernmental Transfer to draw DSRIP federal funds upon achieving specific health improvement metrics and outcomes as determined by Texas Health and Human Services Commission ("HHSC"). The CCC recognizes DSRIP revenue upon HHSC approval of defined project metrics and outcomes and the subsequent Intergovernmental Transfer commitment. The reporting, approval, and funding processes occur on a semi-annual basis.

The CCC is reporting 36 outcome measures that have been approved by HHSC. Expenses are recognized as incurred during performance of DSRIP improvement metrics and outcomes, which are contracted services from provider organizations, with CommUnityCare providing the majority of contracted services. Each year, management assesses the risk of recoupment of DSRIP payments previously received as the result of a third-party review conducted by HHSC. Amounts received that meet the criteria of risk are maintained in a reserve amount included in deferred revenue.

Personnel Services Received from Affiliates - The CCC receives in-kind services by employees of Central Health. These services are recognized as in-kind revenue and expense in the period the services are provided at cost.

Functional Expense Allocation - The accompanying financial statements present expenses by functional and natural classification. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on estimates provided by management.

Federal Income Taxes - The CCC is a nonprofit entity that is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except with respect to any unrelated business income. The CCC did not incur any significant tax liabilities due to unrelated business income during the years ended September 30, 2021 and 2020. The CCC files a Form 990 tax return in the U.S. federal jurisdiction and is subject to routine examinations of its returns; however, there are no examinations currently in progress.

Change in Accounting Principle for Recently Adopted Accounting Pronouncement - In May 2014, the FASB issued Accounting Standards Updates ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which supersedes the revenue recognition requirements in ASC 605, *Revenue Recognition*, and most industry-specific guidance included in the ASC. The standard requires entities to recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. It also provides guidance on accounting for costs incurred to obtain or fulfill contracts with customers and establishes disclosure requirements which are more extensive than those required under prior U.S. GAAP. The CCC adopted Topic 606 on October 1, 2020 and elected the modified retrospective transition method of adoption using the completed contract practical expedient. The CCC performed an assessment of its contracts with customers and did not identify any changes to the timing or amount of its revenue recognition under Topic 606 compared to prior U.S. GAAP. There was no impact to net assets as of October 1, 2020 or to the statement of financial position or the statements of activities, functional expenses, or cash flows as of and for the year ended September 30, 2021 as a result of applying the new guidance.

Recently Issued Accounting Pronouncement - In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842), which requires the recognition of lease assets and lease liabilities by lessees for all leases, including leases previously classified as operating leases, and modifies the classification criteria and accounting for sales-type and direct financing leases by lessors. Leases continue to be classified as finance or operating leases by lessees and both classifications require the recognition of a right-of-use asset and a lease liability, initially measured at the present value of the lease payments in the balance sheet. Interest on the lease liability and amortization of the right-of-use asset are recognized separately in the statement of operations for finance leases and as a single lease cost recognized on the straight-line basis over the lease term for operating leases. The standard is effective using a modified retrospective approach for fiscal years beginning after December 15, 2021 and early adoption is permitted. The CCC is currently evaluating the impact the standard will have on its financial statements.

3. Liquidity and Availability of Financial Assets

As of September 30, 2021 and 2020, the CCC's financial assets available for general expenditure were cash and cash equivalents of $26,463,741 and $27,138,094, respectively.

4. Concentration of Credit Risk

Financial instruments that potentially subject the CCC to credit risk consist of cash and cash equivalents. The CCC places its cash and cash equivalents with a limited number of high-quality financial institutions that are insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by a Letter(s) of Credit provided by these financial institutions sufficient to cover deposit amounts.

5. Central Health/Ascension Seton Master and Related Agreements

Effective June 1, 2013, Central Health and Seton entered into a Master Agreement and an Omnibus Services Agreement. Through the Master Agreement, Central Health and Seton formed the CCC, a 501(c)(3) corporation that was created to better organize and integrate the provision of healthcare services to low income and uninsured residents in Travis County and to provide a framework for participating in the Texas Healthcare and Quality Improvement Program, a statewide Medicaid 1115 waiver program. The CCC is a performing provider that carries out the DSRIP program through the Medicaid 1115 waiver.

The Omnibus Services Agreement specifies the services to be provided by Seton, Seton's charity care program as described in Annex A of the Omnibus Agreement, the Medical Access Program ("MAP") Healthcare Services as described in Annex C of the Omnibus Agreement, and other applicable charity care programs ("Baseline Service Obligation"), as well as the funding mechanism for the provision of healthcare services and the shared decision making of Central Health and Ascension Seton over the MAP program. Under the Master Agreement, certain Reserve Powers exist that requires both members to approve certain actions and avoids one party imposing its will on the other. One of the prescribed Reserved Powers, among others, requires both members of the CCC to approve the adoption of an annual budget. If the members are unable to agree upon and approve an annual budget, the most recently approved budget shall remain in force and effect. The fiscal year 2021 CCC budget was not adopted by the members of the CCC; therefore, the fiscal year 2021 CCC budget is the same as the fiscal year 2020 CCC budget.

Central Health and Seton have been discussing possible amendments to the Master Agreement and Omnibus Agreement and are currently engaged in a mediation process to facilitate those discussions. Although both parties have been actively engaged in mediation, there is no assurance of any revisions to the Agreements as a result of the mediation process.

6. Related Party Transactions

Central Health provides staffing support to carry out the activities of the CCC. These services received from Central Health have been reimbursed at cost and as an expense in health care services on the statements of activities. The CCC contracts with Seton affiliates for healthcare professional services to be provided by Seton at fair value negotiated through arms' length transactions. During the year ended September 30, 2021, the CCC recognized contributed services from Central Health of $261,294. During the year ended September 30, 2020, the CCC recognized contributed services from Central Health of $342,800.

The balance presented as due to Central Health on the statements of financial position as of September 30, 2021 and 2020 were due in their entirety to Central Health. These funds were advanced for a short-term period by Central Health for the CCC's operations during the respective fiscal years. The balance outstanding as of September 30, 2021 of $119,351 will be repaid during the year ended September 30, 2022. The balance outstanding as of September 30, 2020 of $114,016 was repaid during the year ended September 30, 2021.

7. University of Texas at Austin Affiliation Agreement

On July 10, 2014, Central Health, the CCC, and the University of Texas at Austin ("UT") entered into an affiliation agreement under which UT will assist Central Health and the CCC in the support of the Integrated Delivery System including:

- Serving low-income communities by training residents in community based settings;
- Developing appropriate levels of clinical services at community clinics;
- Promoting effective and efficient medical practice by training professionals to work together in multi-disciplinary teams;
- Providing medical care and clinical services with a focus on preventative health care and factors that impact health outcomes and utilizing data to educate physicians and patients on methods to achieve better health outcomes and reduce disparities; and
- Providing women's health services

Pursuant to the affiliation agreement, the CCC funds may only be used by UT to fund Permitted Investments related to transforming and improving health care for Travis County residents. Permitted Investments are defined as the continuing investment in programs, projects, operations and providers that furthers the missions of the CCC and Central Health, benefits UT, and complies with all laws that apply to each party, and shall include, but not be limited to:

- The enhancement of medical services for residents of Travis County;
- Directly or indirectly increasing health care resources available to provide services to Travis County residents;
- The discovery and development of new procedures, treatments, drugs, and medical devices that will augment the medical options available to Travis County residents;
- Development and operation of collaborative and integrated health care for Travis County residents; and
- Direct operating support to UT to be used for:
    - The development, accreditation, and ongoing operation of the Dell Medical School and its administrative infrastructure;
    - Recruitment, retention, and work of Dell Medical School faculty, residents, medical students, researchers, administrators, staff, and other clinicians;
    - Related activities and functions as described in the affiliation agreement.

The CCC paid UT annual Permitted Investment payments in the amount of $35 million, which is recorded as Other Healthcare Services on the statements of functional expenses, for each year ended September 30, 2021 and 2020. Central Health guarantees these payments to be made by the CCC, to the extent it is permitted to do so by the Constitution and the Laws of the State of Texas. The initial term of the affiliation agreement is 25 years from the effective date, with an automatic renewal for a successive 25 year term.

8. Commitments and Contingencies

The timing and nature of the DSRIP outcomes in the 1115 waiver requires that the CCC incurs expenses prior to the approval of related project milestone payments by the Centers for Medicare and Medicaid Services (“CMS”) and/or the HHSC.

The CCC has a long-term, non-cancelable operating lease agreement for an office facility. The lease requires additional payments for operating expenses. Rent expense, including operating expenses, totaled $796,461 and $797,057 for the fiscal years ended September 30, 2021 and 2020, respectively. Future minimum rental payments consisted of the following as of September 30, 2021:

2022	$ 682,138
2023	293,774
Total	$ 975,912

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout the world. While the disruption is expected to be temporary, there is uncertainty around the severity and duration. The CCC is actively managing the business to maintain its cash flow and management believes that the CCC has adequate liquidity to maintain services.

9. Medicaid 1115 Waiver

The initial Medicaid 1115 Waiver was for a five year period ending September 30, 2016. In May 2016, the CMS approved a temporary fifteen month extension through December 2017 at the existing annual funding levels. In January 2017, the HHSC requested an additional 21 months of level funding through September 30, 2019. On December 21, 2017, HHSC and CMS reached an agreement to extend the 1115 Transformation Waiver. This extension is for an additional five years and ends September 30, 2022. The extension maintains DSRIP funding for the first two years and then reduces the amount of DSRIP funding over the following two years. There is no DSRIP funding in fiscal year 2022, the fifth year of the waiver. The program was redesigned to make payments to performing providers based on achieving selected health outcomes for a defined covered population.

In August 2020, the Department of Health and Human Services Office of Inspector General (OIG) released an audit report regarding the HHSC’s administration of the Texas 1115 Medicaid Waiver program. Findings of the audit included that $146.6 million in payments made by Central Health that were used as the State share for approved DSRIP outcomes performed by Ascension Seton and the CCC, were determined by OIG to be impermissible provider-related donations. As a result, the OIG determined that the State inappropriately received $83.8 million in federal funds. HHSC does not concur with this finding and has responded in writing to the OIG audit findings. Although the CCC was not the subject of the audit, both Central Health and Ascension Seton have also provided responses to the audit finding.

On January 15, 2021 HHSC announced it had received approval from Centers of Medicare and Medicaid Services (CMS) of an extension to the Texas Healthcare Transformation and Quality Improvement 1115 Demonstration Waiver for an additional ten year period. While the DSRIP program is proposed to be phased out of the 1115 Waiver in September 2021, the extension allows the state to develop and implement directed-payment programs for Medicaid-managed care services to improve quality and access to care. As currently proposed, the CCC may not be eligible to participate in future 1115 Waiver program funding.

On April 16, 2021 CMS rescinded approval for Texas's waiver extension, citing a lack of justification for the original approval's waiver of standard public input processes. HHSC began the resubmission process and simultaneously pursued legal action to reinstate the January approval. A federal judge agreed with the state's position, effectively leaving the January approval in place, although HHSC did proceed with resubmitting the application with additional public input opportunities. In August 2021, CMS offered a one-year extension of DSRIP to Texas that was accepted in September. See Subsequent Events footnote below for more recent developments regarding the extension offer

10. Subsequent Events

The CCC has evaluated subsequent events through January 25, 2022 (the date the financial statements were available to be issued).

On November 15, 2021 CMS modified and clarified their offer to approve a one-year extension of DSRIP. The new calculations of total approvable funding in the CMS letter, coupled with the impasse between Texas and CMS regarding Local Provider Participation Funds (LPPFs), paused the submission of the DSRIP extension amendment.

CMS believes there are LPPF arrangements that violate the federal prohibition against hold-harmless agreements and is withholding approvals unless Texas provides attestations about private agreements involving participating hospitals. Texas believes neither HHSC nor CMS has legal authority to regulate agreements between private entities. As CMS is withholding approval of newly-proposed directed payment programs because of the LPPF funding issue, it is uncertain if CMS will approve a one-year DSRIP extension.

Currently, the CCC is anticipating payments for the current final approved year (Demonstration Year 10, which ends its reporting period on September 30, 2021) in July 2022 and January 2023.