Community Care Collaborative

Financial Statements
as of and for the Years Ended
September 30, 2022 and 2021 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:

Opinion

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, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits 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 the CCC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 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 substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the CCC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the CCC'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.

Maxwell Locke + Ritter LLP

Austin, Texas
January 24, 2023

Community Care Collaborative

Statements of Financial Position
September 30, 2022 and 2021

	2022	2021
Assets		
Current assets:		
Cash and cash equivalents	$ 17,033,373	$ 26,463,741
Prepaids and other current assets	103,433	102,840
Total assets	$ 17,136,806	$ 26,566,581
Liabilities and Net Assets		
Liabilities:		
Accrued expenses	$ 4,076,735	$ 4,868,668
Deferred revenue	9,045,686	7,455,418
Due to Central Health	75,977	119,351
Total liabilities	13,198,398	12,443,437
Net assets without donor restrictions	3,938,408	14,123,144
Total liabilities and net assets	$ 17,136,806	$ 26,566,581

See notes to financial statements.

Community Care Collaborative

Statements of Activities
Years Ended September 30, 2022 and 2021

	2022	2021
Revenues:		
Delivery System Reform Incentive Payment	$ 45,033,178	$ 59,363,558
Personnel services received from affiliates	238,980	261,294
Other revenue	68,823	15,285
Total revenues	45,340,981	59,640,137
Expenses:		
Payment per the University of Texas affiliation agreement	35,000,000	35,000,000
Health Care Services	14,428,112	14,091,755
Delivery System Reform Incentive Payment projects	5,246,097	11,591,227
Administration	851,508	1,150,139
Total expenses	55,525,717	61,833,121
Change in net assets without donor restrictions	(10,184,736)	(2,192,984)
Net assets without donor restrictions, beginning of year	14,123,144	16,316,128
Net assets without donor restrictions, end of year	$ 3,938,408	$ 14,123,144

See notes to financial statements.

Community Care Collaborative

Statement of Functional Expenses
Year Ended September 30, 2022
(with summarized comparative totals for the year ended September 30, 2021)

	2022				
	Health Care Services	Delivery System Reform Incentive Payment projects	Administration	Total	2021 Total
Other Healthcare Services	$ 35,119,913	$ 5,147,391	$ -	$ 40,267,304	$ 46,588,018
Behavioral Health	7,944,131	-	-	7,944,131	7,899,071
Specialty Care	4,768,077	-	-	4,768,077	4,251,385
Other Purchased Goods & Services	746,984	-	446,778	1,193,762	1,139,714
Primary Care	849,007	-	-	849,007	978,864
Personnel Costs	-	98,706	404,730	503,436	976,069
Total expenses	$ 49,428,112	$ 5,246,097	$ 851,508	$ 55,525,717	$ 61,833,121

See notes to financial statements.

Community Care Collaborative

Statement of Functional Expenses
Year Ended September 30, 2021

	Health Care Services	Delivery System Reform Incentive Payment projects	Administration	Total
Other Healthcare Services	$ 35,200,001	$ 11,388,017	$ -	$ 46,588,018
Behavioral Health	7,899,071	-	-	7,899,071
Specialty Care	4,251,385	-	-	4,251,385
Other Purchased Goods & Services	762,434	-	377,280	1,139,714
Primary Care	978,864	-	-	978,864
Personnel Costs	-	203,210	772,859	976,069
Total expenses	$ 49,091,755	$ 11,591,227	$ 1,150,139	$ 61,833,121

See notes to financial statements.

Community Care Collaborative

Statements of Cash Flows
Years Ended September 30, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities:		
Change in net assets	$ (10,184,736)	$ (2,192,984)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Changes in operating assets and liabilities that provided (used) cash:		
Prepaids and other current assets	(593)	113,479
Accrued expenses	(791,933)	(1,705,373)
Deferred revenue	1,590,268	3,105,190
Due to Central Health	(43,374)	5,335
Net cash used in operating activities	(9,430,368)	(674,353)
Cash and cash equivalents, beginning of year	26,463,741	27,138,094
Cash and cash equivalents, end of year	$ 17,033,373	$ 26,463,741

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.

During FY 2022, the CCC received the final payment for participation in the 1115 Waiver DSRIP program. Beginning in FY 2023, the CCC will transition necessary healthcare services to Central Health as financial resources are expended.

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.

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, 2022 and 2021.

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 received 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 was Central Health's Medical Access Program Members. Central Health provided 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 recognized DSRIP revenue upon HHSC approval of defined project metrics and outcomes and the subsequent Intergovernmental Transfer commitment. The reporting, approval, and funding processes occurred on a semi-annual basis.

The CCC reported 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 assessed the risk of recoupment of DSRIP payments previously received as the result of a third-party review conducted by HHSC. Amounts received that meet certain risk criteria 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, 2022 and 2021. 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 September 2020, the FASB issued Accounting Standards Update ("ASU") 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets,* to improve transparency of contributed nonfinancial assets for nonprofit entities through enhancements to presentation and disclosure. The update requires that contributed nonfinancial assets are presented separately in the statement of activities. New disclosures are also required to disaggregate contributed nonfinancial assets by category type and other qualitative information about utilization, policies, and valuation techniques. The update is applied retrospectively and is effective for years beginning after June 15, 2021. The Organization adopted ASU 2020-07 effective October 1, 2021. There was no material impact to the financial statements as a result of the adoption.

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 statement of financial position. Interest on the lease liability and amortization of the right-of-use asset are recognized separately in the statement of activities 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, 2022 and 2021, the CCC's financial assets available for general expenditure were cash and cash equivalents of $17,033,373 and $26,463,741, 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 was 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 last annual budget approved by both members is FY 2020.

During FY 2022, Central Health and Seton were participating in informal mediation to discuss possible amendments to the Master Agreement and Omnibus Agreement. In September 2020, Central Health sent Seton a Consolidated Notice of Breach, which notice was abated by agreement until May 1, 2022. On May 10, 2022, Seton sent a notice of material breach by Central Health of certain obligations under the Master Agreement and Omnibus Agreement. Central Health and Seton have notified the other party that it disagrees that it is in breach of the applicable agreements as previously noted. Both parties have invoked the dispute-resolution process set forth in Section 7 of the Master Agreement. Although both parties are actively engaged in formal mediation pursuant to the dispute-resolution process, there is no assurance the mediation will result in a successful resolution.

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 years ended September 30, 2022 and 2021, the CCC recognized contributed services from Central Health of $238,980 and $261,294, respectively.

The balance presented as due to Central Health on the statements of financial position as of September 30, 2022 and 2021 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, 2022 of $75,977 will be repaid during the year ended September 30, 2023. The balance outstanding as of September 30, 2021 of $119,351 was repaid during the year ended September 30, 2022.

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 for each year ended September 30, 2022 and 2021. 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 $791,491 and $796,461 for the fiscal years ended September 30, 2022 and 2021, respectively. Future minimum rental payments were $293,774 due during the fiscal year ending September 30, 2023 as of September 30, 2022.

9. Medicaid 1115 Waiver

The Texas Medicaid 1115 Waiver was initially approved for a five year period ending September 30, 2016. In May 2016, CMS (Centers for Medicare and Medicaid Services) approved a temporary fifteen month extension through December 2017 at the existing annual funding levels. On December 21, 2017, HHSC and CMS reached an agreement to extend the 1115 Waiver for an additional five years ending 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 not any DSRIP funding available in fiscal year 2022, the fifth and final year of the waiver. The extended program was redesigned to make payments to performing providers based on achieving selected health outcomes for a defined covered population. On July 2022, the CCC received payment for Demonstration Year 10, which ended its final reporting period as of September 30, 2021.

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 DSRIP program, which included the CCC, for payments claimed and paid from 2013 to 2017. As a result of the audit, OIG has recommended that Texas (1) refund $83.8 million it inappropriately received because it used IGTs derived from impermissible provider-related donations as the State share of DSRIP program payments; (2) provide its IGT entities with guidance about arrangements that may result in impermissible provider-related donations; and (3) request that its IGT entities disclose whether similar arrangements exist and provide Texas with action plans on ending the arrangements. HHSC does not concur with the first and second recommendations and has responded in writing to the OIG audit findings; additionally, both Central Health and Ascension Seton have provided responses to the audit

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. The extension did not include approval of a continuation of the DSRIP program, but instead includes implementation of new Medicaid Directed Payment Programs (DPPs), including Comprehensive Hospital Increase Reimbursement Program (CHIRP), Texas Incentives for Physician and Professional Services (TIPPS), and Rural Access to Primary and Preventative Services (RAPPS). Currently, the CCC is not eligible to participate in any of the new programs.

10. Subsequent Events

The CCC has evaluated subsequent events through January 24, 2023 (the date the financial statements were available to be issued) and no events have occurred from the statement of financial position date through that date that would impact the financial statements.