

**COMMUNITY CARE  
COLLABORATIVE**

**Financial Statements  
as of and for the Years Ended  
September 30, 2015 and 2014 and  
Independent Auditors' Report**



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: 303 East Main Street  
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, 2015 and 2014, and the related statements of activities 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 audit 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.

Affiliated Company

ML&R WEALTH MANAGEMENT LLC

*"A Registered Investment Advisor"*

*This firm is not a CPA firm*

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, 2015 and 2014, 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 22, 2016

# COMMUNITY CARE COLLABORATIVE

## STATEMENTS OF FINANCIAL POSITION SEPTEMBER 30, 2015 AND 2014

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<b>ASSETS</b>	<u>2015</u>	<u>2014</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 41,556,275	\$ 19,287,892
Accounts receivable	-	12,435
<b>TOTAL ASSETS</b>	<u><u>\$ 41,556,275</u></u>	<u><u>\$ 19,300,327</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
LIABILITIES:		
Accounts payable	\$ 712,779	\$ 234,959
Accrued expenses	5,297,323	3,474,607
Due to affiliate	762,997	175,798
<b>TOTAL LIABILITIES</b>	6,773,099	3,885,364
NET ASSETS-		
Unrestricted	<u>34,783,176</u>	<u>15,414,963</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 41,556,275</u></u>	<u><u>\$ 19,300,327</u></u>

See notes to financial statements.

# COMMUNITY CARE COLLABORATIVE

## STATEMENTS OF ACTIVITIES YEARS ENDED SEPTEMBER 30, 2015 AND 2014

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	<u>2015</u>	<u>2014</u>
<b>REVENUES:</b>		
Delivery System Reform Incentive Payment	\$ 60,775,973	\$ 53,583,936
Seton member payment	51,700,000	40,000,000
Central Health member payment	13,903,320	15,632,075
Personnel services received from an affiliate	899,367	-
Other revenue	10,693	18,978
Total revenues	<u>127,289,353</u>	<u>109,234,989</u>
<b>EXPENSES:</b>		
Health care delivery	58,067,816	60,579,489
Payment per the University of Texas affiliation agreement	35,000,000	35,000,000
Delivery System Reform Incentive Payment projects	14,853,324	10,634,278
Total expenses	<u>107,921,140</u>	<u>106,213,767</u>
<b>CHANGE IN NET ASSETS</b>	19,368,213	3,021,222
<b>NET ASSETS, beginning of year</b>	<u>15,414,963</u>	<u>12,393,741</u>
<b>NET ASSETS, end of year</b>	<u>\$ 34,783,176</u>	<u>\$ 15,414,963</u>

See notes to financial statements.

# COMMUNITY CARE COLLABORATIVE

## STATEMENTS OF CASH FLOWS YEARS ENDED SEPTEMBER 30, 2015 AND 2014

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	<u>2015</u>	<u>2014</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 19,368,213	\$ 3,021,222
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Changes in operating assets and liabilities that provided (used) cash:		
Accounts receivable	12,435	(12,435)
Accounts payable	477,820	(418,979)
Accrued expenses	1,822,716	3,122,842
Due to affiliate	587,199	175,798
Net cash provided by operating activities	22,268,383	5,888,448
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>19,287,892</u>	<u>13,399,444</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u><u>\$ 41,556,275</u></u>	<u><u>\$ 19,287,892</u></u>

See notes to financial statements.

# COMMUNITY CARE COLLABORATIVE

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED SEPTEMBER 30, 2015 AND 2014

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### 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, (doing business as 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, 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 preclude either party from imposing its will on the other.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of Presentation** - The financial statements are presented in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) as defined by the Financial Accounting Standards Board Accounting Standards Codification (“ASC”). Under the accrual basis of accounting, revenue is recognized when earned regardless of when collected, and expenses are recognized when an obligation is incurred regardless of when paid.

**Classification of Net Assets** - The CCC is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the CCC and changes therein are classified as follows:

Unrestricted net assets - Net assets not subject to donor-imposed stipulations. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met by actions of the CCC and/or the passage of time or the occurrence of a specific event. The CCC has not received any temporarily restricted net assets as of September 30, 2015 and 2014.

Permanently restricted net assets - Net assets whose amounts are not currently available for use in the operations of the CCC and whose limitations neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the CCC. The CCC has not received any permanently restricted net assets as of September 30, 2015 and 2014.

**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.

**Cash and Cash Equivalents** - The CCC defines cash and cash equivalents as cash and investments that are highly liquid with less than three-month maturities when purchased.

**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 implement programs or strategies to enhance access to health care and the associated outcomes of care provided of the patients and families served. Revenue received from Central Health provides the local share in the form of an Intergovernmental Transfer to draw federal funds upon achieving specific health improvement metrics and milestones.

The CCC is performing 15 DSRIP projects that will serve as demonstration programs that will assist in the implementation of an Integrated Delivery System (“IDS”). The IDS is intended to coordinate the delivery of healthcare services of Travis County’s health care providers to serve the safety net population. Expenditures are recognized based upon achieving specific health improvement metrics and milestones.

**Seton and Central Health Member Payments** - The CCC receives member payments from Central Health and Seton that fund primary and specialty healthcare services.

**Personnel Services Received from An Affiliate** - The CCC received services provided at no cost to the CCC by employees of Central Health and Seton. These services are recognized at the cost recognized by Central Health and Seton in providing the services.

**Income Tax Status** - The CCC is a nonprofit entity that is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code, except for income tax related to unrelated business income. The CCC did not incur any significant tax liabilities due to unrelated business income during the years ended September 30, 2015 and 2014. 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. The fiscal year 2012 and subsequent tax years remain subject to examination by the Internal Revenue Service.

**Recently Issued Accounting Pronouncements** - In May 2014 and August 2015, the FASB issued Accounting Standards Update (“ASU”) No. 2014-09 and No. 2015-14, *Revenue from Contracts with Customers*, which supersede 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. The standard is effective retrospectively for fiscal years beginning after December 15, 2018 and early adoption is permitted. The CCC is currently evaluating the impact the new standard will have on its financial statements.



In August 2014, the FASB issued ASU No. 2014-15, Presentation of Financial Statements - Going Concern, which provides guidance about management's responsibility to evaluate on an annual basis whether there is substantial doubt about an entity's ability to continue as a going concern within one year after the date that the financial statements are available to be issued and to provide certain related footnote disclosures. The standard is effective for fiscal years ending after December 15, 2016, and due to the change in requirements for reporting, presenting and disclosing future evaluations of the entity's ability to continue as a going concern may be different than under current standards.

**Reclassifications** - Certain amounts in the prior year have been reclassified to conform to the presentation adopted in the current year. There was no impact on net assets.

### **3. 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 and at times may exceed the amount of insurance provided on such deposits. Management believes no significant risk exists with respect to cash and cash equivalents.

### **4. RELATED PARTY TRANSACTIONS**

Both Central Health and Seton provide staffing support to carry out the activities of the CCC through its medical providers, using Central Health automated systems. The value of the services received from Central Health and Seton have been recognized as revenue for personnel services received from an affiliate and as an expense included in health care delivery on the statement of activities.

### **5. THE UNIVERSITY OF TEXAS AT AUSTIN AFFILIATION AGREEMENT**

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

- Serving low-income patients by offering opportunities to train residents and medical students in community-based offerings;
- Developing appropriate levels of clinical services at community clinics, including providing training and resources to specialty providers;
- Improving health care outcomes and developing innovative healthcare delivery model;
- Collaborating with Central Health and the CCC through a Joint Affiliation Committee that will develop performance metrics to measure the achievements of the IDS mission and goals.

The CCC paid UT annual Permitted Investment Payments in the amount of \$35 million each year in 2015 and 2014. Central Health will guarantee 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.

**6. DUE TO AFFILIATE**

The balance presented as due to affiliate on the statements of financial position as of September 30, 2015 and 2014 were due in their entirety to Central Health. These funds were provided by Central Health for the CCC’s operations during both fiscal years. The balance outstanding as of September 30, 2015 was repaid during fiscal year 2016. The balance outstanding as of September 30, 2014 was repaid during fiscal year 2015.

**7. EXPENSES BY FUNCTIONAL ALLOCATION OF EXPENSES**

The statement of activities presents the expenses of the CCC by natural classification. The costs of providing services of the CCC have been summarized on a functional basis below. Certain expenses are allocated between program and general and administrative based on actual use or estimates made by management. The following are the expenses by functional classifications for the years ended September 30:

	<u>2015</u>	<u>2014</u>
Program	\$ 106,499,798	\$ 105,656,345
General and administrative	<u>1,421,342</u>	<u>557,422</u>
Total	<u>\$ 107,921,140</u>	<u>\$ 106,213,767</u>

**8. COMMITMENTS AND CONTINGENCIES**

The CCC may be involved in litigation arising in the normal course of business; however, there were no known actions or claims pending against the CCC at September 30, 2015 and 2014.

The timing and nature of the DSRIP projects in the 1115 waiver will require that the CCC incur expenses on projects prior to the approval of related project milestone payments by the Centers for Medicare and Medicaid Services and/or the Texas Health and Human Services Commission.

**9. SUBSEQUENT EVENTS**

The CCC has evaluated subsequent events through January 22, 2016 (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.