COMMUNITY CARE COLLABORATIVE

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

MAXWELL & LOCKE & RITTER

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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 statement of financial position as of September 30, 2014, and the related statements of activities and cash flows for the year 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 audit. We conducted our audit 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.

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, 2014, 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.

Maxwell Locke + Ritter LLP

Austin, Texas
January 27, 2015

COMMUNITY CARE COLLABORATIVE

STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2014

ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$	19,287,892
Accounts receivable		12,435
TOTAL ASSETS	$	19,300,327
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable	$	3,709,566
Due to affiliate		175,798
TOTAL LIABILITIES		3,885,364
NET ASSETS-		
Unrestricted		15,414,963
TOTAL LIABILITIES AND NET ASSETS	$	19,300,327

See notes to financial statements.

COMMUNITY CARE COLLABORATIVE

STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2014

REVENUES:	
Delivery System Reform Incentive Payment	$ 53,583,936
Seton Indigent Care	40,000,000
Central Health Indigent Care	15,632,075
Other revenue	18,978
Total revenues	109,234,989
EXPENSES:	
Health care delivery	60,579,489
Payment per University of Texas affiliation agreement	35,000,000
Delivery System Reform Incentive Payment projects	10,634,278
Total expenses	106,213,767
CHANGE IN NET ASSETS	3,021,222
NET ASSETS, beginning of year	12,393,741
NET ASSETS, end of year	$ 15,414,963

See notes to financial statements.

COMMUNITY CARE COLLABORATIVE

STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2014

CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$	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)
Accounts payable		2,703,863
Due to affiliate		175,798
Net cash provided by operating activities		5,888,448
CASH AND CASH EQUIVALENTS, beginning of year		13,399,444
CASH AND CASH EQUIVALENTS, end of year	$	19,287,892

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 Central Health, and Seton Healthcare Family ("Seton"), the CCC was created to better organize and integrate the indigent 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.

The CCC is a component unit of Central Health under generally accepted governmental accounting standards and is reported discretely in Central Health's financial statements.

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. 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, 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, 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 - Cash equivalents are considered highly liquid with original maturities of three months or less.

Taxes - The CCC members intend and expect that the CCC will be exempt from federal income taxes pursuant to the provisions of Section 501(c)(3) of the Internal Revenue Code (the “Code”), except with respect to any unrelated business income. However, the CCC has not yet received this determination from the IRS.

Recently Issued Accounting Pronouncements - In April 2014, the FASB issued Accounting Standards Update (“ASU”) No. 2014-08, *Presentation of Financial Statements and Property, Plant, and Equipment - Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity*, which amended the reporting requirements for discontinued operations in ASC 205-20, *Presentation of Financial Statements - Discontinued Operations*, and limits discontinued operations reporting to a disposal of a component or a group of components of an entity in which the disposal represents a strategic shift that has (or will have) a major effect on an entity’s operations and financial results when certain events occur. The standard is effective for disposals that occur within fiscal years beginning after December 15, 2014 and is to be applied prospectively. Due to the change in requirements for reporting discontinued operations, presentation and disclosure of future disposal transactions may be different than under current standards.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*, 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. The standard is effective for fiscal years beginning after December 15, 2017, and is to be applied retrospectively, with early application permitted for fiscal years beginning after December 15, 2016. The Organization is in the process of 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, presentation and disclosure of future evaluations of the entity’s ability to continue as a going concern may be different than under current standards.

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.

5. UNIVERSITY OF TEXAS AFFILIATION AGREEMENT

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

- serving low-income communities by offering opportunities to train residents and medical students in community-based offerings;
- developing appropriate levels of clinical services at community clinics and new clinic locations in Travis County;
- providing additional specialty and sub-specialty care at clinics and other facilities acting as providers for the Integrated Delivery System ("IDS"); and
- 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 will, as its first spending priority, cause to be paid to UT annual Permitted Investment Payments in the amount of $35 million. 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. 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.

Program	$ 105,656,345
General and administrative	557,422
Total	$ 106,213,767

7. 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, 2014.

The timing and nature of the Delivery System Reform Incentive Payment ("DSRIP") projects in the 1115 waiver may require that the CCC incur expenses on projects prior to their approval by the Centers for Medicare and Medicaid Studies.

8. SUBSEQUENT EVENTS

The CCC has evaluated subsequent events through January 27, 2015 (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.