



Community Care Collaborative

**Financial Statements
as of and for the Years Ended
September 30, 2024 and 2023 and
Independent Auditors' Report**

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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, 2024 and 2023, 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, 2024 and 2023, 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
February 27, 2025

Community Care Collaborative

Statements of Financial Position September 30, 2024 and 2023

| | <u>2024</u> | <u>2023</u> |
|---------------------------------------|------------------|-------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 75 | \$ 104,038 |
| Other receivable | <u>83,962</u> | <u>83,962</u> |
| Total assets | <u>\$ 84,037</u> | <u>\$ 188,000</u> |
| | | |
| Liabilities and Net Assets | | |
| Liabilities: | | |
| Accounts payable and accrued expenses | <u>\$ 82,500</u> | <u>\$ 188,000</u> |
| Total liabilities | 82,500 | 188,000 |
| Net assets without donor restrictions | <u>1,537</u> | <u>-</u> |
| Total liabilities and net assets | <u>\$ 84,037</u> | <u>\$ 188,000</u> |

See notes to financial statements.

Community Care Collaborative

Statements of Activities

Years Ended September 30, 2024 and 2023

| | <u>2024</u> | <u>2023</u> |
|--|------------------------|--------------------|
| Revenues: | | |
| Delivery System Reform Incentive Payment | \$ - | \$ 9,045,686 |
| Personnel services received from affiliates | - | 131,876 |
| Other revenue | 2,500 | 333,385 |
| Total revenues | <u>2,500</u> | <u>9,510,947</u> |
| Expenses: | | |
| University of Texas affiliation agreement | - | 12,570,000 |
| Health care services | - | 486,630 |
| Administration | 963 | 392,725 |
| Total expenses | <u>963</u> | <u>13,449,355</u> |
| Change in net assets without donor restrictions | 1,537 | (3,938,408) |
| Net assets without donor restrictions, beginning of year | <u>-</u> | <u>3,938,408</u> |
| Net assets without donor restrictions, end of year | <u><u>\$ 1,537</u></u> | <u><u>\$ -</u></u> |

See notes to financial statements.

Community Care Collaborative

Statement of Functional Expenses

Year Ended September 30, 2024

(with summarized comparative totals for the year ended September 30, 2023)

| | 2024 | | | | |
|----------------------------------|-----------------------------|-------------------------|----------------|---------------|----------------------|
| | UT Affiliation Agreement | Health Care Services | Administration | Total | 2023 Total |
| Other healthcare costs | \$ - | \$ - | \$ - | \$ - | \$ 12,570,000 |
| Other purchased goods & services | - | - | 963 | 963 | 537,870 |
| Specialty care | - | - | - | - | 187,044 |
| Personnel costs | - | - | - | - | 154,441 |
| Total expenses | \$ - | \$ - | \$ 963 | \$ 963 | \$ 13,449,355 |

See notes to financial statements.

Community Care Collaborative

Statement of Functional Expenses Year Ended September 30, 2023

| | <u>UT Affiliation Agreement</u> | <u>Health Care Services</u> | <u>Administration</u> | <u>Total</u> |
|----------------------------------|-------------------------------------|---------------------------------|-----------------------|----------------------|
| Other healthcare costs | \$ 12,570,000 | \$ - | \$ - | \$ 12,570,000 |
| Other purchased goods & services | - | 299,586 | 238,284 | 537,870 |
| Specialty care | - | 187,044 | - | 187,044 |
| Personnel costs | - | - | 154,441 | 154,441 |
| Total expenses | <u>\$ 12,570,000</u> | <u>\$ 486,630</u> | <u>\$ 392,725</u> | <u>\$ 13,449,355</u> |

See notes to financial statements.

Community Care Collaborative

Statements of Cash Flows Years Ended September 30, 2024 and 2023

| | <u>2024</u> | <u>2023</u> |
|---|----------------|-------------------|
| Cash Flows from Operating Activities: | | |
| Change in net assets | \$ 1,537 | \$ (3,938,408) |
| Adjustments to reconcile change in net assets to net cash used in operating activities: | | |
| Changes in operating assets and liabilities that provided (used) cash: | | |
| Prepays and other current assets | - | 103,433 |
| Other receivable | - | (83,962) |
| Accounts payable and accrued expenses | (105,500) | (3,888,735) |
| Deferred revenue | - | (9,045,686) |
| Due to Central Health | - | (75,977) |
| Net cash used in operating activities | (103,963) | (16,929,335) |
| Cash and cash equivalents, beginning of year | <u>104,038</u> | <u>17,033,373</u> |
| Cash and cash equivalents, end of year | <u>\$ 75</u> | <u>\$ 104,038</u> |

See notes to financial statements.

Community Care Collaborative

Notes to Financial Statements Years Ended September 30, 2024 and 2023

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. During FY 2023, Central Health assumed remaining CCC costs as financial resources are expended. Despite having no material assets and a governance deadlock between the two members, the CCC will continue to serve as the entity through which Central Health and Seton plan collaborative services for MAP enrollees and to discuss healthcare service delivery issues between the organizations.

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 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, 2024 and 2023.

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 Delivery System Reform Incentive Payment (“DSRIP”) program has ended and HHSC did not renew this portion of the 1115 Medicaid Waiver. Management does not anticipate sufficient future funding for payment of the University of Texas at Austin Affiliation Agreement payment and Central Health, as the guarantor, will make the future payments.

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, 2024 and 2023. 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.

3. **Liquidity and Availability of Financial Assets**

As of September 30, 2024 and 2023, the CCC’s financial assets available for general expenditure were cash and cash equivalents of \$75 and \$104,038, 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 safety-net healthcare services 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 Seton over the MAP program. Under the Master Agreement, certain Reserve Powers exist that require 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.

In August 2020, the Department of Health and Human Services Office of Inspector General (HHS OIG) issued a report of the State of Texas Health and Human Services Commission (HHSC) administration of the Medicaid Delivery System Reform Incentive Payment (DSRIP) Program, which is a component of the Texas Medicaid 1115 waiver program. The audit focused on assessing whether HHSC had complied with federal requirements for the use of federal funds allocated under the program, as well as the effectiveness of HHSC's oversight of DSRIP payments to participating hospitals and healthcare providers. The audit cited three findings, one of which was specifically related to the Community Care Collaborative and the impermissible receipt of \$83.8 million in Federal funds. HHSC did not concur with this specific finding or one other of the three total findings contained in the HHS OIG report.

In November 2024, the Center for Medicare and Medicaid Services (CMS) issued a letter to Texas HHSC based on the HHS OIG report and requested repayment of the \$83.8 million in Federal funds. In December 2024, HHSC filed a lawsuit against HHS and CMS, seeking declaratory and injunctive relief from enforcement of the CMS letter. At this time, Management does not anticipate a material effect to the financial statements of the Community Care Collaborative.

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. During the year ended September 30, 2023, the CCC recognized contributed services from Central Health of \$131,876. No contributed services were received or recognized during the year ended September 30, 2024.

The balance presented as other receivables on the statements of financial position as of September 30, 2024 and 2023 were due in their entirety from Central Health.

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 \$12.57 million for the year ended September 30, 2023. Central Health paid the remaining \$22.43 million during the year ended September 30, 2023 and the full \$35 million during the year ended September 30, 2024, as Central Health guarantees the annual required amount to be made in the event the CCC does not have the necessary funds, 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. 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. DSRIP revenue recognized in fiscal year 2023 consisted of the remaining amount of payments received in previous years that were held in a liability account in the event the final measures were not approved by HHSC through an external audit firm that was engaged by HHSC.

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 and the final payment under the Texas Medicaid 1115 Waiver was received during the year ended September 30, 2022.

9. Subsequent Events

The CCC evaluated subsequent events through February 27, 2025 (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.