



COMMCARE CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2022 and 2021

**REPORT**

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REPORT





Carr, Riggs & Ingram, LLC
111 Veterans Blvd.
Suite 350
Metairie, Louisiana 70005

(504) 837-9116
(504) 837-0123(fax)
www.CRIcpa.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
CommCare Corporation
Mandeville, Louisiana

Opinion

We have audited the accompanying consolidated financial statements of CommCare Corporation (the Company), which comprise the consolidated balance sheets as of June 30, 2022 and 2021, and the related consolidated statements of revenues, expenses and changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of CommCare Corporation as of June 30, 2022 and 2021, and the results of its operations 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Company 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.

Responsibility of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the

Company's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibility for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 and *Government 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 a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 Company'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company'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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying Schedule of Compensation, Benefits and Other Payments to Agency Head, Consolidating Balance Sheet, and Consolidating Statement of Revenues, Expenses and Changes in Net Assets as of and for the year ended June 30, 2022, and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200 Uniform Administrative Requirements, and Cost Principles and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2022 on our consideration of the Company's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Company's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Company's internal control over financial reporting and compliance.

Carr, Riggs & Ingram, L.L.C.

Metairie, Louisiana
December 2, 2022



FINANCIAL STATEMENTS



CommCare Corporation
Consolidated Balance Sheets

June 30,	2022	2021
Assets		
Current assets		
Cash and cash equivalents	\$ 22,061,881	\$ 33,088,257
Restricted cash	560,000	-
Accounts receivable, net	17,504,105	17,609,276
Prepaid expenses and other current assets	1,846,904	1,617,363
Assets held for sale - discontinued operations	-	18,440
Total current assets	41,972,890	52,333,336
Non-current assets		
Restricted cash	4,412,539	10,785,557
Notes receivable	17,285,725	17,285,725
Equity method investment	-	3,242,854
Intangible assets	18,871,510	14,381,727
Goodwill	6,456,944	6,456,944
Fair value of interest rate swap	1,186,825	-
Miscellaneous	582,260	335,702
Property and equipment, net	157,456,226	152,570,814
Total non-current assets	206,252,029	205,059,323
Total Assets	\$ 248,224,919	\$ 257,392,659
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 18,866,715	\$ 21,291,812
Deposits	-	4,054,184
Current portion of long-term debt	2,304,062	5,732,198
Liabilities of discontinued operations classified as held for sale	-	2,122,812
Total current liabilities	21,170,777	33,201,006
Long-term liabilities		
Long-term debt, less current portion and less unamortized debt issuance costs	134,780,330	143,499,754
Fair value of interest rate swap	-	256,249
Total long-term liabilities	134,780,330	143,756,003
Total liabilities	155,951,107	176,957,009
Net assets without donor restrictions		
CommCare Corporation	91,156,604	79,281,000
Noncontrolling interest in subsidiaries	1,117,208	1,154,650
Total Net Assets	92,273,812	80,435,650
Total liabilities and net assets	\$ 248,224,919	\$ 257,392,659

The accompanying notes are an integral part of these consolidated financial statements.

CommCare Corporation
Consolidated Statements of Revenues, Expenses,
and Changes in Net Assets

For the years ended June 30,	2022	2021
Revenue without donor restrictions, gains, and other support		
Patient service revenue, net	\$ 121,926,235	\$ 100,296,872
Pharmacy sales	11,524,103	10,006,720
Premium income	5,113,943	2,225,033
Management fee income	612,591	888,283
Lease income	715,245	2,291,274
Contribution revenue	1,594,732	5,738,573
Grant revenue	2,182,141	128,230
Other operating revenues	480,520	402,238
Total revenue without donor restrictions, gains, and other support	144,149,510	121,977,223
Operating Expenses		
Nursing services	50,526,401	41,894,233
General and administrative	36,204,424	31,317,907
Therapy and ancillary services	9,370,327	8,890,065
Cost of pharmacy sales	9,133,898	7,788,542
Dietary and food	7,332,797	5,779,727
Depreciation and amortization	7,332,179	7,327,923
Plant operations and maintenance	6,213,411	4,807,503
Provider fees	5,501,424	4,606,208
Housekeeping and laundry	3,648,496	3,221,955
Activities and social services	1,816,906	1,534,453
Provision for bad debts	1,667,229	1,017,044
Lease expense	843,430	494,500
Advertising costs	1,109,821	903,018
Community services	79,036	65,148
Total operating expenses	140,779,779	119,648,226
Operating income	3,369,731	2,328,997
Non-operating revenues (expenses)		
Gain on disposal of assets	11,288,741	16,688
Impairment of long lived assets	-	(6,434,355)
Miscellaneous (expense) income	978,190	(101,157)
Gain (loss) on equity method investment	(585,198)	(54,774)
Debt forgiveness	-	10,202,796
Interest income	456,753	338,769
Interest expense	(3,718,129)	(3,888,907)
Unrealized gain (loss) on swap	1,443,074	(256,249)
Gain on acquisition	-	867,179
Total non-operating revenues (expenses)	9,863,431	689,990
Changes in net assets from continuing operations	13,233,162	3,018,987
Changes in net assets from discontinued operations	-	(113,360)
Changes in net assets without donor restrictions	13,233,162	2,905,627
Less change in net assets attributable to noncontrolling interests	(1,357,557)	(1,176,203)
Change in net assets attributable to CommCare Corporation	11,875,605	1,729,424
	(continued)	(continued)

The accompanying notes are an integral part of these consolidated financial statements.

CommCare Corporation
Consolidated Statements of Revenues, Expenses,
and Changes in Net Assets

For the years ended June 30,	2021	2020
Net assets		
Beginning of year	80,435,650	80,501,361
Distributions to noncontrolling shareholder in subsidiary	(1,395,000)	(2,971,338)
End of year	\$ 92,273,812	\$ 80,435,650
	(concluded)	(concluded)

The accompanying notes are an integral part of these consolidated financial statements.

Commcare Corporation

Consolidated Statements of Cash Flows

For the Years Ended June 30,	2022		2021	
Operating Activities				
Change in net assets	\$	13,233,162	\$	2,905,627
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
Gain on disposal of assets		(11,288,741)		(16,688)
Impairment of long lived asserts		-		6,434,355
Gain on debt forgiveness		-		(10,202,796)
(Gain) loss on equity method investment		585,198		54,774
Depreciation and amortization		7,494,840		7,435,016
Provision for bad debts		1,667,229		1,017,044
Gain on acquisition		-		(867,179)
Changes in assets and liabilities:				
Receivables		(1,562,058)		(3,859,134)
Prepaid expenses and miscellaneous		(476,099)		(292,852)
Other assets		-		-
Refundable advance		-		(2,417,608)
Accounts payable and accrued expenses		1,561,752		(65,061)
Fair value of interest rate swap		(1,443,074)		256,249
Changes in assets held for sale (discontinued operations)		18,440		22,257
Changes in liabilities held for sale (discontinued operations)		(2,122,812)		1,422,574
Net cash provided by operating activities		7,667,837		1,826,578
Investing Activities				
Purchases of property and equipment		(30,038,766)		(24,481,666)
Cash paid for equity method investment		-		(3,501,331)
Acquisition net of cash acquired		-		(2,887,144)
Purchase of other assets		(4,500,000)		(4,250,000)
Deposits		-		4,054,184
Issuance of notes receivable		-		(11,119,325)
Proceeds from disposal of assets and equity method investment		24,948,415		16,688
Net cash used in investing activities		(9,590,351)		(42,168,594)
Financing Activities				
Payments on notes payable		(106,307,960)		(6,089,411)
Issuance of notes payable		94,832,232		40,895,107
Debt issuance costs		(834,493)		(1,927,449)
Distributions to non controlling shareholder in subsidiary		(2,606,659)		(1,759,679)
Net cash provided by (used in) financing activities		(14,916,880)		31,118,568
Net change in cash, cash equivalents, and restricted cash		(16,839,394)		(9,223,448)
Net cash, cash equivalents, and restricted cash at beginning of year		43,873,814		53,097,262
Net cash, cash equivalents, and restricted cash at end of year	\$	27,034,420	\$	43,873,814
SUPPLEMENTAL DISCLOSURE OF CASH PAID FOR INTEREST				
Cash payments for interest	\$	4,064,960	\$	3,767,301
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES				
Accrued distributions to non-controlling interest	\$	-	\$	1,211,659
Capital expenditures in accounts payable	\$	1,880,724	\$	4,655,914
RECONCILIATION OF CASH, CASH EQUIVALENTS, AND RESTRICTED CASH				
Cash and cash equivalents	\$	22,061,881	\$	33,088,257
Restricted cash		4,972,539		10,785,557
Total cash, cash equivalents, and restricted cash	\$	27,034,420	\$	43,873,814

The accompanying notes are an integral part of these consolidated financial statements.

CommCare Corporation
Notes to Consolidated Financial Statements

Note 1: DESCRIPTION OF THE ORGANIZATION

Organization and Business Description

CommCare Corporation is a non-profit entity that owns and operates skilled nursing facilities. The facilities include 1,806 extended-care beds that are licensed and permitted for current operation by the Louisiana Department of Health and Hospitals and other state or Federal regulatory agencies having jurisdiction over the operations of the facilities. CommCare Corporation also owns a 55% share of a pharmacy, 100% of eight asset holding companies, 100% of a management company, and 100% of an insurance provider that are all located in the State of Louisiana.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of CommCare Corporation and its wholly owned subsidiaries (collectively the “Company”), Dignity Care Corporation, CommCare Louisiana (a non-profit corporation) and its majority owned subsidiary CCC Pharmacy, LLC, CommCare Avoyelles (a non-profit corporation), Commcare Management Corporation, Commcare Tangi (a non-profit corporation), Commcare Natchitoches (a non-profit corporation), CommCare Catahoula (a non-profit corporation), CommCare EBR (a non-profit corporation), CommCare Center Point (a non-profit corporation), and CommCare Ouachita (a non-profit corporation). Significant intercompany transactions and balances have been eliminated through consolidation.

Basis of Accounting

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Financial Accounting Standards Board (FASB) provides authoritative guidance regarding U.S. GAAP through the Accounting Standards Codification (ASC) and related Accounting Standards Updates (ASUs).

Use of Estimates

The preparation of U.S. GAAP financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Estimates that are particularly susceptible to significant change in the near term include an allowance for uncollectible accounts and claims incurred but not reported.

CommCare Corporation
Notes to Consolidated Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

Cash and cash equivalents include cash and all highly liquid investments with an original maturity date of 90 days or less. Restricted cash is required by the loan agreements in relation to the construction of facilities, by regulatory requirements, and requirements in relation to a letter of credit from a financial institution. Cash was restricted for the following at June 30, 2022 and 2021:

Restricted at June 30,	2022	2021
Debt payments	\$ 1,972,539	\$ 7,785,557
Regulatory Requirement	3,000,000	3,000,000
Total	\$ 4,972,539	\$ 10,785,557

Accounts Receivable

The Company grants credit without collateral to its patients and other customers, most of whom are local residents and are covered under third-party payor agreements. Management performs an evaluation of amounts due from third-party payors (including estimated cost report settlements), residents, responsible parties, and insurers, and reduces accounts receivable by an allowance for uncollectible accounts. The allowance is calculated based on a number of factors including the age of the accounts, the payor type, and any ongoing disputes with third-party payors. The allowance for uncollectible accounts was \$2,201,639 and \$2,150,104 as of June 30, 2022 and 2021, respectively. Substantially all accounts receivable are pledged to secure debt (see Note 8).

Equity Method Investment

During the year ended June 30, 2021 the Company entered into a 50/50 joint venture (JV) with a third party skilled nursing home facility operator. The Company owned the building and leased the facility to the JV. On December 1, 2021 the Company sold the assets and the fifty percent membership interest in the JV. See Note 13 for the details of the lease arrangement.

On May 1, 2021 the Company acquired the 51% majority ownership of the operations of a skilled nursing home, Camelot of North Oaks, LLC. Prior to the purchase the Company owned 49% of the equity interests and CommCare Tangi leased the facility to the investee. See Note 13 for the details of the lease arrangement and Note 16 for details of the acquisition.

CommCare Corporation
Notes to Consolidated Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, Equipment and Depreciation

Property and equipment are recorded at cost. Renewals and improvements that extend the economic life of such assets are capitalized. Expenditures for maintenance, repairs and other renewals are expensed. Upon disposition of a capital asset, the asset's cost and accumulated depreciation are removed from the balance sheet and any gain or loss is included in the statements of revenues, expenses and changes in net assets. Depreciation is recorded over the estimated useful life of an asset using the straight-line method.

The Company records impairment losses on long-lived assets when events and circumstances indicate that the assets might be impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amounts of those assets. No impairment loss was recorded by the Company for the year ended June 30, 2022. During the year ended June 30, 2021, the Company recorded a \$6,434,355 impairment loss related to buildings that were replaced or in the process of being replaced. The loss represents the difference between the net book value of the related assets and the estimated net proceeds to be recovered upon disposal.

The useful life of property and equipment was as follows at June 30:

	Depreciable Life
Land	Not depreciated
Land improvements	5-15 years
Buildings and improvements	10-39 years
Furniture, fixtures and equipment	3-5 years
Construction in progress	Not depreciated

Goodwill

In accordance with authoritative guidance on intangible assets, goodwill is tested for impairment annually as of June 30 or on an interim basis if events or circumstances indicate that the fair value of the asset has decreased below its carrying value. The Company performed a qualitative assessment of events and circumstances to determine whether it was more likely than not that the fair value of the reporting unit that contained the goodwill was less than its carrying amount. Based on this assessment it was determined that it was not more likely than not that the fair value of the reporting unit was less than its carrying amount. As a result of this assessment, no impairment loss was recognized during the years ended June 30, 2022 and 2021.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible Assets

Intangible assets consist primarily of Certificates of Need (CON) acquired through the purchase of existing nursing homes or through direct purchase of existing licenses. Louisiana statutes require that nursing home operators obtain a CON prior to the addition or construction of new nursing home beds, the addition of new services or certain capital expenditures in excess of defined levels. A CON certifies that the state has made a determination that a need exists for such new or additional beds, new services or capital expenditures. The CONs have an indefinite useful life. Management evaluates the net carrying value of all intangible assets for impairment when circumstances indicate that the assets might be impaired, but not less than annually. As a result of this assessment, no impairment loss was recognized during the years ended June 30, 2022 and 2021. In addition to the CONs, intangible assets also include costs related to obtaining new market tax credits utilized in the financing of an existing facility. Total amortized tax credit costs were \$39,163 and \$49,380 as of June 30, 2022 and 2021, respectively. Total amortization expense related to new market tax credits was \$10,217 and \$10,216 for the years ended June 30, 2022 and 2021, respectively.

Deferred Financing Costs, Net

Deferred financing costs are amortized over the term of the debt instrument using the straight-line method. Accounting principles generally accepted in the United States of America require that the effective interest method be used to amortize financing costs; however, management believes the effect of using the straight-line method is not materially different from the results that would have been obtained under the effective interest method.

Interest expense related to deferred financing costs was \$228,162 and \$107,093 for the years ended June 30, 2022 and 2021, respectively.

Interest Rate Swaps

The Company has four interest rate swap agreements to convert the variable interest on certain loans to fixed rates. Based on changes in interest rates subsequent to entering into the agreement, the fair value of the swaps were \$1,186,825 and \$(256,249) at June 30, 2022 and 2021, respectively. The fair value of the swaps is considered to be a Level 2 fair value measurement. The change in the asset or liability is reported as a component of non-operating revenues (expenses) on the consolidated statements of revenues, expenses, and changes in net assets.

Deposits

During the year ended June 30, 2021, the Company entered into an agreement to sell its Hospice subsidiary. As part of the agreement, the buyer deposited \$4,054,184 with the Company. The sale closed on July 1, 2021. See Note 15.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Payroll Protection Program Loan

The Company received \$10,202,796 in forgivable loans from the Small Business Administration Payroll Protection Program. The Company received loan forgiveness for the full amount during the year ended June 30, 2021 and is recorded as debt forgiveness on the consolidated statements of revenues, expenses and changes in net assets.

Compensated Absences

Employees accumulate paid time off (PTO) at varying rates according to years of service. Employees become vested in PTO upon completion of ninety days of employment. Upon termination, all unused PTO hours are paid to the employee at the employee's current rate of pay provided that the employee has successfully completed ninety days of employment. Accrued PTO cannot exceed the maximum amount of PTO that can be earned in one year's time. Accrued PTO was \$1,049,137 and \$970,950 as of June 30, 2022 and 2021, respectively. Accrued PTO is included in accounts payable and accrued expenses on the consolidated balance sheets.

Claims Payable and Reserves for Incurred but Unreported Claims

The Company provides reserves for estimated incurred but unreported physician, hospital, other professional, and pharmacy services rendered to enrolled members of the insurance subsidiary (Dignity Care). This reserve is reported net of anticipated reinsurance recoveries. The reserve is estimated by the use of completion factors applied to historical lag patterns and projection of per-member-per-month cost trends. Medical cost adjustments to prior period estimates are reflected in the current period and changes in these estimates could be significant. While the ultimate amount of claims and losses are dependent upon future developments, management is of the opinion that the recorded reserves are adequate to cover such costs.

Premium Deficiency Reserve

The Company assesses the profitability of its Dignity Care insurance contracts when current operating results or forecasts indicate probable future losses for a line of business. The Company records a premium deficiency liability in current operations to the extent that the sum of expected future medical costs, claim adjustment expenses, and administration costs exceed the premiums to be collected for the remainder of a contract period. Investment income is not considered in the calculation of the premium deficiency liability.

CommCare Corporation
Notes to Consolidated Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets

The Company reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Company, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. At June 30, 2022 and 2021 there were no net assets with donor restrictions.

Noncontrolling Interest in Subsidiaries

The Company has ownership interests in subsidiaries that are less than 100% but are controlled by the Company and therefore consolidated. During the years ended June 30, 2022 and 2021 the Company distributed \$1,395,000 and \$1,012,500 to the noncontrolling shareholders of CCC Pharmacy, LLC. During the year ended June 30, 2021, the Company purchased the controlling interest in Hospice for \$1,817,489. Prior to the purchase the Company distributed \$141,349 to the noncontrolling shareholders of Hospice. This amount is included in distributions to noncontrolling shareholders in subsidiary on the consolidated statements of revenues, expenses, and changes in net assets. At June 30, 2021, \$1,211,659 of the purchase price was included in accounts payable and other accrued expenses. See Note 15.

Fair Value Measurements

Accounting Standards Codification (ASC) 820-10 establishes a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

- Level 1—Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

- Level 2—Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial statements.

- Level 3—Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The Company's financial instruments consist of cash, accounts receivable, accounts payable, and interest rate swaps. The recorded values of cash, accounts receivable, and accounts payable, approximate fair value based on their short-term nature. The recorded values of interest rate swaps are measured on a recurring basis primarily utilizing Level 2 inputs including forecasted interest rates and quoted prices for similar instruments in active markets.

Patient Service Revenue and Concentration of Credit Risk

Effective July 1, 2020, the Company adopted ASC 606 using the modified retrospective method. Patient service revenue and receivables are reported at the amount that reflects the consideration the Company expects to be entitled for providing patient care. These amounts are due from patients, third-party payors (including managed care payors and government programs), and others, and include variable consideration for retroactive revenue adjustments due to settlement of reviews and audits. Generally, the Company bills the patients and third-party payors after the services are performed. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the Company. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected or actual charges. The Company believes that this method provides a reasonable depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. The Company measures the performance obligation from admission into the facility to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge. These services are considered to be a single performance obligation. Revenue for performance obligations satisfied at a point in time is recognized when services are provided. Management believes this method provides a faithful depiction of the transfer of services over the term of performance obligations based on the inputs needed to satisfy the obligations.

CommCare Corporation
Notes to Consolidated Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Patient Service Revenue and Concentration of Credit Risk (Continued)

Because its performance obligations relate to contracts with a duration of less than one year, the Company has elected to apply the optional exemption provided in Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 606-10-60-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The performance obligations for these contracts are generally completed when the patients are discharged, which generally occurs within days or weeks of the end of the reporting period.

As provided for under the guidance, the Company does not adjust the promised amount of consideration from patients and third-party payors for the effects of a significant financing component due to the expectation that the period between the time the service is provided to a patient and the time that the patient or a third-party payor pays for that service will be one year or less.

The Company is utilizing the portfolio approach practical expedient in ASC 606 for contracts related to patient service revenue. The Company accounts for the contracts within each portfolio as a collective group, rather than individual contracts, based on the payment pattern expected in each portfolio category and the similar nature and characteristics of the patients within each portfolio.

The portfolios consist of major payor classes for services performed. Based on historical collection trends and other analyses, the Company has concluded that revenue for a given portfolio would not be materially different from accounting for revenue on a contract-by-contract basis.

Patient service revenue is recorded at established billing rates or at the amount realizable under agreements with third-party payors for services rendered. Revenues under third-party payor agreements are subject to examination and retroactive adjustment. Provisions for estimated third-party payor settlements are provided in the period the related services are rendered. Differences between the amounts accrued and subsequent settlements are recorded in operations in the year of settlement.

The mix of net revenues earned from the delivery of patient services were as follows:

For the year ended June 30,	2022	2021
Medicaid	57%	58%
Medicare	29%	30%
Other, including VA, Hospice and Private Payment	14%	12%
	100%	100%

CommCare Corporation
Notes to Consolidated Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Patient Service Revenue and Concentration of Credit Risk (Continued)

The mix of net receivables outstanding from the delivery of patient services were as follows:

June 30,	2022	2021
Medicaid	54%	63%
Medicare	28%	23%
Other, including VA, Hospice and Private Payment	18%	14%
	100%	100%

Medicare and Medicaid

Payment for services provided to inpatient acute Medicare program beneficiaries, and certain outpatient services, is based on a combination of prospectively determined rates per discharge and reimbursement for certain capital and medical education costs, as defined. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Medicare inpatient nonacute service and services rendered to Medicaid program beneficiaries are paid based on a cost reimbursement methodology with certain limitations and rate schedules. The Company is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Company and audits thereof by fiscal intermediaries. Final settlements are estimated and recorded in the financial statements in the year in which they occur. The estimated settlements recorded at June 30, 2022, could differ from actual settlements based on the results of cost report audits. Cost reports for all years before 2021 have been audited and settled as of June 30, 2022.

During 2022 and 2021, there were no changes in patient service revenues in the accompanying statements of operations to reflect changes in the estimated settlements for prior years. Future changes in the Medicare and Medicaid programs and the possible reduction of funding could have an adverse impact on the Company. In the opinion of management, adequate reserves for estimated final settlements have been provided as of June 30, 2022 and 2021, respectively.

Grant Revenue

All of the Company's grant revenues are from disaster grants for presidentially declared disasters related to COVID-19, hurricanes, and winter storms. The benefits received by the Company as a result of the assets transferred are not equivalent to commensurate value received by the government agencies and are therefore not considered exchange transactions. Grant revenue is analyzed for measurable performance-related barriers or other barriers. Revenue is recognized as barriers are met.

CommCare Corporation
Notes to Consolidated Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other Programs

The Company has patient service agreements with certain commercial insurance carriers, HMOs, and preferred provider organizations. The basis for payment to the Company under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. As a result of investigations by governmental agencies, various health care organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation, as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge the Company's compliance with these laws and regulations, and it is not possible to determine the impact, if any, such claims or penalties would have upon the Company. In addition, the contracts the Company has with commercial payors also provide for retroactive audit and review of claims.

Settlements with third-party payors for retroactive adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor, and the Company's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known based on newly available information or as years are settled or are no longer subject to such audits, reviews, and investigations.

Subsidiary Revenue Recognition

Revenues from Dignity Care Plan are based on contracts with Centers for Medicare and Medicaid Services (CMS) to provide medical services to Medicare enrollees in return for a capitated payment. Substantially all of the premiums are received from CMS under Medicare Advantage contracts. Premiums are due monthly and are recognized as income during the period that the Plan is obligated to provide services to its members.

Hospice is utilizing the portfolio approach practical expedient in ASC 606 for contracts related to patient service revenue. The Company accounts for the contracts within each portfolio as a collective group, rather than individual contracts, based on the payment pattern expected in each portfolio category and the similar nature and characteristics of the patients within each portfolio. The portfolios consist of major payor classes for services performed.

CommCare Corporation
Notes to Consolidated Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsidiary Revenue Recognition (Continued)

Based on historical collection trends and other analyses, the Company has concluded that revenue for a given portfolio would not be materially different from accounting for revenue on a contract-by-contract basis. See Note 15.

Management fees earned by the management company are recorded when performance obligations are met.

Revenues from pharmacy sales are recorded at the time performance obligations are met.

Lease income is recorded when earned per the terms of the lease agreement.

Advertising Costs

Advertising costs are expensed as incurred. During the years ended June 30, 2022 and 2021, advertising costs totaled \$1,109,821 and \$903,018, respectively.

Income Taxes

CommCare Management Corporation is a C-corporation for income tax purposes and income tax expense is calculated based on the liability method. During the year ended June 30, 2022 there were no differences between the book basis and the tax basis of CommCare Management Corporation's assets and liabilities, and therefore there were no deferred tax assets or liabilities recorded at June 30, 2022. Income tax expense of \$0 and \$110,431 was recorded in miscellaneous (expense) income on the consolidated statements of revenues, expenses and changes in net assets during the year ended June 30, 2022 and 2021, respectively.

No provision for income taxes has been made in the accompanying consolidated financial statements other than for CommCare Management Corporation. The Internal Revenue Service has determined that CommCare Corporation and its nonprofit subsidiaries qualify as 503(c)(3) organizations and are exempt from income taxes. The Company's for profit subsidiaries, other than CommCare Management Corporation, have elected to be taxed as partnerships and all income flows through to the individual members.

Generally accepted accounting principles require an organization to account for uncertainties in income taxes. The interpretation requires recognition and measurement of uncertain income tax positions using a "more-likely-than-not" approach.

The Company has reviewed its tax positions and determined there were no outstanding or retroactive tax positions with less than a 50% likelihood of being sustained upon examination of taxing authorities.

CommCare Corporation
Notes to Consolidated Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interest

The Company capitalizes interest costs on qualifying construction in progress based on an imputed interest rate estimating the average cost of borrowed funds. Such capitalized interest becomes part of the cost of the related asset and is depreciated over its estimated life. Capitalized interest totaled \$716,519 and \$583,875 for the years ended June 30, 2022 and 2021, respectively.

Reclassifications

Certain reclassifications were made to prior year balances to conform with current year presentation.

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, December 2, 2022. See Note 18 for relevant disclosures. No subsequent events occurring after this date have been evaluated for inclusion in these consolidated financial statements.

Accounting Guidance Not Yet Adopted

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU and its amendments supersedes the leasing guidance in Topic 840, entitled *Leases*. Under the guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. For nonpublic entities, the standard is effective for fiscal years beginning after December 15, 2021. Early adoption is permitted. The Company is currently evaluating the impact of the guidance on its financial statements.

Note 3: FINANCIAL ASSET AVAILABILITY

The Company maintains its financial assets primarily in cash and cash equivalents and accounts receivable to provide liquidity to ensure funds are available as the Company's expenditures come due. The following reflects the Company's financial assets as of the balance sheet date, reduced by amounts not available for general use within one year of the balance sheet date because of contractual or donor-imposed restrictions.

CommCare Corporation
Notes to Consolidated Financial Statements

Note 3: FINANCIAL ASSET AVAILABILITY (Continued)

<i>June 30,</i>	2022	2021
Financial assets, at year-end	\$ 39,565,986	\$ 50,697,533
Less those not available for general expenditures within one year, due to contractual or donor-imposed restrictions		
Restricted by donor with time or purpose restrictions	-	-
Board designations	-	-
Financial assets available to meet cash needs for general expenditures within one year	\$ 39,565,986	\$ 50,697,533

Financial assets at year-end as noted in the above schedule exclude non-current assets, prepaid expenses, other current assets, and restricted cash.

Note 4: NOTES RECEIVABLE

On July 1, 2017, the Company entered into a new markets tax credit (NMTC) transaction to partially finance the construction of a new skilled nursing facility in Ponchatoula, Louisiana. As part of the NMTC financing, the Company had a note receivable from a financial institution of \$6,166,400 at June 30, 2022 and 2021, respectively. Interest accrues at a fixed rate of 4.95% and is payable quarterly. The final payment of all outstanding principal will be due on the maturity date of the note, July 7, 2024.

On May 26, 2021, the Company entered into a new markets tax credit (NMTC) transaction to partially finance the construction of a new skilled nursing facility in Natchitoches, Louisiana. As part of the NMTC financing, the Company had a note receivable from a financial institution of \$6,597,900 at June 30, 2022 and 2021, respectively. Interest accrues at a fixed rate per annum of 1.00% and is payable quarterly. The final payment of all outstanding principal will be due on the maturity date of the note, May 25, 2051.

On May 26, 2021, the Company entered into a new markets tax credit (NMTC) transaction to partially finance the construction of a new skilled nursing facility in Natchitoches, Louisiana. As part of the NMTC financing, the Company had a note receivable from Twain Investment Fund 489 of \$3,492,900 at June 30, 2022 and 2021, respectively. Interest accrues at a fixed rate per annum of 1.00% and is payable quarterly. The final payment of all outstanding principal will be due on the maturity date of the note, May 25, 2051.

CommCare Corporation
Notes to Consolidated Financial Statements

Note 4: NOTES RECEIVABLE (CONTINUED)

On May 26, 2021, the Company entered into a new markets tax credit (NMTC) transaction to partially finance the construction of a new skilled nursing facility in Natchitoches, Louisiana. As part of the NMTC financing, the Company had a note receivable from Twain Investment Fund 546 of \$1,028,525 at June 30, 2022 and 2021, respectively. Interest accrues at a fixed rate per annum of 1.21% and is payable quarterly. The final payment of all outstanding principal will be due on the maturity date of the note, May 25, 2051.

Payments to be received on the notes receivable balances in the subsequent fiscal years are as follows:

June 30,		
2023	\$	-
2024		-
2025		6,166,400
2026		-
2027		-
Thereafter		11,119,325
Total	\$	17,285,725

Note 5: EQUITY METHOD INVESTMENT

The Company had a fifty percent interest in a skilled nursing home operating company, Minden Community Care Center, LLC, which was formed in 2021. On December 1, 2021 the Company sold its interests in the operating company and the land and building that it was leasing to the operating company for \$16,232,000. As part of the sale the debt associated with the fixed assets was paid off and the Company recognized a gain of \$854,697 which is included in gain on disposal of assets on the consolidated statements of revenues, expenses, and changes in net assets. The Company's pro rata share of net income prior to the sale for June 30, 2022 was \$22,480. The following information summarizes the activity of the investment as of and for the year ended June 30, 2021:

June 30,		2021
Total assets	\$	7,071,257
Total liabilities		(556,571)
Net assets		6,514,686
CommCare's pro rata share of net assets		3,242,854
Total net income (loss)		(471,953)
CommCare's pro rata share of net income (loss)	\$	(235,977)

CommCare Corporation
Notes to Consolidated Financial Statements

Note 6: PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	2022	2021
Land	\$ 14,256,092	\$ 13,096,806
Land improvements	3,820,491	4,157,111
Buildings and improvements	134,539,979	153,674,999
Furniture, fixtures and equipment	26,763,626	28,796,088
Construction in progress	32,916,311	8,541,402
Total property and equipment	212,296,499	208,266,406
Less accumulated depreciation	(54,840,273)	(55,695,592)
	\$ 157,456,226	\$ 152,570,814

Depreciation expense was \$7,321,962 and \$7,317,707 for the years ended June 30, 2022 and 2021, respectively. Substantially all land, buildings, improvements, and equipment are pledged to secure debt (see Note 8). For the year ended June 30, 2022 and 2021, \$492,777 and \$583,875 of interest was capitalized and included in construction in progress, respectively.

Construction in progress at June 30, 2022 and 2021 primarily consisted of the construction of facilities in Lake Charles and Natchitoches, Louisiana. As of June 30, 2022 the Company estimates that it will incur an additional \$11,588,257 to complete the construction.

Note 7: ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consisted of the following at June 30:

	2022	2021
Accounts payable	\$ 8,976,211	\$ 9,701,461
Accrued salaries, wages, benefits, and payroll taxes	5,160,587	5,114,697
Accrued professional liability	2,200,000	1,444,523
Other accrued expenses	2,529,918	5,031,131
	\$ 18,866,716	\$ 21,291,812

In response to the COVID-19 pandemic, CMS advanced funds to the Company under the CMS Accelerated and Advance Payment Program. The funds advanced under this program are required to begin being repaid 12 months from the award date. Patient service billings are offset against the advanced funds based on the following schedule. Beginning 12 months after the advance payments were made, CMS will automatically recoup 25% of all payments for 11 months. After the 11 months have elapsed, if there are still amounts yet to be repaid from the advance payment, CMS will automatically recoup 50% of all payments for 6 months. At the end of this six-month period, if there are any amounts still unpaid, CMS will send a letter to the provider requesting the full repayment of the amount still outstanding. Recoupment began in April 2021. Included in other accrued expenses at June 30, 2022 and 2021 is \$14,296 and \$3,434,193 of advance payments from CMS.

CommCare Corporation
Notes to Consolidated Financial Statements

Note 7: ACCOUNTS PAYABLE AND ACCRUED EXPENSES (Continued)

A liability for premium deficiency losses are recorded in accounts payable and accrued expenses on the consolidated balance sheet. A liability for premium deficiency losses is an actuarial estimate that is recognized when it is probable that expected claim losses and allocable administrative expenses will exceed future premiums on existing health and other contracts. Premium deficiency losses are generally released over the period that the contract is in a loss position. The Company recorded \$750,000 and \$1,300,000 premium deficiency reserve (“PDR”) at June 30, 2022 and 2021, respectively, for its Medicare Advantage market segment. Medicare Advantage contracts are considered short duration insurance contracts.

Included in accounts payable and accrued expenses are claims payable that represent the amount of payments to be made on individual claims which have been reported to the Plan, as well as estimates of claims incurred which have not yet been reported as of the financial statement dates.

Claims payable is estimated using various actuarial and statistical methods that use both historical financial and operating data. Management believes that the claims payable liability is adequate to satisfy the ultimate claims liabilities. There is a reasonable possibility that the estimates could change by a material amount in the near term. The estimates for claims payable are continually reviewed and adjusted as necessary as experience develops or new information becomes known. Such adjustments are included in current operations. The claims payable and reserves for incurred but unreported claims were \$995,725 and \$477,852 at June 30, 2022 and 2021, respectively.

Note 8: LONG-TERM DEBT

Long-term debt consisted of the following as of June 30:

	2022	2021
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LPFA Revenue Bonds Series 2008B in the original amount of \$47,500,000. The bonds were scheduled to mature on August 1, 2023 with principal payments due annually and interest payments due monthly. Interest was fixed at 2.93% through maturity. The bonds were collateralized by a first mortgage and security interest in eleven of the skilled nursing facilities owned by the Company, including their revenues, receivables, and virtually all of their other assets. The bonds were paid off during fiscal 2022.	\$ -	\$ 33,672,249
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CommCare Corporation
Notes to Consolidated Financial Statements

Note 8: LONG-TERM DEBT (CONTINUED)	2022	2021
<p>Note payable with a financial institution, interest rate is based on the one month LIBOR rate plus 2.45%. The interest rate was 3.29% and 2.56% at June 30, 2022 and 2021, respectively. Interest was payable monthly starting August 1, 2017 and principal payments are paid monthly and commenced on March 1, 2020. The note matures on July 7, 2024, at which time a balloon payment of unpaid principle and interest is due. The Company can make draws on this loan up to \$9,195,274. This note is secured by the restricted cash assets and by all other property obtained as a result of the proceeds received.</p>	\$ 8,139,152	\$ 8,480,031
<p>Note payable with a financial institution, interest rate is based on the one month LIBOR rate plus 2.45%. The interest rate was 3.29% and 2.56% at June 30, 2022 and 2021 respectively. Interest is payable monthly starting August 10, 2017 and principal payments are monthly commencing on March 10, 2020. Note matures on July 7, 2024, at which time a balloon payment of unpaid principle and interest is due. This note is secured by all property obtained as a result of the proceeds received.</p>	5,622,790	5,858,280
<p>Loan agreement with a financial institution. The interest rate for this loan is a fixed rate of 3.55%. Interest is payable monthly which began August 1, 2017 and the principal balance is due in full at maturity of the loan. The loan matures on July 7, 2024. This note is secured by the restricted cash assets and by all other property obtained as a result of the proceeds received.</p>	6,166,400	6,166,400
<p>Loan agreement with a financial institution. The interest rate is a fixed rate of 3.55% at June 30, 2022 and 2021. Interest is payable monthly starting August 1, 2017 and principal payments are monthly commencing on September 1, 2024. The loan matures on July 7, 2047. This note is secured by the restricted cash assets and by all other property obtained as a result of the proceeds received.</p>	2,563,600	2,563,600
<p>LPFA Revenue Bonds Series 2019A. The bond matured on January 15, 2026 with principal payments due annually and interest payments due monthly. Interest was calculated as 79% of one month LIBOR plus 2.5%. The interest rate on the bonds was 2.58% at June 30, 2021. The bonds were collateralized by a first mortgage of the skilled nursing facilities owned by the Company which the bonds were financed. The bonds were paid off during fiscal 2022.</p>	-	19,756,974

CommCare Corporation
Notes to Consolidated Financial Statements

Note 8: LONG-TERM DEBT (CONTINUED)	2022	2021
<p>LPFA Revenue Bonds Series 2018A. The bonds were scheduled to mature on September 15, 2025 with principal payments due annually and interest payments due monthly. Interest is calculated as 74% of one month LIBOR plus 2.5%. The interest rate on the bonds was 2.58% and 2.64% at June 30, 2022 and 2021, respectively. The bonds are collateralized by a first mortgage of the skilled nursing facilities owned by the Company which the bonds were financed. The bonds were paid off during fiscal 2022.</p>	\$ -	\$ 12,961,509
<p>LPFA Revenue Bonds Series 2020. The bonds were scheduled to mature on January 15, 2027 with principal payments due annually and interest payments due monthly. Interest was calculated as 79% of one month LIBOR plus 2.5%. The interest rate on the bonds was 2.58% at June 30, 2021. The bonds were collateralized by a first mortgage of the skilled nursing facilities owned by the Company which the bonds are financing. The bonds were paid off during fiscal 2022.</p>	-	13,264,000
<p>On August 6, 2019, the Company entered into notes payable with financial institutions. Interest rate was calculated at the adjusted one month LIBOR rate. The interest rate was 2.63% at June 30, 2021. Interest and principal was payable monthly starting October 1, 2019. The note was scheduled to mature on August 1, 2023, at which time a balloon payment of unpaid principal and interest was due. The note was collateralized by a first mortgage of the skilled nursing facilities owned by the Company. The note was paid off during fiscal 2022.</p>	-	9,985,743
<p>Loan agreement with a financial institution. Interest rate was calculated at the adjusted one month LIBOR rate. The interest rate was 2.67% at June 30, 2021. Interest and principle payments were payable monthly starting January 5, 2020. The loan matured on December 4, 2026. The note was collateralized by a first mortgage of the skilled nursing facilities owned by the Company. The bond was paid off during 2022.</p>	-	5,556,600
<p>Loan agreement with a financial institution. Interest rate is a fixed rate of 1.00%. Interest only payments are due quarterly starting March 10, 2022. Commencing on June 10, 2028 principal and interest payments are due monthly until the loan matures. The loan matures on May 25, 2051. The note is collateralized by all property pledged, mortgaged or assigned on a skilled nursing facility owned by the Company.</p>	1,028,525	1,028,525

CommCare Corporation
Notes to Consolidated Financial Statements

Note 8: LONG-TERM DEBT (CONTINUED)	2022	2021
Loan agreement with a financial institution. Interest rate is a fixed rate of 1.00%. Interest only payments are due quarterly starting March 10, 2022. Commencing on June 10, 2028 principal and interest payments are due monthly until the loan matures. The loan matures on May 25, 2051. The note is collateralized by all property pledged, mortgaged or assigned on a skilled nursing facility owned by the Company.	\$ 5,000,000	\$ 5,000,000
Loan agreement with a financial institution. Interest rate is a fixed rate of 1.00%. Interest only payments are due quarterly starting March 10, 2022. Commencing on June 10, 2028 principal and interest payments are due monthly until the loan matures. The loan matures on May 25, 2051. The note is collateralized by all property pledged, mortgaged or assigned on a skilled nursing facility owned by the Company.	1,471,475	1,471,475
Loan agreement with a financial institution. Interest rate is calculated at LIBOR rate plus 3.80% or the LIBOR Successor Rate, as applicable. The interest rate was 4.67% and 3.89% at June 30, 2022 and 2021, respectively. Interest only payments are due monthly. Commencing on June 15, 2023 principal and interest payments are due monthly until the loan matures. The loan matures on May 25, 2026. The note is collateralized by all property pledged, mortgaged or assigned on a skilled nursing facility owned by the Company.	6,597,900	6,597,900
Loan agreement with a financial institution. Interest rate is a fixed rate of 1.68%. Interest only payments are due quarterly starting March 5, 2022. Commencing on June 5, 2028 principal and interest payments are due monthly until the loan matures. The loan matures on May 25, 2051. The note is collateralized by all property pledged, mortgaged or assigned on a skilled nursing facility owned by the Company.	2,222,100	2,222,100
Loan agreement with a financial institution. Interest rate is a fixed rate of 1.68%. Interest only payments are due quarterly starting March 5, 2022. Commencing on June 5, 2028 principal and interest payments are due monthly until the loan matures. The loan matures on May 25, 2051. The note is collateralized by all property pledged, mortgaged or assigned on a skilled nursing facility owned by the Company.	6,597,900	6,597,900

CommCare Corporation
Notes to Consolidated Financial Statements

Note 8: LONG-TERM DEBT (CONTINUED)	2022	2021
<p>Loan agreement with a financial institution. Interest rate was calculated at the adjusted one month ICE LIBOR rate plus 195 basis points with a floor rate of 2.45%. The interest rate was 2.45% at June 30, 2022. Interest and principle payments were payable monthly starting November 29, 2020. The loan was scheduled to mature on October 29, 2025. The note was collateralized by a first mortgage of the skilled nursing facilities owned by the Company. The loan was paid off during fiscal 2022.</p>	\$ -	\$ 10,402,987
<p>Loan agreement with a financial institution. Interest rate is a floating interest rate calculated using the SOFR Rate plus 325 basis points with a floor of 4.25%. The interest rate at June 30, 2022 was 4.75%. Interest only payments are payable starting September 10, 2022 with a balloon payment of principal and outstanding interest due at maturity, December 10, 2024. The note is collateralized by a first mortgage of certain skilled nursing facilities owned by the Company.</p>	36,267,000	-
<p>Loan agreements with a financial institution. Interest rate is calculated using the Benchmark Rate in U.S. Dollars provided by American Financial Exchange on the first day of each month rounded to the nearest one-eighth of one percent, plus 220 basis points with a floor of 2.20%. The interest rate at June 30, 2022 was 3.20%. Interest and principal payments were payable starting June 19, 2022 with a balloon payment of principal and outstanding interest due at maturity, May 19, 2027. The note is collateralized by a first priority lien of certain skilled nursing facilities owned by the Company.</p>	40,727,787	-
<p>Non-revolving line of credit with a financial institution up to \$22,375,552. Interest rate is calculated using the one month LIBOR plus 2.60%. The interest rate at June 30, 2022 was 3.47%. Interest only payments were payable starting July 15, 2021 with a balloon payment of principal and outstanding interest due at maturity, July 15, 2026. The note is collateralized by a first priority lien of certain skilled nursing facilities owned by the Company.</p>	16,379,368	-
<p>A loan with a financial institution, interest rate is calculated using the one month LIBOR plus 2.70%. The interest rate at June 30, 2022 was 3.57%. Interest only payments were payable starting June 1, 2021 with principal and interest payments commencing on June 5, 2023. The note matures May 25, 2028. The Company can make draws on this loan up to \$6,496,200.</p>	1,321,864	-

CommCare Corporation
Notes to Consolidated Financial Statements

Note 8: LONG-TERM DEBT (CONTINUED)	2022	2021
Total debt obligations	\$ 140,105,861	\$ 151,586,273
Less unamortized deferred financing costs, net	(3,021,469)	(2,354,321)
Less current portion of debt	(2,304,062)	(5,732,198)
Long-term debt	\$ 134,780,330	\$ 143,499,754

Maturities of principal in the subsequent fiscal years are as follows:

2023	\$	2,304,061
2024		39,672,551
2025		14,104,830
2026		8,650,754
2027		48,748,218
Thereafter		26,625,447
Total	\$	140,105,861

Substantially all of the loan agreements contain financial covenants. Substantially all of the loan agreements also have reporting requirements that the Company is in compliance with or if not in compliance has the right and the ability to cure any reporting violations.

The Company entered into interest rate swap contracts that effectively convert the interest rate on certain notes payable to fixed rates. The swap agreements commence on dates ranging from July 2, 2020 to July 15, 2023 and end on dates ranging from July 7, 2024 to May 25, 2028. The total notional value of the swap agreements as of June 30, 2022 and 2021 was \$26,856,042 and \$13,094,100 respectively. The notional amount under the swap agreements will decrease as principal payments are made on the notes payable so that the notional amount on the swaps equals the principal outstanding on the notes payable.

The carrying amount of the swaps have been adjusted to the fair values at June 30, 2022 and 2021, which because of changes in forecasted levels of LIBOR resulted in a reporting an asset of \$1,186,825 at June 30, 2022 and a liability of (\$256,249) at June 30, 2021, respectively. The change in the asset or liability is reported as a component of non-operating revenues (expenses) on the consolidated statements of revenues, expenses, and changes in net assets.

Note 9: CARES ACT PROVIDER RELIEF FUND

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law by the President of the United States. Included in the CARES Act was a healthcare provider relief fund (PRF), administered by the Department of Health and Human Services (HHS), and to be distributed to healthcare providers. The purpose of the PRF is to help providers offset certain costs incurred as a result of COVID-19 including the impact to the provider's revenue if applicable.

CommCare Corporation
Notes to Consolidated Financial Statements

Note 9: CARES ACT PROVIDER RELIEF FUND (Continued)

Providers were allocated a portion of the PRF based on prior revenue information reported to CMS in their annual Medicare cost reports. During the year ended June 30, 2021 the Company received \$3,466,473 in PRF payments. For the year ended June 30, 2021 the Company determined that, based on the guidance provided by HHS, \$5,736,373 of additional costs or lost revenue related to COVID-19 were allocable to PRF payments received and recognized the amounts as contribution revenue in the 2021 consolidated financial statements and \$147,708 was recognized in changes in net assets from discontinued operations related to Hospice.

During the year ended June 30, 2022 the Company received \$1,594,731 in PRF payments. For the year ended June 30, 2022 the Company determined that, based on guidance provided by HHS, \$1,594,731 of additional costs or lost revenue related to COVID-19 were allocable to PRF payments received and recognized the amounts as contribution revenue in the 2022 consolidated financial statements.

Note 10: CONCENTRATIONS OF CREDIT RISK

The Company maintains cash with financial institutions in excess of the FDIC limit of \$250,000 by \$26,082,784 and \$39,673,101 at June 30, 2021 and 2022, respectively.

Note 11: COMMITMENTS

There are various claims and litigation against the Company that could materially affect its financial position at the time of the ultimate settlement of such actions. For medical malpractice cases in Louisiana, the Company is self-insured up to the first \$100,000 per claim and is covered for the excess over \$100,000 up to the statutory malpractice damages "cap" of \$500,000 through enrollment in the Louisiana Patients' Compensation Fund (the Fund). Management is of the opinion that the Company's reserve provides adequate coverage for the first \$100,000 of each claim outstanding. Due to the state of nursing home litigation and the unpredictability of jury verdicts, it is the opinion of management that it is reasonably possible that this estimate will change in the near term. However, the Company does not expect any such changes to the estimate to be material to the Company's consolidated financial statements.

The Company has elected to self-insure employee and eligible dependent health claims. The self-insured claims are processed through a third party plan administrator. The Company's self-insured plan has stop-loss insurance coverage for claims in excess of \$100,000 per individual per plan year and \$125,000 in the aggregate for claims in excess of the individual stop-loss. The Company has recorded a current liability for open claims and claims incurred but not reported of \$918,510 and \$742,544 at June 30, 2022 and 2021, respectively.

The Company leases equipment and land under various non-cancelable operating leases with various maturities through April 17, 2067. Lease expense for the years ended June 30, 2022 and 2021 was \$455,430 and \$386,500, respectively. The future minimum fiscal year lease payments for all leases are as follows for the years ended:

CommCare Corporation
Notes to Consolidated Financial Statements

Note 11: COMMITMENTS (Continued)

June 30,	
2023	\$ 222,319
2024	209,882
2025	139,572
2026	110,263
2027	108,000
Thereafter	4,698,000
Total	\$ 5,488,035

Note 12: DEFINED CONTRIBUTION PLAN

The Company sponsors a defined contribution plan (the Plan) covering all employees that are at least 21 years of age and have completed one year of service. Under provisions of the plan, the Employer must match 100% of each employee's contributions up to the first 1% of the employee's annual compensation and match 50% of each employee's contribution up to an additional 5% of the employee's annual compensation. Employer contribution expenses were \$800,299 and \$737,778 for the years ended June 30, 2022 and 2021, respectively.

Note 13: RELATED PARTIES

The Company leased a nursing home facility to Camelot of North Oaks, LLC, an equity method investment of the Company until May 1, 2021 when the remaining equity interest were acquired by the Company. The lease agreement was for 30 years at an annual rate of \$1,481,600, and commenced on December 1, 2018. The lease payments were subject to adjustments every 10 years based on changes in the consumer price index. Total lease income recognized during 2021 was \$1,234,666. All lease payments subsequent to May 1, 2021 were eliminated in consolidation. There were no lease payments in 2022.

The Company leased a nursing home facility to Minden Community Care Center, LLC, an equity method investment of the Company. The lease agreement was for 30 years at an annual rate equal to the monthly debt service amount payable to a local bank times one hundred and three percent plus \$25,000 for the first sixty months, and commenced on November 1, 2020. The debt associated with the property was set to mature prior to the terms of the lease at which time the Company would modify the lease based on new debt terms. As the future minimum lease payments were not known after the underlying loan matured, and the lease was between related parties, the substance of the lease required the Company to account for it as an operating lease. Total lease income recognized for June 30, 2022 and 2021 was \$503,660 and \$413,373, respectively.

On December 1, 2021 the Company sold the nursing home facility and its membership units and fixed assets in Minden Community Care Center, LLC for \$16,232,000. Part of the proceeds were used to pay off a note payable that had a \$10,402,987 balance at June 30, 2021. There are no future minimum lease payments.

CommCare Corporation
Notes to Consolidated Financial Statements

Note 14: FUNCTIONAL CLASSIFICATION OF EXPENSES

Costs related to program administration are functionally classified as supporting services expenses. Any costs related to activities that constitute direct conduct or direct supervision of program activities are program expenses. The Company did not have any fundraising expenses for the year ended June 30, 2022 and 2021. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function of the Company. Therefore, these expenses require allocation on a reasonable basis that is consistently applied.

Nursing services, general and administrative, therapy and ancillary services, cost of pharmacy sales, dietary and food, plant operations and maintenance, provider fees, housekeeping and laundry, activities and social services, bad debt expense, advertising costs, and community services costs have been allocated based on actual direct expenditures excluding salary and benefit costs. Salaries and benefits have been allocated based on time and effort.

Lease expenses have been allocated based on use of space. The table below presents expenses by both their nature and function for the years ended June 30, 2022 and 2021:

For the year ended June 30, 2022	Program Services	Support Services	Total
Salaries and benefits	\$ 47,138,253	\$ 25,211,757	\$ 72,350,010
Nursing services	7,138,396	793,155	7,931,551
General and administrative	-	16,205,864	16,205,864
Therapy and ancillary services	6,476,961	2,893,366	9,370,327
Cost of pharmacy sales	9,133,898	-	9,133,898
Dietary and food	3,945,319	-	3,945,319
Depreciation and amortization	5,266,468	2,065,711	7,332,179
Plant operations and maintenance	-	5,392,887	5,392,887
Provider fees	5,501,424	-	5,501,424
Housekeeping and laundry	694,519	-	694,519
Activities and social services	175,997	-	175,997
Bad Debt Expense	1,667,229	-	1,667,229
Lease expense	-	843,430	843,430
Advertising costs	-	156,109	156,109
Community services	-	79,036	79,036
Total operating expenses	\$ 87,138,464	\$ 53,641,315	\$ 140,779,779

CommCare Corporation
Notes to Consolidated Financial Statements

Note 14: FUNCTIONAL CLASSIFICATION OF EXPENSES (CONTINUED)

For the year ended June 30, 2021	Program Services	Support Services	Total
Salaries and benefits	\$ 40,351,153	\$ 20,353,693	\$ 60,704,846
Nursing services	4,614,748	512,750	5,127,498
General and administrative	-	15,445,789	15,445,789
Therapy and ancillary services	8,890,065	-	8,890,065
Cost of pharmacy sales	7,788,542	-	7,788,542
Dietary and food	3,240,452	-	3,240,452
Depreciation and amortization	5,264,533	2,063,390	7,327,923
Plant operations and maintenance	-	4,130,624	4,130,624
Provider fees	4,606,208	-	4,606,208
Housekeeping and laundry	590,964	-	590,964
Activities and social services	120,506	-	120,506
Bad Debt Expense	1,017,044	-	1,017,044
Lease expense	-	494,500	494,500
Advertising costs	-	98,117	98,117
Community services	-	65,148	65,148
Total operating expenses	\$ 76,484,215	\$ 43,164,011	\$ 119,648,226

Note 15: DISCONTINUED OPERATIONS

On February 18, 2021 the Company entered into an agreement for the sale of Senescene, LLC (Hospice). The sale was finalized on July 1, 2021 for \$5,440,000. Concurrent with the sale, the Company remitted \$1,211,659 of accrued distributions to the noncontrolling shareholders in Hospice. The assets, liabilities, and results of Hospice have been classified as discontinued operations on the consolidated balance sheet, consolidated statements of revenues, expenses, and changes in net assets, and the consolidated statement of cash flows for all periods presented. The sale resulted in a \$5,733,182 gain which is included in the gain on disposal of assets on the consolidated statements of revenues, expenses, and change in net assets for the year ended June 30, 2022.

The following table presents the details of the assets and liabilities classified as held for sale in the consolidated balance sheet as of June 30, 2021:

CommCare Corporation
Notes to Consolidated Financial Statements

Note 15: DISCONTINUED OPERATIONS (CONTINUED)

June 30,	2021
Assets	
Prepaid expenses and other current assets	\$ 16,343
Property and equipment, net	2,097
<hr/>	
Total assets of disposal group classified as held for sale	\$ 18,440
<hr/>	
Liabilities	
Accounts payable and accrued expenses	\$ 2,122,812
<hr/>	
Total liabilities of disposal group classified as held for sale	\$ 2,122,812
<hr/>	
<p>The change in net assets from discontinued operations presented in the consolidated statements of revenues, expenses, and changes in net assets for the year ended June 30, 2021 consisted of the following:</p>	
For the year ended June 30,	2021
<hr/>	
Revenue without donor restrictions, gains, and other support	
Hospice revenue	\$ 7,990,684
<hr/>	
Total revenue without donor restrictions, gains, and other support	7,990,684
<hr/>	
Operating expenses	
Nursing services	3,006,169
General and Administrative	974,011
Therapy and ancillary services	3,037,686
Depreciation and amortization	2,641
Bad debt expense	538,986
Lease expense	62,610
Advertising costs	60,016
Management fees	410,171
<hr/>	
Total operating expenses	8,092,290
<hr/>	
Operating (loss) income	(101,606)
<hr/>	
Non-operating revenues (expenses)	
Interest expense	(11,754)
<hr/>	
Total non-operating revenues (expenses)	(11,754)
<hr/>	
Change in net assets from discontinued operations	\$ (113,360)

CommCare Corporation
Notes to Consolidated Financial Statements

Note 16: ACQUISITIONS

On May 1, 2021, the Company acquired the 51% majority interest in Camelot of North Oaks, LLC for \$4,000,000. The purchase made the Company the 100% owner of Camelot of North Oaks, LLC. As the Company acquired a controlling interest, in accordance with US GAAP, the previously held equity interest was remeasured at its fair value on the date of acquisition and as a result, a gain of \$867,179 was recognized. The total fair value at acquisition of Camelot North Oaks, LLC is based on the purchase price of the 51% interest and the fair value of the previously held 49% interest and was determined to be \$7,843,137.

The acquisition fair value was allocated as follows:

Cash	\$ 1,112,786
Accounts Receivable	801,603
Other current assets	55,928
Property and equipment	1,276,426
Intangible assets	1,076,880
Goodwill	3,519,514
Total	\$ 7,843,137

On May, 1, 2021 the company acquired the CON for a 250 bed skilled nursing facility in Lake Charles, Louisiana in the amount of \$4,250,000. The Company is constructing a new facility to utilize the CON. The facility that was previously utilizing the CON prior to the Company's acquisition was no longer operating due to damage incurred by a hurricane.

On December 1, 2021 to company acquired the CON for a 124 bed skilled nursing facility in Metairie, Louisiana in the amount of \$4,500,000. The company is leasing the facility to utilize the CON. In conjunction with the purchase, the Company entered into a two year lease with a related party of the seller, to continue to utilize the existing facility. The Company intends to construct a new facility to fully utilize the CON.

Note 17: GAIN ON LEGAL SETTLEMENT

During the year ended June 30, 2022, the Company settled litigation related to a construction project from 2021. As a result of the settlement, the Company received \$1,500,000 which is included in miscellaneous income on the consolidated statements of revenues, expenses, and changes in net assets.

CommCare Corporation
Notes to Consolidated Financial Statements

Note 18: SUBSEQUENT EVENTS

The Company formed a joint venture, Post Acute Holdings, LLC (PAH) wherein the Company obtained 55% ownership. On November 15, 2022, PAH purchased the home healthcare and hospice services of Notre Dame Health Systems for \$11,000,000. Notre Dame Health System is affiliated with the Archdiocese of New Orleans and its home healthcare and hospice serves patients throughout Southeast Louisiana.



SUPPLEMENTARY INFORMATION



Commcare Corporation
Schedule of Compensation, Benefits, and
Other Payments to Agency Head

Agency Head Name: Dr. Patricia Prechter, President and CEO

Purpose	Amount
Salary	\$ -
Benefits-insurance	-
Benefits-retirement	-
Benefits-medicare	-
Benefits-worker's compensation	-
Benefits-unemployment	-
Cell phone and Ipad dues	-
Uniforms	-
Per diem	-
Reimbursements-advertising	-
Travel	-
Fuel usage	-
Conference travel (Including Hotel Stays)	-
Continuing professional education fees	-
Housing	-
Unvouchered expenses	-
Special meals	-
Total	\$ -

* Louisiana Revised Statute 24:513(A)(3) as amended by Act 706 of the 2014 Regular Legislative Session requires that the total compensation, reimbursements, and benefits of an agency head or political subdivision head or chief executive officer related to the position, including but not limited to travel, housing, unvouchered expenses, per diem, and registration fees be reported as a supplemental report within the financial statement of local governmental and quasi-public auditees. In 2015 Act 462 of the 2015 Regular Session of the Louisiana Legislature further amended R.S. 24:513(A)(3) to clarify that nongovernmental entities or not-for-profit entities that receive public funds shall report only the use of public funds for the expenditures itemized in the supplemental report.

CommCare Corporation

Consolidating Balance Sheet

June 30, 2021	CommCare	CommCare Avoyelles	CommCare Natchitoches	CommCare Tangipahoa	CommCare Catahoula	CommCare EBR	CommCare Center Point	CommCare Ouachita	CommCare Management	Dignity Care	CommCare Louisiana	CCC Pharmacy	Senescence	Eliminations	Totals
Assets															
Current assets															
Cash and cash equivalents	\$ 15,017,158	\$ -	\$ 183,293	\$ 1,070,448	\$ -	\$ -	\$ -	\$ -	\$ 2,155,694	\$ 1,822,535	\$ 747,873	\$ 1,064,880	\$ -	\$ -	\$ 22,061,881
Restricted cash	-	-	-	-	-	-	-	-	-	-	560,000	-	-	-	560,000
Accounts receivable, net	14,804,708	-	-	-	-	-	-	-	1,465,621	315,581	142,471	854,316	-	(78,592)	17,504,105
Prepaid expenses and other current assets	(3,788,533)	-	-	29,503	4,900,139	-	-	-	121,579	-	3,671	580,545	-	-	1,846,904
Intercompany	(5,229,545)	1,393,414	(1,737,007)	(167,969)	232,808	(1,989,477)	6,083,218	1,752,974	(2,887)	-	(335,530)	-	-	1	-
Total current assets	20,803,788	1,393,414	(1,553,714)	931,982	5,132,947	(1,989,477)	6,083,218	1,752,974	3,740,007	2,138,116	1,118,485	2,499,741	-	(78,591)	41,972,890
Non-current assets															
Restricted cash	131,250	-	1,281,289	-	-	-	-	-	-	3,000,000	-	-	-	-	4,412,539
Notes receivable	27,211,787	-	-	-	-	-	-	-	-	-	-	-	-	(9,926,062)	17,285,725
Investments in majority owned subsidiaries	8,329,446	-	-	-	-	-	-	-	-	-	2,393,698	-	-	(10,723,144)	-
Intangible assets	18,784,907	-	-	-	-	-	-	-	-	-	86,603	-	-	-	18,871,510
Goodwill	6,456,944	-	-	-	-	-	-	-	-	-	-	-	-	-	6,456,944
Fair value of interest rate swap	939,027	-	247,798	-	-	-	-	-	-	-	-	-	-	-	1,186,825
Miscellaneous	555,637	-	-	-	-	-	-	-	-	-	23,173	3,450	-	-	582,260
Property and equipment, net	98,016,458	9,814,653	17,056,111	15,951,854	357,711	7,530,419	2,898,227	5,907,999	262,614	-	527,765	216,852	-	(1,084,437)	157,456,226
Total non-current assets	160,425,456	9,814,653	18,585,198	15,951,854	357,711	7,530,419	2,898,227	5,907,999	262,614	3,000,000	3,031,239	220,302	-	(21,733,643)	206,252,029
Total assets	\$ 181,229,244	\$ 11,208,067	\$ 17,031,484	\$ 16,883,836	\$ 5,490,658	\$ 5,540,942	\$ 8,981,445	\$ 7,660,973	\$ 4,002,621	\$ 5,138,116	\$ 4,149,724	\$ 2,720,043	\$ -	\$ (21,812,234)	\$ 248,224,919
Liabilities and Net Assets															
Current liabilities															
Accounts payable and accrued expenses	\$ 12,496,350	\$ -	\$ 998,714	\$ 15	\$ 547,767	\$ -	\$ -	\$ -	\$ 2,215,994	\$ 1,904,878	\$ 601,883	\$ 326,345	\$ -	\$ (225,231)	\$ 18,866,715
Current portion of long-term debt	1,990,238	-	5,508	308,316	-	-	-	-	-	-	-	-	-	-	2,304,062
Total Current Liabilities	14,486,588	-	1,004,222	308,331	547,767	-	-	-	2,215,994	1,904,878	601,883	326,345	-	(225,231)	21,170,777
Long-term liabilities															
Long-term debt, less current portion and less debt issuance costs	73,531,047	11,294,229	16,038,957	16,521,673	4,980,379	5,590,824	9,036,346	7,712,937	-	-	-	-	-	(9,926,062)	134,780,330
Total long-term liabilities	73,531,047	11,294,229	16,038,957	16,521,673	4,980,379	5,590,824	9,036,346	7,712,937	-	-	-	-	-	(9,926,062)	134,780,330
Total liabilities	88,017,635	11,294,229	17,043,179	16,830,004	5,528,146	5,590,824	9,036,346	7,712,937	2,215,994	1,904,878	601,883	326,345	-	(10,151,293)	155,951,107
Net assets without donor restrictions															
CommCare	92,094,401	(86,162)	(11,695)	53,832	(37,488)	(49,882)	(54,901)	(51,964)	1,786,627	3,233,238	2,430,633	2,393,698	-	(10,543,733)	91,156,604
Noncontrolling interest in subsidiaries	1,117,208	-	-	-	-	-	-	-	-	-	1,117,208	-	-	(1,117,208)	1,117,208
Total Net Assets	93,211,609	(86,162)	(11,695)	53,832	(37,488)	(49,882)	(54,901)	(51,964)	1,786,627	3,233,238	3,547,841	2,393,698	-	(11,660,941)	92,273,812
Total liabilities and net assets	\$ 181,229,244	\$ 11,208,067	\$ 17,031,484	\$ 16,883,836	\$ 5,490,658	\$ 5,540,942	\$ 8,981,445	\$ 7,660,973	\$ 4,002,621	\$ 5,138,116	\$ 4,149,724	\$ 2,720,043	\$ -	\$ (21,812,234)	\$ 248,224,919

CommCare Corporation

Consolidating Statement of Revenues, Expenses, and Changes in Net Assets

For the year ended June 30, 2022	CommCare	CommCare Avoyelles	CommCare Natchitoches	CommCare Tanghi	CommCare Catahoula	CommCare EBR	CommCare Center Point	CommCare Ouachita	CommCare Management	Dignity Care	CommCare LA	CCC Pharmacy	Senescence	Eliminations	Total
Revenue without donor restrictions, gains, and other support															
Patient service revenue, net	\$ 121,926,235	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 121,926,235
Pharmacy sales	-	-	-	-	-	-	-	-	-	-	-	14,417,469	-	(2,893,366)	11,524,103
Premium Income	-	-	-	-	-	-	-	-	-	5,113,943	-	-	-	-	5,113,943
Management fee income	302,316	-	-	-	-	-	-	-	8,130,960	-	-	-	-	(7,820,685)	612,591
Lease Income	783,018	340,000	-	1,500,000	-	-	-	-	45,403	-	54,824	-	-	(2,008,000)	715,245
Contribution Revenue	1,594,732	-	-	-	-	-	-	-	-	-	-	-	-	-	1,594,732
Grant Revenue	2,182,141	-	-	-	-	-	-	-	-	-	-	-	-	-	2,182,141
Other operating revenues	260,114	-	-	-	-	-	-	-	220,406	-	-	-	-	-	480,520
Total revenue without donor restrictions, gains, and other support	127,048,556	340,000	-	1,500,000	-	-	-	-	8,396,769	5,113,943	54,824	14,417,469	-	(12,722,051)	144,149,510
Operating expenses															
Nursing services	49,019,408	-	-	-	-	-	-	-	1,506,993	-	-	-	-	-	50,526,401
General and Administrative	20,672,263	3,254	11,876	40,118	13,436	-	-	-	6,938,695	6,281,753	61,753	2,181,276	-	-	36,204,424
Therapy and ancillary services	12,263,693	-	-	-	-	-	-	-	-	-	-	-	-	(2,893,366)	9,370,327
Cost of goods sold- pharmacy	-	-	-	-	-	-	-	-	-	-	-	9,133,898	-	-	9,133,898
Dietary and food	7,332,797	-	-	-	-	-	-	-	-	-	-	-	-	-	7,332,797
Depreciation and amortization	6,091,762	285,133	53,145	664,961	10,011	23,433	19,418	19,323	90,171	-	59,629	60,555	-	(45,362)	7,332,179
Plant operations and maintenance	6,012,507	-	-	-	-	-	-	-	200,904	-	-	-	-	-	6,213,411
Provider fees	5,471,913	-	-	-	-	-	-	-	-	-	-	29,511	-	-	5,501,424
Housekeeping and laundry	3,648,496	-	-	-	-	-	-	-	-	-	-	-	-	-	3,648,496
Activities and social services	1,816,906	-	-	-	-	-	-	-	-	-	-	-	-	-	1,816,906
Bad debt expense	1,667,229	-	-	-	-	-	-	-	-	-	-	-	-	-	1,667,229
Lease expense	2,851,430	-	-	-	-	-	-	-	-	-	-	-	-	(2,008,000)	843,430
Advertising costs	1,107,745	-	-	-	-	-	-	-	-	-	-	2,076	-	-	1,109,821
Community services	79,036	-	-	-	-	-	-	-	-	-	-	-	-	-	79,036
Management fees	7,675,379	-	-	-	-	-	-	-	-	-	145,306	-	-	(7,820,685)	-
Total operating expenses	125,710,564	288,387	65,021	705,079	23,447	23,433	19,418	19,323	8,736,763	6,281,753	266,688	11,407,316	-	(12,767,413)	140,779,779
Operating income	1,337,992	51,613	(65,021)	794,921	(23,447)	(23,433)	(19,418)	(19,323)	(339,994)	(1,167,810)	(211,864)	3,010,153	-	45,362	3,369,731
Non-operating revenues (expenses)															
Gain on disposal of assets	5,531,854	-	-	-	-	-	-	-	(14,937)	-	5,750,793	21,031	-	-	11,288,741
Miscellaneous income (expense)	892,322	-	-	-	-	-	-	-	109,527	101	-	(23,760)	-	-	978,190
Equity in earnings of subsidiaries	7,378,511	-	-	-	-	-	-	-	-	-	3,016,793	-	-	(10,395,304)	-
Gain on equity method investment	(585,198)	-	-	-	-	-	-	-	-	-	-	-	-	-	(585,198)
Interest income	392,995	-	52,263	1,645	-	-	-	-	383	-	95	9,372	-	-	456,753
Interest expense	(2,699,703)	(87,429)	(227,981)	(577,838)	(14,041)	(26,449)	(35,483)	(32,641)	-	-	(16,561)	(3)	-	-	(3,718,129)
Unrealized gain on swap	939,027	-	504,047	-	-	-	-	-	-	-	-	-	-	-	1,443,074
Total non-operating revenues (expenses)	11,849,808	(87,429)	328,329	(576,193)	(14,041)	(26,449)	(35,483)	(32,641)	94,973	101	8,751,120	6,640	-	(10,395,304)	9,863,431
Changes in net assets from continuing operations	13,187,800	(35,816)	263,308	218,728	(37,488)	(49,882)	(54,901)	(51,964)	(245,021)	(1,167,709)	8,539,256	3,016,793	-	(10,349,942)	13,233,162
Changes in net assets from discontinued operations															
Revenues from discontinued operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Expenses from discontinued operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in net assets from discontinued operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Change in net assets without donor restrictions	13,187,800	(35,816)	263,308	218,728	(37,488)	(49,882)	(54,901)	(51,964)	(245,021)	(1,167,709)	8,539,256	3,016,793	-	(10,349,942)	13,233,162
Less change in net assets attributable to noncontrolling interests	-	-	-	-	-	-	-	-	-	-	(1,357,557)	-	-	-	(1,357,557)
Total changes in net assets without donor restrictions	13,187,800	(35,816)	263,308	218,728	(37,488)	(49,882)	(54,901)	(51,964)	(245,021)	(1,167,709)	7,181,699	3,016,793	-	(10,349,942)	11,875,605
Net assets															
Beginning of year	81,476,679	\$ 5,814,421	\$ (217,133)	\$ (164,896)	\$ -	\$ -	\$ -	\$ -	\$ 2,031,648	\$ 2,600,947	\$ 5,418,958	\$ 2,476,905	\$ (650,800)	\$ (18,351,079)	\$ 80,435,650
Distributions to noncontrolling shareholder in subs	(1,395,000)	-	-	-	-	-	-	-	-	-	(1,395,000)	(3,100,000)	-	4,495,000	(1,395,000)
Intercompany equity transfer	(57,870)	(5,864,767)	(57,870)	-	-	-	-	-	-	1,800,000	(9,015,373)	-	650,800	12,545,080	-
End of year	\$ 93,211,609	\$ (86,162)	\$ (11,695)	\$ 53,832	\$ (37,488)	\$ (49,882)	\$ (54,901)	\$ (51,964)	\$ 1,786,627	\$ 3,233,238	\$ 3,547,841	\$ 2,393,698	\$ -	\$ (11,660,941)	\$ 92,273,812

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
CommCare Corporation
Mandeville, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of CommCare Corporation (the Company) (a nonprofit organization), which comprise the consolidated balance sheet as of June 30, 2022, and the related consolidated statements of revenues, expenses and changes in net assets, and cash flows, for the year then ended, and the related notes to financial statements, and have issued our report thereon dated December 2, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Company's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Company's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Company's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Company's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Company's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Carr, Riggs & Ingram, L.L.C.

Metairie, Louisiana
December 2, 2022



Carr, Riggs & Ingram, LLC
111 Veterans Blvd.
Suite 350
Metairie, Louisiana 70005

(504) 837-9116
(504) 837-0123(fax)
www.CRIcpa.com

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors of
CommCare Corporation
Mandeville, Louisiana

Opinion on Each Major Federal Program

We have audited CommCare Corporation's (the Company) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Company's major federal programs for the year ended June 30, 2022. The Company's major federal programs are identified in the summary auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion the Company complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Company's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Company's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Company's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Company's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Company's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Company's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Carr, Riggs & Ingram, L.L.C.

Metairie, Louisiana
December 2, 2022

CommCare Corporation
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Assistance Listing Number	Pass-through Entity Identifying Number	Federal Expenditures (\$)	Amount Passed through to Subrecipient	Total Federal Expenditures (\$)
Department of Health and Human Services					
Direct Program:					
COVID-19 Provider Relief Fund	93.498	n/a	\$ 3,466,473	\$ -	\$ 3,466,473
<i>Total Direct Program</i>			3,466,473	-	3,466,473
Department of Homeland Security					
Passed Through State of Louisiana					
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	n/a	104,036	-	104,036
COVID-19 Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	n/a	2,078,105	-	2,078,105
<i>Total Passed Through State of Louisiana</i>			2,182,141	-	2,182,141
Total Expenditures of Federal Awards			\$ 5,648,614	\$ -	\$ 5,648,614

CommCare Corporation
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation – This schedule includes the activity of CommCare Corporation (the Company) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Note 2: INDIRECT COST RATE

The Company has not elected to use the 10% de minimis indirect cost rate allowed under Uniform Guidance.

Note 3: LOAN

The Company did not expend federal awards related to loans or loan guarantees during the year.

Note 4: FEDERALLY FUNDED INSURANCE

The Company has no federally funded insurance.

Note 5: NONCASH ASSISTANCE

The Company did not receive any federal noncash assistance for the fiscal year ended June 30, 2022.

Note 6: RECONCILIATION OF FEDERAL EXPENDITURES TO CONTRIBUTION AND GRANT REVENUE

The reporting period for Provider Relief Fund (PRF) periods two and three were for distributions received from July 1, 2020 through June 30, 2021. The reporting period for PRF differs from the fiscal year end of the Company. Below is a reconciliation of the schedule of expenditures of federal awards to the contribution and grant revenues as presented on the consolidated statements of revenues, expenses, and changes in net assets of the Company.

CommCare Corporation
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

**Note 6: RECONCILIATION OF FEDERAL EXPENDITURES TO CONTRIBUTION AND GRANT REVENUE
(CONTINUED)**

For the year ended June 30, 2022:

Total federal expenditures	\$ 5,648,614
Provider Relief Fund revenue recognized 6/30/2021	(3,466,473)
<hr/>	
Total grant revenues recognized 6/30/2022	\$ 2,182,141
<hr/>	
Total contribution revenues recognized 6/30/2022 (Period 4 Provider Relief Funds)	\$ 1,594,732
<hr/>	

Note 7: FEMA EXPENDITURES

The recognition and timing of FEMA expenditures and the obligation of funding differs from the fiscal year end of the Company. The federal expenditures for the year ended June 30, 2022 includes \$921,161 of expenditures reported in June 30, 2021 on the consolidated statements of revenues, expenses and changes in net assets.

CommCare Corporation
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(es) identified? yes none noted

Noncompliance material to consolidated financial statements noted? yes no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? yes no
- Significant deficiency(es) identified? yes none noted

Type of auditors’ report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Part 200.516(a)? yes none noted

Identification of major federal programs:

Federal Assistance Listing Number	Federal Program or Cluster
93.498	COVID-19 Provider Relief Fund
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)

Dollar threshold used to distinguish between type A and B programs was \$750,000 for major federal programs.

Auditee qualified as a low-risk auditee for federal purposes? yes no

Section II – Consolidated Financial Statement Findings

None noted.

Section III – Federal Award Findings and Questioned Costs

None noted.

CommCare Corporation
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2021

Section IV – Prior Audit Findings

2021-001 Significant Deficiency: Internal control over Special Reporting Compliance

Title and Assistance Listing Number of Federal Program: COVID-19 Provider Relief Fund
93.498

Federal Award Identification Number and Year: 2020

Name of Federal Agency: Department of Health and Human Services

Questioned Costs: None noted

Criteria: Per 2 CFR 200.303(a) non-federal entities are required to have processes designed and implemented to provided reasonable assurance regarding the achievement of objectives. Recipients of Provider Relief Fund distributions are required to follow the terms and conditions of reporting requirements.

Condition: Lost revenues were not properly reported in the Provider Relief Fund Reporting Portal.

Status: Resolved.

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors of
CommCare Corporation
950 W. Causeway Approach
Mandeville, Louisiana 70471

We have performed the procedures enumerated below, which were agreed to by CommCare Corporation (the Company) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2021 through June 30, 2022. The Company's management is responsible for those C/C areas identified in the SAUPs.

The Company has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the agreed-upon procedures engagement. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories if applicable to public funds and the entity's operations:

a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget.

Results: No exceptions were found as a result of applying the above procedure.

b) ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the Public Bid Law; and (5) documentation required to be maintained for all bids and price quotes.

Results: No exceptions were found as a result of applying the above procedure.

- c) **Disbursements**, including processing, reviewing, and approving.

Results: No exceptions were found as a result of applying the above procedure.

- d) **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

Results: No exceptions were found as a result of applying the above procedure.

- e) **Payroll/Personnel**, including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee(s) rate of pay or approval and maintenance of pay rate schedules.

Results: No exceptions were found as a result of applying the above procedure.

- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.

Results: No exceptions were found as a result of applying the above procedure.

- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).

Results: No exceptions were found as a result of applying the above procedure.

- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.

Results: No exceptions were found as a result of applying the above procedure.

- i) **Information Technology Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available

system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

Results: No exceptions were found as a result of applying the procedure.

Board or Finance Committee

2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
 - a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

Results: No exceptions were found as a result of applying the procedure.

Bank Reconciliations

3. Obtain a listing of entity bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:

- a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated or electronically logged);

Results: No exceptions were found as a result of applying the procedure.

- b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged)

Results: Exceptions noted; five of the five accounts selected did not have evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks had reviewed each bank reconciliation.

- c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Results: No exceptions were found as a result of applying the procedure.

Collections (excluding electronic funds transfers)

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

Results: No exceptions were found as a result of applying the procedure.

5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

- a) Employees that are responsible for cash collections do not share cash drawers/registers.

Results: No exceptions were found as a result of applying the procedure

- b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.

Results: No exceptions were found as a result of applying the procedure

- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.

Results: No exceptions were found as a result of applying the procedure

- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, are not responsible for collecting cash, unless another employee/official verifies the reconciliation.

Results: No exceptions were found as a result of applying the procedure

6. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe that the bond or insurance policy for theft was enforced during the fiscal period.

Results: No exceptions were found as a result of applying the procedure

7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits

are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:

- a) Observe that receipts are sequentially pre-numbered.

Results: No exceptions were found as a result of applying the procedure

- b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

Results: No exceptions were found as a result of applying the procedure

- c) Trace the deposit slip total to the actual deposit per the bank statement.

Results: Exceptions noted; one of the ten deposits selected was not accompanied with a deposit slip.

- d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100 and the cash is stored securely in a locked safe or drawer).

Results: Exceptions noted; seven of the ten deposits selected were not deposited within one business day of receipt at the collection location.

- e) Trace the actual deposit per the bank statement to the general ledger.

Results: No exceptions were found as a result of applying the procedure

Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)

- 8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

Results: No exceptions were found as a result of applying the procedure

- 9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

- a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

Results: No exceptions were found as a result of applying the procedure.

- b) At least two employees are involved in processing and approving payments to vendors.

Results: No exceptions were found as a result of applying the procedure.

- c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.

Results: No exceptions were found as a result of applying the procedure.

- d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

Results: No exceptions were found as a result of applying the procedure.

[Note: Exceptions to controls that constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); should not be reported.)]

- 10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:

- a) Observe that the disbursement matched the related original itemized invoice and that supporting documentation indicates that deliverables included on the invoice were received by the entity.

Results: No exceptions were found as a result of applying the procedure.

- b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

Results: No exceptions were found as a result of applying the procedure.

Credit Cards/Debit Cards/Fuel Cards/P-Cards

- 11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

Results: No exceptions were found as a result of applying the procedure.

12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:

- a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing (or electronically approved), by someone other than the authorized card holder. [Note: requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]

Results: No exceptions were found as a result of applying the procedure.

- b) Observe that finance charges and late fees were not assessed on the selected statements.

Results: No exceptions were found as a result of applying the procedure.

13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address missing receipts, such as a “missing receipt statement” that is subject to increased scrutiny.

Results: No exceptions were found as a result of applying the procedure.

Travel and Travel-Related Expense Reimbursements (excluding card transactions)

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management’s representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

- a) If reimbursed using a per diem, observe that the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).

Results: No exceptions were found as a result of applying the procedure.

- b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

Results: No exceptions were found as a result of applying the procedure.

- c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).

Results: No exceptions were found as a result of applying the procedure.

- d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Results: No exceptions were found as a result of applying the procedure.

Contracts

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:

- a) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).

Results: No exceptions were found as a result of applying the procedure.

- b) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g. if approval is required for any amendment was approval documented).

Results: No exceptions were found as a result of applying the procedure.

- c) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

Results: No exceptions were found as a result of applying the procedure.

Payroll and Personnel

16. Obtain a listing of employees and officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees or officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

Results: No exceptions were found as a result of applying the procedure.

17. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:

a) Observe that all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, officials are not eligible to earn leave and do not document their attendance and leave. However, if the official is earning leave according to a policy and/or contract, the official should document his/her daily attendance and leave.)

Results: No exceptions were found as a result of applying the procedure.

b) Observe that supervisors approved the attendance and leave of the selected employees or officials.

Results: No exceptions were found as a result of applying the procedure.

c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

Results: No exceptions were found as a result of applying the procedure.

d) Observe that the rate paid to the employees or officials agree to the authorized salary/pay rate found within the personnel file.

Results: No exceptions were found as a result of applying the procedure.

18. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity policy on termination payments. Agree the hours to the employee or officials' cumulate leave records, agree the pay rates to the employee or officials' authorized pay rates in the employee or officials' personnel files, and agree the termination payment to entity policy.

Results: No exceptions were found as a result of applying the procedure.

19. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g. payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

Results: No exceptions were found as a result of applying the procedure.

Fraud Notice

20. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

Results: No exceptions were found as a result of applying the procedure

21. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

Results: No exceptions were found as a result of applying the procedure.

Information Technology Disaster Recovery/Business Continuity

22. Perform the following procedures, verbally discuss the results with management, and report "We performed the procedure and discussed the results with management."

- a. Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if no written documentation, inquire of personnel responsible for backing up critical data) and observe that such backup occurred within the past week. If backups are stored on a physical medium (e.g., tapes, CDs), observe evidence that backups are encrypted before being transported.

Results: No exceptions were found as a result of applying the procedure.

- b. Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if no written documentation, inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.

Results: No exceptions were found as a result of applying the procedure.

- c. Obtain a listing of the entity's computers currently in use, and their related locations, and management's representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers

have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.

Results: No exceptions were found as a result of applying the procedure.

We were engaged by the Company to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the Company and to meet our ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

Carr, Riggs & Ingram, L.L.C.

December 2, 2022



December 2, 2022

Louisiana Legislative Auditor
1600 North 3rd Street
P.O. Box 94397
Baton Rouge, LA 70804-9397

And

Carr, Riggs & Ingram, LLC
111 Veterans Blvd.
Suite 350
Metairie, LA 70005

RE: Management's Response to Statewide Agreed-Upon Procedures CommCare Corporation

Dear Sirs:

CommCare Corporation will review policies and procedures in regard to the results for each procedure exception and make appropriate changes that are cost effective and within our budget constraints.

Sincerely,

A handwritten signature in blue ink, appearing to read 'al - 6', is written over the typed name.

Alec Lundberg
Chief Financial Officer