

**Community Care, Inc. and
Related Corporations**

Financial and Compliance Report

12.31.2012

Community Care, Inc. and Related Corporations

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Independent Auditor's Report

To the Board of Directors
 Community Care, Inc. and Related Corporations
 Milwaukee, Wisconsin

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Community Care, Inc. and Related Corporations (collectively, the Organization), which comprise the consolidated statements of financial position as of December 31, 2012 and 2011, and the related consolidated statements of activities, changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. 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 and the *Wisconsin Department of Health Services Audit Guide*. Those standards and guide require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Related Corporations were not audited in accordance with *Government Auditing Standards*, or the *Wisconsin Department of Health Services Audit Guide*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Community Care, Inc. and Related Corporations as of December 31, 2012 and 2011, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The additional columns for Community Care Programs, Family Care, PACE, Partnership, and Management and Administration presented in the Statement of Activities for 2012 and 2011 is presented for purposes of additional analysis of the consolidated financial statements, rather than the present information regarding the financial position and the changes in net assets of the individual programs and is not a required part of the consolidated financial statements. The accompanying supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. The accompanying schedule of expenditures of state awards and the schedule of grant revenues and expenditures by funding sources, as required by *Wisconsin Department of Health Services Audit Guide*, are presented for purposes of additional analysis, and are not required parts 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 reports dated May 8, 2013 and May 9, 2012, on our consideration of Community Care, Inc.'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 these reports is 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 internal control over financial reporting or on compliance. These reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Community Care, Inc.'s internal control over financial reporting and compliance.



Milwaukee, Wisconsin
May 9, 2013

Community Care, Inc. and Related Corporations

Consolidated Statements of Financial Position
December 31, 2012 and 2011

	2012	2011
Assets		
Current Assets		
Cash and cash equivalents	\$ 54,183,898	\$ 42,511,590
Accounts and grants receivable, net of allowance of \$882,808 and \$667,051, respectively	9,647,126	11,772,858
Inventory and supplies	318,808	216,134
Prepaid expenses	2,037,430	1,683,504
Deferred income tax assets (Note 2)	94,266	64,000
Total current assets	66,281,528	56,248,086
Property and Equipment		
Land and land improvements	595,757	727,078
Buildings and improvements (construction in progress of \$1,513,798 and \$0, respectively)	11,004,565	13,269,197
Equipment and furnishings	4,558,395	4,971,113
Computer equipment and software (to be placed into service of \$2,268,848 and \$115,410, respectively)	7,337,700	5,153,906
Less accumulated depreciation	23,496,417	24,121,294
	9,597,159	12,587,045
	13,899,258	11,534,249
Other Assets		
Investments (Note 3)	12,228,269	13,581,782
Deferred financing costs, net	128,387	134,916
Other assets	28,288	27,007
	12,384,944	13,743,705
	\$ 92,565,730	\$ 81,526,040

(Continued)

Community Care, Inc. and Related Corporations

Consolidated Statements of Financial Position (Continued)
December 31, 2012 and 2011

	2012	2011
Liabilities and Net Assets		
Current Liabilities		
Current maturities of bonds payable (Note 5)	\$ 135,000	\$ 130,000
Reported and estimated claims (Note 6)	33,008,300	34,303,044
Accounts payable	3,110,528	3,706,282
Accrued liabilities:		
Payroll and benefits	5,961,179	5,159,208
Other	1,749,451	1,066,804
Deferred gain	<u>607,705</u>	-
Total current liabilities	<u>44,572,163</u>	44,365,338
Bonds Payable, less current maturities (Note 5)	<u>4,280,000</u>	4,415,000
Commitments and Contingencies (Note 13)		
Net Assets		
Unrestricted net assets	27,644,361	16,606,823
Unrestricted board designated net assets	<u>16,069,206</u>	16,138,879
Total net assets	<u>43,713,567</u>	32,745,702
	<u>\$ 92,565,730</u>	\$ 81,526,040

See Notes to Consolidated Financial Statements.

Community Care, Inc. and Related Corporations

Consolidated Statements of Activities

Year Ended December 31, 2012 (with comparative totals for 2011)

	2012					2011 *	
	Community Care		Community Care Health Plan			Management and Administration	Total
	Community Care Programs	Family Care	PACE	Partnership			
Operating Revenue and Support							
Capitation revenue	\$ -	\$ 298,641,384	\$ 51,913,174	\$ 38,165,770	\$ -	\$ 388,720,328	\$ 378,388,539
Risk-sharing revenue (loss)	-	17,000	-	-	-	17,000	(202,715)
Grants and reimbursements	130,749	-	-	-	-	130,749	249,724
Client pay portion	-	34,941,724	1,848,416	2,535,226	-	39,325,366	35,997,000
Total revenue and support	130,749	333,600,108	53,761,590	40,700,996	-	428,193,443	414,432,548
Operating Expenses							
Wages and benefits	329,760	23,121,730	18,533,200	8,204,847	-	50,189,537	47,215,416
Contract client services	-	283,187,571	26,170,402	31,272,751	-	340,630,724	329,417,979
Other direct expenses	48,139	4,759,544	2,594,807	1,357,701	-	8,760,191	9,644,382
Allocated general, administrative and occupancy expenses	26,019	10,550,157	4,426,470	2,056,064	(1,051,741)	16,006,969	13,795,633
Depreciation expense	-	90,283	277,927	87,734	1,029,810	1,485,754	1,609,210
Interest expense	3,138	-	-	-	21,931	25,069	62,425
Total operating expenses	407,056	321,709,285	52,002,806	42,979,097	-	417,098,244	401,745,045
Change in net assets from operations	(276,307)	11,890,823	1,758,784	(2,278,101)	-	11,095,199	12,687,503
Other Income (Expense):							
Investment income, net of fees	-	41,559	58,617	42,012	48,999	191,187	479,209
Reversal of premium deficiency reserve	-	-	-	-	-	-	363,429
Income taxes, net	-	-	-	30,265	-	30,265	(84,932)
Other	-	(697,439)	185,673	133,077	29,903	(348,786)	245,281
Total other income (expense)	-	(655,880)	244,290	205,354	78,902	(127,334)	1,002,987
Change in net assets	\$ (276,307)	\$ 11,234,943	\$ 2,003,074	\$ (2,072,747)	\$ 78,902	\$ 10,967,865	\$ 13,690,490

* See following page for presentation of the full consolidated statement of activities for the year ended December 31, 2011.

See Notes to Consolidated Financial Statements.

Community Care, Inc. and Related Corporations

Consolidated Statements of Activities

Year Ended December 31, 2011

	2011					
	Community Care		Community Care Health Plan			
	Community Care Programs	Family Care	PACE	Partnership	Management and Administration	Total
Operating Revenue and Support						
Capitation revenue	\$ -	\$ 290,387,346	\$ 54,946,053	\$ 33,055,140	\$ -	\$ 378,388,539
Risk-sharing revenue (loss)	-	(202,715)	-	-	-	(202,715)
Grants and reimbursements	249,724	-	-	-	-	249,724
Client pay portion	-	31,847,704	1,861,215	2,288,081	-	35,997,000
Total revenue and support	249,724	322,032,335	56,807,268	35,343,221	-	414,432,548
Operating Expenses						
Wages and benefits	350,424	20,544,838	18,212,965	8,107,189	-	47,215,416
Contract client services	-	275,401,473	26,262,517	27,753,989	-	329,417,979
Other direct expenses	75,293	5,929,716	2,270,606	1,368,767	-	9,644,382
Allocated general, administrative and occupancy expenses	23,361	9,000,018	4,374,754	1,574,500	(1,177,000)	13,795,633
Depreciation expense	-	103,438	308,009	80,901	1,116,862	1,609,210
Interest expense	-	2,287	-	-	60,138	62,425
Total operating expenses	449,078	310,981,770	51,428,851	38,885,346	-	401,745,045
Change in net assets from operations	(199,354)	11,050,565	5,378,417	(3,542,125)	-	12,687,503
Other Income (Expense):						
Investment income, net of fees	-	245,369	231,955	-	1,885	479,209
Reversal of premium deficiency reserve	-	363,429	-	-	-	363,429
Income taxes, net	-	-	(84,932)	-	-	(84,932)
Other	-	1,300	276,250	-	(32,269)	245,281
Total other income (expense)	-	610,098	423,273	-	(30,384)	1,002,987
Change in net assets	\$ (199,354)	\$ 11,660,663	\$ 5,801,690	\$ (3,542,125)	\$ (30,384)	\$ 13,690,490

See Notes to Consolidated Financial Statements.

Community Care, Inc. and Related Corporations

Consolidated Statements of Changes in Net Assets
Years Ended December 31, 2012 and 2011

Balance at December 31, 2010	\$ 19,055,212
Change in net assets	<u>13,690,490</u>
Balance at December 31, 2011	32,745,702
Change in net assets	<u>10,967,865</u>
Balance at December 31, 2012	<u>\$ 43,713,567</u>

See Notes to Consolidated Financial Statements.

Community Care, Inc. and Related Corporations

Consolidated Statements of Cash Flows
Years Ended December 31, 2012 and 2011

	2012	2011
Cash Flows From Operating Activities		
Change in net assets	\$ 10,967,865	\$ 13,690,490
Adjustments to reconcile the change in net assets to net cash provided by (used in) operating activities:		
Depreciation	1,485,754	1,609,299
(Gain) loss on sale of property and equipment	(28,371)	33,924
Net realized and unrealized gains on investments	(151,012)	53,059
Deferred income taxes	(30,266)	(64,000)
Changes in operating assets and liabilities:		
Accounts and grants receivable	2,125,732	2,914,096
Inventories and supplies	(102,674)	(50,012)
Prepaid expenses and other	(348,678)	(596,726)
Reported and estimated claims	(1,294,744)	(1,800,712)
Accounts payable	(595,754)	1,871,069
Accrued payroll and benefits	801,971	489,529
Other accrued liabilities	682,647	(1,086,201)
Deferred revenue	-	(100,615,648)
Net cash provided by (used in) operating activities	13,512,470	(83,551,833)
Cash Flows From Investing Activities		
Purchases of property and equipment	(4,527,182)	(698,310)
Proceeds from sale of property and equipment	1,312,495	327,091
Purchases of investments	(3,322,762)	(2,673,386)
Proceeds from sale of investments	4,827,287	2,687,400
Net cash used in investing activities	(1,710,162)	(357,205)
Cash Flows From Financing Activities		
Payments on bonds payable	(130,000)	(125,000)
Net cash used in financing activities	(130,000)	(125,000)
Net increase (decrease) in cash and cash equivalents	11,672,308	(84,034,038)
Cash and cash equivalents at beginning of year	42,511,590	126,545,628
Cash and cash equivalents at end of year	\$ 54,183,898	\$ 42,511,590
Supplemental Disclosures of Cash Flow Information		
Interest paid	\$ 21,931	\$ 60,138
Income taxes paid	89,000	211,000
Deferred gain on building sale and leaseback	607,705	-

See Notes to Consolidated Financial Statements.

Community Care, Inc. and Related Corporations

Notes to Consolidated Financial Statements

Note 1. Nature of Operations

Community Care, Inc. (CC) is a community-based, not-for-profit, non-stock corporation that provides coordinated long-term health care and social services to at-risk adult populations. CC has two related corporations, Community Care Health Plan (CCHP) and Community Care HUD Housing, Inc. (CCHUD).

CCHP was formed by CC and was incorporated on June 14, 2004 under Section 501(c)(4) of the Internal Revenue Code and Chapter 613 of the Wisconsin Statutes as a not-for-profit, nonstock, Health Maintenance Organization (HMO). The State of Wisconsin granted CCHP its HMO licensure on August 12, 2004 and operations commenced on July 1, 2005. CCHP was formed to comply with the rules and laws of the State of Wisconsin and the Office of the Commissioner of Insurance of the State of Wisconsin.

CCHUD was formed by CC and was incorporated on July 23, 2012 under Section 501(c)(3) of the Internal Revenue Code. CCHUD was formed to provide elderly individuals, and individuals with developmental and/or physical disabilities, with housing facilities designed to meet their physical, social, and psychological needs, and to promote their health, security, happiness, and usefulness in longer living, the charges for such facilities and services to be predicated upon the provision, maintenance, and operation thereof on a nonprofit basis. The activities of CCHUD are reflected in Community Care Programs on the statement of activities.

Because CC is the sole member of CCHP and CCHUD, and approves the board of directors of CCHP and CCHUD, and because of economic interest, CCHP's and CCHUD's financial statements are consolidated (collectively referred to as the Organization).

The Organization provides the following significant programs:

Family Care: Family Care (FC) is a Medicaid capitated long-term care program. Members are 18 years or older, include frail elderly, physically disabled and developmentally disabled members. Members must meet both functional and financial eligibility requirements. The program objective is to provide cost-effective, comprehensive and flexible long-term care that will foster consumers' independence and quality of life, while recognizing the need for interdependence and support. The service area includes eleven counties in southeastern and east central Wisconsin.

Community Care Health Plan (CCHP): CCHP is composed of two managed care programs: the Program for All-Inclusive Care for the Elderly (PACE) and Family Care Partnership (FCP). The programs provide fully integrated care which includes all Medicare and Medicaid services. PACE members must be 55 years or older, while FCP members must be 18 years or older. Both programs include frail elderly, physically disabled and developmentally disabled members. Members must be at nursing home level of care and meet financial eligibility requirements. The service area includes nine counties in southeastern and east central Wisconsin.

Pathways to Independence: The Wisconsin Department of Health Services awarded a Pathways to Independence grant to assist the Organization with development of the necessary infrastructure within its managed care organization to effectively assist members with physical and developmental disabilities who wish to pursue integrated employment. The program ended September 30, 2011.

Community Care, Inc. and Related Corporations

Notes to Consolidated Financial Statements

Note 2. Basis of Presentation and Summary of Significant Accounting Policies

Basis of Accounting: The consolidated financial statements have been prepared on the accrual basis of accounting.

Basis of Consolidation: The consolidated financial statements include the accounts of CC and related corporations, CCHP and CCHUD, over which CC has control (see Note 1). All significant inter-entity transactions are eliminated in consolidation.

Basis of Presentations: The Organization presents its consolidated financial statements based on Accounting Standards Codification (ASC) 958-205, *Presentation of Financial Statements*. Under the provisions of ASC 958-205, net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions, as follows:

Unrestricted - Net assets that are not subject to donor-imposed stipulations or time restriction.

The Board of Directors established the designation of "Community Care Health Plan" to account for the accumulated increase in net assets realized under the Organization's CCHP program since its inception, and it is reported as unrestricted board designated net assets in the statement of financial position.

Temporarily Restricted - Net assets subject to donor-imposed stipulations that are met either by action of the Organization or the passage of time. There are no temporarily restricted net assets as of December 31, 2012 or 2011.

Permanently Restricted - Net assets subject to donor-imposed stipulations that are maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes. There are no permanently restricted net assets as of December 31, 2012 or 2011.

Use of Estimates in Preparation of Consolidated Financial Statements: The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reported and estimated claims consists of unpaid claims reported to the Organization and an estimated liability for medical claims incurred on or before December 31, which have not been reported to the Organization by that date. Estimated claims payable are based on historical trends and cost projections. An independent actuary reviewed the estimates of CCHP as of December 31, 2012 and 2011.

Management believes the estimate is a reasonable approximation of the incurred but not reported medical claims. However, it is reasonably possible that the claims presented for payment may not follow past trends and; therefore, may be more or less than the \$33,008,300 recorded in the consolidated statements of financial position as of December 31, 2012. It is the opinion of management that the difference will not have a material effect on the Organization's surplus or results of operations. The methods for making such estimates and for establishing the resulting liability is continually reviewed and adjustments are reflected in the period determined.

Cash and Cash Equivalents: The Organization considers all highly liquid debt instruments purchased with original maturities of three months or less to be cash equivalents. The carrying amount of cash and cash equivalents approximated the fair value due to the short maturities of these investments.

Community Care, Inc. and Related Corporations

Notes to Consolidated Financial Statements

Note 2. Basis of Presentation and Summary of Significant Accounting Policies (Continued)

The Organization maintains deposits in financial institutions that consistently exceed the FDIC limits. The Organization has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk.

The Organization is a fiscal agent for certain elderly and disabled adults. At December 31, 2012 and 2011, the Organization held \$1,026,284 and \$1,005,846, respectively, of funds on behalf of its clients. These accounts are included in cash and cash equivalents and accounts payable on the consolidated statements of financial position.

Accounts and Grants Receivable: The majority of accounts and grants receivable are due from governmental or granting agencies. The terms of payments are specified in the agreements with the governmental and granting agencies. The Organization determines its allowance for doubtful accounts by considering a number of factors, including the length of time the receivable is past due, the Organization's previous loss history, the agency's current ability to pay its obligations to the Organization and the general economy and industry as a whole. Past due amounts are written off after management has used reasonable collection efforts.

Inventory and Supplies: Inventories consist of purchased pharmaceuticals and medical supplies. Inventories are stated at the lower of cost or market with cost determined under the first-in, first-out method.

Property and Equipment: Purchases of property and equipment in excess of \$2,500 are capitalized at historical cost, and are depreciated over the estimated useful lives of the assets using the straight-line method as follows:

Building and improvements	5-30 years
Equipment and furnishing	5-20 years
Computer equipment	3 years
Land improvements	3-25 years

Donated property and equipment are recorded at fair market value on the date of the gift. Maintenance and repair costs are charged to activities as incurred, and improvements are capitalized. When property and equipment is retired or sold, the related cost and accumulated depreciation are removed from accounts, and the gain or loss on disposition is reflected in the consolidated statement of activities. CC sold a building, Prospect Place, on December 28, 2012 to Best Prospect, LLC. Simultaneously, a lease was executed between Best Prospect, LLC and Community Care, Inc. The term of this lease is for a period of eleven months commencing on December 28, 2012, and ending on November 27, 2013. CC has the option to extend this lease for two additional periods of one year each. As CC has retained use of the property through the sale-leaseback of Prospect Place, the gain on the sale is deferred and amortized over the term CC expects to retain the lease (36 months).

Investments: The Organization reports investments at fair value, with net appreciation or depreciation reported in the consolidated statement of activities. Quoted market prices are used to determine the fair value of investments.

The Organization's investments are exposed to various risks such as, interest rates, market and credit risks. Due to the level of risk associated with certain investments and the level of uncertainty related to changes in the values of investments, it is at least reasonably possible that changes in risk in the near term would materially affect the Organization's investment holdings.

Community Care, Inc. and Related Corporations

Notes to Consolidated Financial Statements

Note 2. Basis of Presentation and Summary of Significant Accounting Policies (Continued)

Deferred Gain: Deferred gain includes the deferred gain on the sale-leaseback of a building, Prospect Place, which is described on the previous page.

Long-Term Restricted Funds: The Organization is required by the Wisconsin Department of Health Services (DHS) to maintain a surplus of liquid assets for the Family Care Program to provide continuity of care for enrolled members, accountability to taxpayers, and effective program administration including the ability to manage operations. In 2012 and 2011, the Organization invested its long-term restricted funds of \$3,868,397 and \$4,564,655, respectively, in U.S. government mortgage-backed securities and is reported in investments on the consolidated statement of financial position. The required surplus at December 31, 2012 and 2011 was \$3,871,500 and \$3,956,180, respectively. The remaining balance of the required surplus for 2012 is included in accrued interest on the consolidated statement of financial position.

Contracts With the Wisconsin Department of Health Services: The Organization has contracts with DHS to provide services to qualified Medicaid recipients (the Contracts). The Contracts represent the Organization's source of capitation revenue. The Contracts expires on December 31, 2013. The Organization or the DHS may terminate the Contracts with 30 days written notice.

The capitation revenue from the Contracts is subject to retroactive rate adjustments as calculated by the State of Wisconsin. The Organization adjusts its capitation revenue for these estimated retroactive rate adjustments based on its level-of-care statistics used by the State of Wisconsin. Any adjustments between the estimates and the actual rate are included in the consolidated statement of activities in the period it becomes known.

The Organization entered into a risk-sharing agreement with the State of Wisconsin to share in the gains and losses of the Family Care Program. The Organization recorded revenue (loss) of \$17,000 and (\$202,715) related to the risk-sharing agreement in 2012 and 2011, respectively, and represent final settlements under the agreement.

Fair Value Measurements: There are no financial instruments for which carrying value materially differs from fair value.

Revenue Recognition: Capitation revenues are based on interim per member per month capitation rates per the contracts with the DHS and services covered by Medicare. The DHS and Medicare make monthly interim capitation payments to the Organization. These amounts are recognized as revenue in the period to which they relate. Amounts received in advance are recorded as deferred revenue.

The capitation revenue from the Contracts is subject to retroactive rate adjustments as calculated by the State of Wisconsin. The Organization estimates accrued retroactive rate adjustments through a mathematical approach based on enrollment demographics, established rates, and information received from the State of Wisconsin and records the adjustment as accounts receivable. Any adjustments between the estimates and the actual rate are included in the consolidated statement of activities in the period it becomes known.

Client pay portion revenue is recognized when the services are provided, and represents that portion of services not covered under the contracts with DHS and Medicare.

Revenue from governmental grants is recognized in the period the related expense is incurred. Governmental grant awards are generally subject to renewal by the grantor agencies on an annual basis.

Community Care, Inc. and Related Corporations

Notes to Consolidated Financial Statements

Note 2. Basis of Presentation and Summary of Significant Accounting Policies (Continued)

Health Care Costs: The Organization has entered into agreements with providers for certain health care services on a contractual fee-for-service basis. Costs of these services are recognized as an expense in the period the service is provided and are recorded as claims are incurred. Costs estimated but not reported are recorded based upon the forecast cost method. Any adjustments between the estimates and the actual claims are included in the statement of activities in the period they become known.

Functional Allocation of Expenditures: Payroll and related expenses are allocated to the programs based on the estimated time spent in each program derived from employee job descriptions. Expenses specifically identifiable with a program are charged to that program. Other administrative expenses not specifically identifiable with a program are allocated to the various programs using summary percentages based on the time spent in each program. Occupancy costs are allocated to various programs based on the square foot usage of each program.

Income Taxes: The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Internal Revenue Service has determined that CCHP is exempt from federal income tax under section 501(c)(4) of the Internal Revenue Code. Accordingly, the accompanying consolidated financial statements do not include any amounts for federal corporate income taxes. However, CCHP is subject to State of Wisconsin property, income and franchise taxes. CC and CCHUD are exempt from state income taxes.

The Organization uses the liability method in accounting for CCHP's state income taxes. Deferred tax assets and liabilities are recorded for temporary differences between the tax basis of assets and liabilities and their amounts reported in the consolidated financial statements, using statutory tax rates in effect for the year in which the differences are expected to reverse. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the consolidated statement of activities in the period that includes the enactment date. A valuation allowance is recorded to reduce the carrying value of deferred tax assets, unless it is more likely than not those assets will be realized.

The Organization expenses interest and penalties on income taxes when they are known. There was no interest or penalties on income taxes in 2012 or 2011.

The Organization follows the provisions of ASC 740, *Income Taxes*. As required by the uncertain tax position guidance in ASC 740, the Organization recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For positions that meet the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with the relevant tax authority. There were no significant matters determined by management to be unrecognized tax benefits taken or expected to be taken in a tax return that have been recorded on the Organization's consolidated financial statements for the years ended December 31, 2012 and 2011. Tax years open under the federal statute of limitations include 2009 through 2012. Tax years open under the State of Wisconsin statute include 2008 through 2012.

As of December 31, 2012 and 2011, the Organization recorded a deferred tax asset of \$94,266 and \$64,000, respectively. There was no income tax payable as of December 31, 2012 and 2011.

Community Care, Inc. and Related Corporations

Notes to Consolidated Financial Statements

Note 2. Basis of Presentation and Summary of Significant Accounting Policies (Continued)

Medicare Part D: The Organization covers prescription drug benefits in accordance with Medicare Part D under contracts with the Centers for Medicare & Medicaid Services (CMS). The payments the Organization receives monthly from CMS and its members, which are determined from an annual bid, represent amounts for providing prescription drug insurance coverage. The Organization recognizes capitation revenue for providing this coverage ratably over the term of the annual contract. The CMS payment is subject to risk-sharing through the Medicare Part D risk-sharing corridor provisions. Receipts for reinsurance and low-income costs subsidies represent reimbursements of prescription drug cost for which the Organization has no underwriting risk.

The risk corridor provisions compare costs targeted in the Organization's bid to actual prescription drug costs, limited to costs that would have been incurred under the standard coverage as defined by CMS. Variances exceeding certain thresholds may result in CMS making additional payments to the Organization, or requiring the Organization to refund to CMS a portion of the premiums the Organization has received. The Company estimates and recognizes an adjustment to premium revenues related to these risk corridor provisions based upon pharmacy claims experience to date, as if the annual contract were to terminate at the end of the reporting period. The Organization recorded a risk-sharing payable, recorded as accounts payable in the accompanying consolidated financial statements of \$81,504 and \$50,000 at December 31, 2012 and 2011, respectively, related to its Medicare Part D contracts.

Reinsurance and low-income cost subsidies represent reimbursements from CMS in connection with the Medicare Part D program for which the Organization assumes no underwriting risk. Reinsurance subsidies represent reimbursement for CMS's portion of prescription drug costs which exceed the member's out-of-pocket threshold, or catastrophic coverage level. Low-income cost subsidies represent reimbursement from CMS for all or a portion of the deductible, the co-insurance co-payment amounts above the out-of-pocket threshold for low-income beneficiaries. Monthly prospective payments from CMS for reinsurance and low-income cost subsidies are based on assumptions submitted with the annual bid. A reconciliation and related settlement of CMS's prospective subsidies against actual prescription drug cost paid by the Organization is made after the end of the year.

The Organization has calculated that the actual costs paid are either more or less than the prospective subsidies for the years ended December 31, 2012 and 2011, and the Organization has recorded accounts payable of \$616,471 at December 31, 2012, and accounts receivable of \$91,000 at December 31, 2011, related to reimbursement of these subsidies.

Advertising: Advertising costs are expensed as incurred. The Organization incurred advertising expenses of approximately \$134,000 and \$110,000 in 2012 and 2011, respectively.

Subsequent Events: Management of the Organization has evaluated subsequent events through May 9, 2013, the date the financial statements were issued.

Community Care, Inc. and Related Corporations

Notes to Consolidated Financial Statements

Note 3. Investments

The amortized cost and fair value, together with the unrealized gains and losses, of investments are as follows at December 31:

	2012			
	Amortized	Fair Value	Unrealized Gains	Unrealized Losses
U.S. government mortgage-backed securities	\$12,048,672	\$ 12,228,269	\$ 198,692	\$ (19,095)
<hr/>				
	2011			
	Amortized	Fair Value	Unrealized Gains	Unrealized Losses
U.S. government mortgage-backed securities	\$13,293,891	\$ 13,581,782	\$ 293,695	\$ (5,805)

At December 31, 2012, the total unrealized loss represents less than 1 percent of the aggregate fair value of the investment portfolio.

Investment income, net of trust fees, consisted of the following at December 31:

	2012	2011
Interest and dividends	\$ 379,805	\$ 563,669
Change in net unrealized gains on investments	(108,293)	(37,277)
Net realized losses on sale of investments	(42,719)	(15,782)
Trust fees	(37,606)	(31,401)
	<hr/>	<hr/>
	\$ 191,187	\$ 479,209

The amortized cost and estimated market value of debt securities, by contractual maturities, are as follows at December 31, 2012:

	Amortized Cost	Fair Value
In one year or less	\$ 3,782,039	\$ 3,814,719
After one year through five years	8,266,633	8,413,550
	<hr/>	<hr/>
	\$ 12,048,672	\$ 12,228,269

Expected maturities for mortgage-backed securities may differ from contractual maturities because borrowers may have the right to call or prepay obligations without penalty.

Community Care, Inc. and Related Corporations

Notes to Consolidated Financial Statements

Note 4. Fair Value Measurements

Assets and liabilities carried at fair value are required to be classified and disclosed in one of the following three categories:

- Level 1: Quoted market prices in active markets for identical assets and liabilities.
- Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.
- Level 3: Unobservable inputs that are not corroborated by market data.

In determining the appropriate levels, the Organization performs a detailed analysis of the assets and liabilities that are carried at fair value in the financial statements.

The following table summarizes the Organization's financial assets measured at fair value on a recurring basis as of December 31:

	Level 1	Level 2	Level 3
2012 Investments			
U.S. government mortgage-backed securities	\$ 12,228,269	\$ -	\$ -
2011 Investments			
U.S. government mortgage-backed securities	\$ 13,581,782	\$ -	\$ -

Note 5. Bonds Payable, Pledged Assets and Other Credit Arrangements

In September 2007, the Organization issued \$5,000,000 of bonds to finance the renovation, expansion and equipping of the Vliet Building Project. Terms of the bonds are as follows.

The Wisconsin Health and Educational Facilities Authority (WHEFA), Series 2007 tax-exempt revenue bonds have a variable interest rate set weekly, based on the loan agreement, but not to exceed 10 percent (the rate at December 31, 2012 was 0.25 percent). The bonds are due on demand and if not called, mature annually through 2032. The Series 2007 bonds are secured by substantially all assets of Community Care, Inc. To secure the series 2007 bonds, the Organization has entered into an irrevocable bank direct pay letter of credit agreement, expiring September 15, 2015, in the amount of the outstanding bonds. Because the bonds are due on demand and because the variable-rate interest is set weekly, the bonds are remarketed upon the occurrence of either event. Under the terms of the agreement, the bank will make liquidity loans to the Organization in amounts necessary to purchase the 2007 bonds if not remarketed. The liquidity loans would be payable within eighteen months after the date of any draw on the letter or credit. There were no draws and no outstanding balances on the letter of credit at December 31, 2012 or 2011. The amount available on the letter of credit at December 31, 2012 was \$4,457,220.

Community Care, Inc. and Related Corporations

Notes to Consolidated Financial Statements

Note 5. Bonds Payable, Pledged Assets and Other Credit Arrangements (Continued)

Scheduled principal repayments on the bonds are as follows, assuming the variable-rate demand bonds are successfully remarketed. As described above, if such bonds are not remarketed the entire outstanding bond balance may be due in 2014 or in 2015 if the letter of credit is not extended.

Years	Amount
2013	\$ 135,000
2014	140,000
2015	150,000
2016	155,000
2017	165,000
Thereafter	<u>3,670,000</u>
	<u>\$ 4,415,000</u>

The Organization has a line of credit agreement with a bank. The amount authorized and available under this agreement is \$500,000 at December 31, 2012. The line of credit agreement has a variable interest rate based on LIBOR, and is secured by the assets of the Organization. The agreement expires May 31, 2013. There were no amounts outstanding on the line of credit at December 31, 2012 or 2011.

Note 6. Reported and Estimated Claims

The following table provides a reconciliation of the beginning and ending balances of reported and estimated claims for the year ended December 31:

	2012	2011
Balance at beginning of period	<u>\$ 34,303,044</u>	<u>\$ 36,103,756</u>
Incurred related to:		
Current period	342,642,230	330,721,964
Prior years	<u>(2,011,506)</u>	<u>(1,303,985)</u>
Total incurred	<u>340,630,724</u>	<u>329,417,979</u>
Paid related to:		
Current period	309,633,930	296,418,920
Prior years	<u>32,291,538</u>	<u>34,799,771</u>
Total paid	<u>341,925,468</u>	<u>331,218,691</u>
Balance at end of period	<u>\$ 33,008,300</u>	<u>\$ 34,303,044</u>

The liability for claims unpaid at December 31, 2012 and 2011 developed favorably due to lower than anticipated medical claims.

Community Care, Inc. and Related Corporations

Notes to Consolidated Financial Statements

Note 7. Leases

Operating Leases: The Organization leases its main office building. The lease is projected to expire by August 2013. As of December 31, 2012, contracted monthly payments were \$51,916 plus various operating costs. In 2013, lease payments will adjust accordingly as leased space is reduced, and departments are transitioned over to a new corporate facility on Bishops Way in Brookfield, Wisconsin.

The Organization leases certain other operating locations, vehicles and equipment under agreements expiring at various dates through February 2017. Generally, the leases provide that the Organization pays all taxes, insurance, maintenance and other expenses associated with the use of the operating location, vehicle or equipment.

Total rent expense under all operating leases was approximately \$1,357,000 and \$1,289,000 in 2012 and 2011, respectively.

Future Minimum Lease Payments: The following is a schedule by years of future minimum payments under leases as of December 31, 2012:

<u>Years Ending December 31,</u>	
2013	\$ 1,056,337
2014	600,446
2015	200,358
2016	150,145
2017	78,732
Thereafter	<u>104,707</u>
Total	<u>\$ 2,190,725</u>

Note 8. Retirement Plan

The Organization has a noncontributory Simplified Employee Pension (SEP) retirement plan. The Plan covers all employees who meet certain eligibility requirements. The Organization, at the Board of Directors' discretion, contributed 3 percent of each participant's gross wages during 2012 and 2011. Plan contributions totaled approximately \$1,178,000 and \$1,022,000 for 2012 and 2011, respectively.

Note 9. Major Funding Sources

The Organization received 90.7 and 91.2 percent of its total revenue and support from three unrelated funding sources during the years ended December 31, 2012 and 2011, respectively. Receivables from these three unrelated sources represent 88.3 and 74.5 percent of total accounts and grants receivable at December 31, 2012 and 2011, respectively.

Community Care, Inc. and Related Corporations

Notes to Consolidated Financial Statements

Note 10. Reinsurance

The Organization has a reinsurance contract that protects against catastrophic inpatient claims. The maximum retention per claim as of December 31, 2012 is \$225,000. The Organization paid reinsurance premiums of \$100,666 and \$213,000 for the years ended December 31, 2012 and 2011, respectively. There were no recoveries from the 2012 contract and approximately \$33,000 from the 2011 contract. Reinsurance contracts do not relieve the Organization from its obligation to members. The Organization remains liable to its members for the portion reinsured to the extent that the reinsurance company does not meet the obligations assumed under the reinsurance contract.

Note 11. Insurance Accounting Practices

CCHP, an HMO domiciled in the State of Wisconsin, prepares its statutory basis financial statements in accordance with accounting practices prescribed or permitted by the Office of the Commissioner of Insurance of the State of Wisconsin (OCI). The National Association of Insurance Commissioners' (NAIC) Accounting Practices and Procedures Manual, version effective March 1, 2009, (NAIC SAP) has been adopted as a component of prescribed or permitted practices by the State of Wisconsin. Such practices differ in certain respects from accounting principles generally accepted in the United States of America, primarily in the non-recording of certain assets, the method of accounting for and recording investments, the calculation and recording of deferred income taxes and the language and groupings used in the presentation and disclosure of the financial statements.

The State of Wisconsin requires that insurance companies domiciled in the State of Wisconsin prepare their statutory basis financial statements in accordance with NAIC SAP, subject to any deviations prescribed or permitted by the State of Wisconsin insurance commissioner. CCHP uses prescribed practices of the State of Wisconsin as it relates to pharmaceutical and affiliated receivables. CCHP does not use any permitted accounting practices that deviate from NAIC SAP.

At December 31, 2012 and 2011, differences between the financial statements prepared on the statutory basis and those prepared in accordance with accounting principles generally accepted in the United States of America were primarily related to the recording of certain non-admitted assets and the recording of deferred income taxes.

Health insurance companies are subject to certain Risk-Based Capital (RBC) requirements as specified by the NAIC. Under those requirements, the amount of capital and surplus maintained by a health insurance company is to be determined based on various risk factors related to it. At December 31, 2012 and 2011, management of CCHP believes they are in compliance with RBC requirements.

Note 12. Risk and Uncertainties

The Organization's operating results and financial condition is affected by numerous factors and circumstances unique to the insurance industry, some of which it can neither predict nor control. Among them are: (1) statutorily-imposed regulatory capital requirements can limit an insurer's ability to underwrite new business or retain otherwise desirable risks; (2) an insurer's ability to enter into suitable reinsurance agreements is subject to prevailing conditions in reinsurance markets; (3) fluctuations in interest rates that affect the value and income yield of an insurer's investment portfolio in the short-term, and often affect default and prepayment rates over time; (4) inflationary pressures and medical costs affect the magnitude of claims and claims adjustment expenses, and (5) government mandated health reform.

Community Care, Inc. and Related Corporations

Notes to Consolidated Financial Statements

Note 13. Commitments and Contingencies

Government contracts are subject to audit and adjustment by funding agencies. If government revenue is recorded for expenditures which are subsequently disallowed, the Organization may be required to repay the questioned costs to the funding agency. Management of the Organization is not aware of any disallowed expenditures that would have a material adverse affect on its consolidated financial statements.

Community Care, Inc.'s (CC) contract with the Wisconsin Department of Health Services requires compliance with several financial measures. CC was in compliance with the risk reserve and the solvency reserve requirements in 2011 and 2012, and the working capital requirement was met beginning in August 2012.

Under the terms of CC's contract with DHS, CC is required to maintain a solvency fund, which provides for continuity of services and smooth transition of members from the existing MCO to another entity or in the event the existing MCO becomes irreversibly insolvent. The MCO must deposit an amount of \$750,000 into an account designated by the DHS and held by the Department of Administration.

On October 31, 2012, DHS and OCI communicated to CC and all other Wisconsin MCOs, that their solvency funds would be liquidated to pay for claim run-out and other reasonable expenses of an insolvent MCO. CC's solvency fund of \$750,000 was liquidated in December 2012. This has been accounted for as other expense under the Family Care program on the Statement of Activities. DHS and OCI determined that the MCOs shall replenish the solvency fund over a one and a half year period beginning July 15, 2013, and quarterly thereafter, with the fund totally refunded on December 15, 2014. DHS provided an adjustment to the final 2013 capitation rate to provide a level of funding to fulfill the replenishment amount required in 2013 based on the estimated enrollment over the 2013 contract period.

In addition, the health care insurance industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include matters such as reimbursement for patient services, Medicare and Medicaid fraud and abuse, etc. Government activity concerning possible fraud and abuse issues involving health care insurers and providers has increased, violations of which could possibly result in penalties, as well as repayments for patient services previously billed and recorded. Management believes that the Organization is in material compliance with fraud and abuse regulations, as well as other applicable government laws.

Note 14. Related Parties

Certain members of the Organization's Board of Directors or their immediate family members serve on boards of other health care or service organizations with which the Organization does business. Payments to these organizations totaled \$6,074,563 and \$6,638,238 for the years ended December 31, 2012 and 2011, respectively

Supplementary Information

Community Care, Inc. and Related Corporations

Schedule of Expenditures of State Awards

Year Ended December 31, 2012

	State Profile Number	Expenditures
Wisconsin Department of Health Services Family Care Health and Community Support	N/A	\$ 298,658,384
Total State Awards		\$ 298,658,384

The accompanying notes to schedule of expenditures of state awards are an integral part of this schedule.

Community Care, Inc. and Related Corporations

Notes to Schedule of Expenditures of State Awards

Note 1. Basis of Presentation

The accompanying schedule of expenditures of state awards (the Schedule) summarizes expenditures charged to state and county government grants and service contracts administered by Community Care, Inc. for the year ended December 31, 2012. The Schedule should be read in conjunction with Community Care Inc.'s consolidated financial statements.

For purposes of the Schedule, state awards include all grants, service contracts, and similar agreements entered into directly between Community Care, Inc. and agencies and departments of the state government. The Schedule has been prepared on the accrual basis of accounting. Revenue is recognized when allowable and related reimbursable expenditures are incurred and upon meeting the legal or contractual requirements of the funding source. Expenditures of government grant funds are to be used for the purposes specified by the funding source.

Family Care: The information in the Schedule is presented in accordance with the requirements of the Wisconsin Department of Health Services (DHS) Audit Guide. The Family Care Health and Community Support program is not considered by the DHS to be federal financial assistance; therefore, OMB Circular A-133 is not applicable.

State Award Expenditures: State award expenditures represent the capitated revenues earned by Community Care, Inc. in the Family Care Health and Community Support program.

Note 2. Contingencies

All state awards are subject to review and audit by grantor agencies. Such audits could lead to requests for reimbursement by the grantor agencies for costs disallowed under the terms of the awards. It is the opinion of management that all costs charged against state awards are allowable under the regulations of those programs.



**Independent Auditor's 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 and the Wisconsin Department of Health Services Audit Guide**

To the Board of Directors
Community Care, Inc. and Related Corporations
Milwaukee, Wisconsin

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 and the Wisconsin *Department of Health Services (DHS) Audit Guide*, the financial statements of Community Care, Inc. and Related Corporations, which comprise the consolidated statement of financial position as of December 31, 2012, and the related consolidated statements of activities, changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 9, 2013. The financial statements of the Related Corporations were not audited in accordance with *Government Auditing Standards* or the *DHS Audit Guide*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Community Care, Inc.'s internal control over financial reporting (internal control) to determine the 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 Community Care, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Community Care, Inc.'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 entity'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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Community Care, Inc.'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 determination of financial statement amounts. 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* or the *DHS Audit Guide*.

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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and the *DHS Audit Guide* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Milwaukee, Wisconsin
May 9, 2013

Community Care, Inc.

Schedule of Findings and Questioned Costs – DHS Audit Guide
Year Ended December 31, 2012

Section I - Summary of Auditor's Results

Type of auditor's report issued:	Unqualified
Internal control over financing reporting: Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted:	No

Section II - Financial Statement Findings

No matters were reported.

Section III - Other Issues

Does the auditor's report or the notes to the financial statements include disclosure with regard to substantial doubt as to the auditee's ability to continue as a going concern?	No
Does the audit report show audit issues (i.e. material non-compliance, non-material non-compliance, questioned costs, material weakness, significant deficiency, management letter comment, excess revenue, or excess reserve) related to grants/contracts with the Wisconsin Department of Health Services?	No
Was a management letter or other document conveying audit comments issued as a result of this audit?	No

Name and signature of Partner:

Lori L. Stortz

Lori L. Stortz, CPA

Date of report: May 9, 2013

Community Care, Inc.

Summary Schedule of Prior Year (2011) Findings and Questioned Costs
Year Ended December 31, 2011

Financial Statement Findings

Identifying Number: Finding 2011-1

Finding: Community Care, Inc. was not in compliance with the working capital requirement defined in the 2011 Family Care Programs Contract with the Wisconsin Department of Health Services (DHS), and had not been in compliance for a period of more than three months. During 2011, Community Care, Inc. was submitting monthly financial statements and other reports as requested by DHS, as well as participating in monthly conference calls with DHS to discuss progress towards achievement of performance expectations.

Corrective Action Taken: The Organization achieved the working capital requirement in August 2012 and has maintained the requirement since that time. The Organization will continue to report on performance expectations until at least August 2013 with the expectation that the working capital requirement be maintained over all months.

Community Care, Inc.

Schedule of Grant Revenues and Expenditures by Funding Source
Year Ended December 31, 2012

	<u>Family Care Health and Community Support</u>
Revenue	
Grants and reimbursements	<u>\$ 298,658,384</u>
Expenses	
Wages and benefits	23,121,730
Other direct	253,095,674
General, administrative, and occupancy	<u>10,550,157</u>
Total expenses	<u>286,767,561</u>
Excess of revenue over expenditures	<u>\$ 11,890,823</u>