



COMMCARE CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2021 and 2020

**REPORT**

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CONSOLIDATED FINANCIAL STATEMENTS

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REPORT REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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REPORT





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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
CommCare Corporation

Report on Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of CommCare Corporation (the Company), which comprise the consolidated balance sheets as of June 30, 2021 and 2020, 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.

Management's Responsibility for the Consolidated 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.

Auditors' 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 standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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 auditors' 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 CommCare Corporation as of June 30, 2021 and 2020, 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.

Other Matters

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, 2021 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 14, 2021, on our consideration of CommCare Corporation'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 operating effectiveness of CommCare Corporation'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 CommCare Corporation's internal control over financial reporting and compliance.

Carri Riggs & Ingram, L.L.C.

Metairie, Louisiana
December 14, 2021



FINANCIAL STATEMENTS



CommCare Corporation Consolidated Balance Sheets

June 30,	2021	2020
Assets		
Current assets		
Cash and cash equivalents	\$ 33,088,257	\$ 33,425,225
Restricted cash	-	4,304,574
Accounts receivable, net	17,609,276	13,965,583
Prepaid expenses and other current assets	1,617,363	1,430,521
Assets held for sale - discontinued operations	18,440	40,697
Total current assets	52,333,336	53,166,600
Non-current assets		
Restricted cash	10,785,557	15,367,463
Notes receivable	17,285,725	6,166,400
Equity method investment	3,242,854	2,772,255
Intangible assets	14,381,727	9,065,065
Goodwill	6,456,944	2,937,500
Miscellaneous	335,702	173,764
Property and equipment, net	152,570,814	136,826,188
Total non-current assets	205,059,323	173,308,635
Total Assets	\$ 257,392,659	\$ 226,475,235
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 21,291,812	\$ 16,389,983
Deposits	4,054,184	-
Refundable advance	-	2,417,608
Current portion of Payroll Protection Program loan	-	4,516,073
Current portion of long-term debt	5,732,198	4,664,629
Liabilities of discontinued operations classified as held for sale	2,122,812	700,238
Total current liabilities	33,201,006	28,688,531
Long-term liabilities		
Long-term debt, less current portion and less unamortized debt issuance costs	143,499,754	111,581,983
Payroll protection loan, less current portion	-	5,686,723
Fair value of interest rate swap	256,249	-
Other liabilities	-	16,637
Total long-term liabilities	143,756,003	117,285,343
Total liabilities	176,957,009	145,973,874
Net assets without donor restrictions		
CommCare Corporation	79,281,000	78,971,468
Noncontrolling interest in subsidiaries	1,154,650	1,529,893
Total Net Assets	80,435,650	80,501,361
Total liabilities and net assets	\$ 257,392,659	\$ 226,475,235

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
Revenue without donor restrictions, gains, and other support		
Patient service revenue, net	\$ 100,296,872	\$ 96,541,051
Pharmacy sales	10,006,720	11,062,116
Premium income	2,225,033	510,093
Management fee income	888,283	1,192,048
Lease income	2,291,274	1,878,782
Contribution revenue	5,866,803	4,207,110
Other operating revenues	402,238	396,931
Total revenue without donor restrictions, gains, and other support	121,977,223	115,788,131
Operating Expenses		
Nursing services	41,894,233	38,503,803
General and administrative	31,317,907	25,317,189
Therapy and ancillary services	8,890,065	9,473,222
Cost of pharmacy sales	7,788,542	8,371,251
Dietary and food	5,779,727	5,815,487
Depreciation and amortization	7,327,923	5,044,674
Plant operations and maintenance	4,807,503	4,657,234
Provider fees	4,606,208	4,731,273
Housekeeping and laundry	3,221,955	3,239,101
Activities and social services	1,534,453	1,401,860
Provision for bad debts	1,017,044	1,535,571
Lease expense	494,500	374,819
Advertising costs	903,018	883,543
Community services	65,148	110,873
Total operating expenses	119,648,226	109,459,900
Operating income	2,328,997	6,328,231
Non-operating revenues (expenses)		
Gain on disposal of assets	16,688	10,843
Impairment of long lived assets	(6,434,355)	-
Miscellaneous (expense) income	(101,157)	(286,419)
Gain (loss) on equity method investment	(54,774)	185,322
Debt forgiveness	10,202,796	1,643,925
Interest income	338,769	484,484
Interest expense	(3,888,907)	(3,047,020)
Unrealized loss on swap	(256,249)	-
Gain on acquisition	867,179	-
Total non-operating revenues (expenses)	689,990	(1,008,865)
Changes in net assets from continuing operations	3,018,987	5,319,366
Changes in net assets from discontinued operations	(113,360)	894,115
Changes in net assets without donor restrictions	2,905,627	6,213,481
Less change in net assets attributable to noncontrolling interests	(1,176,203)	(1,461,691)
Change in net assets attributable to CommCare Corporation	1,729,424	4,751,790
	(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	80,501,361	75,773,064
Distributions to noncontrolling shareholder in subsidiary	(2,971,338)	(1,485,184)
End of year	\$ 80,435,650	\$ 80,501,361
	(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,	2021		2020	
Operating Activities				
Change in net assets	\$	2,905,627	\$	6,213,481
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
Gain on disposal of assets		(16,688)		(10,843)
Impairment of long lived assets		6,434,355		-
Gain on debt forgiveness		(10,202,796)		(1,643,925)
Loss (gain) on equity method investment		54,774		(185,322)
Depreciation and amortization		7,435,016		5,233,248
Provision for bad debts		1,017,044		1,561,107
Gain on acquisition		(867,179)		-
Changes in assets and liabilities:				
Receivables		(3,859,134)		(1,617,627)
Prepaid expenses and miscellaneous		(292,852)		(141,846)
Other assets		-		(24,240)
Refundable advance		(2,417,608)		2,417,608
Accounts payable and accrued expenses		(65,061)		5,680,921
Fair value of interest rate swap		256,249		-
Changes in assets held for sale (discontinued operations)		22,257		(1,852)
Changes in liabilities held for sale (discontinued operations)		1,422,574		471,964
Net cash provided by operating activities		1,826,578		17,952,674
Investing Activities				
Purchases of property and equipment		(24,481,666)		(35,631,445)
Cash paid for equity method investment		(3,501,331)		-
Acquisition net of cash acquired		(2,887,144)		-
Purchase of other assets		(4,250,000)		-
Deposits		4,054,184		-
Issuance of notes receivable		(11,119,325)		-
Proceeds from disposal of assets		16,688		120,362
Net cash used in investing activities		(42,168,594)		(35,511,083)
Financing Activities				
Payments on notes payable		(6,089,411)		(21,427,979)
Issuance of notes payable		40,895,107		61,550,456
Debt issuance costs		(1,927,449)		-
Distributions to non controlling shareholder in subsidiary		(1,759,679)		(1,485,184)
Net cash provided by financing activities		31,118,568		38,637,293
Net change in cash, and cash equivalents, and restricted cash		(9,223,448)		21,078,884
Net cash, cash equivalents, and restricted cash at beginning of year		53,097,262		32,018,378
Net cash, cash equivalents, and restricted cash at end of year	\$	43,873,814	\$	53,097,262
SUPPLEMENTAL DISCLOSURE OF CASH PAID FOR INTEREST				
Cash payments for interest	\$	3,767,301	\$	2,881,278
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES				
Accrued distributions to non-controlling interest	\$	1,211,659	\$	-
Capital expenditures in accounts payable	\$	4,655,914	\$	917,318
RECONCILIATION OF CASH, CASH EQUIVALENTS, AND RESTRICTED CASH				
Cash and cash equivalents	\$	33,088,257	\$	33,425,225
Restricted cash		10,785,557		19,672,037
Total cash, cash equivalents, and restricted cash	\$	43,873,814	\$	53,097,262

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 1,652 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 four asset holding companies, 100% of a management company, 100% of an insurance provider, and 100% of a hospice care 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 and wholly owned subsidiary Senescence, LLC (Hospice)), CommCare Avoyelles (a non-profit corporation), Commcare Management Corporation, Commcare Tangi (Tangi) (a non-profit corporation), and Commcare Natchitoches (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, 2021 and 2020:

Restricted at June 30,	2021	2020
Debt payments	\$ 7,785,557	\$ 2,164,667
Regulatory Requirement	3,000,000	3,000,000
Payroll Protection Program (see Note 9)	-	10,202,796
Medicare Advance Payments Program (see Note 7)	-	4,304,574
Total	\$ 10,785,557	\$ 19,672,037

Accounts Receivable

The Company grants credit without collateral to its residents 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 \$2,150,104 and \$1,868,262 as of June 30, 2021 and 2020, 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 owns the building and is leasing the facility to 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 depreciable lives of such assets range from 3 to 25 years.

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, 2020. 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	10-25 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, 2021 and 2020.

CommCare Corporation
Notes to Consolidated Financial Statements

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, 2021 and 2020. 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 \$49,380 and \$59,596 as of June 30, 2021 and 2020, respectively. Total amortization expense related to new market tax credits was \$10,216 and \$58,144 for June 30, 2021 and 2020, 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 \$107,093 and \$93,251 for the years ended June 30, 2021 and 2020, respectively.

Interest Rate Swaps

The Company entered into two swap agreements during the year ended June 30, 2021. The purpose of the swaps is to convert the variable interest on certain loans to fixed rates of 4.48% and 5.30%. The swaps do not take effect until May 2023, however based on changes in interest rates subsequent to entering into the agreement, the fair value of the swaps were (\$256,249) at June 30, 2021 and is recorded as a liability on the consolidated balance sheets. The fair value of the swaps is considered to be a Level 2 fair value measurement.

Deposits

During the year ended June 30, 2021, the Company entered into an agreement to sell Hospice. 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 accounted for the loans as a financial liability at June 30, 2020 following the guidance under FASB ASC 470. 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 \$970,950 and \$942,491 as of June 30, 2021 and 2020, 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, 2021 and 2020 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 year ended June 30, 2021, the Company purchased the controlling interest in Hospice for \$1,817,489. 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.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

CommCare Corporation
Notes to Consolidated Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Patient Service Revenue and Concentration of Credit Risk (Continued)

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,	2021	2020
Medicaid	58%	57%
Medicare	30%	31%
Other, including VA, Hospice and Private Payment	12%	12%
	100%	100%

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

June 30,	2021	2020
Medicaid	63%	52%
Medicare	23%	31%
Other, including VA, Hospice and Private Payment	14%	17%
	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, 2021, could differ from actual settlements based on the results of cost report audits. Cost reports for all years before 2020 have been audited and settled as of June 30, 2021.

CommCare Corporation
Notes to Consolidated Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Medicare and Medicaid (Continued)

During 2021 and 2020, patient service revenues in the accompanying statements of operations were increased by \$0 and \$90,249, respectively, 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, 2021 and 2020, respectively.

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.

CommCare Corporation
Notes to Consolidated Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. 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, 2021 and 2020, advertising costs totaled \$903,018 and \$883,543, 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, 2021 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, 2021. Income tax expense of \$110,431 and \$287,876 was recorded in miscellaneous (expense) income on the consolidated statements of revenues, expenses and changes in net assets during the year ended June 30, 2021 and 2020, 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.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (Continued)

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.

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 \$583,875 and \$823,652 for the years ended June 30, 2021 and 2020, 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 14, 2021. See Notes 13, 15, and 17 for relevant disclosures. No subsequent events occurring after this date have been evaluated for inclusion in these consolidated financial statements.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606). This guidance specifies that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This ASU and its amendments supersede the revenue recognition requirements in Topic 605, *Revenue Recognition*, and most industry specific guidance.

CommCare Corporation
Notes to Consolidated Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements (Continued)

Effective July 1, 2020, the Company adopted ASC 606, using the modified retrospective method. The Company performed an analysis of revenue streams and transactions under ASC 606. In particular, for patient service revenue, the Company performed an analysis into the application of the portfolio approach as a practical expedient to group patient contracts with similar characteristics, such that revenue for a given portfolio would not be materially different than if it were evaluated on a contract-by-contract basis. Upon adoption, the majority of what was previously classified as provision for uncollectible accounts and presented as a reduction to patient service revenue on the statements of operations is treated as a price concession that reduces the transaction price, which is reported as patient service revenue. ASC 606 also requires enhanced disclosures related to the disaggregation of revenue and signification judgments made in measurement and recognition. The impact of adopting ASC 606 was not material to the Company's 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>	2021	2020
Financial assets, at year-end	\$ 50,697,533	\$ 47,390,808
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	\$ 50,697,533	\$ 47,390,808

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

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 Iberia NMTC of \$6,166,400 at June 30, 2021 and 2020, 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 Chase NMTC of \$6,597,900 at June 30, 2021. 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, 2021. 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 546 of \$1,028,525 at June 30, 2021. 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.

CommCare Corporation
Notes to Consolidated Financial Statements

Note 4: NOTES RECEIVABLE (CONTINUED)

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

June 30,	
2022	\$ -
2023	-
2024	-
2025	6,166,400
2026	-
Thereafter	11,119,325
Total	\$ 17,285,725

Note 5: EQUITY METHOD INVESTMENT

The Company has a fifty percent interest in a skilled nursing home operating company, Minden Community Care Center, LLC, which was formed in 2021. 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)

The Company had a forty nine percent interest in a skilled nursing home operating company, Camelot of North Oaks, LLC, which was formed in 2019. On May 1, 2021 the Company purchased the fifty one percent majority interest to fully own the entity. See Note 16. Prior to the purchase CommCare's pro rata share of income was \$181,203. The following information summarizes the activity of the investment as of and for the year ended June 30, 2020:

June 30,		2020
Total assets	\$	6,363,433
Total liabilities		(776,995)
Net assets		5,586,438
CommCare's pro rata share of net assets		2,772,255
Total net income (loss)		378,209
CommCare's pro rata share of net income (loss)	\$	185,322

CommCare Corporation
Notes to Consolidated Financial Statements

Note 6: PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	2021	2020
Land	\$ 13,096,806	\$ 12,924,213
Land improvements	4,157,111	4,409,933
Buildings and improvements	153,674,999	138,057,569
Furniture, fixtures and equipment	28,796,088	28,138,794
Construction in progress	8,541,402	10,287,914
Total property and equipment	208,266,406	193,818,423
Less accumulated depreciation	(55,695,592)	(56,922,235)
	\$ 152,570,814	\$ 136,826,188

Depreciation expense was \$7,317,707 and \$5,079,781 for the years ended June 30, 2021 and 2020, respectively. Substantially all land, buildings, improvements, and equipment are pledged to secure debt (see Note 8). For the year ended June 30, 2021 and 2020, \$583,875 and \$823,652 of interest was capitalized and included in construction in progress, respectively.

Construction in progress at June 30, 2021 primarily consisted of the construction of facilities in Lake Charles and Natchitoches, Louisiana. Construction in progress at June 30, 2020 primarily consisted of the construction of facilities in Slidell and Bossier, Louisiana.

Note 7: ACCOUNTS PAYABLE AND ACCRUED EXPENSES

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

	2021	2020
Accounts payable	\$ 9,701,461	\$ 3,847,652
Accrued salaries, wages, benefits, and payroll taxes	5,114,697	4,597,829
Accrued professional liability	1,444,523	1,688,770
Other accrued expenses	5,031,131	6,255,732
	\$ 21,291,812	\$ 16,389,983

In response to the COVID-19 pandemic, CMS advanced to all providers funds 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. Beginning 12 months after the advance payments were made, CMS will automatically recoup 25% of all payments otherwise owed to the providers 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 otherwise owed to providers 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, 2021 and 2020 is \$3,434,193 and \$4,304,574 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 \$1,300,000 premium deficiency reserve (“PDR”) at June 30, 2021 for its Medicare Advantage market segment. Medicare Advantage contracts are considered short duration insurance contracts. As such, the PDR accruals recorded in 2021 represent a 1-year term.

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 \$477,852 and \$389,882 at June 30, 2021 and 2020, respectively.

Note 8: LONG-TERM DEBT

Long-term debt consisted of the following as of June 30:	2021	2020
LPFA Revenue Bonds Series 2008B in the original amount of \$47,500,000. The bond matures on August 1, 2023 with principal payments due annually and interest payments due monthly. Interest is fixed at 2.93% through maturity. The bonds are 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.	\$ 33,672,249	\$ 35,432,036
LPFA Revenue Bond Series 2016 in the original amount of \$1,512,000. Interest is fixed at the rate of 6%. Bonds mature on July 1, 2036 with principal and interest payable quarterly. Bonds are secured by the revenues of the Company. The Bonds were paid off during 2021.	-	1,382,000

CommCare Corporation
Notes to Consolidated Financial Statements

Note 8: LONG-TERM DEBT (CONTINUED)	2021	2020
<p>On July 7, 2017, the Company entered into a note payable with a financial institution, interest rate is based on the one month LIBOR rate plus 2.45%. The interest rate was 2.56% and 2.62% at June 30, 2021 and 2020, 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 received in respect of the proceeds received.</p>	\$ 8,480,031	\$ 8,818,836
<p>Note payable with a financial institution, interest rate is based on the one month LIBOR rate plus 2.45%. The interest rate was 2.56% and 2.62% at June 30, 2021 and 2020 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 received in respect of the proceeds received.</p>	5,858,280	6,086,271
<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 received in respect 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, 2021 and 2020. 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 received in respect of the proceeds received.</p>	2,563,600	2,563,600
<p>LPFA Revenue Bonds Series 2019A. The bond matures on January 15, 2026 with principal payments due annually and interest payments due monthly. Interest is calculated as 79% of one month LIBOR plus 2.5%. The interest rate on the bonds was 2.58% and 2.64% at June 30, 2021 and 2020, respectively. The bonds are collateralized by a first mortgage of the skilled nursing facilities owned by the Company which the bonds are financing.</p>	19,756,974	17,516,188

CommCare Corporation
Notes to Consolidated Financial Statements

Note 8: LONG-TERM DEBT (CONTINUED)	2021	2020
<p>LPFA Revenue Bonds Series 2018A. The bond matures 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, 2021 and 2020, respectively. The bonds are collateralized by a first mortgage of the skilled nursing facilities owned by the Company which the bonds are financing.</p>	\$ 12,961,509	\$ 13,466,503
<p>LPFA Revenue Bonds Series 2020. The bond matures on January 15, 2027 with principal payments due annually and interest payments due monthly. Interest is calculated as 79% of one month LIBOR plus 2.5%. The interest rate on the bonds was 2.58% and 2.64% at June 30, 2021 and 2020, respectively. The bonds are collateralized by a first mortgage of the skilled nursing facilities owned by the Company which the bonds are financing.</p>	13,264,000	8,905,940
<p>On August 6, 2019, the Company entered into notes payable with financial institutions. Interest rate is calculated at the adjusted one month LIBOR rate. The interest rate was 2.63% and 2.67% at June 30, 2021 and 2020, respectively. Interest and principal was payable monthly starting October 1, 2019. The notes mature on August 1, 2023, at which time a balloon payment of unpaid principal and interest is due. The note is collateralized by a first mortgage of the skilled nursing facilities owned by the Company.</p>	9,985,743	10,744,153
<p>Loan agreement with a financial institution. Interest rate is calculated at the adjusted one month LIBOR rate. The interest rate was 2.67% and 2.61% at June 30, 2021 and 2020, respectively. Interest and principle payments are payable monthly starting January 5, 2020. The loan matures on December 4, 2026. The note is collateralized by a first mortgage of the skilled nursing facilities owned by the Company.</p>	5,556,600	5,968,200

CommCare Corporation
Notes to Consolidated Financial Statements

Note 8: LONG-TERM DEBT (CONTINUED) **2021** **2020**

The Company entered into loan agreements on April 13, 2020 for loans of \$10,202,796 at a fixed interest rate of 0.98%. The loans are eligible for loan forgiveness in the full amount or a portion of the principle amount in accordance with term of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), for certain payroll and other allowed expenses up to a twenty four week eligible period. Any amount not forgiven as part of the Payroll Protection Program, as enacted by the CARES Act, is payable over eighteen months, beginning November 2020 and maturing April 2022. The loan is unsecured. The loans were forgiven during 2021.

\$ - \$ 10,202,796

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 rate 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.

1,028,525 -

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 rate 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 -

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 rate 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 -

CommCare Corporation
Notes to Consolidated Financial Statements

Note 8: LONG-TERM DEBT (CONTINUED)	2021	2020
Loan agreement with a financial institution. Interest rate is calculated at the LIBOR rate plus 3.80% or the LIBOR Successor Rate, as applicable. The interest rate was 3.89% at June 30, 2021. Interest only payments are due monthly. Commencing on June 15, 2023 principal and interest rate 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	\$ -
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 rate 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 one a skilled nursing facility owned by the Company.	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 rate 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 one a skilled nursing facility owned by the Company.	6,597,900	-
Loan agreement with a financial institution. Interest rate is 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, 2021. Interest and principle payments are payable monthly starting November 29, 2020. The loan matures on October 29, 2025. The note is collateralized by a first mortgage of the skilled nursing facilities owned by the Company.	10,402,987	-
Total debt obligations	\$ 151,586,273	\$ 127,253,373
Less unamortized deferred financing costs, net	(2,354,321)	(803,965)
Less current portion of debt	(5,732,198)	(9,180,702)
Long-term debt	\$ 143,499,754	\$ 117,268,706

CommCare Corporation
Notes to Consolidated Financial Statements

Note 8: LONG-TERM DEBT (CONTINUED)

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

2022	\$	5,732,198
2023		6,153,638
2024		42,637,819
2025		17,358,621
2026		41,948,879
Thereafter		37,755,118
Total	\$	151,586,273

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.

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. 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, 2020 the Company received \$6,624,718 in PRF payments. For the year ended June 30, 2020 the Company determined that, based on the guidance provided by HHS, \$4,207,110 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 2020 consolidated financial statements. The remaining amount of funds received were recorded as a refundable advance in the amount of \$2,417,608 at June 30, 2020.

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 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.

Note 10: CONCENTRATIONS OF CREDIT RISK

The Company maintains cash with financial institutions in excess of the FDIC limit of \$250,000 by \$39,673,101 and \$52,527,540 at June 30, 2020 and 2021, respectively.

CommCare Corporation
Notes to Consolidated Financial Statements

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 \$742,544 and \$1,078,651 at June 30, 2021 and 2020, respectively.

The Company leases equipment under various non-cancelable operating leases with various maturities through June 30, 2026. Lease expense as of June 30, 2021 and 2020 was \$386,500 and \$302,138, respectively. The future minimum fiscal year lease payments for all leases are as follows for the years ended:

June 30,	
2022	\$ 269,481
2023	214,973
2024	204,039
2025	139,739
2026	108,000
	<hr/> \$ 936,232

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 \$737,778 and \$715,404 for the years ending June 30, 2021 and 2020, respectively.

CommCare Corporation
Notes to Consolidated Financial Statements

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. 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.

The Company leases a nursing home facility to Minden Community Care Center, LLC, an equity method investment of the Company. The lease agreement is 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 being leased matures in 2026 at which time the Company will modify the lease based on new debt terms. As the future minimum lease payments are not known after the underlying loan matures, and the lease is between related parties, the substance of the lease requires the Company to account for it as an operating lease. Total lease income recognized during 2021 was \$413,373. Future minimum lease payments are as follows:

June 30,	
2022	\$ 1,002,332
2023	992,394
2024	982,107
2025	970,517
2026	-
Total	\$ 3,947,350

On December 1, 2021 the Company sold the nursing home facility and its membership units 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.

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, 2021 and 2020. 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. Salaries and benefits have been allocated based on time and effort. Lease expenses have been allocated based on use of space.

CommCare Corporation
Notes to Consolidated Financial Statements

Note 14: FUNCTIONAL CLASSIFICATION OF EXPENSES (CONTINUED)

The table below presents expenses by both their nature and function for the years ended June 30, 2021 and 2020:

For the year ended June 30, 2021	Program Services	Support Services	TOTAL
Salaries and benefits	\$ 41,277,606	\$ 11,200,548	\$ 52,478,154
Nursing services	3,011,416	334,602	3,346,018
General and administrative	-	24,713,312	24,713,312
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	-	4,807,503	4,807,503
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	-	161,887	161,887
Community services	-	65,148	65,148
TOTAL OPERATING EXPENSES	\$ 75,807,336	\$ 43,840,890	\$ 119,648,226

For the year ended June 30, 2020	Program Services	Support Services	TOTAL
Salaries and benefits	\$ 40,303,841	\$ 11,074,250	\$ 51,378,091
Nursing services	859,002	95,445	954,447
General and administrative	-	18,715,308	18,715,308
Therapy and ancillary services	9,473,222	-	9,473,222
Cost of pharmacy sales	8,371,251	-	8,371,251
Dietary and food	3,162,503	-	3,162,503
Depreciation and amortization	3,644,665	1,400,009	5,044,674
Plant operations and maintenance	-	4,657,234	4,657,234
Provider fees	4,731,273	-	4,731,273
Housekeeping and laundry	672,563	-	672,563
Activities and social services	111,962	-	111,962
Bad Debt Expense	1,535,571	-	1,535,571
Lease expense	-	374,819	374,819
Advertising costs	-	166,110	166,110
Community services	-	110,872	110,872
TOTAL OPERATING EXPENSES	\$ 72,865,853	\$ 36,594,047	\$ 109,459,900

CommCare Corporation
Notes to Consolidated Financial Statements

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 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 and 2020:

June 30,	2021	2020
Assets		
Prepaid expenses and other current assets	\$ 16,343	\$ 35,958
Property and equipment, net	2,097	4,739
Total assets of disposal group classified as held for sale	\$ 18,440	\$ 40,697
Liabilities		
Accounts payable and accrued expenses	\$ 2,122,812	\$ 700,238
Total liabilities of disposal group classified as held for sale	\$ 2,122,812	\$ 700,238

CommCare Corporation
Notes to Consolidated Financial Statements

Note 15: DISCONTINUED OPERATIONS (CONTINUED)

The change in net assets from discontinued operations presented in the consolidated statements of revenues, expenses, and changes in net assets for the years ended June 30, 2021 and 2020 consists of the following:

For the year ended June 30,	2021	2020
Revenue without donor restrictions, gains, and other support		
Hospice revenue	\$ 7,990,684	\$ 9,062,595
Total revenue without donor restrictions, gains, and other support	7,990,684	9,062,595
Operating expenses		
Nursing services	3,006,169	3,061,440
General and Administrative	974,011	989,124
Therapy and ancillary services	3,037,686	3,625,220
Depreciation and amortization	2,641	2,072
Bad debt expense	538,986	25,536
Lease expense	62,610	63,052
Advertising costs	60,016	58,418
Management fees	410,171	322,858
Total operating expenses	8,092,290	8,147,720
Operating (loss) income	(101,606)	914,875
Non-operating revenues (expenses)		
Interest expense	(11,754)	(20,760)
Total non-operating revenues (expenses)	(11,754)	(20,760)
Change in net assets from discontinued operations	\$ (113,360)	\$ 894,115

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 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
<hr/>	
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.

Note 17: SUBSEQUENT EVENTS

On October 29, 2021 the company sold a parcel of land in Covington, Louisiana for \$1,350,000. On December 1, 2021 the company sold one of its skilled nursing facilities, Bayou Vista Nursing and Rehab Center, for \$5,500,000.

On December 1, 2020 the company purchased a skilled nursing facility located in Metairie, Louisiana for a sales price of \$4,600,000.



SUPPLEMENTARY INFORMATION



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

Agency Head Name: Dr. Patricia Prechter

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 Management	Dignity Care	CommCare Louisiana	CCC Pharmacy	Senescence	Eliminations	Totals
Assets											
Current assets											
Cash and cash equivalents	\$ 9,989,201	\$ 843,859	\$ 8,643,984	\$ 461,159	\$ 3,295,697	\$ 508,735	\$ 7,318,807	\$ 1,273,075	\$ 753,740	\$ -	\$ 33,088,257
Accounts receivable, net	16,021,608	-	-	-	520,292	40,574	84	751,095	699,832	(424,209)	17,609,276
Prepaid expenses and other current assets	895,553	6,785	6,786	32,641	79,513	-	6,785	589,300	-	-	1,617,363
Intercompany	2,070,301	(362,000)	(1,448,156)	(164,860)	240,233	-	(334,877)	-	-	(641)	-
Assets held for sale - discontinued operations	-	-	-	-	-	-	-	-	18,440	-	18,440
Total current assets	28,976,663	488,644	7,202,614	328,940	4,135,735	549,309	6,990,799	2,613,470	1,472,012	(424,850)	52,333,336
Non-current assets											
Restricted cash	979,937	-	5,743,542	50,000	-	4,012,078	-	-	-	-	10,785,557
Notes receivable	17,285,725	-	-	-	-	-	-	-	-	-	17,285,725
Investments in majority owned subsidiaries	15,483,945	-	-	-	-	-	1,826,105	-	-	(17,310,050)	-
Equity method investment	3,242,854	-	-	-	-	-	-	-	-	-	3,242,854
Intangible assets	14,295,124	-	-	-	-	-	86,603	-	-	-	14,381,727
Goodwill	6,456,944	-	-	-	-	-	-	-	-	-	6,456,944
Miscellaneous	309,079	-	-	-	-	-	23,173	3,450	-	-	335,702
Property and equipment, net	121,244,224	10,882,378	3,785,102	16,616,815	367,721	-	569,783	234,590	-	(1,129,799)	152,570,814
Total non-current assets	179,297,832	10,882,378	9,528,644	16,666,815	367,721	4,012,078	2,505,664	238,040	-	(18,439,849)	205,059,323
Total assets	\$ 208,274,495	\$ 11,371,022	\$ 16,731,258	\$ 16,995,755	\$ 4,503,456	\$ 4,561,387	\$ 9,496,463	\$ 2,851,510	\$ 1,472,012	\$ (18,864,699)	\$ 257,392,659
Liabilities and Net Assets											
Current liabilities											
Accounts payable and accrued expenses	\$ 14,894,703	\$ -	\$ 2,080,556	\$ -	\$ 2,471,808	\$ 1,960,440	\$ 23,321	\$ 374,605	\$ -	\$ (513,621)	\$ 21,291,812
Deposits	-	-	-	-	-	-	4,054,184	-	-	-	4,054,184
Current portion of long-term debt	5,012,282	411,600	-	308,316	-	-	-	-	-	-	5,732,198
Liabilities of discontinued operations classified as held for sale	-	-	-	-	-	-	-	-	2,122,812	-	2,122,812
Total Current Liabilities	19,906,985	411,600	2,080,556	308,316	2,471,808	1,960,440	4,077,505	374,605	2,122,812	(513,621)	33,201,006
Long-term liabilities											
Long-term debt, less current portion and less debt issuance costs	106,832,962	5,145,001	14,669,456	16,852,335	-	-	-	-	-	-	143,499,754
Fair value of interest rate swap	57,870	-	198,379	-	-	-	-	-	-	-	256,249
Total long-term liabilities	106,890,832	5,145,001	14,867,835	16,852,335	-	-	-	-	-	-	143,756,003
Total liabilities	126,797,817	5,556,601	16,948,391	17,160,651	2,471,808	1,960,440	4,077,505	374,605	2,122,812	(513,621)	176,957,009
Net assets without donor restrictions											
CommCare	80,322,028	5,814,421	(217,133)	(164,896)	2,031,648	2,600,947	4,264,308	2,476,905	(650,800)	(17,196,428)	79,281,000
Noncontrolling interest in subsidiaries	1,154,650	-	-	-	-	-	1,154,650	-	-	(1,154,650)	1,154,650
Total Net Assets	81,476,678	5,814,421	(217,133)	(164,896)	2,031,648	2,600,947	5,418,958	2,476,905	(650,800)	(18,351,078)	80,435,650
Total liabilities and net assets	\$ 208,274,495	\$ 11,371,022	\$ 16,731,258	\$ 16,995,755	\$ 4,503,456	\$ 4,561,387	\$ 9,496,463	\$ 2,851,510	\$ 1,472,012	\$ (18,864,699)	\$ 257,392,659

See independent auditors' report

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

For the year ended June 30, 2021	CommCare	CommCare Avoyelles	CommCare Natchitoches	CommCare Tangi	CommCare Management	Dignity Care	CommCare LA	CCC Pharmacy	Senescence	Eliminations	Total
Revenue without donor restrictions, gains, and other support											
Patient service revenue, net	\$ 100,296,872	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 100,296,872
Pharmacy sales	-	-	-	-	-	-	-	12,586,156	-	(2,579,436)	10,006,720
Premium Income	-	-	-	-	-	2,225,033	-	-	-	-	2,225,033
Management fee income	20,901	-	-	-	7,363,195	-	-	-	-	(6,495,813)	888,283
Lease Income	1,118,061	1,020,000	-	1,500,000	44,921	-	46,792	-	-	(1,438,500)	2,291,274
Contribution Revenue	5,866,803	-	-	-	-	-	-	-	-	-	5,866,803
Other operating revenues	199,106	-	-	-	203,132	-	-	-	-	-	402,238
Total revenue without donor restrictions, gains, and other support	107,501,743	1,020,000	-	1,500,000	7,611,248	2,225,033	46,792	12,586,156	-	(10,513,749)	121,977,223
Operating expenses											
Nursing services	40,560,978	-	-	-	1,333,255	-	-	-	-	-	41,894,233
General and Administrative	16,443,447	10,809	11,931	62,239	6,259,367	6,075,743	128,004	2,326,367	-	-	31,317,907
Therapy and ancillary services	11,184,479	-	-	-	-	-	-	-	-	(2,294,414)	8,890,065
Cost of goods sold- pharmacy	-	-	-	-	-	-	-	7,788,542	-	-	7,788,542
Dietary and food	5,779,727	-	-	-	-	-	-	-	-	-	5,779,727
Depreciation and amortization	5,777,745	716,673	6,905	664,961	91,890	-	40,415	70,662	-	(41,328)	7,327,923
Plant operations and maintenance	4,613,745	-	-	-	193,758	-	-	-	-	-	4,807,503
Provider fees	4,580,362	-	-	-	-	-	-	25,846	-	-	4,606,208
Housekeeping and laundry	3,221,955	-	-	-	-	-	-	-	-	-	3,221,955
Activities and social services	1,534,453	-	-	-	-	-	-	-	-	-	1,534,453
Bad debt expense	1,017,044	-	-	-	-	-	-	-	-	-	1,017,044
Lease expense	1,933,000	-	-	-	-	-	-	-	-	(1,438,500)	494,500
Advertising costs	901,640	-	-	-	-	-	-	1,378	-	-	903,018
Community services	65,148	-	-	-	-	-	-	-	-	-	65,148
Management fees	5,963,854	-	-	-	-	-	131,934	-	-	(6,095,788)	-
Total operating expenses	103,577,577	727,482	18,836	727,200	7,878,270	6,075,743	300,353	10,212,795	-	(9,870,030)	119,648,226
Operating income	3,924,166	292,518	(18,836)	772,800	(267,022)	(3,850,710)	(253,561)	2,373,361	-	(643,719)	2,328,997
Non-operating revenues (expenses)											
Gain on disposal of assets	12,449	-	-	-	3,540	-	-	699	-	-	16,688
Impairment of long lived assets	(6,288,113)	-	-	-	-	-	(146,242)	-	-	-	(6,434,355)
Miscellaneous income (expense)	-	-	-	-	(110,431)	5,048	-	4,226	-	-	(101,157)
Equity in earnings of subsidiaries	(1,084,524)	-	-	-	-	-	2,264,400	-	-	(1,179,876)	-
Loss on equity method investment	(54,774)	-	-	-	-	-	-	-	-	-	(54,774)
Debt forgiveness	9,019,560	-	-	-	1,183,236	-	-	-	-	-	10,202,796
Interest income	323,203	-	82	-	-	-	15,445	39	-	-	338,769
Interest expense	(3,111,930)	(155,473)	-	(602,280)	-	(18,659)	-	(565)	-	-	(3,888,907)
Unrealized loss on swap	(57,870)	-	(198,379)	-	-	-	-	-	-	-	(256,249)
Gain on acquisition	867,179	-	-	-	-	-	-	-	-	-	867,179
Total non-operating revenues (expenses)	(374,820)	(155,473)	(198,297)	(602,280)	1,076,345	(13,611)	2,133,603	4,399	-	(1,179,876)	689,990
Changes in net assets from continuing operations	3,549,346	137,045	(217,133)	170,520	809,323	(3,864,321)	1,880,042	2,377,760	-	(1,823,595)	3,018,987
Changes in net assets from discontinued operations	-	-	-	-	-	-	-	-	(113,360)	-	(113,360)
Change in net assets without donor restrictions	\$ 3,549,346	\$ 137,045	\$ (217,133)	\$ 170,520	\$ 809,323	\$ (3,864,321)	\$ 1,880,042	\$ 2,377,760	\$ (113,360)	\$ (1,823,595)	\$ 2,905,627
For the year ended June 30, 2021											
Net assets											
Beginning of year	\$ 80,898,670	\$ 6,677,376	\$ -	\$ (335,416)	\$ 1,297,325	\$ 2,765,268	\$ 12,010,254	\$ 2,349,145	\$ 1,622,934	\$ (26,784,195)	\$ 80,501,361
Distributions to noncontrolling shareholder in subs	(2,971,338)	-	-	-	-	-	(2,971,338)	(2,250,000)	(2,160,374)	7,381,712	(2,971,338)
Intercompany equity transfer	-	(1,000,000)	-	-	(75,000)	3,700,000	(5,500,000)	-	-	2,875,000	-
End of year	\$ 81,476,678	\$ 5,814,421	\$ (217,133)	\$ (164,896)	\$ 2,031,648	\$ 2,600,947	\$ 5,418,958	\$ 2,476,905	\$ (650,800)	\$ (18,351,078)	\$ 80,435,650

See independent auditors' report



REPORT REQUIRED BY *GOVERNMENT*
AUDITING STANDARDS



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

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, 2021 and 2020, and the related consolidated statements of revenues, expenses and changed 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 14, 2021.

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

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.

Car, Riggs & Ingram, L.L.C.

Metairie, Louisiana
December 14, 2021