LAKELAND CARE, INC.

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEARS ENDED DECEMBER 31, 2023 AND 2022

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Lakeland Care, Inc.
Fond du Lac, Wisconsin

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Lakeland Care, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lakeland Care, Inc., as of December 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Family Care Audit Guide* issued by the State of Wisconsin Department of Human Services. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Lakeland Care, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Lakeland Care, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards,* and the *Family Care Audit Guide* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the *Family Care Audit Guide*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Lakeland Care, Inc.'s internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Lakeland Care, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Board of Directors
Lakeland Care, Inc.

Other Reporting Required by *Government Auditing Standards* and the *Family Care Audit Guide*

In accordance with *Government Auditing Standards* and the *Family Care Audit Guide*, we have also issued our report dated May 17, 2024, on our consideration of Lakeland 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 that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Lakeland Care, Inc.'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* and the *Family Care Audit Guide* in considering Lakeland Care, Inc.'s internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Green Bay, Wisconsin
May 17, 2024

LAKELAND CARE, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2023 AND 2022

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 30,277,875	$ 54,516,577
Short-Term Investments	23,760,538	11,578,628
Accounts Receivable:		
State of Wisconsin	7,901,057	1,564,832
Members and Others	2,739,326	2,509,531
Allowances for Credit Losses	(898,700)	(1,094,400)
Members and Others - Net of Allowance for Credit Losses	1,840,626	1,415,131
Prepaid Expenses	769,999	1,761,190
Other Current Assets	569,486	77,863
Total Current Assets	65,119,581	70,914,221
PROPERTY AND EQUIPMENT		
Furniture and Fixtures	830,539	991,055
Vehicles	50,964	51,314
Machinery and Equipment	5,973,815	5,632,559
Leasehold Improvements	759,161	866,261
Construction in Progress	74,000	-
Total	7,688,479	7,541,189
Less: Accumulated Depreciation	(5,609,959)	(5,114,164)
Net Property and Equipment	2,078,520	2,427,025
OTHER ASSETS		
Restricted Cash and Investments	6,068,202	6,298,166
Long-Term Investments	7,088,301	8,686,925
Operating Right-of-Use Assets, Net	862,439	1,433,304
Total Other Assets	14,018,942	16,418,395
Total Assets	$ 81,217,043	$ 89,759,641

See accompanying Notes to Financial Statements.

LAKELAND CARE, INC.
STATEMENTS OF FINANCIAL POSITION (CONTINUED)
DECEMBER 31, 2023 AND 2022

	2023	2022
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable	$ 3,251,592	$ 1,759,863
Current Operating Lease Liability	656,012	748,079
Member Services	31,018,738	30,966,966
State of Wisconsin Payable	4,729,125	3,106,246
Payroll and Withholdings	2,356,751	1,908,909
Total Current Liabilities	42,012,218	38,490,063
OPERATING LEASE LIABILITY - LESS CURRENT MATURITIES	218,561	697,643
OTHER LONG-TERM LIABILITIES	20,653	-
Total Liabilities	42,251,432	39,187,706
NET ASSETS		
WITHOUT DONOR RESTRICTION		
Investment in Property and Equipment	2,078,520	2,427,025
Restricted Reserve	4,332,221	4,470,146
Solvency Fund	1,735,981	1,828,020
Without Donor Restriction - Other	30,818,889	41,846,744
Total Without Donor Restriction	38,965,611	50,571,935
Total Liabilities and Net Assets	$ 81,217,043	$ 89,759,641

See accompanying Notes to Financial Statements.

LAKELAND CARE, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
Operating Revenues:		
Medicaid Capitation	$ 340,728,380	$ 343,195,354
Room and Board	27,049,577	26,384,630
Cost Share	9,382,406	9,232,113
Third Party	89,570	34,707
Interest Income, Operating	936,007	-
Investment Gains	937,579	-
Retro Rate Adjustments	2,711,290	(3,106,246)
Miscellaneous	439,739	734,155
Total Operating Revenues	382,274,548	376,474,713
Operating Expenses:		
Direct Member Service Expenses:		
Long-Term Care Services:		
Residential Services (Community Based)	190,712,424	179,882,683
Personal Care/Supportive Home Care	77,315,647	72,399,235
Transportation	13,037,714	9,771,853
Nursing Home	40,068,499	36,106,721
Durable Medical Equipment	7,170,746	6,287,697
Other Expenses	8,178,974	8,223,314
Total Long-Term Care Services	336,484,004	312,671,503
Care Management Expenses:		
Care Management - Internal	39,136,005	34,216,165
Care Management Administration - Allocated	4,611,091	4,189,821
Depreciation	679,077	673,854
Total Care Management Expenses	44,426,173	39,079,840
Administrative Expenses:		
Wages and Benefits	12,173,305	9,918,349
Contracted TPA Expense	1,653,829	1,682,183
Occupancy	863,173	893,938
Office Expenses	548,384	274,459
Legal/Accounting/Audit	193,843	329,383
Other Professional Services	1,486,029	1,414,283
Depreciation Expense	291,322	253,903
Insurance Expense	231,134	260,151
Travel/Training/Conference	205,738	214,505
Other Administrative Expense	368,117	813,207
Administration Allocation to Care Management	(4,611,091)	(4,189,821)
Total Administrative Expenses	13,403,783	11,864,540
Total Operating Expenses	394,313,960	363,615,883
Change in Net Assets, Operating	(12,039,412)	12,858,830

See accompanying Notes to Financial Statements.

LAKELAND CARE, INC.
STATEMENT OF ACTIVITIES (CONTINUED)
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
Nonoperating Revenues:		
Prior Year IBNR Adjustment	$ 284,505	$ 917,056
Prior Year Adjustment-Other	123,581	-
Prior Year Expense	(6,713)	-
Prior Year Adjustment-Other Expenses	(114,330)	-
Loss on Sale of Capital Asset	(1,096)	-
Assessment Expense	-	(28,710)
Interest Income	147,954	19,463
Other Nonoperating Revenues (Expenses)	(813)	(786)
Net Nonoperating Revenues	433,088	907,023
CHANGE IN NET ASSETS	(11,606,324)	13,765,853
Net Assets - Beginning of Year	50,571,935	36,806,082
NET ASSETS - END OF YEAR	$ 38,965,611	$ 50,571,935

See accompanying Notes to Financial Statements.

LAKELAND CARE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2023

	Program Services	Supporting Services Management and General	Total
Salaries and Wages	$ 25,635,833	$ 8,762,479	$ 34,398,312
Payroll Taxes and Benefits	10,241,816	3,410,826	13,652,642
Travel	1,304,872	205,738	1,510,610
Contract Services	-	1,623,243	1,623,243
Occupancy	372,594	863,173	1,235,767
Supplies	95,519	548,384	643,903
Insurance	-	231,134	231,134
Technology	1,189,787	1,228,971	2,418,758
Provider Services	336,775,931	450,901	337,226,832
Depreciation	679,077	291,322	970,399
Care Management Administration - Allocated	4,611,091	(4,611,091)	-
Miscellaneous	3,657	398,703	402,360
Total Expenses by Function	$ 380,910,177	$ 13,403,783	$ 394,313,960

See accompanying Notes to Financial Statements.

LAKELAND CARE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2022

	Program Services	Supporting Services Management and General	Total
Salaries and Wages	$ 23,697,351	$ 7,436,720	$ 31,134,071
Payroll Taxes and Benefits	8,847,515	2,687,924	11,535,439
Travel	553,366	156,078	709,444
Contract Services	-	3,206,358	3,206,358
Occupancy	383,116	893,938	1,277,054
Supplies	-	145,088	145,088
Insurance	-	53,856	53,856
Technology	734,817	219,491	954,308
Provider Services	312,671,503	-	312,671,503
Depreciation	673,854	253,903	927,757
Care Management Administration - Allocated	4,189,821	(4,189,821)	-
Miscellaneous	-	1,001,005	1,001,005
Total Expenses by Function	$ 351,751,343	$ 11,864,540	$ 363,615,883

See accompanying Notes to Financial Statements.

LAKELAND CARE, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Medicaid Capitation	$ 335,144,436	$ 357,621,409
Cash Received from Member and Other Charges	41,841,353	33,485,111
Interest Received	456,188	19,463
Cash Payments to Suppliers	(357,175,223)	(329,560,788)
Cash Payments to Employees	(33,884,065)	(31,264,867)
Net Cash Provided (Used) by Operating Activities	(13,617,311)	30,300,328
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(731,529)	(947,351)
Proceeds from Sale of Property	1,096	-
Interest Received	147,954	-
Purchases of investments	(10,268,876)	(20,265,553)
Net Cash Used by Investing Activities	(10,851,355)	(21,212,904)
NET CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(24,468,666)	9,087,424
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	60,814,743	51,727,319
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR	$ 36,346,077	$ 60,814,743
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Change in Net Assets	$ (11,606,324)	$ 13,765,853
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	970,694	927,757
Loss on Disposal of Property and Equipment	107,676	-
Change in Provision for Credit Losses	(195,700)	-
Interest Received	(147,954)	-
Realized and Unrealized Gains on Operating Investments	(414,410)	-
Changes in Current Assets and Liabilities:		
Accounts Receivable	(6,181,150)	10,609,292
Prepaid Expenses	991,191	(886,038)
Other Current Assets	(776,492)	-
Accounts Payable	1,496,117	(1,690,620)
Operating Lease Liability	284	12,418
Member Services	51,772	4,640,803
State of Wisconsin Payable	1,622,879	3,106,246
Accrued Liabilities	468,495	(185,383)
Other Long-Term Liabilities	(4,389)	-
Net Cash Provided (Used) by Operating Activities	$ (13,617,311)	$ 30,300,328
RECONCILIATION OF CASH, CASH EQUIVALENTS, AND RESTRICTED CASH		
Cash and Cash Equivalents	$ 30,277,875	$ 54,516,577
Restricted Cash and Investments	6,068,202	6,298,166
Total Cash and Cash Equivalents	$ 36,346,077	$ 60,814,743

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Lakeland Care, Inc. (the Organization, We, Us, Our) is a community-based, nonstock, nonprofit corporation that enriches individual lives of its members and their families by providing coordinated long-term health care and supports to build and sustain individuals' success. Effective January 1, 2017, we converted from a public long-term care district to a private nonprofit organization and changed our name to Lakeland Care, Inc. We are governed by a board of directors. At least one-fourth of the members of the board of directors are representative of the client group or groups whom the care management organization is contracted to serve or those clients' family members, guardians, or other advocates.

We operate as an independent managed care organization (MCO) under contract with the State of Wisconsin Department of Health Services (DHS) to manage the Family Care program. Family Care is a Medicaid funded long-term care program that helps its members get the services they need to remain in their homes. Members are 18 years or older and includes frail elderly, physically disabled and intellectual/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. We serve members that reside in Brown, Calumet, Door, Florence, Fond du Lac, Forest, Kewaunee, Langlade, Lincoln, Manitowoc, Marathon, Marinette, Menominee, Oconto, Oneida, Outagamie, Portage, Shawano, Vilas, Waupaca, Winnebago, and Wood counties.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Cash and Cash Equivalents

We consider all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to the restricted reserve and solvency fund are excluded from this definition.

Accounts Receivable and Allowance for Credit Losses

Member accounts receivable consist of amounts due for the coordinated long-term health care and support services which are recorded in the accompanying statement of financial position. The adequacy of the allowance for credit losses is reviewed on an ongoing basis, using historical claim payment trends, write-off experience, analyses of receivable portfolios by payor source and aging of receivables, a review of specific member accounts, as well as expected future economic conditions and market trends, and adjustments are made to the allowance as necessary.

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable and Allowance for Credit Losses (Continued)

Payment for services is required within 90 days of receipt of invoice or claim submitted. Accounts more than 90 days past due are individually analyzed for collectability. When all collection efforts have been exhausted, the account is written off against the related allowance for credit loss. Interest is not charged on past due accounts receivable.

We believe the composition of receivables at year-end is consistent with historical conditions as credit terms and practices and the customer base has not changed significantly. The changes in allowance for credit losses are show below.

	2023	2022
Beginning Allowance for Credit Losses	$ 1,094,400	$ 694,800
Plus, Credit Loss Expense	549,357	1,094,043
Less, Writeoffs	(745,057)	(694,443)
Ending Allowance for Credit Losses	$ 898,700	$ 1,094,400

We have contracts with DHS to provide services to qualified Medicaid recipients which represent the source of capitation revenue. The contracts are renewed annually, but may be terminated with proper written notice. The contract has been renewed from January 1, 2024 through December 31, 2024. The capitation revenue is subject to retroactive rate adjustments as calculated by the State of Wisconsin. We adjust our capitation revenue for these estimated retroactive rate adjustments based on its level-of-care statistics used by the State of Wisconsin. The Organization and DHS have other risk-sharing and incentives which are accrued based on available information at year-end. Any adjustments between the estimated settlement accruals and the actual rate are included in the statement of activities in the period it becomes known.

Investments

We record investment purchase at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return (loss) is reported in the statements of activities and consists of interest income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Property and Equipment

We record property and equipment additions over $1,500 at cost, or if donated, at fair value on the date of donation. We also capitalize computers, monitors, and various peripherals. The individual cost threshold of $1,500 does not apply to these types of assets. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment (Continued)

Depreciation is computed using the straight-line method over the following estimated useful lives:

Furniture and Fixtures	3 to 10 Years
Machinery and Equipment	3 to 25 Years
Leasehold Improvements	10 to 20 Years

We review the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended December 31, 2023 and 2022.

Leases

The Organization has obligations as a lessee for office equipment, vehicles, equipment, and office space with noncancelable terms in excess of one year. The Organization determines if an arrangement is a lease at inception. Operating leases are included in operating right-of-use (ROU) asset, current operating lease liability and operating long-term lease liability on the statements of financial position.

ROU assets represent the Organization’s right to use an underlying asset for the lease term and lease liabilities represent the Organization’s obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. As most leases do not provide an implicit rate, the Organization uses its incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Organization has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right-of-use assets on the statements of financial position.

The Organization has elected not to separate nonlease components from lease components and instead account for each separate lease component and the nonlease component as a single lease component.

In evaluating contracts to determine if they qualify as a lease, the Organization considers factors such as if the Organization has obtained substantially all of the rights to the underlying asset through exclusivity, if the Organization can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

In determining the discount rate used to measure the right-of-use asset and lease liability, the Organization uses rates implicit in the lease, or if not readily available, the Organization's incremental borrowing rate. The incremental borrowing rate used is based on an estimated secured rate comprised of a risk-free rate plus a credit spread as secured by Organization assets. Determine a credit spread as secured by Organization assets may require significant judgment.

Member Service Liability

We have 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 as 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.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenue and Revenue Recognition

Performance obligations are determined based on the nature of the services provided by the Organization. Capitation revenues are recognized over time and 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. Family Care revenue for performance obligations is generally recognized over time and is based on monthly capitation target group rate by region and the actual days of service provided to a member in relation to total days of the month. The Organization believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Amounts received in advance are recorded as deferred revenue.

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue and Revenue Recognition (Continued)

The capitation revenue from the DHS 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 statement of activities in the period it becomes known.

Member pay revenue (room and board, cost share) is recognized over time when the services are provided, and represents that portion of services not covered under the contracts with DHS and Medicare.

Unearned member services revenue (capitation, room and board, cost share) and receivables related to member services revenue are as follows:

	2023	2022	2021
Contract Assets:			
Accounts Receivable			
State of Wisconsin	$ 7,901,057	$ 1,564,832	$ 12,884,641
Members and Other - Net of Allowance for Credit Losses	1,840,626	1,415,131	704,613
Total	$ 9,741,683	$ 2,979,963	$ 13,589,254
Contract Liabilities:			
State of Wisconsin	$ 4,729,125	$ 3,106,246	$ -
Member Services	31,018,738	30,966,966	26,326,163
Total	$ 35,747,863	$ 34,073,212	$ 26,326,163

Advertising Costs

Advertising costs are expensed as incurred and were $190,080 and $122,198 during the years ended December 31, 2023 and 2022, respectively.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy which is allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, insurance, travel, and IT/System License/Software, which are allocated on the basis of estimates of time and effort.

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

Lakeland Care, Inc. is organized as a Wisconsin nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Internal Revenue Code (IRC) Section 501(a) as an organization described in IRC Section 501(c)(3), qualifies for the charitable contribution deduction under IRC Section 170(b)(1)(A)(vi), and has been determined not to be a private foundation under IRC Section 509(a)(1). We are annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, we are subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. We file an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS to report our unrelated business taxable income.

Estimates

Management uses estimates and assumptions in preparing financial statements in conformity with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. On an ongoing basis, management evaluates the estimates and assumptions based on new information. Management believes that the estimates and assumptions are reasonable in the circumstances; however, actual results could differ from those estimates.

Financial Instruments and Credit Risk

We manage deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed by us to be creditworthy. At times, amounts on deposit may exceed insured limits. To date, we have not experienced losses in any of these accounts. Credit risk associated with accounts receivable are considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from governmental agencies.

Adoption of New Accounting Standard

On January 1, 2023, we adopted FASB ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended, which modifies the measurement of expected credit losses. We adopted this new guidance utilizing the modified retrospective transition method. The adoption of this Standard did not have a material impact on our financial statements but did change how the allowance for credit losses is determined. We also updated our accounting policies for determining the recoverability of accounts receivable.

Subsequent Events

We have evaluated subsequent events through May 17, 2024, the date the financial statements were available to be issued.

NOTE 2 LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	2023	2022
Cash and Cash Equivalents	$ 30,277,875	$ 54,516,577
Accounts Receivable:		
State of Wisconsin	7,901,057	1,564,832
Members and Other - Net of Allowance for Credit Losses	1,840,626	1,415,131
Total	$ 40,019,558	$ 57,496,540

Under the terms of our contract with DHS, we carried a restricted reserve in the amount of $4,332,221 and $4,470,146, at December 31, 2023 and 2022, respectively, and a solvency reserve, held by the State of Wisconsin – Office of the Commissioner of Insurance, in the amount of $1,735,981 and $1,828,020, respectively, at December 31, 2023 and 2022. The required level of risk and solvency reserves is calculated annually by DHS based on our estimated budgeted enrollment and annual capitation payments. Disbursements from these reserves that result in account balances less than required minimum balances require additional approval by DHS.

In July 2022, the Organization obtained a $2,000,000 line of credit to help manage unanticipated liquidity needs. There were no advances on this loan during the years ended December 31, 2023 and 2022.

NOTE 3 FAMILY CARE PROGRAM

Our primary source of revenue is capitation payments received from the State of Wisconsin Department of Health Services for services provided to members enrolled in the Family Care Program. Our contract with the State of Wisconsin Department of Health Services is renewable annually and has been renewed through December 31, 2024. In 2023, we continued to serve members that reside in Brown, Calumet, Door, Florence, Fond du Lac, Forest, Kewaunee, Langlade, Lincoln, Manitowoc, Marathon, Marinette, Menominee, Oconto, Oneida, Outagamie, Portage, Shawano, Vilas, Waupaca, Winnebago, and Wood counties. A loss of funding under the Family Care Program would have a significant adverse impact on our financial position and operations.

NOTE 4 FAIR VALUE MEASUREMENTS AND DISCLOSURES

We report certain assets at fair value in the financial statements. Fair value is the price that would be received to sell an asset in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset based on market data obtained from sources independent of the reporting entity.

Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets that we can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. These include quoted prices for similar assets in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset. In these situations, we develop inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to our assessment of the quality, risk, or liquidity profile of the asset or liability.

There has been no change in the methodology used as of December 31, 2023 and 2022. Following is a description of the valuation methodology used for the Organization's assets measured at fair value:

Governmental obligations: Classified as Level 2 because they are comprised of bonds and notes that are valued using pricing models maximizing the use of observable inputs for similar securities

Certificates of deposit: Valued at cost plus accrued interest, which approximates fair value.

NOTE 4 FAIR VALUE MEASUREMENTS AND DISCLOSURES (CONTINUED)

The following table sets forth by level, within the fair value hierarchy, our assets at fair value as of December 31, 2023:

	Total	Level 1	Level 2	Level 3
Investments				
U.S. Government Securities	$ 30,848,839	$ -	$ 30,848,839	$ -
Investments - Other				
Certificates of Deposit Held in Trust by the State of Wisconsin	1,735,981	1,735,981	-	-
Total	$ 32,584,820	$ 1,735,981	$ 30,848,839	$ -

The following table sets forth by level, within the fair value hierarchy, our assets at fair value as of December 31, 2023:

	Total	Level 1	Level 2	Level 3
Investments				
U.S. Government Securities	$ 20,265,553	$ -	$ 20,265,553	$ -
Investments - Other				
Certificates of Deposit Held in Trust by the State of Wisconsin	1,828,020	1,828,020	-	-
Total	$ 22,093,573	$ 1,828,020	$ 20,265,553	$ -

NOTE 5 CASH AND INVESTMENTS

The carrying amount of our cash and investments on December 31 is summarized below:

	2023	2022
Petty Cash and Cash on Hand	$ -	$ 400
Deposits With Financial Institutions	34,610,096	58,986,322
Investments:		
Certificates of Deposit Held in Trust by the State of Wisconsin	1,735,981	1,828,020
Investments U.S. Government Securities	30,848,839	20,265,553
Total	$ 67,194,916	$ 81,080,295

	2023	2022
Reconciliation to the Financial Statements:		
Statement of Financial Position		
Cash and Cash Equivalents	$ 30,277,875	$ 54,516,577
Restricted Cash and Investments	6,068,202	6,298,166
Short-Term Investments	23,760,538	11,578,628
Long-Term Investments	7,088,301	8,686,925
Total	$ 67,194,916	$ 81,080,296

NOTE 5 CASH AND INVESTMENTS (CONTINUED)

Restricted cash and investments on December 31, 2023 and 2022 consisted of cash and investments held for the following purposes:

	2023	2022
Minimum Risk Reserve	$ 4,332,221	$ 4,470,146
Solvency Reserve	1,735,981	1,828,020
Total Restricted Cash and Investments	$ 6,068,202	$ 6,298,166

NOTE 6 ACCOUNTS RECEIVABLE

Accounts receivable consists of the following at December 31:

	2023	2022
Capitation Revenue Receivable Due from the State of Wisconsin	$ 4,623,263	$ 1,564,832
Retro Rate Adjustment Receivable	3,277,794	-
Total Receivable from the State of Wisconsin	$ 7,901,057	$ 1,564,832
Member Receivables	$ 2,739,326	$ 2,509,531
Allowance for Credit Losses	(898,700)	(1,094,400)
Net Receivable from Members	$ 1,840,626	$ 1,415,131

On December 1, 2022, the Organization was notified that the State of Wisconsin Department of Health Services was instituting an increase to nursing home per diems effective July 1, 2022. The Organization estimated the impact of the rate adjustment to be $1,317,481, which is included in capitation revenue receivable due from the State of Wisconsin on the statement of financial position. For 2023, there was no retroactive rate adjustment.

NOTE 7 MEMBER SERVICES LIABILITY

Member services liability consists of the following at December 31:

	2023	2022
Incurred but Not Reported Services	$ 31,018,738	$ 30,528,643
Accrued Capitation Revenue Payable	467,728	438,323
Total Member Services	$ 31,486,466	$ 30,966,966

A summary of the changes in the incurred but not reported services payable for 2023 and 2022 follows:

	2023	2022
Member Services - January 1	$ 30,528,643	$ 26,048,198
Current Year Claims and Changes in Estimates	329,378,542	306,924,900
Claim Payments	(328,888,447)	(302,444,455)
Member Services - December 31	$ 31,018,738	$ 30,528,643

NOTE 8 LEASES

The Organization has obligations as a lessee for copiers, office equipment, vehicles, and facility space with initial noncancelable lease terms in excess of 12 months. The Organization classifies these leases as operating leases. Several of the Organization's leases contain renewal options. For leases where the Organization is not reasonably certain to exercise these renewal options, the optional periods are not included in determining the lease term, and associated payments under these renewal options are excluded from total lease payments used to determine the lease liability. For leases where the Organization is reasonably certain to exercise these renewal options, the optional periods are included in determining the lease term, and associated payments under these renewal options are included in total lease payments used to determine the lease liability. Several of the Organization's facility space leases include termination options for the Organization should they lose their contract with the State of Wisconsin. None of the leases include restrictive financial or other covenants.

Payments due under the lease contracts include fixed payments over the lease term and variable payments that are based upon defined annual increases. Additionally, the lease contracts generally require the Organization to pay a proportion of real estate taxes, insurance, common area expenses, and repairs. Total operating lease cost was $825,390 and $808,877 for the years ended December 31, 2023 and 2022, respectively.

The following tables provide quantitative information concerning the Organization's leases for the year ended December 31, 2023:

	2023	2022
Lease Cost:		
Operating Lease Cost	$ 825,390	$ 808,877
Other Information:		
Cash Paid for Amounts Included in the Measurement of Lease Liabilities:		
Operating Cash Flows from Operating Leases	$ 825,674	$ 796,459
Right-of-Use Assets Obtained in Exchange for New Operating Lease Liabilities	$ 204,057	$ 2,184,813
Weighted-Average Remaining Lease Term-Operating Leases	1.4 Years	1.9 Years
Weight-Average Discount Rate-Operating Leases	3.29%	3.25%

NOTE 8 LEASES (CONTINUED)

A maturity analysis of annual undiscounted cash flows for lease liabilities as of December 31, 2023 is as follows:

Year	Amount
2024	$ 671,721
2025	178,657
2026	43,000
Undiscounted Cash Flows	893,378
Less: Imputed Interest	(18,805)
Total Present Value	$ 874,573
Short-Term Lease Liabilities	$ (656,012)
Long-Term Lease Liabilities	(218,561)
Total Lease Liabilities	$ (874,573)

NOTE 9 EMPLOYEE BENEFITS

We sponsor a defined contribution plan (Lakeland Care, Inc. Retirement Savings Plan or the Plan) covering all employees at least age 18 with two months of service who agree to make contributions to the Plan. We make a contribution to the Plan each year equal to 100% of an employee's salary deferrals up to 2% of an employee's compensation and 50% of an employee's salary deferrals between 2% and 6% of compensation. In addition, we may make discretionary profit-sharing contributions to the Plan. Total expense for the years ended December 31, 2023 and 2022 was $1,203,060 and $1,094,478, respectively.

NOTE 10 LIABILITY INSURANCE

We have purchased commercial insurance policies for various risks of loss related to torts; theft, damage or destruction of assets; Cyber liability; errors or omissions; injuries to employees; or acts of God. Payments of premiums for these policies are recorded as expenses of the Organization.

NOTE 11 COMMITMENTS AND CONTINGENCIES

Our contract with the Wisconsin Department of Health Services requires compliance with several financial measures. We are in compliance with the working capital, risk reserve and the solvency reserve requirements at year-end.

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* AND THE *FAMILY CARE AUDIT GUIDE*

Board of Directors
Lakeland Care, Inc.
Fond du Lac, 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 *Family Care Audit Guide* issued by the Comptroller General of the State of Wisconsin, the financial statements of Lakeland Care, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated May 17, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lakeland Care, Inc.'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 Lakeland Care, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Lakeland 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

Board of Directors
Lakeland Care, Inc.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lakeland 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 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* and the *Family Care 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 *Family Care Audit Guide* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Green Bay, Wisconsin
May 17, 2024

LAKELAND CARE, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2023

Section I – Summary of Auditors' Results

Financial Statements

1. Type of auditors' report issued: Unmodified

2. Internal control over financial reporting:

Material weakness(es) identified?	______ yes	x no
Significant deficiency(ies) identified?	______ yes	x no

3. Noncompliance material to financial statements noted? ______ yes x no

Section II – Financial Statement Findings

None.

Section III – Other Issues

Does the auditor have substantial doubt as to the auditee's ability to continue as a going concern? ______ yes x no

1. Does the audit report show audit issues (i.e. material noncompliance, nonmaterial noncompliance, questioned costs, material weakness, significant deficiency, management letter comment, excess revenue or excess reserve) related to grants/contracts with funding agencies that require audits to be in accordance with the *Family Care Audit Guide*:

   Wisconsin Department of Health Services ______ yes x no

2. Was a Management Letter or other document conveying audit comments issued as a result of this audit? ______ yes x no

Name and signature of principal — Michael Peer, CPA

Date of report — May 17, 2024