

Mountain-Pacific Quality Health Foundation

Financial Statements and Supplemental Information

Years Ended June 30, 2019 and 2018





Independent Auditor's Report

To the Board of Directors
Mountain-Pacific Quality Health Foundation
Helena, Montana

Report on the Financial Statements

We have audited the accompanying financial statements of Mountain-Pacific Quality Health Foundation ("the Organization"), (a nonprofit organization) which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States and the 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2019 and 2018, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

Other Matters

Supplementary Information

Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The supplementary information appearing on pages 25-38, which includes the schedule of expenses by contract and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; and the *State Single Audit Guidelines*, are presented for the purpose of additional analysis, and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated, in all material respects, in relation to the 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 February 5, 2020, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.



Wipfli LLP
Helena, Montana
February 5, 2020

Mountain-Pacific Quality Health Foundation

Statements of Financial Position

<i>As of June 30,</i>	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,457,173	\$ 2,174,105
Contracts receivable	2,247,879	1,900,970
Prepaid expenses	328,005	247,864
Total current assets	4,033,057	4,322,939
PROPERTY AND EQUIPMENT		
Furniture and equipment	1,775,218	1,811,360
Accumulated depreciation	(1,727,062)	(1,745,602)
Net property and equipment	48,156	65,758
OTHER ASSETS		
Employee loans	-	1,531
Travel advances	1,669	13,052
Long-term investments	3,184,260	3,039,827
Deposits	25,978	28,263
Total other assets	3,211,907	3,082,673
TOTAL ASSETS	\$ 7,293,120	\$ 7,471,370

Mountain-Pacific Quality Health Foundation

Statements of Financial Position (Continued)

<i>As of June 30,</i>	2019	2018
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 156,715	\$ 284,875
Accrued vacation payable	431,982	438,280
Accrued payroll and related taxes	202,004	216,949
Accrued retirement plan contribution	84,122	161,480
Total current liabilities	874,823	1,101,584
NET ASSETS		
Without donor restrictions:		
Without donor restrictions, undesignated	5,164,770	5,169,786
Board designated	1,200,000	1,200,000
With donor restrictions	53,527	-
Total net assets	6,418,297	6,369,786
TOTAL LIABILITIES AND NET ASSETS	\$ 7,293,120	\$ 7,471,370

See accompanying notes to financial statements.

Mountain-Pacific Quality Health Foundation

Statement of Activities

Year Ended June 30,	2019		Total
	Without Donor Restrictions	With Donor Restrictions	
SUPPORT AND REVENUE			
Contract and grant income	\$ 16,257,537	\$ 53,527	\$ 16,311,064
Unrealized gains on investments	110,346	-	110,346
Realized losses on investments	(21,340)	-	(21,340)
Income on long-term investments	66,467	-	66,467
Interest income	4,009	-	4,009
Total support and revenue	16,417,019	53,527	16,470,546
NET ASSETS RELEASED FROM RESTRICTIONS	-	-	-
EXPENSES			
Programs	12,358,274	-	12,358,274
Management and general	4,063,761	-	4,063,761
Total expenses	16,422,035	-	16,422,035
CHANGES IN NET ASSETS	(5,016)	53,527	48,511
Net assets, beginning of year	6,369,786	-	6,369,786
Net assets, end of year	\$ 6,364,770	\$ 53,527	\$ 6,418,297

See accompanying notes to financial statements.

Mountain-Pacific Quality Health Foundation

Statement of Activities

Year Ended June 30,	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contract and grant income	\$ 16,361,229	\$ -	\$ 16,361,229
Unrealized losses on investments	(3,282)	-	(3,282)
Realized gains on investments	127,066	-	127,066
Income on long-term investments	78,106	-	78,106
Interest income	7,184	-	7,184
Total support and revenue	16,570,303	-	16,570,303
NET ASSETS RELEASED FROM RESTRICTIONS	21,014	(21,014)	-
EXPENSES			
Programs	12,200,962	-	12,200,962
Management and general	4,156,933	-	4,156,933
	16,357,895	-	16,357,895
CHANGES IN NET ASSETS	233,422	(21,014)	212,408
Net assets, beginning of year	6,136,364	21,014	6,157,378
Net assets, end of year	\$ 6,369,786	\$ -	\$ 6,369,786

See accompanying notes to financial statements.

Mountain-Pacific Quality Health

Statement of Functional Expenses

For the Year Ended June 30, 2019

	QIO Program	MT Medicaid Contracts	Consulting Service Program	Total Program	Management & General	Total
Salaries, wages, and fringe benefits	\$ 4,474,319	\$ 3,531,817	\$ 1,692,567	\$ 9,698,703	\$ 3,070,854	\$ 12,769,557
Travel	243,101	33,177	125,359	401,637	132,508	534,145
Supplies	58,880	5,009	3,631	67,520	41,283	108,803
Printing and publications	69,498	3,870	3,959	77,327	20,346	97,673
Consultant fees	218,930	157,264	139,014	515,208	46,627	561,835
Subcontractors	36,742	11,600	237,099	285,441	-	285,441
Dues and membership	123,682	67,927	52,346	243,955	96,246	340,201
Physician expenses	-	153	-	153	-	153
Postage	19,019	3,670	936	23,625	30,920	54,545
Data processing	2,491	64,219	19,500	86,210	159,842	246,052
Insurance	-	-	-	-	81,792	81,792
Equipment rental	-	-	-	-	16,729	16,729
Legal and audit	2,635	-	-	2,635	50,347	52,982
Telephone	57,679	115,049	9,311	182,039	27,274	209,313
Maintenance	11,310	12,260	1,786	25,356	40,495	65,851
Occupancy	323,163	169,737	52,144	545,044	146,648	691,692
Depreciation	5,969	8,332	1,025	15,326	17,057	32,383
Personal property taxes	-	2	-	2	1,330	1,332
Board of director fees	-	-	-	-	3,680	3,680
Board of director travel	-	-	-	-	3,520	3,520
Meetings and conferences	65,749	3,407	42,180	111,336	36,823	148,159
Other expenses	34,865	35,277	6,615	76,757	39,440	116,197
	<u>\$ 5,748,032</u>	<u>\$ 4,222,770</u>	<u>\$ 2,387,472</u>	<u>\$ 12,358,274</u>	<u>\$ 4,063,761</u>	<u>\$ 16,422,035</u>

** Management and General includes allowable indirect costs in the amount of \$3,944,807 and incurred unallowable costs in the amount of \$118,953.
See accompanying notes to financial statements.

Mountain-Pacific Quality Health

Statement of Functional Expenses

For the Year Ended June 30, 2018

	QIO Program	MT Medicaid Contracts	Consulting Service Program	Total Program	Management & General	Total
Salaries, wages, and fringe benefits	\$ 4,209,841	\$ 3,510,144	\$ 1,705,422	\$ 9,425,406	\$ 2,985,678	\$ 12,411,084
Travel	143,236	23,584	135,785	302,605	172,817	475,422
Supplies	37,645	7,407	3,075	48,127	75,035	123,162
Printing and publications	34,898	3,629	5,076	43,602	56,996	100,598
Consultant fees	151,385	236,154	161,187	548,726	78,913	627,639
Subcontractors	362,435	-	297,844	660,279	11,594	671,874
Dues and membership	67,122	63,052	70,679	200,853	67,439	268,292
Physician expenses	-	540	-	540	-	540
Postage	15,972	5,618	1,179	22,769	32,525	55,294
Data processing	1,562	15,464	30,000	47,026	185,718	232,744
Insurance	-	-	-	-	66,124	66,124
Equipment rental	-	-	50	50	18,796	18,846
Legal and audit	-	-	-	-	40,186	40,186
Telephone	70,252	127,760	15,252	213,264	34,297	247,560
Maintenance	10,805	11,551	2,494	24,851	46,346	71,197
Occupancy	291,593	157,285	78,860	527,738	147,038	674,776
Depreciation	5,726	8,981	1,330	16,037	44,030	60,067
Personal property taxes	53	-	-	53	1,696	1,749
Board of director fees	-	-	-	-	3,000	3,000
Board of director travel	-	-	-	-	3,760	3,760
Meetings and conferences	28,367	3,996	24,011	56,373	29,774	86,147
Other expenses	14,390	36,217	12,056	62,663	55,171	117,834
	<u>\$ 5,445,280</u>	<u>\$ 4,211,382</u>	<u>\$ 2,544,300</u>	<u>\$ 12,200,962</u>	<u>\$ 4,156,933</u>	<u>\$ 16,357,895</u>

** Management and General includes allowable indirect costs in the amount of \$3,994,181 and incurred unallowable costs in the amount of \$162,752.
See accompanying notes to financial statements.

Mountain-Pacific Quality Health

Statements of Cash Flows

<i>Years ended June 30,</i>	2019	2018
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES		
Change in net assets	\$ 48,511	\$ 212,408
Adjustments to reconcile the change in net assets to net cash from operating activities:		
Depreciation	32,383	60,067
Amortization included in data processing	-	1,342
Unrealized (gains) losses on long-term investments	(110,346)	3,282
Realized (gains) losses on investments	21,340	(127,066)
(Increase) Decrease in assets:		
Contracts receivable	(346,909)	283,971
Employee loans	1,531	(292)
Prepaid expenses	(80,141)	102,234
Travel Advances	11,383	(7,053)
Deposits	2,285	-
Increase (Decrease) in liabilities:		
Accounts payable	(128,160)	40,955
Accrued vacation expense	(6,298)	16,743
Accrued payroll and related taxes	(14,945)	(316,515)
Accrued retirement plan contributions	(77,358)	35,426
Net cash provided by (used in) operating activities	(646,725)	305,502
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of long-term investments	1,210,747	1,692,765
Purchase of long-term investments	(1,266,173)	(2,068,419)
Purchase of equipment	(14,781)	(5,745)
Net cash used in investing activities	(70,207)	(381,399)
CASH FLOWS FROM FINANCING ACTIVITIES	-	-
NET DECREASE IN CASH AND CASH EQUIVALENTS	(716,932)	(75,897)
Cash and cash equivalents, beginning of year	2,174,105	2,250,002
Cash and cash equivalents, end of year	\$ 1,457,173	\$ 2,174,105
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid during the year for interest	\$ -	\$ -

See accompanying notes to financial statements.

Mountain-Pacific Quality Health Foundation

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies

Nature of Operations

Mountain-Pacific Quality Health Foundation ("Organization") was originally incorporated on April 25, 1973, as Montana Foundation for Medical Care ("the Foundation"), by action of the Montana Medical Association House of Delegates, to serve as a state-wide organization for medical quality assurance and peer review activities in Montana. The Foundation became the Professional Standards Review Organization (PSRO) for Montana in May 1975 under public law 92-603. Under the auspices of the Department of Public Health and Human Services (DPHHS), the Foundation was a fully operational PSRO and implemented certain programs which involved local practicing physicians in the ongoing review and evaluation of health care services paid for under the Medicare program.

On July 1, 1984, the PSRO program was replaced by a Professional Review Organization (PRO) program. The Foundation was awarded the PRO designation for both Montana and Wyoming and the corporate name was changed to Montana-Wyoming Foundation for Medical Care. In March of 2003, the name of the PRO program was changed to the Quality Improvement Organization (QIO) program. With the addition of the Hawaii PRO contract in 1996, the Corporation changed its name to the Mountain-Pacific Quality Health Foundation. The Alaska QIO contract was awarded to the Organization in November 2005. During fiscal 2007, the Organization began doing business as Mountain-Pacific Quality Health.

On January 5, 2005, a new corporation was formed, Mountain-Pacific Quality Health Foundation-Hawaii to acquire in-state status, providing a non-competitive bid process for the QIO contract in that state. Assets were transferred to this corporation on April 1, 2005. Subsequently, the Centers for Medicare and Medicaid Services (CMS), the agency who administers the QIO program, instructed all activities to be operated out of one corporation. All assets in the Hawaii corporation were transferred back to Mountain-Pacific Quality Health Foundation and the Hawaii corporation was inactivated. However, efforts were continued to reach an agreement with CMS. In December 2007, CMS agreed to novate the Hawaii QIO contract to the Hawaii corporation. The novation assignment was effective July 1, 2007. The Hawaii corporation was re-activated and the asset base was re-established.

In 2007, two new corporations were formed, Mountain-Pacific Quality Health Foundation- Wyoming and Mountain-Pacific Quality Health Foundation-Alaska to acquire in-state status, providing a non-competitive bid process for the QIO contracts in those states. The Organization transferred assets to Wyoming and Alaska effective July 1, 2007.

The Hawaii, Wyoming, and Alaska corporations held QIO contracts through July 31, 2014. Through a CMS regionalization initiative, the number of QIOs was reduced effective with the new contracts issued August 1, 2014. In response to this initiative, a single proposal to perform contract work in Montana, Hawaii (includes the U.S. Pacific Territories of American Samoa, Guam and the Commonwealth of the Northern Mariana Islands), Wyoming, and Alaska was submitted under Mountain-Pacific Quality Health Foundation. The proposal was accepted and Mountain-Pacific Quality Health Foundation was awarded contracts to provide services in all four states. On August 1, 2014, Mountain-Pacific Quality Health Foundation hired the employees from the Alaska, Hawaii, and Wyoming corporations.

Mountain-Pacific Quality Health Foundation

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Nature of Operations (Continued)

The Organization's board of directors voted at the September 4, 2014 meeting to assign the assets and liabilities of the Alaska, Hawaii, and Wyoming corporations to Mountain-Pacific Quality Health Foundation.

In fiscal years 2019 and 2018, there were no financial transactions in the Alaska, Hawaii, and Wyoming corporations: however, they remain active for potential future operations.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Basis of Presentation

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

Net assets without donor restrictions are the net assets of the Organization that are not subject to donor imposed restrictions. Thus, they include all net assets whose use has not been restricted by donors or by law.

Net assets with donor restrictions are subject to donor-imposed stipulations that may or may not be met, either by actions of the Organization and/or the passage of time. When a restriction expires, net assets with donor restrictions are transferred to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Board designations, which are voluntary board-approved segregations of net assets for specific purposes, projects, or investments, are also a part of net assets without donor restrictions.

Mountain-Pacific Quality Health Foundation

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Change in Accounting Policy

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

The organization implemented FASB ASU No. 2016-14 in the current year, applying the changes retrospectively. The new standards change the following aspects of the financial statements:

- The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The financial statements include a disclosure about liquidity and availability of resources (Note 8).

The changes have the following effect on net assets at July 1, 2017:

<i>Net Asset Class</i>	As Originally Presented	After Adoption of ASU 2016- 14
Unrestricted net assets	\$ 5,169,786	\$ -
Board designated net assets	1,200,000	-
Net assets without donor restrictions	-	5,169,786
Board designated net assets	-	1,200,000
Total net assets	\$ 6,369,786	\$ 6,369,786

Cash and Cash Equivalents

The Organization considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents. The cash equivalents consist of the following as of June 30:

	2019	2018
Cash in checking and savings	\$ 27,100	\$ 27,100
Money market accounts	491,665	480,622
Repurchase agreements	938,408	1,666,383
Total	\$ 1,457,173	\$ 2,174,105

Mountain-Pacific Quality Health Foundation

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Investments

Investments include debt and equity mutual funds that the Organization maintains with third-party investment managers.

Investments in debt and equity mutual funds are reported in the statements of financial position at fair value based on quoted market prices. Unrealized gains and losses are included in the change in net assets.

Contracts Receivable

Contracts receivable consist primarily of Federal Health and Human Services contracts and are collected within 30 to 45 days. Amounts are reviewed for collectability by management and an allowance for doubtful accounts is recorded as needed. Management considers these receivables to be collectible and, therefore, no allowance for uncollectible amounts has been recorded. If an account becomes uncollectible, it will be written off at that time. The Federal Health and Human Services contracts comprise 73 and 74 percent of receivables as of June 30, 2019 and 2018, respectively.

Property, Equipment and Depreciation

Property and equipment are capitalized at cost or, if donated, at fair value on the date of donation. Depreciation is computed using the straight-line method over the estimated useful life of the asset. The Organization capitalizes property and equipment with a value greater than or equal to \$5,000 and a useful life of greater than one year.

Equipment acquired under the federal QIO contracts is owned by the United States Department of Health and Human Services, while used in the program for which it was purchased or in other future authorized programs. However, the various funding sources have a reversionary interest in the property and equipment purchased with federal funds. Its disposition, as well as the ownership of any proceeds there from, is subject to funding source regulations. The property and equipment purchased with federal funds are normally restricted for use in specific programs operated by the Organization. The cost of federally funded property and equipment, which is reported annually to Centers for Medicare & Medicaid Services is \$43,061 and \$337,169 at June 30, 2019 and 2018, respectively. The value of this equipment is not reported on the statements of financial position.

The Organization capitalizes the costs incurred to develop internal-use software once management determines the software will be feasible for use generally over a period exceeding one year. Costs are capitalized up to the period management determines the project is substantially complete and ready for its intended use. Once implemented, internally developed software is amortized on a straight-line basis over five years. All software costs were fully amortized at June 30, 2015.

Mountain-Pacific Quality Health Foundation

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Prepaid Expenses

The Organization records expenses when incurred. Prepayments of expenses providing a benefit or with an effective period of one-year or more and costing \$5,000 or more are reported as a current asset. Prepaid expenses are mainly comprised of insurance, membership dues, rental, and software expenses. For the years ended June 30, 2019 and 2018, prepaid expenses were \$328,005 and \$247,864, respectively.

Accrued Vacation Payable

The Organization's employees accrue personal leave/vacation time on a pay period basis. The accrual level varies by employee based upon the number of hours worked and years of service. Full-time and part-time employees may carryover up to 80 hours and 50 hours, respectively, of unused leave from one year to the next. Exceptions to this limit are subject to the Chief Executive Officer's approval. An employee is compensated at termination for unused leave hours at his or her current rate of pay. The accrued vacation payable is \$431,982 and \$438,280 at June 30, 2019 and 2018, respectively.

Employees also earn sick leave time on a pay period basis. Sick leave time is accrued at the rate of .0384 hours per hour worked, up to a defined limit based on the state of employment. An employee is not compensated at termination for unused sick leave hours.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation on unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A). The Organization is also exempt from state income taxes. Under the Tax Cuts and Jobs Act, any costs incurred by a non-profit organization to provide parking for employees became unrelated business income beginning January 1, 2018. The Organization paid state and federal corporate taxes related to this unrelated business income totaling \$17,552 in the fiscal year ended June 30, 2019. The payments included \$11,076 and \$6,476 for the years ended June 30, 2019 and 2018, respectively.

Guidance regarding the application of the employee parking benefit tax to non-profit organizations was issued subsequent to the Montana and Hawaii state corporate filing deadlines. Consequently, the Organization was assessed interest and penalties by the state tax authorities for late filings and payment. Payments of \$104 and \$93 were made to the states of Hawaii and Montana in June 2019 and September 2019, respectively.

The Organization's federal and state returns are subject to examination generally for three years after they are filed.

Mountain-Pacific Quality Health Foundation

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Federal Contracts

The Organization is compensated under its QIO contracts on a cost plus fixed-fee or fixed price basis. Costs directly related to performing contract requirements are determined on the accrual basis of accounting. During the fiscal years ended June 30, 2019 and 2018, general and administrative, and fringe benefit expenses were recorded in cost pools and recovered through rates approved by the cognizant Federal agency. The fringe benefit pool includes leave expenses and is applied to total productive labor. The general and administrative cost rate is applied to the total costs, less any pass-through expenses.

Approved provisional rates for the fiscal years ending June 30, 2019 and 2018 were as follows:

<i>Years Ended June 30,</i>	2019	2018
Indirect costs	32.37 %	35.23 %
Fringe benefits	51.88 %	51.23 %

Income on Long-Term Investments

Income on long-term investments includes dividends, distributed capital gains and losses, less investment management fees. Investment management fees totaled \$21,523 and \$17,055 during the fiscal years ending June 30, 2019 and 2018, respectively.

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Facility related expenses, which include telephone, maintenance, occupancy and depreciation, are allocated based on the number of hours worked by employees utilizing the Organization's rented office facilities. Employee fringe benefit costs are allocated based on each program's proportional share of productive (excludes leave) labor costs.

Reclassification

Certain amounts as previously reported in the 2018 financial statements have been reclassified to conform to the 2019 presentation. Accounting Standards Update (ASU) 2016-14 was applied retroactively to the financial statements presented for the year ended June 30, 2018. Net assets and changes in net assets previously reported under unrestricted or temporarily restricted are now presented under without donor restrictions or with donor restrictions, respectively.

Mountain-Pacific Quality Health Foundation

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Subsequent Events

The Organizations have evaluated events and transactions for potential recognition or disclosure in the financial statements through February 5, 2020, which is the date the financial statements were available to be issued. No events have occurred subsequent to year end requiring disclosure or inclusion in these financial statements.

New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This ASU, as amended, provides comprehensive guidance on the recognition of revenue from customers arising from the transfer of goods and services, guidance on accounting for certain contract costs, and new disclosures. The new standard supersedes current revenue recognition requirements in FASB Accounting Standards Codification (ASC) Topic 605, *Revenue Recognition*, and most industry-specific guidance. When adopted, the amendments in the ASU must be applied using one of two retrospective methods. ASU No. 2014-09 is effective for nonpublic entities for annual periods beginning after December 15, 2018. The Organization is currently evaluating the impact of the provisions of ASC 606.

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. This ASU modifies lease accounting to increase transparency and comparability by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing information. The most significant change for lessees will be the recognition of both a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term for those leases classified as operating leases under current GAAP. Certain accounting policy elections are permitted for leases with terms of 12 months or less. FASB Accounting Standards Codification (ASC) Topic 842, *Leases ("ASC 842")*, supersedes current lease requirements in FASB ASC Topic 840, *Leases*. When adopted, the amendments in the ASU must be applied using a modified retrospective approach, with certain practical expedients available. The new standard is effective for nonpublic companies for annual periods beginning after December 15, 2020. The Organization is currently evaluating the impact of the provisions of ASC 842.

On June 21, 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this update will assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and determining whether a transaction is conditional. The amendments in this update are effective for annual financial statements issued for fiscal years beginning after December 15, 2018, and for interim periods within fiscal years beginning after December 15, 2019, for transactions in which the entity serves as the resource recipient. Early application of the amendments in this update is permitted. Mountain-Pacific is still evaluating the impact of the provisions of ASU Topic 958.

Mountain-Pacific Quality Health Foundation

Notes to Financial Statements

Note 2: Concentration of Credit Risk

The Organization maintains cash balances at financial institutions where the accounts are insured by the Federal Deposit Insurance Corporation (FDIC) for up to \$250,000. Money market accounts are insured by the Securities Investor Protection Corporation (SIPC). At certain times during the year, cash balances may be in excess of FDIC and SIPC coverages. The Organization has not experienced any losses in such accounts, and believes it is not exposed to any significant credit risk on cash.

The repurchase agreements held are collateralized by U.S. Treasury Securities but are not FDIC or SIPC insured in the amounts of \$1,214,075 and \$1,813,713 as of June 30, 2019 and 2018, respectively.

Note 3: Fair Value Measurements

GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority level. Level 2 inputs consist of observable inputs other than quoted prices for identical assets (Level 1). Level 3 inputs are unobservable and have the lowest priority. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 2 inputs are used for investments for which Level 1 inputs were not available. Level 3 inputs would only be used if Level 1 or Level 2 inputs were not available. There are no assets requiring the use of Level 3 inputs for the periods presented.

Following is a description of the valuation methodology used for assets measured at fair value. There have been no changes in the methodology used as of June 30, 2019 and 2018.

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Organization are open-end mutual funds that are registered with the U.S. Securities and Exchange Commission. These funds are required to publish their daily net asset value ("NAV") and to transact at that price. The mutual funds held by the Organization are deemed to be actively traded.

The following tables set forth by level, within the fair value hierarchy, the Organization's investment assets at fair value as of June 30, 2019 and 2018. Classification within the fair value hierarchy table is based on the lowest level of any input that is significant to the fair value measurement:

	Assets at Fair Value as of June 30, 2019			
	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 3,184,260	\$ -	\$ -	\$ 3,184,260
Total investment assets at fair value	\$ 3,184,260	\$ -	\$ -	\$ 3,184,260

Mountain-Pacific Quality Health Foundation

Notes to Financial Statements

Note 3: Fair Value Measurements (Continued)

	Assets at Fair Value as of June 30, 2018			
	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 3,039,827	\$ -	\$ -	\$ 3,039,827
Total investment assets at fair value	\$ 3,039,827	\$ -	\$ -	\$ 3,039,827

Transfers Between Levels

For the years ended June 30, 2019 and 2018, there were no significant transfers between Levels 1 and 2 and no transfers in or out of Level 3.

Note 4: Contracts Receivable

Contracts receivable balances, included the following:

<i>As of June 30,</i>	2019	2018
United States Department of Health and Human Services	\$ 1,628,137	\$ 1,396,479
Montana Department of Public Health and Human Services	68,450	103,882
Federally funded subcontracts with other organizations	482,968	292,617
Other	68,324	107,992
Total	\$ 2,247,879	\$ 1,900,970

Note 5: Property and Equipment

A summary of property and equipment is as follows as of June 30, 2019 and 2018:

	2019	2018
Furniture and office equipment	\$ 479,520	\$ 481,286
Computer hardware/software	597,676	646,833
Leasehold improvements	240,531	225,750
Capitalized software	457,491	457,491
Total fixed assets	1,775,218	1,811,360
Less: accumulated depreciation	(1,727,062)	(1,745,602)
Total fixed assets, net	\$ 48,156	\$ 65,758

Mountain-Pacific Quality Health Foundation

Notes to Financial Statements

Note 5: Property and Equipment (Continued)

Depreciation expense for the years ended June 30, 2019 and 2018 was \$32,383 and \$60,067, respectively. Software amortization totaling \$457,491 is included in the accumulated depreciation balances and \$0 and \$1,342 is included in the data processing expense for the years ended June 30, 2019 and 2018, respectively.

Note 6: Net Assets with Donor Restrictions

The Organization is reporting net assets with donor restrictions totaling \$53,527 as of June 30, 2019. These assets were received through two grants from the Montana Healthcare Foundation, which included use restrictions.

One grant agreement stipulates that the Organization must use the funds "to support implementation of comprehensive approaches to trauma-informed care that effectively address trauma and its impact on American Indian and Alaska Native (AI/AN) populations in Montana." The Organization received two installments during the fiscal year ended June 30, 2019 totaling \$73,713. The Organization expended \$25,560 for eligible purposes through June 2019. The remaining balance of unexpended funds totaling \$48,153 is included in the net assets with donor restrictions balance reported as of June 30, 2019.

The other grant agreement stipulates that the Organization must use the funds "to train five care management pharmacists on comprehensive medication management (CMM). The Organization received the grants funds during the fiscal year ended June 30, 2019 totaling \$21,912. The Organization expended \$16,539 for eligible purposes through June 2019. The remaining balance of unexpended funds totaling \$5,373 is included in the net assets with donor restrictions balance reported as of June 30, 2019.

The Organization is reporting net assets released from restrictions during the fiscal year ended June 30, 2018 totaling \$21,014. These assets were received through a grant from the Robert Wood Johnson Foundation, which included a use restriction. The grant agreement stipulated that the Organization must use the funds "for a demonstration project that will provide care coordination for high need, high cost patients in rural settings." The Organization received a first installment payment in May 2016 totaling \$121,475. The Organization expended a cumulative total of \$100,461 for eligible purposes through June 2017. The total award of \$245,851 was expended for eligible purposes as of the end of the grant period on June 30, 2018, and consequently no net assets with donor restrictions are reported for the fiscal year ended June 30, 2018.

Note 7: Board Designated Net Assets

The Board designated \$1.2 million of net assets without donor restrictions to a reserve fund for the years ended June 30, 2019 and 2018, respectively.

Mountain-Pacific Quality Health Foundation

Notes to Financial Statements

Note 8: Liquidity and Availability of Financial Resources

The following table reflects the Organization's financial assets as of June 30, 2019 and 2018, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions or internal board designations. Amounts not available include \$1.2 million designated by the Board for a reserve fund. These funds are available for general use only upon the Board's approval.

<i>Years Ended June 30,</i>	2019	2018
Financial assets as of year-end:		
Cash and cash equivalents	\$ 1,457,173	\$ 2,174,105
Contracts receivable	2,247,879	1,900,970
Travel advances	1,669	13,052
Long-term investments	3,184,260	3,039,827
Total financial assets	6,890,981	7,127,954
Less: amounts not available to be used within one year		
Long-term investments	1,200,000	1,200,000
Financial assets not available to be used within one year	1,200,000	1,200,000
Financial assets available to meet general expenditures within one year	\$ 5,690,981	\$ 5,927,954

Funds are available to support anticipated operating expenses for an estimated five to six months. The Organization has an approved \$500,000 line of credit that it will draw on, if necessary, to meet short-term cash flow needs prior to liquidating long-term investments or requesting Board approval to utilize funds designated for a reserve account. The Organization anticipates receiving funds throughout the year from contracts and grants to support operating expenses. The Organization will implement cost cutting measures if anticipated contract and grant revenue plus the assets available at June 30, 2019 do not provide adequate funding to support operating expenses.

The Organization operates under governance policies adopted by its board of directors. Executive Limitation Policy (ELP) number 4 establishes limits that the Organization's Chief Executive Officer (CEO) must adhere to regarding the Organization's financial condition and activities. The Organization's Chief Financial Officer must provide a semi-annual report to the board of director's that describe compliance or noncompliance with this executive limitation policy. This board oversight provides a level of assurance that the Organization is operated in a prudent financial manner. Following are provisions from ELP 4 that relate to management of the Organization's liquidity.

Mountain-Pacific Quality Health Foundation

Notes to Financial Statements

Note 8: Liquidity and Availability of Financial Resources (Continued)

The CEO shall not:

ELP 4.1. Expend in any single fiscal year more funds than received in the fiscal year, unless unrestricted reserve funds are available, the debt guideline in sub-policy 4.2 is met, or the board approves the use of long-term reserve funds under sub-policy 4.3.

ELP 4.2. Indebt the organization, in an amount greater than can be repaid by certain, otherwise unencumbered revenues within ninety (90) days with the exception of certain long-term obligations that are accommodated and funded through the budgeting process, including:

- ◇ office lease(s)
- ◇ equipment lease(s)

ELP 4.3. Use board-designated long-term reserves without the board of directors' approval.

ELP 4.4. Fail to settle payroll and debts in a timely manner.

ELP 4.5. Allow tax payments or other government ordered payments or filings to be overdue or inaccurately filed.

ELP 4.6. Make a single purchase or commitment of greater than \$100,000 without board approval.

ELP 4.7. Acquire, encumber or dispose of real property without board approval.

ELP 4.8. Fail to aggressively pursue receivables after a reasonable grace period.

Note 9: Concentrations

Approximately 49 percent, 33 percent, 14 percent, and 4 percent of the Organization's revenue was earned under the QIO contracts with the United States Department of Health and Human Services, Montana Department of Public Health and Human Services, Federal subcontracts, and other contracts, respectively, during the year ended June 30, 2019.

Approximately 46 percent, 33 percent, 15 percent, and 6 percent of the Organization's revenue was earned under the QIO, Montana Department of Public Health and Human Services, Federal subcontracts, and other contracts, respectively, during the year ended June 30, 2018.

Six of the seven QIO contracts with the United States Department of Health and Human Services that provided funding totaling approximately \$7.9 million during the fiscal year ended June 30, 2019 terminated on or before July 31, 2019. The one exception is the Adult Immunization task order, which was extended to October 17, 2019. The task order award balance remaining for expenditure at June 30, 2019 is approximately \$2.3 million. Subsequent to June 30, 2019 the Organization received two task order awards. One award totals \$360,632 and is effective from July 18, 2019 through October 17, 2019. The second task order was issued under the indefinite delivery, indefinite quantity umbrella contract awarded to the Organization by the Department of Health and Human Services, Centers for Medicare & Medicaid Services in January 2019. The contract award totals \$15,426,135 and is effective from November 8, 2019 through November 7, 2024.

Mountain-Pacific Quality Health Foundation

Notes to Financial Statements

Note 9: Concentrations (Continued)

Contracts awarded by the Montana Department of Public Health and Human Services Medicaid Program that provided approximately \$2.2 million of funding during the fiscal year ended June 30, 2019 terminated on or before September 30, 2019. The Organization was awarded a new Medicaid Program contract that is effective from October 1, 2019 through September 30, 2021. The contract award totals up to approximately \$8.8 million over the two-year effective period.

Note 10: Operating Leases

The Organization leases office space in various locations under separate operating leases as follows:

Helena, Montana:

The lease agreement was amended and extended to March 1, 2020. The monthly rent was \$23,119 in July 2018 and \$23,575 for August 2018 through August 2019. The amount of rented space was decreased effective September 2019. The monthly rent under the amended agreement is \$17,151 from September 2019 through February 2020. The lease agreement may be extended, amended, or terminated effective March 1, 2020.

Honolulu, Hawaii:

The lease agreement expired on July 31, 2019. The monthly rent was \$15,580 from July 2018 through July 2019. The amount of rented space was decreased effective August 2019. Under a pending renegotiated lease agreement, the monthly rent is \$8,738.

Anchorage, Alaska:

The lease expired on July 31, 2019. The monthly rent was \$7,878 in July 2018 and \$8,115 from August 2018 to July 2019. The amount of rented space was decreased, and the Organization entered into a new lease agreement effective from August 1, 2019 through July 31, 2020. The monthly rent under the new agreement effective from August 1, 2019 through July 31, 2020. The monthly rent under the new agreement is \$2,200.

Casper, Wyoming:

The Wyoming office relocated to a new property in March 2017. The lease expired on August 31, 2019. The monthly rent from March 2017 through February 2018 was \$4,100. The monthly rent from March 2018 through September 2019 was \$4,223. The amount of rented space was decreased, and the Organization entered into a new lease agreement effective from October 1, 2019 through September 30, 2020. The monthly rent under the new agreement is \$2,400.

Tamuning, Guam:

The lease agreement was effective August 1, 2016 and is renewable on an annual basis through July 2019. The monthly rent was \$1,006 through July 2017 and \$1,114 during the remainder of the lease term. The lease agreement terminated on July 31, 2019 and the Organization vacated the property.

Mountain-Pacific Quality Health Foundation

Notes to Financial Statements

Note 10: Operating Leases (Continued)

The minimum rental commitments under the current operating leases in effect on June 30, 2019 are as follows:

2020	\$	68,825
Total	\$	68,825

The aggregate rent expense under the operating leases was \$640,186 and \$621,486 for the years ended June 30, 2019 and 2018, respectively.

Note 11: Retirement Plan

The Organization provides a 401 (k) and profit-sharing plan for its employees. The Organization paid plan expenses totaling \$7,500 and \$9,057 for the fiscal years ended June 30, 2019 and 2018, respectively. The safe harbor employer contribution is three (3) percent of employee earnings. For the years ended June 30, 2019 and 2018, the Organization contributed an additional six (6) percent of employee earnings to the Plan as a discretionary employer contribution for seven of the eight quarters. The Organization contributed an additional three (3) percent of employee earnings to the Plan as a discretionary employer contribution for the quarter ending June 30, 2019. Retirement Plan contributions were \$815,437 and \$890,701 for the years ended June 30, 2019 and 2018, respectively. All employees are covered by the Plan, except for temporary or leased employees.

Employees are 100 percent vested upon enrollment into the Plan. Therefore, there are no forfeiture accounts.

Note 12: Contingency - Federal Contracts

Contracts with the Federal Government provide that both provisional and incurred indirect cost rates are subject to approval by the cognizant Federal agency. Incurred cost rates have been approved through the fiscal year ended June 30, 2005, and for the fiscal years ended June 30, 2011 and 2012. The Organization has received incurred cost audits for the fiscal years ended June 30, 2006, 2007, 2008, 2009, 2010, 2013, 2014, 2015, 2016, and 2017. The audit results are pending acceptance by the Centers of Medicare & Medicaid Services (CMS). No material adjustments to the incurred cost rates determined by the Organization are anticipated.

Provisional indirect rates for fringe benefits and other indirect expenses have been approved for fiscal years ended June 30, 2019 and 2018. These rates will be subject to review and adjustment by the Organization's federal audit agency. Management is of the opinion that the indirect cost rates used to allocate costs to specific contracts as reflected herein will be approved by the contracting federal agency without material adjustments.

Note 13: Pending Litigations and Claims

The Organization is involved in various legal actions and claims in the ordinary course of business. It is the opinion of management, based upon legal counsel, that the probability of any pending litigation or claims resulting in a material effect on the Organization's financial position is remote.

Supplementary Information

Mountain-Pacific Quality Health
Schedule I - Schedule of Expenses by Contract
For the Year Ended June 30, 2019

	QIO Program							Total QIO
	Montana	Wyoming	Hawaii	Alaska	Immunization	TCPI	2016 SIPs	
Salaries, wages and fringe benefits	\$ 1,195,203	\$ 1,090,451	\$ 1,813,030	\$ 1,188,884	\$ 522,425	\$ 20,282	\$ 33,287	\$ 5,863,562
Travel	35,245	73,158	107,333	37,071	33,698	514	503	287,522
Supplies	5,263	18,815	28,150	10,661	11,323	92	307	74,611
Printing and publications	3,802	30,215	18,511	2,272	14,502	27	9,525	78,854
Consultant fees	9,192	157,504	62,807	4,923	5,642	62	243	240,373
Subcontractors	-	-	-	-	-	-	36,742	36,742
Dues and subscriptions	47,647	26,136	39,941	13,063	38,974	124	483	166,368
Physician expenses	-	-	-	-	-	-	-	-
Postage	3,989	9,611	10,302	3,297	5,783	41	166	33,189
Data processing	14,986	15,300	23,896	13,946	6,828	214	832	76,002
Insurance	7,001	7,658	11,976	6,951	3,494	109	426	37,615
Equipment rental	1,432	1,566	2,450	1,422	715	22	87	7,694
Legal and audit	4,310	4,714	10,007	4,278	2,151	67	262	25,789
Telephone	16,265	13,474	24,931	11,372	3,956	72	151	70,221
Maintenance	5,197	4,289	11,085	6,402	2,666	54	239	29,932
Occupancy	38,856	58,450	183,586	75,993	31,956	200	1,564	390,605
Depreciation	2,630	2,807	4,734	2,376	1,136	23	106	13,812
Personal property taxes	114	125	195	113	57	2	7	613
Board of Directors Fees	315	345	539	313	157	5	19	1,693
Board of Directors Travel	301	330	515	299	150	5	18	1,618
Meetings and conferences	12,238	18,889	22,021	8,984	15,385	35	135	77,687
Other expenses	3,575	5,827	31,697	4,726	1,380	37	463	47,705
Total Expenses	\$ 1,407,561	\$ 1,539,664	\$ 2,407,706	\$ 1,397,346	\$ 702,378	\$ 21,987	\$ 85,565	\$ 7,562,207

** Indirect costs are included, which are allowable by contract. Unallowable costs in the amount of \$163,292 are excluded.

See Independent Auditor's Report

Mountain-Pacific Quality Health
Schedule I - Schedule of Expenses by Contract (Continued)
For the Year Ended June 30, 2019

	Medicaid Contracts									
	Drug Prior Authorization	Utilization Review	DD	DUR	Transportation	SDMI	Home & Community Based Services	Total MT Medicaid	Health Technology Service Contracts	
Salaries, wages and fringe benefits	\$ 894,207	\$ 515,382	\$ 1,271	\$ 960,434	\$ 760,304	\$ 39,885	\$ 1,380,936	\$ 4,552,419	\$ 653,826	
Travel	6,236	3,699	9	9,156	5,899	268	40,543	65,810	44,170	
Supplies	2,667	1,275	3	3,623	4,966	95	3,936	16,565	1,766	
Printing and publications	1,244	758	2	5,286	1,243	56	2,154	10,743	970	
Consultant fees	2,851	8,788	4	14,022	2,848	129	144,374	173,016	3,439	
Subcontractors	-	11,600	-	-	-	-	-	11,600	-	
Dues and subscriptions	7,313	3,691	8	72,475	5,714	258	9,827	99,286	32,300	
Physician expenses	-	-	-	-	153	-	-	153	-	
Postage	1,884	1,180	3	3,096	4,561	86	3,270	14,080	1,488	
Data processing	12,555	15,524	49	14,181	54,172	631	21,108	118,220	7,550	
Insurance	5,002	3,049	7	5,693	4,996	227	8,660	27,634	3,863	
Equipment rental	1,023	624	1	1,164	1,022	46	1,771	5,651	790	
Legal and audit	3,079	1,877	4	3,505	3,075	140	5,331	17,011	2,378	
Telephone	18,498	11,655	38	4,631	43,604	392	45,446	124,264	5,085	
Maintenance	4,579	3,034	5	4,456	6,351	285	7,231	25,941	1,985	
Occupancy	38,008	26,794	36	32,959	62,661	2,806	56,019	219,283	8,346	
Depreciation	2,470	1,687	3	2,303	3,677	162	3,792	14,094	856	
Personal property taxes	81	50	-	93	81	6	141	452	63	
Board of Directors Fees	225	137	-	256	225	10	390	1,243	174	
Board of Directors Travel	215	131	-	245	215	10	373	1,189	166	
Meetings and conferences	1,732	968	2	5,069	1,585	72	2,748	12,176	6,178	
Other expenses	1,707	1,041	2	1,943	36,982	77	2,956	44,708	1,319	
Total Expenses	\$ 1,005,576	\$ 612,944	\$ 1,447	\$ 1,144,590	\$ 1,004,334	\$ 45,641	\$ 1,741,006	\$ 5,555,538	\$ 776,712	

** Indirect costs are included, which are allowable by contract. Unallowable costs in the amount of \$163,292 are excluded.

See Independent Auditor's Report

Mountain-Pacific Quality Health
Schedule I - Schedule of Expenses by Contract (Continued)

For the Year Ended June 30, 2019

Major Sub/Subrecipient Contracts							
	Lewin CPC+	Comagine AIHQI	Other Subcontracts	Total Major Subcontracts	Other Contracts	Total Contracts	
Salaries, wages and fringe benefits	\$ 539,034	\$ 419,602	\$ 388,187	\$ 1,346,823	\$ 268,947	\$ 12,685,577	
Travel	28,375	36,115	22,310	86,800	12,837	497,139	
Supplies	2,125	1,330	2,911	6,366	2,032	101,340	
Printing and publications	2,103	707	1,121	3,931	2,945	97,443	
Consultant fees	2,237	1,376	134,242	137,855	6,626	561,309	
Subcontractors	133,811	-	40,000	173,811	63,288	285,441	
Dues and subscriptions	4,454	2,998	24,056	31,508	6,268	335,730	
Physician expenses	-	-	-	-	-	153	
Postage	1,478	927	1,590	3,995	1,338	54,090	
Data processing	7,670	4,718	26,158	38,546	3,937	244,255	
Insurance	3,925	2,414	3,407	9,746	2,014	80,872	
Equipment rental	803	494	697	1,994	412	16,541	
Legal and audit	2,416	1,486	2,097	5,999	1,240	52,417	
Telephone	3,377	2,273	2,450	8,100	1,336	209,006	
Maintenance	2,776	1,356	2,031	6,163	1,373	65,394	
Occupancy	37,573	6,539	18,313	62,425	9,385	690,044	
Depreciation	1,237	610	894	2,741	686	32,189	
Personal property taxes	64	39	55	158	33	1,319	
Board of Directors Fees	177	109	153	439	91	3,640	
Board of Directors Travel	169	104	147	420	87	3,480	
Meetings and conferences	13,768	1,340	9,955	25,063	15,896	137,000	
Other expenses	1,488	824	4,125	6,437	4,195	104,364	
Total Expenses	\$ 789,060	\$ 485,361	\$ 684,899	\$ 1,959,320	\$ 404,966	\$ 16,258,743	

** Indirect costs are included, which are allowable by contract. Unallowable costs in the amount of \$163,292 are excluded.

See Independent Auditor's Report

Mountain-Pacific Quality Health
Schedule I - Schedule of Expenses by Contract
For the Year Ended June 30, 2018

	QIO Program									Total QIO
	Montana	Wyoming	Hawaii	Alaska	Immunization	Super Utilizer	TCPI	2016 SIPs		
						SIP				
Salaries, wages and fringe benefits	\$ 1,144,313	\$ 855,047	\$ 1,383,834	\$ 1,221,205	\$ 487,515	\$ 164,140	\$ 71,617	\$ 162,593	\$ 5,490,264	
Travel	33,883	45,883	52,573	36,266	20,409	9,267	4,261	4,763	207,305	
Supplies	8,405	11,134	21,534	12,736	10,772	1,993	1,047	1,632	69,253	
Printing and publications	5,930	4,818	13,103	2,921	18,463	752	179	535	46,701	
Consultant fees	9,239	83,362	61,228	14,128	4,538	5,762	396	7,440	186,093	
Subcontractors	945	798	1,273	1,029	448	238,070	58	124,914	367,535	
Dues and subscriptions	22,369	18,344	14,850	14,161	22,385	1,769	324	1,312	95,514	
Physician Expenses	-	-	-	-	-	-	-	0	-	
Postage	4,806	5,921	6,907	3,473	6,699	859	155	718	29,538	
Data processing	16,169	12,802	20,449	16,929	7,173	5,088	931	3,704	83,245	
Insurance	5,388	4,549	7,262	5,867	2,554	1,812	332	1,319	29,083	
Equipment rental	1,532	1,293	2,064	1,668	726	515	94	375	8,267	
Legal and audit	3,275	2,765	4,414	3,566	1,552	1,101	201	801	17,675	
Telephone	17,071	16,187	21,440	13,833	7,200	7,861	305	1,437	85,334	
Maintenance	5,448	3,821	9,782	6,885	2,570	1,337	233	1,112	31,188	
Occupancy	37,717	46,516	144,934	80,008	30,118	5,079	788	11,103	356,263	
Depreciation	4,901	4,065	6,615	4,874	2,132	1,261	222	1,022	25,092	
Personal property taxes	138	117	186	203	65	46	9	34	798	
Board of Directors Fees	244	206	329	266	116	82	15	60	1,318	
Board of Directors Travel	306	259	413	334	145	103	19	75	1,654	
Meetings and conferences	7,411	4,145	10,815	6,077	5,047	470	675	429	35,069	
Other expenses	4,836	4,585	14,455	6,437	1,792	1,271	233	1,189	34,798	
Total Expenses	\$ 1,334,326	\$ 1,126,617	\$ 1,798,460	\$ 1,452,866	\$ 632,419	\$ 448,638	\$ 82,094	\$ 326,567	\$ 7,201,987	

** Indirect costs are included, which are allowable by contract. Unallowable costs in the amount of \$220,764 are excluded.

See Independent Auditor's Report

Mountain-Pacific Quality Health
Schedule I - Schedule of Expenses by Contract (Continued)
For the Year Ended June 30, 2018

	Medicaid Contracts - 2018									
	Drug Prior Authorization	Utilization Review	DD	DUR	Transportation	SDMI	Home & Community Based Services	Total MT Medicaid	Health Technology Service Contracts	
Salaries, wages and fringe benefits	\$ 854,280	\$ 436,996	\$ 5,499	\$ 970,308	\$ 808,239	\$ 46,586	\$ 1,378,515	\$ 4,500,424	\$ 491,129	
Travel	8,633	4,724	1,138	13,072	9,638	479	35,453	73,135	37,614	
Supplies	4,892	2,362	45	5,740	9,453	249	9,112	31,854	3,016	
Printing and publications	1,590	870	12	5,536	1,775	88	2,885	12,757	1,021	
Consultant fees	4,677	28,750	35	18,258	56,786	259	154,231	262,997	6,602	
Subcontractors	687	376	5	824	767	38	1,246	3,944	441	
Dues and subscriptions	5,658	2,093	29	65,808	4,271	212	6,939	85,010	45,876	
Physician Expenses	-	-	-	-	540	-	-	540	-	
Postage	1,828	1,597	14	3,121	6,034	101	3,414	16,110	1,239	
Data processing	13,881	7,415	177	16,543	15,131	823	24,667	78,637	7,065	
Insurance	3,919	2,144	30	4,699	4,375	217	7,108	22,493	2,516	
Equipment rental	1,114	609	8	1,336	1,244	62	2,021	6,393	715	
Legal and audit	2,382	1,303	18	2,856	2,659	132	4,320	13,670	1,529	
Telephone	19,856	11,824	116	6,323	48,163	608	52,536	139,425	6,906	
Maintenance	4,612	2,795	27	4,846	6,797	345	7,895	27,316	1,853	
Occupancy	34,074	22,405	148	31,479	60,662	3,122	55,411	207,301	6,959	
Depreciation	4,067	2,442	25	4,303	5,827	294	7,000	23,958	1,704	
Personal property taxes	100	55	1	121	112	6	182	577	65	
Board of Directors Fees	178	97	1	213	198	10	322	1,020	114	
Board of Directors Travel	223	122	2	267	249	12	404	1,279	143	
Meetings and conferences	1,046	494	7	4,788	1,158	50	1,639	9,181	4,422	
Other expenses	2,750	1,505	21	3,298	39,287	153	4,988	52,002	2,010	
Total Expenses	\$ 970,447	\$ 530,979	\$ 7,358	\$ 1,163,738	\$ 1,083,365	\$ 53,848	\$ 1,760,289	\$ 5,570,023	\$ 622,939	

** Indirect costs are included, which are allowable by contract. Unallowable costs in the amount of \$220,764 are excluded.

See Independent Auditor's Report

Mountain-Pacific Quality Health
Schedule I - Schedule of Expenses by Contract (Continued)
For the Year Ended June 30, 2018

	Major Sub/Subrecipient Contracts							
	Lewin CPC+	HealthInsight AIHQI	HI DOH 1305 Projects 2 & 3	Other Subcontracts	Total Major Subcontracts	Other Contracts	Total Contracts	
Salaries, wages and fringe benefits	\$ 496,402	\$ 384,839	\$ 202,286	\$ 837,939	\$ 1,536,627	\$ 275,942	\$ 12,294,386	
Travel	36,029	44,564	10,333	72,739	119,101	9,006	446,161	
Supplies	3,986	2,432	2,548	5,692	12,226	2,602	118,951	
Printing and publications	1,305	855	4,051	1,999	7,354	2,216	70,049	
Consultant fees	3,358	35,953	2,290	156,276	161,924	8,878	626,494	
Subcontractors	72,052	353	60,248	847	133,147	166,639	671,706	
Dues and subscriptions	2,747	1,989	25,248	5,140	33,135	4,933	264,468	
Physician Expenses	-	-	-	-	-	-	540	
Postage	1,320	938	1,020	2,483	4,823	1,456	53,165	
Data processing	7,903	5,650	3,976	43,566	55,445	5,656	230,048	
Insurance	2,814	2,012	1,416	4,830	9,059	2,014	65,164	
Equipment rental	800	572	402	1,373	2,575	622	18,573	
Legal and audit	1,710	1,223	860	2,935	5,506	1,224	39,603	
Telephone	4,753	2,364	2,097	6,771	13,621	1,773	247,059	
Maintenance	2,944	1,488	1,450	4,047	8,441	1,725	70,523	
Occupancy	42,064	5,957	20,388	30,871	93,323	8,795	672,640	
Depreciation	2,363	1,393	1,171	3,592	7,126	1,549	59,429	
Personal property taxes	72	52	36	124	232	52	1,723	
Board of Directors Fees	128	91	64	219	411	91	2,955	
Board of Directors Travel	160	114	81	275	515	115	3,706	
Meetings and conferences	11,494	3,931	5,521	4,931	21,946	775	71,394	
Other expenses	2,370	1,412	5,117	9,454	16,941	2,641	108,392	
Total Expenses	\$ 696,772	\$ 498,182	\$ 350,605	\$ 1,196,102	\$ 2,243,478	\$ 498,704	\$ 16,137,131	

** Indirect costs are included, which are allowable by contract. Unallowable costs in the amount of \$220,764 are excluded.

See Independent Auditor's Report

Single Audit Section



Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Directors
Mountain-Pacific Quality Health Foundation
Helena, Montana

We have audited, in accordance with the auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Mountain-Pacific Quality Health Foundation ("Mountain-Pacific"), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 5, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Mountain-Pacific's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Mountain-Pacific's internal control. Accordingly, we do not express an opinion on the effectiveness of Mountain-Pacific'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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



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

Wipfli LLP

Wipfli LLP

February 5, 2020
Helena, Montana



Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance

To the Board of Directors
Mountain-Pacific Quality Health Foundation
Helena, Montana

Report on Compliance for Each Major Federal Program

We have audited Mountain-Pacific Quality Health Foundation's ("Mountain-Pacific") compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019. Mountain-Pacific's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility for Compliance

Management is responsible for compliance with statutes, regulations, and the terms and conditions of its grant awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Mountain-Pacific's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Mountain-Pacific's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on Mountain-Pacific's compliance.

Opinion

In our opinion, Mountain-Pacific complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of Mountain-Pacific is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Mountain-Pacific's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Mountain-Pacific's internal control over compliance.



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

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

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

A handwritten signature in black ink that reads "Wipfli LLP". The script is cursive and fluid.

Wipfli LLP

February 5, 2020
Helena, Montana

MOUNTAIN-PACIFIC QUALITY HEALTH

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2019

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	CFDA #	CONTRACT NUMBER	EXPENDITURES
<u>U.S. Department of Health and Human Services</u>			
Centers for Medicare and Medicaid Services			
* Montana Task Order HHSM-500-TMT01	93.779	HHSM-500-2014-QIN009I	\$ 1,407,561
* Wyoming Task Order HHSM-500-TWY01	93.779	HHSM-500-2014-QIN009I	1,539,663
* Hawaii Task Order HHSM-500-THI01	93.779	HHSM-500-2014-QIN009I	2,407,703
* Alaska Task Order HHSM-500-TAK01	93.779	HHSM-500-2014-QIN009I	1,397,346
* Immunization Task Order HHSM-500-T0002	93.779	HHSM-500-2014-QIN009I	702,377
* Transforming Clinical Practice Initiative HHSM-500-T0004	93.779	HHSM-500-2014-QIN009I	21,988
* Special Innovation Projects 1 and 2 HHSM-500-T0005	93.779	HHSM-500-2014-QIN009I	85,564
Total for Direct Centers for Medicare and Medicaid Services			7,562,202
<i>Pass through by Health Research and Education Trust</i>			
* Hospital Improvement Innovation Network	93.779	HHSM-500-2016-00067C	79,995
<i>Pass through by the Lewin Group</i>			
* CPC Plus HHSM-500-T0008	93.779	HHSM-500-2014-00033I	789,061
<i>Pass through by Comagine Health</i>			
Initiative HHSM-200-T0007	93.779	HHSM-500-2014-QIN007I	485,360
Medicaid Services			1,354,416
Total Centers for Medicare and Medicaid Services			8,916,618
Health Resources and Services Administration			
<i>Pass through by the Montana State University</i>			
Nurse Education, Practice Quality and Retention Grants	93.359	Grant # UK1HP31719	8,299
<i>Pass through by the University of Hawaii Systems</i>			
Geriatrics Workforce Enhancement Program	93.969	Grant # U1QHP28729-03-00	32,444
Total U.S. Department of Health and Human Services			\$ 8,957,361
* Denotes major program			

See Independent Auditor's Report.

See accompanying notes to the Schedule of Expenditures of Federal Awards.

MOUNTAIN-PACIFIC QUALITY HEALTH

Notes to the Schedule of Expenditures of Federal Awards

Year Ended June 30, 2019

Note A: Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes Federal grant and contract activity of the Organization under programs of the Federal government for the year ended June 30, 2019. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Since the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Organization.

All contracts listed on the Schedule were awarded or funded after December 26, 2014 and are subject to Uniform Guidance cost principles.

Note B: Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note C: Subrecipients

The Organization does not have any subrecipients and therefore has not incurred subrecipient expenditures.

Note D: Indirect Cost Rate

A provisional indirect cost rate was approved for fiscal year 2019 by Health and Human Services, which is the Organization's cognizant Federal agency. The provisional rate was used to determine the amount of indirect costs applicable to each source of funding on an interim basis. The Organization adjusts the amount of indirect costs assessed to its Federal contracts at the end of each fiscal year to reflect the actual calculated rate. Final rates are subject to Federal audit. Provisional and calculated actual indirect cost rates for fiscal year 2019 were 32.37% and 31.56%, respectively.

MOUNTAIN-PACIFIC QUALITY HEALTH

Schedule of Findings and Questioned Costs

Year Ended June 30, 2019

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Are any material weaknesses identified?	No
Are any significant deficiencies identified not considered to be material weaknesses?	None Reported
Is any noncompliance material to the financial statements noted?	No

Federal Awards

Type of auditor's report issued on compliance for major programs: Unmodified

Internal control over major program compliance:

Are any material weaknesses identified?	No
Are any significant deficiencies identified not considered to be material weaknesses?	None Reported
Are any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of major programs:

CFDA Number and Name of Federal Program or Cluster

93.779	Centers for Medicare and Medicaid Services
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Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Is the auditee qualified as a low-risk auditee?	Yes

Section II: Financial Statement Findings

There were no findings related to the financial statements that required to be reported in accordance with *Government Auditing Standards*.

Section III: Federal Award Findings

There were no findings related to federal awards that required to be reported in accordance with *Government Auditing Standards*.

Section IV: Current Status of Prior Year Findings

There were no prior year findings required to be reported in accordance with *Government Auditing Standards*.