

Mountain-Pacific Quality Health

Financial Statements and Supplemental Information

June 30, 2021 and 2020

A large, abstract, three-dimensional geometric shape composed of several triangular and quadrilateral facets in various shades of gray, extending from the bottom left towards the center of the page.

WIPFLI

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of Mountain-Pacific Quality Health ("the Organization"), (a nonprofit organization) which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities and changes in net assets, 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, 2021 and 2020, 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.

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 27-40, 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*, 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 March 10, 2022, 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.

A handwritten signature in black ink that reads "Wipfli LLP". The signature is written in a cursive, flowing style.

Wipfli LLP

Helena, Montana

March 10, 2022

Mountain-Pacific Quality Health

Statements of Financial Position

<i>As of June 30,</i>	2021	2020
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 644,127	\$ 2,327,551
Contracts receivable	2,979,684	2,143,961
Miscellaneous receivable	17,946	49,330
Prepaid expenses	330,424	329,265
Total current assets	3,972,181	4,850,107
PROPERTY AND EQUIPMENT		
Furniture and equipment	935,442	1,702,187
Accumulated depreciation	(835,109)	(1,673,623)
Net property and equipment	100,333	28,564
OTHER ASSETS		
Long-term investments	8,020,833	6,052,489
Deposits	3,387	21,066
Total other assets	8,024,220	6,073,555
TOTAL ASSETS	\$ 12,096,734	\$ 10,952,226

Mountain-Pacific Quality Health

Statements of Financial Position (Continued)

<i>As of June 30,</i>	2021	2020
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 248,759	\$ 168,006
Accrued vacation payable	391,215	436,722
Accrued payroll and related taxes	319,688	153,400
Accrued retirement plan contribution	431,524	178,999
Deferred revenue	241,077	-
Property held in trust	668	3,608
Refundable advance liability	-	511,480
Total current liabilities	1,632,931	1,452,215
LONG TERM LIABILITIES		
Capital lease liability	31,304	-
Total liabilities	1,664,235	1,452,215
NET ASSETS		
Without donor restrictions:		
Without donor restrictions, undesignated	9,232,499	8,260,144
Board designated	1,200,000	1,200,000
With donor restrictions	-	39,867
Total net assets	10,432,499	9,500,011
TOTAL LIABILITIES AND NET ASSETS	\$ 12,096,734	\$ 10,952,226

See accompanying notes to financial statements.

Mountain-Pacific Quality Health

Statement of Activities and Changes in Net Assets

<i>Year Ended June 30,</i>	2021		Total
	Without Donor Restrictions	With Donor Restrictions	
SUPPORT AND REVENUE			
Contract and grant revenue	\$ 13,067,254	\$ -	\$ 13,067,254
PPP grant revenue	511,480	-	511,480
Unrealized gains on investments	614,513	-	614,513
Realized gains on investments	130,784	-	130,784
Income on long-term investments	169,445	-	169,445
Interest income	3,060	-	3,060
Total support and revenue	14,496,536	-	14,496,536
NET ASSETS RELEASED FROM RESTRICTIONS	39,867	(39,867)	-
EXPENSES			
Programs	10,403,060	-	10,403,060
Management and general	3,144,947	-	3,144,947
Total expenses	13,548,007	-	13,548,007
OTHER EXPENSES			
Loss on sale of assets	16,041	-	16,041
Total other expenses	16,041	-	16,041
CHANGES IN NET ASSETS	972,355	(39,867)	932,488
Net assets, beginning of year	9,460,144	39,867	9,500,011
Net assets, end of year	\$ 10,432,499	\$ -	\$ 10,432,499

See accompanying notes to financial statements.

Mountain-Pacific Quality Health

Statement of Activities and Changes in Net Assets

<i>Year Ended June 30,</i>	2020		Total
	Without Donor Restrictions	With Donor Restrictions	
SUPPORT AND REVENUE			
Contract and grant revenue	\$ 15,261,631	\$ -	\$ 15,261,631
Contributions	1,000	24,571	25,571
PPP grant revenue	1,008,750	-	1,008,750
Unrealized gains on investments	74,562	-	74,562
Miscellaneous income	4,013	-	4,013
Realized gains on investments	26,377	-	26,377
Income on long-term investments	91,650	-	91,650
Interest income	1,836	-	1,836
Total support and revenue	16,469,819	24,571	16,494,390
NET ASSETS RELEASED FROM RESTRICTIONS	38,231	(38,231)	-
EXPENSES			
Programs	9,638,604	-	9,638,604
Management and general	3,774,072	-	3,774,072
Total expenses	13,412,676	-	13,412,676
CHANGES IN NET ASSETS	3,095,374	(13,660)	3,081,714
Net assets, beginning of year	6,364,770	53,527	6,418,297
Net assets, end of year	\$ 9,460,144	\$ 39,867	\$ 9,500,011

See accompanying notes to financial statements.

Mountain-Pacific Quality Health

Statement of Functional Expenses

For the Year Ended June 30, 2021

	QIO Program	MT Medicaid Contracts	COVID	Consulting Services	Total Program	Management & General**	Total
Salaries, wages and fringe benefits	\$ 2,112,593	\$ 3,495,834	\$ 478,962	\$ 1,526,754	\$ 7,614,143	\$ 2,215,369	\$ 9,829,512
Travel	423	-	-	2,818	3,241	6,660	9,901
Supplies	1,368	3,417	-	21,127	25,912	99,276	125,188
Printing and publications	575	-	-	149	724	4,196	4,920
Consultant fees	121,320	155,567	-	17,614	294,501	123,650	418,151
Subcontractors	-	1,242,182	-	193,509	1,435,691	-	1,435,691
Dues and subscriptions	5,178	71,709	-	80,475	157,362	79,819	237,181
Physician Expenses	-	6,883	-	-	6,883	-	6,883
Postage	107	2,964	-	19	3,090	31,926	35,016
Data processing	-	413,616	-	6,597	420,213	148,141	568,354
Insurance	-	-	-	2,436	2,436	72,041	74,477
Equipment rental	-	-	-	-	-	17,177	17,177
Legal and audit	-	-	-	-	-	41,444	41,444
Telephone	22,821	78,703	5,584	9,501	116,609	28,615	145,224
Maintenance	2,248	3,928	13	684	6,873	82,860	89,733
Occupancy	109,291	130,916	16,568	36,455	293,230	102,603	395,833
Depreciation	1,927	6,798	762	725	10,212	19,854	30,066
Personal property taxes	-	-	-	-	-	2,850	2,850
Meetings and conferences	694	568	-	1,640	2,902	9,991	12,893
Other expenses	399	8,318	-	321	9,038	58,475	67,513
Total Expenses	\$ 2,378,944	\$ 5,621,403	\$ 501,889	\$ 1,900,824	\$ 10,403,060	\$ 3,144,947	\$ 13,548,007

**Management and General includes allowable indirect costs in the amount of \$3,090,407 and incurred unallowable costs in the amount of \$54,540

See accompanying notes to financial statements.

Mountain-Pacific Quality Health
Statement of Functional Expenses
For the Year Ended June 30, 2020

	QIO Program	MT Medicaid Contracts	11th to 12th Transition	COVID	Consulting Services	Total Program	Management & General**	Total
Salaries, wages and fringe benefits	\$ 1,606,978	\$ 3,212,458	\$ 293,215	\$ 380,694	\$ 1,562,007	\$ 7,055,352	\$ 3,055,436	\$ 10,110,788
Travel	50,629	23,945	7,601	-	57,216	139,391	63,674	203,065
Supplies	4,151	3,483	215	-	21,452	29,301	22,185	51,486
Printing and publications	3,815	-	-	-	(902)	2,913	8,270	11,183
Consultant fees	55,559	158,582	6,000	-	27,200	247,341	35,469	282,810
Subcontractors	-	944,684	-	-	161,068	1,105,752	-	1,105,752
Dues and subscriptions	14,244	80,088	2,952	-	39,755	137,039	69,954	206,993
Physician Expenses	-	49	-	-	-	49	-	49
Postage	2,423	2,417	305	-	32	5,177	28,643	33,820
Data processing	-	324,242	-	-	-	324,242	136,268	460,510
Insurance	-	-	-	-	-	-	70,737	70,737
Equipment rental	-	-	-	-	-	-	11,739	11,739
Legal and audit	-	-	-	-	-	-	33,929	33,929
Telephone	21,874	103,470	2,907	2,844	15,298	146,393	32,554	178,947
Maintenance	4,854	10,173	1,705	479	3,450	20,661	45,850	66,511
Occupancy	102,923	142,284	16,319	13,996	60,889	336,411	112,985	449,396
Depreciation	2,711	6,268	480	576	1,572	11,607	7,986	19,593
Personal property taxes	-	-	-	-	-	-	1,468	1,468
Meetings and conferences	20,376	4,339	4,004	-	7,029	35,748	10,952	46,700
Other expenses	4,287	28,788	2,810	0	5,342	41,227	25,973	67,200
Total Expenses	\$ 1,894,824	\$ 5,045,270	\$ 338,513	\$ 398,589	\$ 1,961,408	\$ 9,638,604	\$ 3,774,072	\$ 13,412,676

**Management and General includes allowable indirect costs in the amount of \$3,700,853 and incurred unallowable costs in the amount of \$73,219.
See accompanying notes to financial statements.

Mountain-Pacific Quality Health

Statements of Cash Flows

Years ended June 30,	2021	2020
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH		
FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 932,488	\$ 3,081,714
Adjustments to reconcile the change in net assets to net cash from operating activities:		
Depreciation	30,066	19,593
Unrealized (gains) losses on long-term investments	(614,513)	(74,562)
Realized (gains) losses on investments	(130,784)	(26,377)
Loss on asset disposals	16,041	-
(Increase) Decrease in assets:		
Contracts receivable	(835,723)	103,918
Miscellaneous receivable	31,384	(49,330)
Prepaid expenses	(1,159)	(1,045)
Travel Advances	-	1,454
Deposits	17,679	4,912
Increase (Decrease) in liabilities:		
Accounts payable	80,753	11,291
Accrued vacation payable	(45,507)	4,740
Accrued payroll and related taxes	166,288	(48,604)
Accrued retirement plan contributions	252,525	94,877
Property held in trust	(2,940)	3,608
Refundable advance liability	(511,480)	511,480
Deferred revenue	241,077	-
Net cash from operating activities	(373,805)	3,637,669
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of long-term investments	(1,278,067)	(3,484,427)
Proceeds from sale of long-term investments	55,021	717,136
Purchase of equipment	(117,877)	-
Net cash from investing activities	(1,340,923)	(2,767,291)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from capital lease	31,304	-
Net cash from financing activities	31,304	-
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,683,424)	870,378
Cash and cash equivalents, beginning of year	2,327,551	1,457,173
Cash and cash equivalents, end of year	\$ 644,127	\$ 2,327,551
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid during the year for interest	\$ -	\$ 504

See accompanying notes to financial statements.

Mountain-Pacific Quality Health

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies

Nature of Operations

Mountain-Pacific Quality Health ("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 2017, 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 & 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

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 2021 and 2020, 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.

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:

	2021	2020
Cash in checking and savings	\$ 30,268	\$ 33,208
Money market accounts	412,425	516,025
Repurchase agreements	201,434	1,778,318
Total	\$ 644,127	\$ 2,327,551

Mountain-Pacific Quality Health

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.

Contract and Miscellaneous Receivables

Contract receivables consist primarily of funds due from the Federal Department of Health and Human Services and State of Montana Department of Public Health and Human Services. These receivables are collected within 30 to 60 days and comprise 80 and 72 percent of receivables as of June 30, 2021 and 2020, respectively.

Miscellaneous receivables consist of federal and state tax refunds due to the Organization. Additional information is provided in Note 5.

Receivable 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.

Contract Balances

Contract assets arise when the Organization transfers goods or services to a customer in advance of receiving consideration and the rights to consideration is conditioned on something other than the passage of time such as unbilled receivables. Contract assets are transferred to receivables when the right to receive consideration becomes unconditional and the Organization is able to invoice the customer. As of June 30, 2021 and 2020, the Organization did not have any contract assets. Contract liabilities represent the Organization obligation to transfers goods or services to a customer when consideration has already been received from the customers, such as deferred revenue. When transfer of control of the related good or service occurs, contract liabilities are reclassified, and revenue is recognized. At June 30, 2021, the Organization recognized contract liabilities of \$241,077. The Organization did not have any contract liabilities at June 30, 2020.

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.

Mountain-Pacific Quality Health

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. As of June 30, 2021 and 2020, prepaid expenses were \$330,424 and \$329,265, 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 \$391,215 and \$436,722 at June 30, 2021 and 2020, 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 qualifies for the charitable contribution deduction under Section 170(b)(1)(A). In addition, the Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and state income taxes. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation on unrelated business income.

Under the Tax Cuts and Jobs Act, any costs incurred by a nonprofit 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.

On December 20, 2019, The President signed into law the Further Consolidated Appropriations Act that retroactively repealed the employee parking benefit tax treatment for tax-exempt organizations. The Organization has filed amended tax returns requesting the refund of all federal and state tax, interest, and penalty payments. The Organization received the final refund payment in July 2021.

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

Mountain-Pacific Quality Health

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Federal Contracts

The Organization is compensated under its QIO contracts on a both time and materials and 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, 2021 and 2020, 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, 2021 and 2020 were as follows:

<i>Years Ended June 30,</i>	2021	2020
Indirect costs	30.08 %	32.37 %
Fringe benefits	51.58 %	51.88 %

Revenue and Revenue Recognition

The Organization analyzes the terms of all grants, contracts, and contributions to determine if they meet the definition of exchange transactions in accordance with Topic 606, or if they meet the definition of contributions in accordance with Topic 958.

The Organization recognizes contributions when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met. Consequently, at June 30, 2020, \$511,480 of a contribution received totaling \$1,520,230 is recognized on the statements of financial position as a refundable advance because the conditions on which it depends were not met. The Organization met conditions for a portion of the contribution and recognized \$1,008,750 as PPP grant revenue on the statements of activities and changes in net assets. The Organization met all conditions applicable to the balance during the fiscal year ended June 30, 2021 and recognized the \$511,480 as PPP grant revenue on the statements of activities and changes in net assets. See Note 17 for additional information.

The Organization recognizes revenue associated with exchange transactions when the contractual performance obligations are met. The amount recognized is based on the agreed upon transaction price. Compensation received in advance of meeting performance obligations is recorded as contract liability. June 30, 2021 and 2020, contract liabilities totaling \$241,077 and \$0, respectively, were recognized. The following table includes a description of the Organization's major exchange transaction types during the fiscal years ended June 30, 2021 and 2020, and the related basis for revenue recognition.

Mountain-Pacific Quality Health

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Revenue and Revenue Recognition (Continued)

Service Description	Transaction Pricing Method	Basis for Revenue Recognition
Federal subcontracts and contracts with the states of Montana, Alaska, Hawaii, and Wyoming. The Organization provides consulting services in support of quality of care initiatives.	Fixed-price contract with compensation based on anticipated actual performance costs, plus in some instances, a markup.	Revenue is recognized over time when performance obligations are met. Performance occurs uniformly over the contract term and, as a result, revenue is recognized as invoiced on typically a monthly, quarterly, or annual basis.
Federal subcontracts and contracts with the states of Montana, Alaska, Hawaii, and Wyoming. The Organization provides consulting services in support of quality of care initiatives.	Cost reimbursement contract with defined performance obligations.	Revenue is recognized over time when performance obligations are met on a progress basis. The amount recognized is based on the actual cost incurred to meet the performance obligations plus, in some instances, a fixed fee (markup).
Service contracts with healthcare providers and associations. The Organization provides electronic health record keeping system security consulting services and products.	Fee-based service contract with defined performance obligations.	Revenue is recognized over time when performance obligations are met. The amount recognized is based on the contractually established fee.

The exchange transactions that are applicable under ASU 606 are as follows:

<i>Years Ended June 30,</i>	2021	2020
Fixed-price contracts	\$ 8,889,353	\$ 7,888,732
Fee-based service contracts	551,025	394,572
Cost reimbursement contracts	99,350	81,937
Total	\$ 9,539,728	\$ 8,365,241

Mountain-Pacific Quality Health

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Revenue and Revenue Recognition (Continued)

The exchange transactions are included in the contract and grant income on the statements of activities and changes in net assets.

Income on Short and Long-Term Investments

Income on short and long-term investments includes dividends, distributed capital gains and losses, less investment management fees. Investment management fees totaled \$24,671 and \$24,065 during the fiscal years ending June 30, 2021 and 2020, 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.

Risk and Uncertainties

Beginning in March 2020, the United States economy began suffering adverse effects from the COVID 19 Virus Crisis ("CV19 Crisis"). As of the date of issuance of the financial statements, the Organization had not yet suffered material adverse impact from the CV19 Crisis. The future impact of the CV19 Crisis on the Organization cannot be reasonably estimated at this time.

Subsequent Events

The Organization has evaluated events and transactions for potential recognition or disclosure in the financial statements through March 10, 2022, 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.

Mountain-Pacific Quality Health

Notes to Financial Statements

Note 2: 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, 2021 and 2020.

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.

Equity Securities: Any security representing an ownership interest in an entity or right to acquire or dispose of an ownership interest in an entity at fixed or determinable prices. The investment is held at cost basis as the Organization owns less than 20% of the privately held Company.

The following tables set forth by level, within the fair value hierarchy, the Organization's investment assets at fair value as of June 30, 2021 and 2020. Classification within the fair value hierarchy table is based on the lowest level of any input that is significant to the fair value measurement:

	Fair Value of Assets as of June 30, 2021			
	Level 1	Level 2	Level 3	Total
Equity securities	\$ -	\$ -	\$ 50,000	\$ 50,000
Mutual funds	7,970,833	-	-	7,970,833
Total	\$ 7,970,833	\$ -	\$ 50,000	\$ 8,020,833

	Fair Value of Assets as of June 30, 2020			
	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 6,052,489	\$ -	\$ -	\$ 6,052,489
Total	\$ 6,052,489	\$ -	\$ -	\$ 6,052,489

Mountain-Pacific Quality Health

Notes to Financial Statements

Note 2: Fair Value Measurements (Continued)

Transfers Between Levels

For the years ended June 30, 2021 and 2020, there were no significant transfers between Levels 1 and 2. The following transfers occurred in Level 3.

<i>As of June 30,</i>	2021
Level 3 as of June 30, 2020	\$ -
Investment purchased in equity securities	50,000
Level 3 as of June 30, 2021	\$ 50,000

Note 3: 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 \$352,459 and \$2,115,843 as of June 30, 2021 and 2020, respectively.

Note 4: Contracts Receivable

Contracts receivable balances, included the following:

<i>As of June 30,</i>	2021	2020
United States Department of Health and Human Services	\$ 430,023	\$ 414,029
Montana Department of Public Health and Human Services	1,953,118	1,126,314
Federally funded subcontracts with other organizations	181,380	429,868
Other	415,163	173,750
Total	\$ 2,979,684	\$ 2,143,961

Note 5: Miscellaneous Receivables

As a tax-exempt organization under 501(c)(3) of the Internal Revenue Code, the Organization is exempt from the Federal Unemployment Tax. The Organization paid the Federal Unemployment Tax from 2014 through 2019. The Organization requested a refund of payments falling within the statute of limitations totaling \$19,171 at June 30, 2020. The unpaid balance at June 30, 2021 is \$5,634.

Mountain-Pacific Quality Health

Notes to Financial Statements

Note 5: Miscellaneous Receivables (Continued)

Under the Tax Cuts and Jobs Act, any costs incurred by a nonprofit organization to provide parking for employees became unrelated business income beginning January 1, 2018. On December 20, 2019, the President signed into law the Further Consolidated Appropriations Act that retroactively repealed the employee parking benefit tax treatment for tax-exempt organizations. The Organization has filed amended tax returns requesting the refund of all federal and state tax, interest, and penalty payments made under the Tax Cuts and Jobs Act. The receivable balances at June 30, 2021 and 2020 are \$10,100 and \$26,223, respectively. The Organization received the final payment of \$10,100 in July 2021.

The Organization was eligible and has requested employer payroll tax reimbursements totaling \$2,213 and \$3,936 for the quarters ending December 31 and June 30, 2020, respectively, under Federal programs enacted in response to the Coronavirus pandemic. The Organization has received payment for the June 30, 2020 quarter request.

Note 6: Property and Equipment

A summary of property and equipment is as follows as of June 30, 2021 and 2020:

	2021	2020
Furniture and office equipment	\$ 68,845	\$ 462,868
Computer hardware/software	370,180	541,297
Leasehold improvements	68,516	240,531
Capitalized software	427,901	457,491
Total fixed assets	935,442	1,702,187
Less: accumulated depreciation	(835,109)	(1,673,623)
Total fixed assets, net	\$ 100,333	\$ 28,564

Depreciation expense for the years ended June 30, 2021 and 2020 was \$30,066 and \$19,593, respectively. Software amortization totaling \$427,901 is included in the accumulated depreciation balances for the years ended June 30, 2021 and 2020, respectively.

Note 7: Property Held in Trust

Employees of the Organization can make elective contributions into an account that funds employee social activities such as a summer picnic and Christmas luncheon. The account is administered by a social committee composed of employees. The Organization maintains a bank account on behalf of the social committee. The account balance at June 30, 2021 and 2020 were \$668 and \$3,608, respectively.

Mountain-Pacific Quality Health

Notes to Financial Statements

Note 8: Net Assets with Donor Restrictions

The Organization is reporting net assets with donor restrictions totaling \$39,867 as of June 30, 2020. These assets were received through a grant from the Montana Healthcare Foundation, which included use restrictions that were satisfied in March 2021.

The grant agreement stipulated 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 three installment payments through August 2019 totaling \$98,284. The Organization expended \$58,417 for eligible purposes through June 2020. The remaining balance of unexpended funds totaling \$39,867 is included in the net assets with donor restrictions balance reported as of June 30, 2020. The Organization expended these funds for eligible purposes as of March 2021, and consequently, is reporting these funds as net assets released from restrictions at June 30, 2021.

Note 9: 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, 2021 and 2020, respectively.

Note 10: Liquidity and Availability of Financial Resources

The following table reflects the Organization's financial assets as of June 30, 2021 and 2020, reduced by amounts that are not available to meet general expenditures within one year of the statements 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>	2021	2020
Financial assets as of year-end:		
Cash and cash equivalents	\$ 644,127	\$ 2,327,551
Contracts receivable	2,979,684	2,143,961
Miscellaneous receivables	17,946	49,330
Long-term investments	8,020,833	6,052,489
Total financial assets	11,662,590	10,573,331
Less: amounts not available to be used within one year		
Board designated net assets	1,200,000	1,200,000
Total 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	\$ 10,462,590	\$ 9,373,331

Mountain-Pacific Quality Health

Notes to Financial Statements

Note 10: Liquidity and Availability of Financial Resources (Continued)

Funds were available at June 30, 2021 to support anticipated operating expenses for an estimated nine 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, 2021 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 5 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 semiannual 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 5 that relate to management of the Organization's liquidity.

The CEO shall not:

ELP 5.1. 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 5.2 is met, or the board approves the use of long-term reserve funds under sub-policy 5.3.

ELP 5.2. 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 5.3. Use board-designated long-term reserves without the board of directors' approval.

ELP 5.4. Fail to settle payroll and debts in a timely manner.

ELP 5.5. Allow tax payments or other government ordered payments or filings to be overdue or inaccurately filed.

ELP 5.6. Make a single purchase or commitment of greater than \$100,000 without board approval.

ELP 5.7. Acquire, encumber or dispose of real property without board approval.

ELP 5.8. Fail to aggressively pursue receivables after a reasonable grace period.

Mountain-Pacific Quality Health

Notes to Financial Statements

Note 11: Concentrations

Approximately 18 percent, 60 percent, 9 percent, and 13 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, 2021.

Approximately 36 percent, 48 percent, 11 percent, and 5 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, 2020.

The Organization was awarded a five-year QIO task order contract during the fiscal year ended June 30, 2020. The initial award totaled \$15,426,135 and is effective from November 8, 2019 through November 7, 2024. Additional funding of \$134,400 was added by direct change order in FY 2020 and \$918,807 by contract modification in FY 2021.

Contracts awarded by the Montana Department of Public Health and Human Services Medicaid Program that provided approximately \$1.1 million of funding during the fiscal year ended June 30, 2021 terminated on or before June 30, 2021. The Organization was awarded a new Medicaid Program contract that is effective from July 1, 2021 through June 30, 2022. The contract award totals \$947,000 for the initial one-year effective period.

Note 12: Operating Leases

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

Helena, Montana:

The July and August 2019 rent was \$23,575 per month. The rented space area was decreased effective September 2019 and the lease agreement was amended and extended to March 1, 2020. The monthly rent under the amended agreement was \$17,151. The lease agreement was extended on a month-to-month basis through March 2021.

The Organization entered into a new lease agreement for office space at a different location in March of 2021. Under this agreement office rent is \$14,500 per month for two sections of the building identified as the north and south suites. The base rent increases annually by two percent over the previous year's base rent rate.

The north and south suites are leased through February 28, 2026 and February 28, 2031, respectively, unless sooner terminated in accordance with terms and conditions of the agreement. The agreement provides for three options to extend the north and south suite terms, each for a successive period of three years. Rent for each extended term shall be adjusted to the prevailing fair market rent based on a survey of similar properties.

The Organization may renegotiate the terms of the agreement after the second full year of the lease in the event that the Organization's primary federal or state funding contracts are terminated or reduced by twenty-five percent or more.

Mountain-Pacific Quality Health

Notes to Financial Statements

Note 12: Operating Leases (Continued)

The Organization entered into an agreement effective March 1, 2021 through February 28, 2022 to lease 206 square feet of storage space at the Helena Branch of the Federal Reserve Bank of Minneapolis. The monthly rent is \$464. The agreement provides for annual renewals, up to five additional years, with an incremental rent increase of one dollar per square foot each year.

Honolulu, Hawaii:

The July 2019 rent was \$15,580 under an agreement that terminated July 31, 2019. The rented space area was decreased, and the Organization entered into a new lease agreement effective through October 2024. The monthly rent under the new agreement is \$8,738.

Anchorage, Alaska:

The July 2019 rent was \$8,115 under an agreement that terminated July 31, 2019. The rented space area 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 was \$2,200. The lease agreement terminated on July 31, 2020 and the Organization vacated the property.

Casper, Wyoming:

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 was \$2,400. The lease agreement has been extended on a month-to-month basis since October 2020.

Tamuning, Guam:

The lease agreement terminated on July 31, 2019 and the Organization vacated the property. July 2019 rent totaled \$1,114.

The minimum rental commitments under the current operating leases in effect on June 30, 2021 are as follows:

2022	\$	289,065
2023		289,357
2024		293,137
2025		227,082
2026		196,054
Total		\$ 1,294,695

The aggregate rent expense under the operating leases was \$348,367 and \$406,327 for the years ended June 30, 2021 and 2020, respectively.

Mountain-Pacific Quality Health

Notes to Financial Statements

Note 13: Capital Lease

The Organization entered into a lease/finance agreement effective August 1, 2020 with Dell Financial Services. The agreement included the leasing of data processing equipment over a thirty-six-month period, with a \$1 buy-out provision at the end of the term. The fair value of the equipment at the lease inception was \$44,177. The depreciation expense was \$13,499 for the fiscal year ended June 30, 2021. The imputed interest necessary to reduce the net minimum lease payments to present value was 4.5 percent. Interest expense recognized for the fiscal year ended June 30, 2021 was \$1,583. The lease liability balance is \$31,304 at June 30, 2021.

The following schedule reflects the minimum future capital lease and interest payments due each fiscal year through the final payment in July 2023:

	Lease Liability	Interest	Total
2022	\$ 14,661	\$ 1,109	\$ 15,770
2023	15,335	435	15,770
2024	1,308	5	1,313
Total	\$ 31,304	\$ 1,549	\$ 32,853

Note 14: Retirement Plan

The Organization provides a 401(k) and profit-sharing plan for its employees. The Organization paid plan expenses totaling \$7,500 for each of the fiscal years ended June 30, 2021 and 2020. The safe harbor employer contribution is three (3) percent of employee earnings. For the year ended June 30, 2021, the Organization contributed an additional 6 percent of employee earnings to the Plan as a discretionary employer contribution. For the year ended June 30, 2020, the Organization contributed an additional 2.5 percent of employee earnings to the Plan as a discretionary employer contribution. Retirement Plan contributions were \$422,586 and \$420,138 for the years ended June 30, 2021 and 2020, 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 15: 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, 2012. The Organization has received incurred cost audits for the fiscal years ended June 30, 2013, 2014, 2015, 2016, 2017 and 2018. 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, 2022 through 2025. 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.

Mountain-Pacific Quality Health

Notes to Financial Statements

Note 16: 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.

Note 17: PPP Loan

The Organization applied for and received a loan of \$1,520,230 on April 10, 2020 pursuant to the Paycheck Protection Program, administered by the Small Business Administration (SBA). If the proceeds are used to pay for qualifying expenses and certain other criteria are met, the SBA may forgive all or a portion of the loan. The Organization expects all amounts received under PPP to qualify for 100% forgiveness and views the PPP proceeds as a conditional grant rather than a loan. As a result, the Organization has recorded PPP proceeds of \$1,008,750 as other income to match the related expenses incurred during the current period. A \$511,480 liability remains on the accompanying statement of financial position as a refundable advance liability - PPP as of June 30, 2020. This amount has been recognized as income during the year ended June 30, 2021.

On December 1, 2020, the Organization received notice that the SBA has approved full forgiveness for the loan.

Supplementary Information

Mountain-Pacific Quality Health
Schedule I - Schedule of Expenses by Contract
For the Year Ended June 30, 2021

	QIO Program	
	NQIIC TO 1	Total QIO
Salaries, wages and fringe benefits	\$ 2,609,724	\$ 2,609,724
Travel	1,789	1,789
Supplies	23,338	23,338
Printing and publications	1,333	1,333
Consultant fees	149,401	149,401
Subcontractors	-	-
Dues and subscriptions	22,912	22,912
Physician Expenses	-	-
Postage	7,294	7,294
Data processing	33,643	33,643
Insurance	16,361	16,361
Equipment rental	3,901	3,901
Legal and audit	9,412	9,412
Telephone	29,319	29,319
Maintenance	20,589	20,589
Occupancy	129,031	129,031
Depreciation	9,884	9,884
Personal property taxes	647	647
Meetings and conferences	2,588	2,588
Other expenses	12,783	12,783
Total Expenses	\$ 3,083,949	\$ 3,083,949

**Indirect costs are included, which are allowable by contract. Unallowable costs in the amount of \$78,014 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, 2021

	Medicaid Contracts					Total MT Medicaid
	Drug Prior Authorization	DUR	Transportation	Utilization Review & Mgmt Services		
Salaries, wages and fringe benefits	\$ 903,109	\$ 574,529	\$ 793,880	\$ 2,399,028	\$ 4,670,546	
Travel	448	318	505	1,957	3,228	
Supplies	7,373	5,322	11,059	31,580	55,334	
Printing and publications	249	177	280	1,086	1,792	
Consultant fees	9,214	14,716	13,944	184,048	221,922	
Subcontractors	-	-	-	1,242,182	1,242,182	
Dues and subscriptions	6,925	73,504	6,550	26,635	113,614	
Physician Expenses	-	-	83	6,800	6,883	
Postage	2,358	1,731	5,562	10,296	19,947	
Data processing	15,405	12,634	191,986	273,089	493,114	
Insurance	5,368	3,811	6,043	23,438	38,660	
Equipment rental	1,280	909	1,441	5,588	9,218	
Legal and audit	3,088	2,192	3,476	13,483	22,239	
Telephone	16,128	3,950	24,399	49,582	94,059	
Maintenance	6,709	4,587	8,078	27,894	47,268	
Occupancy	25,755	13,836	52,552	85,419	177,562	
Depreciation	3,437	2,266	5,387	14,509	25,599	
Personal property taxes	212	151	239	927	1,529	
Meetings and conferences	771	860	700	2,714	5,045	
Other expenses	4,063	2,884	12,893	17,739	37,579	
Total Expenses	\$ 1,011,892	\$ 718,377	\$ 1,139,057	\$ 4,417,994	\$ 7,287,320	

**Indirect costs are included, which are allowable by contract. Unallowable costs in the amount of \$78,014 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, 2021

	Major Sub/Subrecipient Contracts									
	Health Technology Service Contracts	Comagine AIHQI 1.0	Comagine AIHQI 2.0	Lewin CPC+	Other Subcontracts	Total Major Subcontracts	COVID	Other Contracts	Total Contracts	
Salaries, wages and fringe benefits	\$ 270,105	\$ (43,056)	\$ 243,637	\$ 342,646	\$ 512,341	\$ 1,055,568	\$ 583,843	\$ 598,299	\$ 9,788,085	
Travel	165	(19)	2,581	224	258	3,044	288	700	9,214	
Supplies	2,658	(300)	1,895	3,606	5,034	10,235	4,635	25,788	121,988	
Printing and publications	92	(10)	65	124	143	322	160	340	4,039	
Consultant fees	3,397	(384)	2,423	4,609	5,305	11,953	5,924	24,702	417,299	
Subcontractors	-	-	-	121,947	-	121,947	-	71,562	1,435,691	
Dues and subscriptions	77,519	(242)	1,530	2,911	5,125	9,324	3,741	7,802	234,912	
Physician Expenses	-	-	-	-	-	-	-	-	6,883	
Postage	869	(98)	620	1,180	1,358	3,060	1,516	1,834	34,520	
Data processing	4,069	3,140	2,902	5,522	9,353	20,917	7,098	8,492	567,333	
Insurance	1,979	(224)	1,411	2,685	3,091	6,963	3,452	6,565	73,980	
Equipment rental	472	(53)	337	640	737	1,661	823	985	17,060	
Legal and audit	1,138	(129)	814	1,545	1,778	4,008	1,986	2,376	41,159	
Telephone	2,435	102	1,207	1,810	5,146	8,265	6,955	3,994	145,027	
Maintenance	2,227	(250)	1,599	3,235	3,771	8,355	3,882	4,757	87,078	
Occupancy	3,105	(294)	3,016	9,592	22,972	35,286	20,733	13,838	379,555	
Depreciation	998	(109)	739	1,423	1,742	3,795	2,440	2,291	45,007	
Personal property taxes	78	(9)	56	106	122	275	137	163	2,829	
Meetings and conferences	229	(26)	163	311	1,998	2,446	400	478	11,186	
Other expenses	1,498	(169)	1,068	2,032	2,339	5,270	2,612	3,447	63,189	
Total Expenses	\$ 373,033	\$ (42,130)	\$ 266,063	\$ 506,148	\$ 582,613	\$ 1,312,694	\$ 650,625	\$ 778,413	\$ 13,486,034	

**Indirect costs are included, which are allowable by contract. Unallowable costs in the amount of \$78,014 are excluded

See Independent Auditor's Report

Mountain-Pacific Quality Health
Schedule I - Schedule of Expenses by Contract
For the Year Ended June 30, 2020

	QIO Program							
	Montana	Wyoming	Hawaii	Alaska	Immunization	Transition TORP	NQIIC TO 1	Total QIO
Salaries, wages and fringe benefits	\$ 49,004	\$ 51,695	\$ 99,664	\$ 41,817	\$ 279,073	\$ 110,006	\$ 1,563,548	\$ 2,194,807
Travel	1,327	1,014	2,322	125	7,901	395	44,278	57,362
Supplies	693	487	1,062	76	2,283	189	3,425	8,215
Printing and publications	1,060	1,154	91	30	1,882	75	1,133	5,425
Consultant fees	954	163	6,219	129	889	321	53,789	62,464
Dues and subscriptions	1,313	1,515	1,266	614	10,370	626	12,016	27,720
Postage	196	361	1,057	226	1,057	258	4,829	7,984
Data processing	592	626	1,495	494	3,416	1,232	18,667	26,522
Insurance	307	325	776	256	1,773	639	9,690	13,766
Equipment rental	51	54	129	43	294	106	1,608	2,285
Legal and audit	147	156	372	123	850	307	4,648	6,603
Telephone	614	666	1,286	451	3,408	1,165	20,620	28,210
Maintenance	258	230	725	294	2,197	591	9,481	13,776
Occupancy	1,409	2,551	11,264	3,283	17,810	5,095	83,500	124,912
Depreciation	64	88	200	63	547	173	3,130	4,265
Personal property taxes	7	7	16	5	37	13	201	286
Meetings and conferences	283	361	15,988	81	2,444	70	2,656	21,883
Other expenses	97	311	3,451	601	557	200	3,392	8,609
Total Expenses	\$ 58,376	\$ 61,764	\$ 147,383	\$ 48,711	\$ 336,788	\$ 121,461	\$ 1,840,611	\$ 2,615,094

** Indirect costs are included, which are allowable by contract. Unallowable costs in the amount of \$110,199 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, 2020

	Medicaid Contracts									
	Drug Prior Authorization	Utilization Review	DUR	Transportation	SDMI	Home & Community Based Services	Utilization Review & Mgmt Services	Total MT Medicaid	Health Technology Service Contracts	
Salaries, wages and fringe benefits	\$ 952,512	\$ 106,073	\$ 879,583	\$ 781,426	\$ 10,286	\$ 312,656	\$ 1,735,106	\$ 4,777,643	\$ 278,979	
Travel	3,507	329	3,876	2,916	30	8,697	22,517	41,872	7,036	
Supplies	1,951	198	1,986	3,998	18	864	5,289	14,304	640	
Printing and publications	656	79	646	697	7	251	1,951	4,286	211	
Consultant fees	2,814	337	13,653	2,990	31	46,218	110,922	176,966	906	
Subcontractors	-	210	-	-	-	-	944,474	944,684	-	
Dues and subscriptions	12,106	658	77,904	5,836	60	2,098	17,307	115,969	40,788	
Physician expenses	-	-	-	49	-	-	-	49	-	
Postage	2,266	288	2,230	4,804	25	866	6,744	17,223	730	
Data processing	14,834	9,928	15,059	184,484	174	5,366	165,013	394,858	3,480	
Insurance	5,611	672	5,522	5,962	62	2,143	16,685	36,657	1,807	
Equipment rental	931	112	916	989	10	356	2,769	6,083	300	
Legal and audit	2,691	322	2,649	2,860	30	1,028	8,003	17,583	867	
Telephone	19,980	1,690	6,057	40,115	144	10,429	41,924	120,340	1,820	
Maintenance	5,511	679	4,897	7,083	74	1,930	13,759	33,933	1,192	
Occupancy	35,588	5,306	27,295	54,216	723	12,622	65,084	200,834	3,298	
Depreciation	1,804	230	1,437	2,636	30	578	3,692	10,407	216	
Personal property taxes	116	14	115	124	1	44	346	761	37	
Meetings and conferences	1,139	374	3,324	653	7	235	2,622	8,353	290	
Other expenses	1,762	211	1,734	30,660	19	672	5,239	40,298	567	
Total Expenses	\$ 1,065,778	\$ 127,710	\$ 1,048,884	\$ 1,132,497	\$ 11,733	\$ 407,053	\$ 3,169,448	\$ 6,963,103	\$ 343,164	

** Indirect costs are included, which are allowable by contract. Unallowable costs in the amount of \$110,199 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, 2020

	Major Sub/Subrecipient Contracts							
	Comagine AIHQI	Lewin CPC+	Other Subcontracts	Total Major Contracts	11th to 12th Transition	COVID	Other Contracts	Total Contracts
Salaries, wages and fringe benefits	\$ 367,142	\$ 439,850	\$ 752,060	\$ 1,559,052	\$ 398,232	\$ 504,347	\$ 332,460	\$ 10,045,519
Travel	23,207	11,651	13,263	48,121	8,803	1,416	9,029	173,639
Supplies	705	1,106	22,410	24,220	941	855	798	49,974
Printing and publications	458	700	570	1,729	288	339	(1,176)	11,101
Consultant fees	1,108	1,655	27,647	30,410	7,233	1,452	3,031	282,462
Subcontractors	-	129,710	15,396	145,106	-	-	15,962	1,105,752
Dues and subscriptions	2,274	3,231	6,311	11,816	5,359	2,835	1,101	205,588
Physician expenses	-	-	-	-	-	-	-	49
Postage	892	1,333	2,168	4,393	1,299	1,170	666	33,464
Data processing	4,255	6,358	9,400	20,013	4,738	5,579	3,960	459,149
Insurance	2,209	3,300	4,879	10,389	2,460	2,896	2,056	70,031
Equipment rental	367	548	810	1,724	408	481	341	11,622
Legal and audit	1,060	1,583	2,340	4,983	1,180	1,389	986	33,590
Telephone	4,499	2,517	10,280	17,297	4,039	4,176	2,739	178,621
Maintenance	1,787	2,495	5,348	9,629	3,299	2,357	1,865	66,053
Occupancy	6,341	13,639	45,893	65,873	20,247	18,622	14,479	448,266
Depreciation	351	550	1,545	2,446	758	903	519	19,513
Personal property taxes	46	68	101	216	51	60	43	1,453
Meetings and conferences	542	5,578	1,954	8,075	4,273	317	225	43,416
Other expenses	2,344	1,036	4,484	7,863	3,582	909	1,386	63,215
Total Expenses	\$ 419,587	\$ 626,908	\$ 926,860	\$ 1,973,355	\$ 467,190	\$ 550,103	\$ 390,469	\$ 13,302,477

** Indirect costs are included, which are allowable by contract. Unallowable costs in the amount of \$110,199 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
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 ("Mountain-Pacific"), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities and changes in net assets, 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 March 10, 2022.

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") as a basis for designing 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of 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.

A handwritten signature in black ink that reads "Wipfli LLP". The script is cursive and fluid, with the letters "W", "i", "p", "f", "l", and "i" being particularly prominent and connected.

Wipfli LLP

March 10, 2022
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
Helena, Montana

Report on Compliance for Each Major Federal Program

We have audited Mountain-Pacific Quality Health'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, 2021. 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, 2021.

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 in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the 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 signature is written in a cursive, flowing style.

Wipfli LLP

March 10, 2022
Helena, Montana

MOUNTAIN-PACIFIC QUALITY HEALTH

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2021

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	AL Number	Pass-Through Entity Identifying Number	Provided Through to Subrecipients	Total Federal Expenditures
U.S. Department of Health and Human Services				
Centers for Medicare and Medicaid Services				
*12th SOW Order #75FCMC20F0001	93.779	75FCM19D0036		3,083,949
Total for Direct Centers for Medicare and Medicaid Services				3,083,949
Pass through by the Lewin Group				
*CPC Plus HHSM-500-T0008	93.779	HHSM-500-2014-000331		506,148
Pass through by Comagine Health				
* American Indian/Alaskan Native Healthcare Quality Initiative HHSM-200-T0007	93.779	HHSM-500-2014-QIN0071		-42,129
Pass through by Comagine Health				
* American Indian/Alaskan Native Healthcare Quality Initiative 12th SOW Order #75FCMC20F0002	93.779	75FCMC19D00051		266,061
Pass through by Telligen, Inc.				
*NQIC Hospital Quality Improvement Contractor #75FCMC20F0002	93.779	75FCMC19D00058/75FCMC20F0002		24,296
Pass through by TMF Health Quality				
*Hospital Quality Improvement	93.779	75FCMC19D00059/75FCMC20F0002		617
Total for Pass Through for Centers for Medicare and Medicaid Services				754,993
Total Centers for Medicare and Medicaid Services				\$3,838,942
Health Resources and Services Administration				
Pass through by the Montana State University				
Nurse Education, Practice Quality and Retention Grants	93.359	Grant # UK1HP31719		\$14,803
Pass through by the Montana State University				
Montana Behavioral Health Workforce Development Grant	93.912	Grant # D06RH37513		\$15,948
Pass through by the University of Hawaii Systems				
Geriatrics Workforce Enhancement Program	93.969	Grant # U1QHP28729		\$20,562
Pass through by the Montana Health Research and Education Foundation				
Rural Communities Opioid Response Program-Implementation	93.912	Grant # GA1RH33525		\$77,486
Pass through by the University of Wyoming				
Geriatrics Workforce Enhancement Program	93.969	Grant # U1QHP28743-05-00		\$6,405
Pass through by the University of Wyoming				
Geriatrics Workforce Enhancement Program (Opioid)	93.969	Grant # U1QHP28743-05-00		\$1,215
Total Health Resources and Services Administration				\$136,419
Total U.S. Department of Health and Human Services				\$3,975,361
Total Expenditures of Federal Awards				\$3,975,361

* 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, 2021

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, 2021. 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.

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. Negative amounts shown on the Schedule represent adjustments or credits made in normal course of business to amounts reported as expenditures in prior years.

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 2021 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 actual indirect cost rates for fiscal year 2021 were 30.08 and 29.64 percent, respectively.

MOUNTAIN-PACIFIC QUALITY HEALTH

Schedule of Findings and Questioned Costs

Year Ended June 30, 2021

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:

AL Number and Name of Federal Program or Cluster

93.779	Centers for Medicare and Medicaid Services
--------	--

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*.