

# Mountain-Pacific Quality Health

Financial Statements and Supplemental Information

June 30, 2022 and 2021

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**WIPFLI**

## **Independent Auditor's Report**

Board of Directors  
Mountain-Pacific Quality Health  
Helena, Montana

### ***Opinion***

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, 2022 and 2021, 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.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Mountain-Pacific Quality Health as of June 30, 2022 and 2021, 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. ("GAAP").

### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Mountain-Pacific Quality Health and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibilities of Management for the Financial Statements***

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

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

## ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Mountain-Pacific Quality Health's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Mountain-Pacific Quality Health's ability to continue as a going concern for a reasonable period of time.

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

## ***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 27-32 and 39-41, 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 February 21, 2023 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 Mountain-Pacific Quality Health'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  
February 21, 2023

# Mountain-Pacific Quality Health

## Statements of Financial Position

<i>As of June 30,</i>	2022	2021
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,464,102	\$ 644,127
Contracts receivable	1,725,181	2,979,684
Miscellaneous receivable	7,846	17,946
Prepaid expenses	456,926	330,424
Total current assets	3,654,055	3,972,181
OTHER ASSETS		
Net property and equipment	108,093	100,333
Note receivable	50,000	-
Long-term investments	7,153,891	8,020,833
Deposits	3,387	3,387
Total other assets	7,315,371	8,124,553
TOTAL ASSETS	\$ 10,969,426	\$ 12,096,734

# Mountain-Pacific Quality Health

## Statements of Financial Position (Continued)

<i>As of June 30,</i>	2022	2021
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 167,377	\$ 248,759
Accrued vacation payable	392,035	391,215
Accrued payroll and related taxes	331,547	319,688
Accrued retirement plan contribution	420,067	431,524
Deferred revenue	2,719	241,077
Property held in trust	718	668
Capital lease liability	16,644	14,660
Total current liabilities	1,331,107	1,647,591
LONG TERM LIABILITIES		
Capital lease liability	-	16,644
Total liabilities	1,331,107	1,664,235
NET ASSETS		
Without donor restrictions:		
Without donor restrictions, undesignated	8,438,319	9,232,499
Board designated	1,200,000	1,200,000
Total net assets without donor restrictions	9,638,319	10,432,499
TOTAL LIABILITIES AND NET ASSETS	\$ 10,969,426	\$ 12,096,734

See accompanying notes to financial statements.

# Mountain-Pacific Quality Health

## Statement of Activities and Changes in Net Assets

<i>Year Ended June 30,</i>	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE</b>			
Contract and grant revenue	\$ 13,882,245	\$ -	\$ 13,882,245
Unrealized loss on investments	(1,253,627)	-	(1,253,627)
Realized gains on investments	78,615	-	78,615
Income on long-term investments	299,327	-	299,327
Interest income	283	-	283
Total support and revenue	13,006,843	-	13,006,843
<b>EXPENSES</b>			
Programs	10,103,919	-	10,103,919
Management and general	3,696,827	-	3,696,827
Total expenses	13,800,746	-	13,800,746
<b>OTHER EXPENSES</b>			
Loss on sale of assets	277	-	277
Total other expenses	277	-	277
<b>CHANGES IN NET ASSETS</b>	(794,180)	-	(794,180)
Net assets, beginning of year	10,432,499	-	10,432,499
Net assets, end of year	\$ 9,638,319	\$ -	\$ 9,638,319

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	
<b>SUPPORT AND REVENUE</b>			
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
<b>Total support and revenue</b>	<b>14,496,536</b>	<b>-</b>	<b>14,496,536</b>
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>	<b>39,867</b>	<b>(39,867)</b>	<b>-</b>
<b>EXPENSES</b>			
Programs	10,403,060	-	10,403,060
Management and general	3,144,947	-	3,144,947
<b>Total expenses</b>	<b>13,548,007</b>	<b>-</b>	<b>13,548,007</b>
<b>OTHER EXPENSES</b>			
Loss on sale of assets	16,041	-	16,041
<b>Total other expenses</b>	<b>16,041</b>	<b>-</b>	<b>16,041</b>
<b>CHANGES IN NET ASSETS</b>	<b>972,355</b>	<b>(39,867)</b>	<b>932,488</b>
Net assets, beginning of year	9,460,144	39,867	9,500,011
<b>Net assets, end of year</b>	<b>\$ 10,432,499</b>	<b>\$ -</b>	<b>\$ 10,432,499</b>

See accompanying notes to financial statements.



**Mountain-Pacific Quality Health**  
**Statement of Functional Expenses**  
For the Year Ended June 30, 2022

	QIO Program	MT Medicaid Contracts	COVID	Consulting Services	Total Program	Management & General	Total
Salaries, wages and fringe benefits	\$ 2,265,473	\$ 3,775,738	\$ 9,606	\$ 1,363,292	\$ 7,414,109	\$ 2,748,472	\$ 10,162,581
Travel	14,710	28,316	-	27,506	70,532	17,158	87,690
Supplies	2,625	4,349	-	6,577	13,551	72,953	86,504
Printing and publications	468	-	-	2,273	2,741	1,212	3,953
Consultant fees	75,001	88,644	-	66,902	230,547	221,039	451,586
Subcontractors	-	1,192,152	-	185,096	1,377,248	-	1,377,248
Dues and subscriptions	3,821	80,814	-	54,493	139,128	70,350	209,478
Physician Expenses	-	7,365	-	-	7,365	-	7,365
Postage	520	373	-	236	1,129	28,743	29,872
Data processing	400	446,574	-	31,970	478,944	149,166	628,110
Insurance	-	-	-	4,286	4,286	73,913	78,199
Equipment rental	-	-	-	-	-	5,806	5,806
Legal and audit	-	-	-	533	533	33,903	34,436
Telephone	13,880	67,034	101	5,889	86,904	25,498	112,402
Maintenance	-	-	-	-	-	25,664	25,664
Occupancy	101,036	85,478	598	13,125	200,237	111,113	311,350
Depreciation	2,660	14,750	104	713	18,227	34,152	52,379
Personal property taxes	-	-	-	-	-	1,873	1,873
Meetings and conferences	4,933	4,890	-	5,425	15,248	10,563	25,811
Other expenses	2,661	21,529	-	19,000	43,190	65,249	108,439
<b>Total Expenses</b>	<b>\$ 2,488,188</b>	<b>\$ 5,818,006</b>	<b>\$ 10,409</b>	<b>\$ 1,787,316</b>	<b>\$ 10,103,919</b>	<b>\$ 3,696,827</b>	<b>\$ 13,800,746</b>

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
<b>Total Expenses</b>	<b>\$ 2,378,944</b>	<b>\$ 5,621,403</b>	<b>\$ 501,889</b>	<b>\$ 1,900,824</b>	<b>\$ 10,403,060</b>	<b>\$ 3,144,947</b>	<b>\$ 13,548,007</b>

See accompanying notes to financial statements.

# Mountain-Pacific Quality Health

## Statements of Cash Flows

<i>Years ended June 30,</i>	2022	2021
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH		
FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (794,180)	\$ 932,488
Adjustments to reconcile the change in net assets to net cash from operating activities:		
Depreciation	52,379	30,066
Unrealized (gains) losses on long-term investments	1,253,627	(614,513)
Realized gains on investments	(78,615)	(130,784)
Loss on asset disposals	277	16,041
Change in assets and liabilities:		
Contracts receivable	1,254,503	(835,723)
Miscellaneous receivable	10,100	31,384
Prepaid expenses	(126,502)	(1,159)
Deposits	-	17,679
Accounts payable	(81,382)	80,753
Accrued vacation payable	820	(45,507)
Accrued payroll and related taxes	11,859	166,288
Accrued retirement plan contributions	(11,457)	252,525
Property held in trust	50	(2,940)
Refundable advance liability	-	(511,480)
Deferred revenue	(238,358)	241,077
Net cash from operating activities	1,253,121	(373,805)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of long-term investments	(399,420)	(1,278,067)
Proceeds from sale of long-term investments	91,350	55,021
Issuance of notes receivable	(50,000)	-
Purchase of equipment	(60,416)	(86,573)
Net cash from investing activities	(418,486)	(1,309,619)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds (payments) on capital lease	(14,660)	-
Net cash from financing activities	(14,660)	-
NET CHANGE IN CASH AND CASH EQUIVALENTS	819,975	(1,683,424)
Cash and cash equivalents, beginning of year	644,127	2,327,551
Cash and cash equivalents, end of year	\$ 1,464,102	\$ 644,127
SUPPLEMENTAL CASH FLOW INFORMATION		
Acquisition of capital lease	\$ -	\$ 31,304
Cash paid during the year for interest	\$ 3,745	\$ 4,704

See accompanying notes to financial statements.

# Mountain-Pacific Quality Health

## Notes to Financial Statements

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### 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

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### 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 2022 and 2021, 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, 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. 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.

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.

#### 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:

	2022	2021
Cash in checking and savings	\$ 30,318	\$ 30,268
Money market accounts	403,682	412,425
Repurchase agreements	1,030,102	201,434
Total	\$ 1,464,102	\$ 644,127

# Mountain-Pacific Quality Health

## Notes to Financial Statements

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### **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. Investment fees, including any direct internal investment expenses, are netted with investment gains.

#### **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 72 and 80 percent of receivables as of June 30, 2022 and 2021, respectively.

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, 2022 and 2021, 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.

#### **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

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### **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, 2022 and 2021, prepaid expenses were \$456,926 and \$330,424, 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 \$392,035 and \$391,215 at June 30, 2022 and 2021, 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 believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on its financial condition, results of operations or cash flows. Accordingly, the Organization has not recorded any reserves or related accruals for interest or penalties for uncertain income tax positions as of June 30, 2022. The Organization's policy is to classify income tax related interest and penalties to interest expense and miscellaneous expense, respectively, when applicable.

# Mountain-Pacific Quality Health

## Notes to Financial Statements

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### 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, 2022 and 2021, 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 were as follows:

	2022	2021
Indirect costs	33.32 %	30.08 %
Fringe benefits	51.09 %	51.58 %

#### 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. During fiscal year 2022, no contributions were recognized by the Organization. However, at June 30, 2020, \$511,480 of a contribution received totaling \$1,520,230 was recognized on the statements of financial position as a refundable advance because the conditions on which it depended were not met. The Organization met conditions for a portion of the contribution and recognized \$1,008,750 as other income on the statements of activities and changes in net assets in fiscal year 2020. Furthermore, the Organization met all conditions applicable to the balance during the fiscal year ended June 30, 2021 and recognized the \$511,480 as other income on the statements of activities and changes in net assets. See Note 18 for additional information.



# Mountain-Pacific Quality Health

## Notes to Financial Statements

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### Note 1: Summary of Significant Accounting Policies (Continued)

#### Revenue Recognition (Continued)

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, 2022, 2021 and 2020, contract liabilities totaling \$2,719, \$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, 2022 and 2021, and the related basis for revenue recognition.

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.

# Mountain-Pacific Quality Health

## Notes to Financial Statements

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### Note 1: Summary of Significant Accounting Policies (Continued)

#### Revenue Recognition (Continued)

The exchange transactions that are applicable under ASU 606 and the non-exchange transactions are as follows:

<i>Years Ended June 30,</i>	2022	2021
Fixed-price contracts	\$ 9,116,197	\$ 8,889,353
Fee-based service contracts	741,360	551,025
Cost reimbursement contracts	132,532	99,350
Non-exchange transactions	3,892,156	3,527,526
Total	\$ 13,882,245	\$ 13,067,254

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 \$28,911 and \$24,671 during the fiscal years ending June 30, 2022 and 2021, 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.

# Mountain-Pacific Quality Health

## Notes to Financial Statements

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### **Note 1: Summary of Significant Accounting Policies (Continued)**

#### **New Accounting Pronouncements**

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, 2021. The Organization is currently evaluating the impact of the provisions of ASC 842.

#### **Subsequent Events**

The Organization has evaluated events and transactions for potential recognition or disclosure in the financial statements through February 21, 2023, 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.

### **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 \$1,166,742 and \$352,459 as of June 30, 2022 and 2021, respectively.

# Mountain-Pacific Quality Health

## Notes to Financial Statements

### Note 3: Contracts Receivable

Contracts receivable balances, included the following:

<i>As of June 30,</i>	2022	2021	2020
United States Department of Health and Human Services	\$ 575,441	\$ 430,023	\$ 414,029
Montana Department of Public Health and Human Services	674,337	1,953,118	1,126,314
Federally funded subcontracts with other organizations	133,796	181,380	429,868
Other	341,607	415,163	173,750
<b>Total</b>	<b>\$ 1,725,181</b>	<b>\$ 2,979,684</b>	<b>\$ 2,143,961</b>

### Note 4: 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, 2022 and 2021 were \$718 and \$668, respectively.

### Note 5: Property and Equipment

A summary of property and equipment is as follows as of June 30, 2022 and 2021:

	2022	2021
Furniture and office equipment	\$ 96,091	\$ 68,845
Computer hardware/software	366,227	370,180
Leasehold improvements	68,516	68,516
Capitalized software	427,901	427,901
<b>Total fixed assets</b>	<b>958,735</b>	<b>935,442</b>
<b>Less: accumulated depreciation</b>	<b>(850,642)</b>	<b>(835,109)</b>
<b>Total fixed assets, net</b>	<b>\$ 108,093</b>	<b>\$ 100,333</b>

Depreciation expense for the years ended June 30, 2022 and 2021 was \$52,379 and \$30,066, respectively. Software amortization totaling \$427,901 is included in the accumulated depreciation balances for the years ended June 30, 2022 and 2021, respectively.

# Mountain-Pacific Quality Health

## Notes to Financial Statements

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### Note 6: Concentrations

Approximately 21 percent, 62 percent, 8 percent, and 9 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, 2022.

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.

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 fiscal year 2020 and \$918,807 by contract modification in fiscal year 2021. During fiscal year 2022, funding of \$1,304,680 was added by direct change order and another \$7,641,849 was added through an alignment modification. These additions bring the total contract award to \$25,425,871.

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 approximately \$947,000 for the initial one-year effective period.

### Note 7: 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, 2022 and 2021.

*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.

# Mountain-Pacific Quality Health

## Notes to Financial Statements

### Note 7: Fair Value Measurements (Continued)

The following tables set forth by level, within the fair value hierarchy, the Organization's investment assets at fair value as of June 30, 2022 and 2021. 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, 2022			
	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 7,103,891	\$ -	\$ -	\$ 7,103,891
Total	\$ 7,103,891	\$ -	\$ -	\$ 7,103,891

	Fair Value of Assets as of June 30, 2021			
	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 7,970,833	\$ -	\$ -	\$ 7,970,833
Total	\$ 7,970,833	\$ -	\$ -	\$ 7,970,833

For the years ended June 30, 2022 and 2021, there were no significant transfers between Levels 1, 2, or 3.

### Note 8: Equity Securities

The Organization has a less than 1% interest in Opio Connect, Inc. The investment is held at a cost basis of \$50,000 for the years ended June 30, 2022 and 2021, respectively, as the Organization owns less than 20% of the privately held Company. The balance is included in long-term investments on the statements of financial position.

### Note 9: Operating Leases

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

#### Helena, Montana:

The Organization entered into a lease agreement for office space 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.

# Mountain-Pacific Quality Health

## Notes to Financial Statements

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### Note 9: Operating Leases (Continued)

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.

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 Organization entered into a lease agreement effective through October 2024. The monthly rent under the agreement is \$8,738.

#### Casper, Wyoming:

The Organization entered into a lease agreement effective from October 1, 2019 through September 30, 2020. The monthly rent under the new agreement was \$2,400. The lease agreement was extended on a month-to-month basis through June 2021, at which time it was terminated.

#### Cheyenne, Wyoming:

The Organization entered into an agreement effective June 1, 2021, to lease office space in Cheyenne, Wyoming. The monthly rent is \$375. The agreement is running month-to-month.

The minimum rental commitments under the current operating leases in effect on June 30, 2022 are as follows:

2023	\$	293,857
2024		293,137
2025		227,082
2026		196,054
<hr/>		
Total	\$	1,010,130

The aggregate rent expense under the operating leases was \$291,280 and \$351,028 for the years ended June 30, 2022 and 2021, respectively.

### Note 10: 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 \$14,726 for the fiscal year ended June 30, 2022. 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, 2022 and 2021 was \$1,109 and \$1,583, respectively. The lease liability balance is \$16,644 at June 30, 2022.

# Mountain-Pacific Quality Health

## Notes to Financial Statements

### Note 10: Capital Lease (Continued)

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
2023	\$ 15,335	\$ 435	\$ 15,770
2024	1,309	5	1,314
Total	\$ 16,644	\$ 440	\$ 17,084

### Note 11: Retirement Plan

The Organization provides a 401(k) and profit-sharing plan for its employees. The Organization paid plan expenses totaling \$7,900 and \$7,500 for the fiscal years ended June 30, 2022 and 2021, respectively. The safe harbor employer contribution is three (3) percent of employee earnings. For the years ended June 30, 2022 and 2021, the Organization contributed an additional 6 percent of employee earnings to the Plan as a discretionary employer contribution. Retirement Plan contributions were \$410,140 and \$422,586 for the years ended June 30, 2022 and 2021, 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: Net Assets with Donor Restrictions

The Organization is reporting net assets with donor restrictions totaling \$0 as of both June 30, 2022 and 2021. Funds 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 13: Board Designated Net Assets

The Board designated \$1,200,000 of net assets without donor restrictions to a reserve fund for future operating needs for the years ended June 30, 2022 and 2021, respectively.



# Mountain-Pacific Quality Health

## Notes to Financial Statements

### Note 14: Liquidity and Availability of Financial Resources

The following table reflects the Organization's financial assets as of June 30, 2022 and 2021, 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>	2022	2021
Financial assets as of year-end:		
Cash and cash equivalents	\$ 1,464,102	\$ 644,127
Contracts receivable	1,725,181	2,979,684
Miscellaneous receivables	7,846	17,946
Long-term investments	7,153,891	8,020,833
<b>Total financial assets</b>	<b>10,351,020</b>	<b>11,662,590</b>
Less: amounts not available to be used within one year		
Board designated net assets	1,200,000	1,200,000
<b>Financial assets available to meet general expenditures within one year</b>	<b>\$ 9,151,020</b>	<b>\$ 10,462,590</b>

Funds were available at June 30, 2022 to support anticipated operating expenses for an estimated eight 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, 2022 do not provide adequate funding to support operating expenses.

The Organization operates under governance policies adopted by its board of directors. Executive Limitation Policies establish limits that the Organization's Chief Executive Officer (CEO) must adhere to regarding the Organization's financial condition and activities. The Organization's Chief Administrative 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.

# Mountain-Pacific Quality Health

## Notes to Financial Statements

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### **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, 2018 and 2019. 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.

### **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: Line of Credit**

The Organization maintains a line of credit with First Interstate Bank in the amount of \$500,000 with interest at 4.50%. The line of credit matures February 12, 2023.

### **Note 18: 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. On December 1, 2020, the Organization received notice that the SBA has approved full forgiveness for the loan. The Organization treated the loan as a conditional grant with the incurring of allowable expenses as the condition to be met to recognize the grant revenue. The Organization recorded PPP proceeds of \$1,008,750 as other income to match the related expenses incurred in 2020 and \$511,480 in 2021.

## **Supplemental Information**

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**Mountain-Pacific Quality Health**  
**Schedule I - Schedule of Expenses by Contract**  
For the Year Ended June 30, 2022

	QIO Program	
	NQIIC TO 1	Total QIO
Salaries, wages and fringe benefits	\$ 2,928,603	\$ 2,928,603
Travel	17,914	17,914
Supplies	19,856	19,856
Printing and publications	733	733
Consultant fees	129,002	129,002
Subcontractors	-	-
Dues and subscriptions	20,774	20,774
Physician Expenses	-	-
Postage	7,543	7,543
Data processing	36,842	36,842
Insurance	18,057	18,057
Equipment rental	1,419	1,419
Legal and audit	8,283	8,283
Telephone	20,109	20,109
Maintenance	6,209	6,209
Occupancy	128,182	128,182
Depreciation	11,071	11,071
Personal property taxes	458	458
Meetings and conferences	6,499	6,499
Other expenses	17,212	17,212
<b>Total Expenses</b>	<b>\$ 3,378,766</b>	<b>\$ 3,378,766</b>

\*\*Indirect costs are included, which are allowable by contract. Unallowable costs in the amount of \$80,670 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, 2022

	Medicaid Contracts						Total MT Medicaid
	Montana State Hospital TO 1	Drug Prior Authorization	DUR	Transportation	Utilization Review & Mgmt Services		
Salaries, wages and fringe benefits	\$ 56,948	\$ 894,500	\$ 810,477	\$ 795,095	\$ 2,769,386	\$ 5,326,406	
Travel	2,379	2,194	2,959	1,203	27,073	35,808	
Supplies	325	5,032	5,548	8,589	25,143	44,637	
Printing and publications	5	78	76	92	371	622	
Consultant fees	1,019	17,557	23,090	41,459	131,790	214,915	
Subcontractors	0	0	0	0	1,192,152	1,192,152	
Dues and subscriptions	320	9,170	80,237	5,844	24,883	120,454	
Physician Expenses	0	0	0	840	6,525	7,365	
Postage	132	2,051	2,018	2,753	9,839	16,793	
Data processing	687	14,706	14,938	194,461	306,993	531,785	
Insurance	341	5,274	5,190	6,225	25,194	42,224	
Equipment rental	27	414	408	489	1,979	3,317	
Legal and audit	156	2,419	2,381	2,855	11,556	19,367	
Telephone	188	15,375	3,580	23,268	39,188	81,599	
Maintenance	117	1,813	1,785	2,140	8,663	14,518	
Occupancy	600	8,741	10,308	51,638	77,664	148,951	
Depreciation	174	2,592	2,817	10,256	18,579	34,418	
Personal property taxes	9	134	132	158	639	1,072	
Meetings and conferences	30	457	1,000	540	6,525	8,552	
Other expenses	271	4,203	4,137	16,846	29,724	55,181	
Total Expenses	\$ 63,728	\$ 986,710	\$ 971,081	\$ 1,164,751	\$ 4,713,866	\$ 7,900,136	

\*\*Indirect costs are included, which are allowable by contract. Unallowable costs in the amount of \$80,670 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, 2022

	Major Sub/Subrecipient Contracts							
	Health Technology Service Contracts	Comagine AIHQJ 2.0	Lewin CPC+	Other Subcontracts	Total Major Subcontracts	COVID	Other Contracts	Total Contracts
Salaries, wages and fringe benefits	\$ 256,073	\$ 377,440	\$ 191,391	\$ 547,901	\$ 1,116,732	\$ 12,381	\$ 466,843	\$ 10,107,038
Travel	4,652	7,896	264	9,504	17,664	13	7,493	83,544
Supplies	1,910	2,177	1,418	6,356	9,951	72	7,092	83,518
Printing and publications	28	34	22	2,166	2,222	1	214	3,820
Consultant fees	5,667	6,824	4,445	67,021	78,290	226	21,734	449,834
Subcontractors	16,112	-	67,644	(2,942)	64,702	-	104,281	1,377,247
Dues and subscriptions	51,618	2,142	1,395	3,803	7,340	71	7,712	207,969
Physician Expenses	-	-	-	-	-	-	-	7,365
Postage	737	887	578	1,647	3,112	29	1,431	29,645
Data processing	3,824	15,405	3,000	28,805	47,210	152	7,113	626,926
Insurance	1,895	2,282	1,486	3,783	7,551	76	7,811	77,614
Equipment rental	149	179	117	297	593	6	277	5,761
Legal and audit	869	1,047	682	2,218	3,947	35	1,667	34,168
Telephone	1,881	2,012	772	3,241	6,025	128	2,457	112,199
Maintenance	652	785	511	1,301	2,597	26	1,212	25,214
Occupancy	3,331	4,545	2,318	14,313	21,176	711	8,117	310,468
Depreciation	950	1,242	705	1,888	3,835	139	1,971	52,384
Personal property taxes	48	58	38	96	192	2	89	1,861
Meetings and conferences	164	198	129	3,403	3,730	7	2,656	21,608
Other expenses	4,010	1,819	1,185	13,015	16,019	60	9,411	101,893
<b>Total Expenses</b>	<b>\$ 354,570</b>	<b>\$ 426,972</b>	<b>\$ 278,100</b>	<b>\$ 707,816</b>	<b>\$ 1,412,888</b>	<b>\$ 14,135</b>	<b>\$ 659,581</b>	<b>\$ 13,720,076</b>

\*\*Indirect costs are included, which are allowable by contract. Unallowable costs in the amount of \$80,670 are excluded

See Independent Auditor's Report

**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
<b>Total Expenses</b>	<b>\$ 3,083,949</b>	<b>\$ 3,083,949</b>

\*\*Indirect costs are included, which are allowable by contract. Unallowable costs in the amount of \$54,540 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 \$54,540 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
<b>Total Expenses</b>	<b>\$ 373,033</b>	<b>\$ (42,130)</b>	<b>\$ 266,063</b>	<b>\$ 506,148</b>	<b>\$ 582,613</b>	<b>\$ 1,312,694</b>	<b>\$ 650,625</b>	<b>\$ 778,413</b>	<b>\$ 13,486,034</b>

\*\*Indirect costs are included, which are allowable by contract. Unallowable costs in the amount of \$54,540 are excluded

See Independent Auditor's Report

**Single Audit Section**

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## **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, 2022, 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 February 1, 2023.

### **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

Helena, Montana  
February 1, 2023

## **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 the Major Federal Program**

#### ***Opinion on the Major Federal Program***

We have audited Mountain-Pacific Quality Health's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended June 30, 2022. Mountain-Pacific Quality Health's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Mountain-Pacific Quality Health complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2022.

#### ***Basis for Opinion on the Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Mountain-Pacific Quality Health and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of Mountain-Pacific Quality Health's compliance with the compliance requirements referred to above.

#### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Mountain-Pacific Quality Health's federal program.

### ***Auditor's Responsibility for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Mountain-Pacific Quality Health's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Mountain-Pacific Quality Health's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Mountain-Pacific Quality Health's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Mountain-Pacific Quality Health's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Mountain-Pacific Quality Health's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### ***Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over-compliance. Accordingly, no such opinion is expressed.

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, with the letters "W", "i", "p", "f", and "l" being particularly prominent.

Wipfli LLP

Helena, Montana  
February 21, 2023

# MOUNTAIN-PACIFIC QUALITY HEALTH

## Schedule of Expenditures of Federal Awards

Year Ended June 30, 2022

<b>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE</b>	<b>AL Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Total Federal Expenditures</b>
<b>U.S. Department of Health and Human Services</b>			
<b>Centers for Medicare and Medicaid Services</b>			
*12th SOW Order #75FCMC20F0001	93.779	75FCMC19D0036	\$3,378,766
Total for Direct Centers for Medicare and Medicaid Services			\$3,378,766
Pass through by the Lewin Group			
*CPC Plus HHSM-500-T0008	93.779	HHSM-500-2014-00033I	\$278,109
Pass through by Comagine Health			
*American Indian/Alaskan Native Healthcare Quality Initiative 12th SOW Order #75FCMC20F0002	93.779	75FCMC19D00051	426,993
Pass through by Telligen, Inc.			
*NQIC Hospital Quality Improvement Contractor #75FCMC20F0002	93.779	75FCMC19D0058/75FCMC20 F0002	20,587
Total for Pass Through for Centers for Medicare and Medicaid Services			\$725,689
Total Centers for Medicare and Medicaid Services			\$4,104,455
<b>Health Resources and Services Administration</b>			
Pass through by the Montana State University			
Nurse Education, Practice Quality and Retention Grants	93.359	Grant # UK1HP31719	\$4,024
Pass through by the Montana State University			
Montana Behavioral Health Workforce Development Grant	93.912	Grant # D06RH37513	44,446
Pass through by the University of Hawaii Systems			
Geriatrics Workforce Enhancement Program	93.969	Grant # U1QHP28729	30,903
Pass through by the Montana Health Research and Education Foundation			
Rural Communities Opioid Response Program-Implementation	93.912	Grant # GA1RH33525	93,602
Pass through by the University of Wyoming			
Geriatrics Workforce Enhancement Program	93.969	Grant # U1QHP28743-05-00	12,396
Pass through by the Montana State University			
Support for STLT Health Department to Public Health or Healthcare Crises	93.391	Grant #CDC-RFA-OT21-2103	4,187
Pass through by the University of Wyoming			
Geriatrics Workforce Enhancement Program (Nursing Home)	93.969	Grant # U1Q33081	1,228
Total Health Resources and Services Administration			\$190,786
Total U.S. Department of Health and Human Services			\$4,295,241
Total Expenditures of Federal Awards			\$4,295,241

\* 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, 2022*

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#### **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, 2022. 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 2022 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 2022 were 33.32 and 35.79 percent, respectively.

# MOUNTAIN-PACIFIC QUALITY HEALTH

Schedule of Findings and Questioned Costs

Year Ended June 30, 2022

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## 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
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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 Uniform Guidance.

## Section IV: Current Status of Prior Year Findings

There were no prior year findings.