

Mountain-Pacific Quality Health

Financial Statements and Supplementary Information

June 30, 2023 and 2022



Mountain Pacific

INNOVATING BETTER HEALTH

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, 2023 and 2022, 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, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States. ("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 39-40, 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 11, 2024 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.

Wipfli LLP

Helena, Montana
March 11, 2024

Mountain-Pacific Quality Health

Statements of Financial Position

<i>As of June 30,</i>	2023	2022
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,009,134	\$ 1,464,102
Contracts receivable	2,012,128	1,725,181
Miscellaneous receivable	-	7,846
Prepaid expenses	501,585	456,926
Total current assets	5,522,847	3,654,055
OTHER ASSETS		
Net property and equipment	52,815	108,093
Note receivable	50,000	50,000
Long-term investments	7,488,015	7,153,891
Deposits	3,387	3,387
Right-of-use asset	1,350,599	-
Total other assets	8,944,816	7,315,371
TOTAL ASSETS	\$ 14,467,663	\$ 10,969,426

Mountain-Pacific Quality Health

Statements of Financial Position (Continued)

<i>As of June 30,</i>	2023	2022
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 258,053	\$ 167,377
Accrued vacation payable	506,032	392,035
Accrued payroll and related taxes	413,123	331,547
Accrued retirement plan contribution	504,556	420,067
Deferred revenue	250,115	2,719
Property held in trust	712	718
Capital lease liability	-	16,644
Operating lease obligation - current	198,691	-
Total current liabilities	2,131,282	1,331,107
LONG TERM LIABILITIES		
Operating lease obligation	1,153,217	-
Total liabilities	3,284,499	1,331,107
NET ASSETS		
Without donor restrictions:		
Without donor restrictions, undesignated	11,183,164	8,438,319
Board designated	-	1,200,000
Total net assets without donor restrictions	11,183,164	9,638,319
TOTAL LIABILITIES AND NET ASSETS	\$ 14,467,663	\$ 10,969,426

See accompanying notes to financial statements.

Mountain-Pacific Quality Health

Statement of Activities and Changes in Net Assets

<i>Year Ended June 30,</i>	2023		Total
	Without Donor Restrictions	With Donor Restrictions	
SUPPORT AND REVENUE			
Contract and grant revenue	\$ 17,471,525	\$ -	\$ 17,471,525
Unrealized gain on investments	139,646	-	139,646
Realized loss on investments	(397)	-	(397)
Income on long-term investments	289,362	-	289,362
Interest income	1,768	-	1,768
Total support and revenue	17,901,904	-	17,901,904
EXPENSES			
Programs	11,615,673	-	11,615,673
Management and general	4,741,386	-	4,741,386
Total expenses	16,357,059	-	16,357,059
CHANGES IN NET ASSETS	1,544,845	-	1,544,845
Net assets, beginning of year	9,638,319	-	9,638,319
Net assets, end of year	\$ 11,183,164	\$ -	\$ 11,183,164

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
SUPPORT AND REVENUE			
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
EXPENSES			
Programs	10,103,919	-	10,103,919
Management and general	3,696,827	-	3,696,827
Total expenses	13,800,746	-	13,800,746
OTHER EXPENSES			
Loss on sale of assets	277	-	277
Total other expenses	277	-	277
CHANGES IN NET ASSETS	(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 Functional Expenses

For the Year Ended June 30, 2023

	QIO Program	MT Medicaid Contracts	Consulting Services	Total Program	Management & General	Total
Salaries, wages and fringe benefits	\$ 2,892,064	\$ 4,391,224	\$ 1,461,709	\$ 8,744,997	\$ 3,106,472	\$ 11,851,469
Travel	32,882	66,419	51,417	150,718	213,041	363,759
Supplies	2,177	3,201	18,819	24,197	82,058	106,255
Printing and publications	771	3,328	2,803	6,902	4,273	11,175
Consultant fees	35,400	308,133	3,856	347,389	519,726	867,115
Subcontractors	-	1,206,730	98,664	1,305,394	-	1,305,394
Dues and subscriptions	3,863	90,761	55,921	150,545	111,269	261,814
Physician Expenses	-	3,793	-	3,793	-	3,793
Postage	781	1,484	316	2,581	33,842	36,423
Data processing	-	488,043	5,805	493,848	172,635	666,483
Insurance	-	-	-	-	75,259	75,259
Equipment rental	-	-	2,500	2,500	6,068	8,568
Legal and audit	-	-	-	-	44,379	44,379
Telephone	11,815	76,007	5,915	93,737	33,856	127,593
Maintenance	-	-	-	-	18,775	18,775
Occupancy	100,052	81,483	9,528	191,063	154,198	345,261
Depreciation	1,098	13,577	843	15,518	39,760	55,278
Personal property taxes	-	-	-	-	1,663	1,663
Meetings and conferences	5,184	925	16,804	22,913	56,902	79,815
Other expenses	-	50,915	8,663	59,578	67,210	126,788
Total Expenses	\$ 3,086,087	\$ 6,786,023	\$ 1,743,563	\$ 11,615,673	\$ 4,741,386	\$ 16,357,059

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
Total Expenses	\$ 2,488,188	\$ 5,818,006	\$ 10,409	\$ 1,787,316	\$ 10,103,919	\$ 3,696,827	\$ 13,800,746

See accompanying notes to financial statements.

Mountain-Pacific Quality Health

Statements of Cash Flows

Years ended June 30,	2023	2022
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH		
FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,544,845	\$ (794,180)
Adjustments to reconcile the change in net assets to net cash from operating activities:		
Depreciation	55,278	52,379
Unrealized (gains) losses on long-term investments	(139,646)	1,253,627
Realized losses (gains) on investments	397	(78,615)
Loss on asset disposals	-	277
Change in assets and liabilities:		
Contracts receivable	(286,947)	1,254,503
Miscellaneous receivable	7,846	10,100
Prepaid expenses	(44,659)	(126,502)
Accounts payable	90,676	(81,382)
Accrued vacation payable	113,997	820
Accrued payroll and related taxes	81,576	11,859
Accrued retirement plan contributions	84,489	(11,457)
Deferred revenue	247,396	(238,358)
Property held in trust	(6)	50
Net cash from operating activities	1,755,242	1,253,121
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of long-term investments	(694,400)	(399,420)
Proceeds from sale of long-term investments	499,525	91,350
Issuance of notes receivable	-	(50,000)
Purchase of equipment	-	(60,416)
Net cash from investing activities	(194,875)	(418,486)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on capital lease	(15,335)	(14,660)
Net cash from financing activities	(15,335)	(14,660)
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,545,032	819,975
Cash and cash equivalents, beginning of year	1,464,102	644,127
Cash and cash equivalents, end of year	\$ 3,009,134	\$ 1,464,102
SUPPLEMENTAL CASH FLOW INFORMATION		
Right-of-use asset obtained in exchange for lease liability	\$ 1,550,859	\$ -
Cash paid during the year for interest	\$ 3,488	\$ 3,745

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 2023 and 2022, 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. Board designated assets were \$0 and \$1,200,000 as of June 30, 2023 and 2022, respectively.

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.

Basis of Accounting

The accompanying financial statements are presented on the accrual basis of accounting in conformity with with accounting principles generally accepted in the United States ("GAAP"). Accrual basis accounting recognizes revenue when earned and expenses when incurred.

Mountain-Pacific Quality Health

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

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:

	2023	2022
Cash in checking and savings	\$ 28,951	\$ 30,318
Money market accounts	248,168	403,682
Repurchase agreements	2,732,015	1,030,102
Total	\$ 3,009,134	\$ 1,464,102

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 78 and 72 percent of receivables as of June 30, 2023 and 2022, 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.

Mountain-Pacific Quality Health

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

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, 2023 and 2022, and July 1, 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.

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, 2023 and 2022, prepaid expenses were \$501,585 and \$456,926, 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 \$506,032 and \$392,035 at June 30, 2023 and 2022, 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.

Mountain-Pacific Quality Health

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

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.

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, 2023. The Organization's policy is to classify income tax related interest and penalties to interest expense and miscellaneous expense, respectively, when applicable.

Federal Contracts

The Organization is compensated under its QIO contracts on both a 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, 2023 and 2022, 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:

	2023	2022
Indirect costs	33.32 %	33.32 %
Fringe benefits	51.09 %	51.09 %

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 2023 and 2022, no contributions were recognized by the Organization.

Mountain-Pacific Quality Health

Notes to Financial Statements

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, 2023, 2022 and 2021, contract liabilities totaling \$250,115, \$2,719, and \$241,077, respectively, were recognized. The following table includes a description of the Organization's major exchange transaction types during the fiscal years ended June 30, 2023 and 2022, and the related basis for revenue recognition.

<u>Service Description</u>	<u>Transaction Pricing Method</u>	<u>Basis for Revenue Recognition</u>
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 contracts and non-exchange transactions 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

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>	2023	2022
Fixed-price contracts	\$ 9,010,094	\$ 9,116,197
Fee-based service contracts	2,371,682	741,360
Cost reimbursement contracts	101,797	132,532
Non-exchange transactions	5,987,952	3,892,156
Total	\$ 17,471,525	\$ 13,882,245

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 \$27,824 and \$28,911 during the fiscal years ending June 30, 2023 and 2022, 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

Note 1: Summary of Significant Accounting Policies (Continued)

Recently Adopted Accounting Pronouncement

ASU No. 2016-02, Leases (Topic 842)

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, Leases (Topic 842). ASU 2016-02 is intended to improve financial reporting of leasing transactions by requiring organizations that lease assets to recognize assets and liabilities for the rights and obligations created by leases on the balance sheet. This accounting update also requires additional disclosures surrounding the amount, timing, and uncertainty of cash flows arising from leases. The Organization adopted this guidance for the year ended June 30, 2023, with modified retrospective application to July 1, 2022 through a cumulative-effect adjustment.

The Organization has elected the package of practical expedients permitted in ASC 842. Accordingly, the Organization accounted for its existing operating leases as operating leases and capital leases as finance leases under the new guidance, without reassessing (a) whether the contracts contain a lease under ASC 842, (b) whether the classification of the leases would be different in accordance with ASC 842, or (c) whether any unamortized initial direct costs before transition adjustments (as of June 30, 2022) would have met the definition of initial direct costs in ASC 842 at lease commencement. Similarly, the Organization did not reassess service contracts evaluated for lease treatment under ASC 840, the former guidance, for embedded leases under ASC 842.

As a result of the adoption of the new lease accounting guidance, the Organization recognized a right-of-use (ROU) asset and lease liability of \$1,550,859 as of July 1, 2022.

This standard did not have a material impact on the Organization's equity or cash flows from operations and had an immaterial impact on the Organization's operating results. The most significant impact was the recognition of the ROU asset and lease obligation for its operating leases.

ASC 842 Lease Accounting

The Organization is a lessee in multiple noncancelable operating leases. If the contract provides the Organization the right to substantially all the economic benefits and the right to direct the use of the identified asset, it is considered to be or contain a lease. Right-of-use (ROU) assets and lease liabilities are recognized at the lease commencement date based on the present value of the future lease payments over the expected lease term. The ROU asset is also adjusted for any lease prepayments made, lease incentives received, and initial direct costs incurred.

The lease liability is initially and subsequently recognized based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or a rate. Increases (decreases) to variable lease payments due to subsequent changes in an index or rate are recorded as variable lease expense (income) in the future period in which they are incurred.

Mountain-Pacific Quality Health

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

ASC 842 Lease Accounting (Continued)

The Organization has elected to use a risk-free rate for a term similar to the underlying lease as the discount rate if the implicit rate in the lease contract is not readily determinable.

The ROU asset for operating leases is subsequently measured throughout the lease term at the amount of the remeasured lease liability (i.e., present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received, and any impairment recognized.

For all underlying classes of assets, the Organization has elected to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement and do not include an option to purchase the underlying asset that the Organization is reasonably certain to exercise. Leases containing termination clauses in which either party may terminate the lease without cause and the notice period is less than 12 months are deemed short-term leases with lease costs included in short-term lease expense. The Organization recognizes short-term lease cost on a straight-line basis over the lease term.

The Organization made an accounting policy election to not separate the lease components of a contract and its associated non-lease components.

Subsequent Events

The Organization has evaluated events and transactions for potential recognition or disclosure in the financial statements through March 11, 2024, 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 \$2,921,152 and \$1,166,742 as of June 30, 2023 and 2022, 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>	2023	2022	2021
United States Department of Health and Human Services	\$ 783,151	\$ 575,441	\$ 430,023
Montana Department of Public Health and Human Services	774,229	674,337	1,953,118
Federally funded subcontracts with other organizations	149,943	133,796	181,380
Other	304,805	341,607	415,163
Total	\$ 2,012,128	\$ 1,725,181	\$ 2,979,684

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, 2023 and 2022 were \$712 and \$718, respectively.

Note 5: Property and Equipment

A summary of property and equipment is as follows as of June 30, 2023 and 2022:

	2023	2022
Furniture and office equipment	\$ 96,091	\$ 96,091
Computer hardware/software	366,227	366,227
Leasehold improvements	68,516	68,516
Capitalized software	427,901	427,901
Total fixed assets	958,735	958,735
Less: accumulated depreciation	(905,920)	(850,642)
Total fixed assets, net	\$ 52,815	\$ 108,093

Depreciation expense for the years ended June 30, 2023 and 2022 was \$55,278 and \$52,379, respectively. Software accumulated amortization totaling \$427,901 is included in the accumulated depreciation balances as of June 30, 2023 and 2022, respectively.

Mountain-Pacific Quality Health

Notes to Financial Statements

Note 6: Concentrations

Approximately 31 percent, 56 percent, 3 percent, and 10 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, 2023.

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.

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. There were no funding actions on this task order contract during the fiscal year under report.

The Organization was awarded Task Order Two under AMDD Medicaid Program contract that was effective from July 1, 2022 through June 30, 2023. The contract award totals approximately \$975,000 for the 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, 2023 and 2022.

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, 2023 and 2022. 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, 2023			
	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 7,438,015	\$ -	\$ -	\$ 7,438,015
Total	\$ 7,438,015	\$ -	\$ -	\$ 7,438,015

	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

For the years ended June 30, 2023 and 2022, 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, 2023 and 2022, 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: Leases

The Organization leases office space in various locations under separate operating leases. Renewal option periods are included in the measurement of the ROU asset and lease liability when the exercise is reasonably certain to occur. As of June 30, 2023, management is not reasonably certain that they will renew these leases past its current contractual term.

The depreciable life of assets and leasehold improvements are limited by the expected lease term, unless there is a transfer of title or purchase option reasonably certain of exercise.

The Organization's lease agreements do not contain any material residual value guarantees or material restrictive covenants. Payments due under the lease contracts include fixed payments.

Mountain-Pacific Quality Health

Notes to Financial Statements

Note 9: Leases (Continued)

Information on operating leases as of and for the year ended June 30, 2023, were as follows:

Operating lease costs	\$	236,255
Weighted average lease term - months		72
Weighted average discount rate		2.50 %

Maturities of lease liabilities are as follows as of June 30, 2023:

	Payment	Imputed Interest	Lease Liability
2024	\$ 229,679	\$ 30,988	\$ 198,691
2025	208,864	26,203	182,661
2026	174,000	22,170	151,830
2027	174,000	18,330	155,670
2028	174,000	14,393	159,607
Thereafter	528,220	24,771	503,449
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Long-term obligations under capital lease	\$ 1,488,763	\$ 136,855	\$ 1,351,908

Future minimum lease payments are as follows:

2024	\$	229,679
2025		208,864
2026		174,000
2027		174,000
2028		174,000
Thereafter		528,220
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Total	\$	1,488,763

Mountain-Pacific Quality Health

Notes to Financial Statements

Note 10: Retirement Plan

The Organization provides a 401(k) and profit-sharing plan for its employees. The Organization paid plan expenses totaling \$9,500 and \$7,900 for the fiscal years ended June 30, 2023 and 2022, respectively. The safe harbor employer contribution is three (3) percent of employee earnings. For the years ended June 30, 2023 and 2022, the Organization contributed an additional 6 percent of employee earnings to the Plan as a discretionary employer contribution. Retirement Plan contributions were \$492,844 and \$410,140 for the years ended June 30, 2023 and 2022, 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 11: Net Assets with Donor Restrictions

The Organization is reporting net assets with donor restrictions totaling \$0 as of both June 30, 2023 and 2022.

Note 12: Liquidity and Availability of Financial Resources

The following table reflects the Organization's financial assets as of June 30, 2023 and 2022, 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 in fiscal year 2022 include \$1,200,000 designated by the Board for a reserve fund that was no longer board restricted as of June 30, 2023.

<i>Years Ended June 30,</i>	2023	2022
Financial assets as of year-end:		
Cash and cash equivalents	\$ 3,009,134	\$ 1,464,102
Contracts receivable	2,012,128	1,725,181
Miscellaneous receivables	-	7,846
Long-term investments	7,488,015	7,153,891
Total financial assets	12,509,277	10,351,020
Less: amounts not available to be used within one year		
Board designated net assets	-	1,200,000
Financial assets available to meet general expenditures within one year	\$ 12,509,277	\$ 9,151,020

Funds were available at June 30, 2023 to support anticipated operating expenses for an estimated eight months. The Organization has an approved \$700,000 line of credit that it will draw on, if necessary, to meet short-term cash flow needs prior to liquidating long-term investments. 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, 2023 do not provide adequate funding to support operating expenses.

Mountain-Pacific Quality Health

Notes to Financial Statements

Note 12: Liquidity and Availability of Financial Resources (Continued)

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.

Note 13: 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, 2020. No material adjustments to the incurred cost rates determined by the Organization are anticipated for fiscal years 2021 and 2022.

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 14: 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 15: Line of Credit

The Organization maintains a line of credit with First Interstate Bank in the amount of \$700,000 with interest at 7.50%. The line of credit matures February 7, 2024. There were no amounts outstanding at June 30, 2023 and 2022.

Note 16: Related Party Transactions

The Organization had expenses in the amount of \$219,400 with a consulting company. This company provided programming and project management services for the year ended June 30, 2023. This consulting company was a related party through an executive staff member. There were no related party transactions for the year ended June 30, 2022.

Supplementary Information

Mountain-Pacific Quality Health
Schedule I - Schedule of Expenses by Contract
For the Year Ended June 30, 2023

	QIO Program	
	NQIIC TO 1	Total QIO
Salaries, wages and fringe benefits	\$ 3,672,100	\$ 3,672,100
Travel	78,412	78,412
Supplies	21,894	21,894
Printing and publications	1,885	1,885
Consultant fees	170,865	170,865
Subcontractors	-	-
Dues and subscriptions	32,748	32,748
Physician Expenses	-	-
Postage	9,524	9,524
Data processing	44,997	44,997
Insurance	19,616	19,616
Equipment rental	1,582	1,582
Legal and audit	11,567	11,567
Telephone	20,638	20,638
Maintenance	4,894	4,894
Occupancy	140,243	140,243
Depreciation	11,461	11,461
Personal property taxes	433	433
Meetings and conferences	15,037	15,037
Other expenses	12,784	12,784
Total Expenses	\$ 4,270,680	\$ 4,270,680

**Indirect costs are included, which are allowable by contract. Unallowable costs in the amount of \$282,712 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, 2023

	Medicaid Contracts							Total MT Medicaid
	Montana State Hospital TO 1	Montana State FEMA	Drug Prior Authorization	DUR	Transportation	Utilization Review & Mgmt Services		
Salaries, wages and fringe benefits	\$ 366,120	\$ 51,182	\$ 951,256	\$ 823,753	\$ 752,686	\$ 3,161,455	\$ 6,106,452	
Travel	24,294	687	13,677	13,553	13,113	101,211	166,535	
Supplies	2,425	1,122	5,089	4,688	5,679	27,555	46,558	
Printing and publications	182	3,297	287	265	321	1,425	5,777	
Consultant fees	78,966	2,045	51,447	40,026	93,564	339,961	606,009	
Subcontractors	14,578	-	-	-	-	1,192,152	1,206,730	
Dues and subscriptions	3,492	1,240	15,448	88,096	8,384	37,617	154,277	
Physician Expenses	-	-	-	-	973	2,820	3,793	
Postage	1,082	1,236	2,256	2,079	2,872	11,182	20,707	
Data processing	5,439	679	12,620	10,698	197,789	359,761	586,986	
Insurance	2,371	296	5,063	4,664	5,649	25,090	43,133	
Equipment rental	191	24	408	376	455	2,023	3,477	
Legal and audit	1,398	175	2,986	2,750	3,331	14,795	25,435	
Telephone	1,941	307	19,038	3,916	25,834	44,373	95,409	
Maintenance	592	74	1,263	1,164	1,409	6,259	10,761	
Occupancy	8,531	1,461	12,456	10,753	52,014	84,645	169,860	
Depreciation	1,868	299	3,024	2,577	9,811	18,786	36,365	
Personal property taxes	52	7	112	103	125	554	953	
Meetings and conferences	1,191	149	2,543	2,893	2,838	12,978	22,592	
Other expenses	1,545	193	3,300	3,040	53,110	17,839	79,027	
Total Expenses	\$ 516,258	\$ 64,473	\$ 1,102,273	\$ 1,015,394	\$ 1,229,957	\$ 5,462,481	\$ 9,390,836	

**Indirect costs are included, which are allowable by contract. Unallowable costs in the amount of \$282,712 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, 2023

	Major Sub/Subrecipient Contracts			Other Contracts		
	Comagine AIHQI 2.0	Other Subcontracts	Total Major Subcontracts	Health Technology Service Contracts	Other Contracts	Total Contracts
Salaries, wages and fringe benefits	\$ 402,376	\$ 385,479	\$ 787,855	\$ 40,334	\$ 1,074,221	\$ 11,680,962
Travel	17,648	29,994	47,642	2,244	27,255	322,088
Supplies	2,197	18,317	20,514	403	9,042	98,411
Printing and publications	123	2,714	2,837	23	572	11,094
Consultant fees	14,961	16,507	31,468	2,772	46,151	857,265
Subcontractors	5,586	12,331	17,917	-	80,747	1,305,394
Dues and subscriptions	3,619	6,685	10,304	35,652	26,285	259,266
Physician Expenses	-	-	-	-	-	3,793
Postage	966	1,108	2,074	179	3,003	35,487
Data processing	4,970	11,288	16,258	921	14,049	663,211
Insurance	2,166	2,390	4,556	401	6,125	73,831
Equipment rental	175	193	368	32	2,994	8,453
Legal and audit	1,277	1,409	2,686	237	3,611	43,536
Telephone	2,639	2,725	5,364	653	4,883	126,947
Maintenance	540	596	1,136	100	1,528	18,419
Occupancy	7,517	9,410	16,927	913	14,395	342,338
Depreciation	1,603	1,386	2,989	224	3,486	54,525
Personal property taxes	48	53	101	9	135	1,631
Meetings and conferences	1,838	14,963	16,801	1,152	4,417	59,999
Other expenses	1,412	2,838	4,250	1,144	10,492	107,697
Total Expenses	\$ 471,661	\$ 520,386	\$ 992,047	\$ 87,393	\$ 1,333,391	\$ 16,074,347

**Indirect costs are included, which are allowable by contract. Unallowable costs in the amount of \$282,712 are excluded.

See Independent Auditor's Report

Mountain-Pacific Quality Health
Schedule I - Schedule of Expenses by Contract

For the Year Ended June 30, 2022

	QIO Program	
	NQIC 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
Total Expenses	\$ 3,378,766	\$ 3,378,766

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

**Indirect costs are included, which are allowable by contract. Unallowable costs in the amount of \$80,670 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, 2023, 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 11, 2024.

Report on 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 or significant deficiencies may exist that have not been identified.

Report on 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.

Wipfli LLP

Helena, Montana

March 11, 2024

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

Opinion on Each 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 programs for the year ended June 30, 2023. Mountain-Pacific Quality Health's major federal programs are 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, 2023.

Basis for Opinion on Each 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 each 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 programs.

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 each 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.

Wipfli LLP

Helena, Montana

March 11, 2024

MOUNTAIN-PACIFIC QUALITY HEALTH

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2023

<i>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE</i>	<i>AL Number</i>	<i>Pass-Through Entity Identifying Number</i>	<i>Total Federal Expenditures</i>
<i>U.S. Department of Health and Human Services</i>			
<i>Centers for Medicare and Medicaid Services</i>			
*12th SOW Order #75FCMC20F0001	93.779	75FCM19D0036	\$4,270,680
Total for Direct Centers for Medicare and Medicaid Services			<u>\$4,270,680</u>
Pass through by Comagine Health			
*American Indian/Alaskan Native Healthcare Quality Initiative 12th SOW Order #75FCMC20F0002	93.779	75FCMC19D00051	\$471,661
Pass through by Telligen, Inc.			
*NQIIC Hospital Quality Improvement Contractor #75FCMC20F0002	93.779	75FCMC19D0058/75FCMC20F0002	8,931
Total for Pass Through for Centers for Medicare and Medicaid Services			<u>\$480,592</u>
Total Centers for Medicare and Medicaid Services			<u>\$4,751,272</u>
<i>Health Resources and Services Administration</i>			
Pass through by the Montana State University			
Montana Behavioral Health Workforce Development Grant	93.912	Grant # D06RH37513	\$25,663
Pass through by the Montana Health Research and Education Foundation			
Rural Communities Opioid Response Program-Implementation	93.912	Grant # GA1RH33525	17,650
Pass through by the University of Wyoming			
Geriatrics Workforce Enhancement Program	93.969	Grant # 5 U1QHP28743-07-00	8,730
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	4,557
Pass through by the University of Wyoming			
Geriatrics Workforce Enhancement Program (Nursing Home)	93.969	Grant # U1Q33081	2,672
Pass through by the University of Wyoming			
Geriatrics Workforce Enhancement Program (Nursing Home)	93.969	Grant # U1Q33081	3,195
Pass through by the University of North Dakota			
Geriatrics Workforce Enhancement Program (Nursing Home)	93.969	Grant # U1Q33081	4,255
Total Health Resources and Services Administration			<u>\$66,722</u>
Total U.S. Department of Health and Human Services			<u>\$4,817,994</u>
Total Expenditures of Federal Awards			<u>\$4,817,994</u>

* 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, 2023

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, 2023. 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.

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 2023 by Health and Human Services, which is the Organization's cognizant Federal agency. The provisional rate was used to determine the amount of indirect costs applicable to each source of funding on an interim basis. The Organization adjusts the amount of indirect costs assessed to its Federal contracts at the end of each fiscal year to reflect the actual calculated rate. Final rates are subject to Federal audit. Provisional and calculated actual indirect cost rates for fiscal year 2023 were 33.32 and 38.38 percent, respectively.

MOUNTAIN-PACIFIC QUALITY HEALTH

Schedule of Findings and Questioned Costs

Year Ended June 30, 2023

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.