

Mosaic Community Health

**Financial Statements
and Supplementary Information**

For the Year Ended June 30, 2022

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Mosaic Community Health
Financial Statements
For the Year Ended June 30, 2022

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Independent Auditor's Report

To the Board of Directors
Mosaic Community Health
Prineville, Oregon

Opinion

I have audited the financial statements of Mosaic Community Health (a nonprofit organization), 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.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Mosaic Community Health as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My 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 my 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*, I:

- 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 Mosaic Community 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 my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Mosaic Community Health's ability to continue as a going concern for a reasonable period of time.

I am 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 I identified during the audit.

Supplementary Information

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is 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 other 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 of America. In my 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*, I have also issued my report dated November 25, 2022, on my consideration of Mosaic Community Health's internal control over financial reporting and on my 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 Mosaic Community 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 Mosaic Community Health's internal control over financial reporting and compliance.



Hamlin CPA, LLC
Bend, Oregon
November 25, 2022

Financial Statements

Mosaic Community Health
Statement of Financial Position
June 30, 2022

Assets

Current assets

Cash and cash equivalents	\$ 9,186,789
Investments	9,503,997
Accounts receivable, net	4,584,940
Pharmacy receivable, net	1,274,262
Grants and other contributions receivable	4,454,916
Supplies inventory	395,777
Deposits	26,788
Prepaid expenses	548,094
Promises to give - use of facilities, short-term	200,207
	30,175,770

Property and equipment, net

21,257,043

Other assets

Promises to give - use of facilities, long-term	119,812
Right of use - facilities	2,672,971
	2,792,783

Total assets

\$ 54,225,596

Liabilities and Net Assets

Current liabilities

Accounts payable and accrued expenses	\$ 2,076,186
Accrued payroll and related taxes	1,075,800
Accrued paid time off	1,608,095
Lease liabilities - use of facilities, short-term	731,488
Notes payable, short-term	41,638
	5,533,207

Other liabilities

Lease liabilities - use of facilities, long-term	1,986,914
Notes payable, long-term	1,310,530
	3,297,444
Total other liabilities	3,297,444
Total liabilities	8,830,651

Net assets

Without donor restrictions	44,605,191
With donor restrictions	789,754
	45,394,945

Total liabilities and net assets

\$ 54,225,596

The accompanying notes are an integral part of these statements.

Mosaic Community Health
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2022

	Without Donor Restriction	With Donor Restriction	Total
Patient service revenue			
Patient service revenue, net	\$ 7,886,653	\$ -	\$ 7,886,653
Capitation revenue, net	22,931,562	-	22,931,562
Provision for bad debts	(54,765)	-	(54,765)
Net patient service revenue	<u>30,763,450</u>	<u>-</u>	<u>30,763,450</u>
Other support and revenue			
Federal grants	-	8,591,110	8,591,110
Other grants	-	290,452	290,452
Pharmacy and 340B program	6,789,040	-	6,789,040
PPP loan forgiveness revenue	4,914,709	-	4,914,709
Medical incentives revenue	3,658,549	-	3,658,549
Service contract revenue	617,473	-	617,473
Contributions	57,155	3,733,051	3,790,206
Gifts-in-kind	787,701	484,668	1,272,369
Total other support and revenue	<u>16,824,627</u>	<u>13,099,281</u>	<u>29,923,908</u>
Other income			
Rent income	102,803	-	102,803
Miscellaneous income	167,134	-	167,134
Investment loss, net	(145,370)	-	(145,370)
Total other income	<u>124,567</u>	<u>-</u>	<u>124,567</u>
Total support and revenue	47,712,644	13,099,281	60,811,925
Net assets released from restrictions	<u>12,756,596</u>	<u>(12,756,596)</u>	<u>-</u>
Total support, revenue, and reclassifications	<u>60,469,240</u>	<u>342,685</u>	<u>60,811,925</u>
Expenses			
Program	36,417,118	-	36,417,118
Management and general	8,322,112	-	8,322,112
Fundraising	184,692	-	184,692
Total expenses	<u>44,923,922</u>	<u>-</u>	<u>44,923,922</u>
Change in net assets	15,545,318	342,685	15,888,003
Net assets, beginning of year	<u>29,059,873</u>	<u>447,069</u>	<u>29,506,942</u>
Net assets, end of year	<u>\$ 44,605,191</u>	<u>\$ 789,754</u>	<u>\$ 45,394,945</u>

The accompanying notes are an integral part of these statements.

Mosaic Community Health
Statement of Functional Expenses
For the Year Ended June 30, 2022

	Program	Management and General	Fundraising	Total
Personnel				
Salaries and wages	\$ 22,141,272	\$ 4,669,931	\$ 118,782	\$ 26,929,985
Fringe benefits	3,816,798	712,123	21,684	4,550,605
Payroll taxes	1,665,152	340,163	9,386	2,014,701
Total personnel	27,623,222	5,722,217	149,852	33,495,291
Supplies, medications and vaccines	3,548,302	13,502	6,383	3,568,187
Occupancy	1,598,100	507,317	6,543	2,111,960
Information technology	993,747	869,211	4,546	1,867,504
Contractual services	581,125	586,700	328	1,168,153
Depreciation	883,450	145,206	-	1,028,656
Education, meetings and conferences	228,581	32,541	1,662	262,784
Small equipment	206,067	30,959	-	237,026
Advertising	213,898	-	9,234	223,132
Dues, publications and postage	205,381	14,964	2,449	222,794
Travel	104,993	37,884	2,680	145,557
Professional fees	35	141,971	-	142,006
Recognition and wellness	70,582	60,677	429	131,688
Miscellaneous	80,911	26,928	148	107,987
Insurance	78,421	12,077	438	90,936
Interest	-	60,596	-	60,596
Recruitment	303	59,362	-	59,665
Total functional expenses	\$ 36,417,118	\$ 8,322,112	\$ 184,692	\$ 44,923,922

The accompanying notes are an integral part of these statements.

Mosaic Community Health
Statement of Cash Flows
For the Year Ended June 30, 2022

Cash flows from operating activities	
Cash received from patients and programs	\$ 49,235,461
Cash paid to vendors and employees	(42,180,935)
Cash paid for interest expense	(60,596)
Cash received from investment income	36,836
	<hr/>
Net cash provided by operating activities	7,030,766
	<hr/>
Cash flows from investing activities	
Purchases of investments	(16,722,223)
Proceeds from sale of investments	8,280,271
Purchases of property and equipment	(10,135,048)
	<hr/>
Net cash used by investing activities	(18,577,000)
	<hr/>
Cash flows from financing activities	
Principal payments on notes payable	(41,637)
	<hr/>
Net cash used by financing activities	(41,637)
	<hr/>
Net decrease in cash and cash equivalents	(11,587,871)
Cash and cash equivalents, beginning of year	20,774,660
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Cash and cash equivalents, end of year	\$ 9,186,789
	<hr/> <hr/>
Reconciliation of change in net assets to net cash provided by operating activities:	
Change in net assets	\$ 15,888,003
Adjustments to reconcile change in net assets to net cash provided by operating activities	
PPP loan forgiveness	(4,914,709)
Depreciation	1,028,655
Net earnings from investments	169,774
(Increase) decrease in	
Accounts receivable, net	(740,865)
Pharmacy receivable, net	(694,927)
Grants and other contributions receivable	(3,823,019)
Supplies inventory	(199,150)
Deposits	-
Prepaid expenses	98,452
Promises to give - use of facilities	(240,454)
Right of use - facilities	(2,672,971)
Increase in	
Accounts payable and accrued expenses	61,401
Accrued payroll and related taxes	247,011
Accrued paid time off	132,159
Accrued interest	-
Lease liabilities - use of facilities	2,691,406
	<hr/>
Net cash provided by operating activities	\$ 7,030,766
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The accompanying notes are an integral part of these statements.

1. Nature of Organization and Summary of Significant Accounting Policies

Description of Operations

Mosaic Community Health (the Organization) is a nonprofit organization operating as a Community Health Center whose mission is “to improve the health and well-being of the individuals, families, and communities we serve”. The Organization uses a team-based model of healthcare, treating the whole patient by addressing physical, emotional, social, and cultural needs. The Organization also proudly serves the insured and uninsured regardless of age, ethnicity, or income.

The Organization began its operations in the City of Prineville, Oregon in 2002 and is governed by a patient-majority Board of Directors. The Organization expanded its operations by adding sites in Bend, Oregon in 2005; Madras, Oregon in 2006; and Redmond, Oregon in 2013. Additionally, the Organization has continued to grow by collaborating with community partners, counties, and a local Regional Housing Authority. These relationships have led to the opening of three satellite sites, five School-Based Health Centers (SBHC) and one Mobile Medical Unit. In total, the Organization has expanded from one clinic in 2002 to 13 clinics, 3 pharmacies and 1 mobile unit, currently.

Basis of Accounting and Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and accordingly reflect all significant receivables, payables, and other liabilities. The Organization reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

Without donor restrictions – Net assets not subject to donor-imposed stipulations.

With donor restrictions – Net assets subject to temporary or permanent donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of the Organization. The Organization has no permanently restricted net assets as of June 30, 2022.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Organization to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The amounts estimated could differ from actual results.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with original maturities of three months or less to be cash equivalents for reporting purposes.

Mosaic Community Health
Notes to Financial Statements

1. Nature of Organization and Summary of Significant Accounting Policies, continued

Investments

Investments acquired by gift are recorded at their fair market value at the date of the gift.

Investments are comprised primarily of certificates of deposit, mutual funds, U.S. Treasury notes and bond funds. These investments with readily determinable fair values are reported at their fair values based upon quoted market values. Income earned from investments, including realized and unrealized gains and losses, is recorded in the net asset classes based upon donor restrictions or the absence thereof.

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

As of June 30, 2022, the Organization held investments in exchange traded funds, exchange traded bonds, and U.S. Treasury notes at a cumulative price of \$1,003,997.

As of June 30, 2022, the Organization held investments in 12 certificates of deposit, recorded at a cost of \$8,500,000. The certificates earn interest ranging from 0.15 to 0.25 percent. The certificates matured beginning July 2022 through November 2022.

Accounts Receivable

All accounts receivable are unsecured. Patient receivables are recorded in the accounting records at the Organization's full, established rates, reduced by charity care amounts. The allowance for uncollectible patient receivables represents a provision for contractual adjustments, discounts, and bad debts. The allowance is determined from a review of outstanding collections and economic conditions and calculated by applying historical collection percentages to the various types of patient receivable balances. It is reasonably possible the Organization's estimate of the allowance for uncollectible patient receivables will change. A delinquent receivable is one on which a scheduled/expected payment did not occur. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the patient and other third-party payers. No interest is charged on past due accounts. Patient receivables consist of contracts, certain grants, and Medicaid incentives earned by the Organization under the following programs:

Alternative Payment Methodology (APM) – APM originally began as a 'minimum of three years pilot program during the fiscal year ended May 31, 2013. The intent of the program was to encourage Federally Qualified Health Centers and Rural Health Centers to provide high quality, efficient, patient-centered health care by incentivizing high value services over a volume of visits. The Organization entered into an agreement with the State of Oregon and the Oregon Primary Care Association to provide high quality, patient-centered care using "touches" as a basis of care and a capitation payment rather than for care based on billable visits using the Prospective Payment System (PPS).

The 3-year implementation period of the APM system has since expanded to other clinics in Oregon. Quality care reporting is required to participate. APM receivables are expected to be outstanding three months or less, as opposed to PPS Medicaid receivables which can be as long as a year outstanding.

Mosaic Community Health
Notes to Financial Statements

1. Nature of Organization and Summary of Significant Accounting Policies, continued

Accounts Receivable, continued

Wraparound Revenue and Receivable (Wrap) – Due to the Organization's participation in the APM, the revenue received under the historical visit-based PPS will be recognized only on services excluded from the APM including dental, obstetrical (prenatal and deliveries), maternity case management, mental health and addiction services. Under the PPS, as established in federal law, Federally Qualified Health Centers receive per-visit payments for treating Medicaid enrollees. Quarterly wrap around reports are filed with the State of Oregon for services delivered 6 months earlier, resulting in a significant time lag of payment.

Patient-Centered Primary Care Home (PCPCH) – A PCPCH is a clinic that has been recognized by the state of Oregon for providing personal, continuous, and coordinated care for its patients. Recognized primary care homes evaluate the needs of the population they serve and work to improve care to meet those needs. Recognized primary care homes demonstrate additional Medicaid funding to support the comprehensive, coordinated, and patient-centered care they offer Medicaid patients with chronic conditions such as diabetes and asthma. The program is also working to secure supplemental funds for recognized clinics from other Oregon Health Authority programs as well as private payers.

A clinic can achieve five different tiers of recognition depending on various criteria they demonstrate meeting, with Tier 5 being the highest a clinic can achieve. PCPCH clinics must reapply every two years for recognition. The Organization's Tier 5 clinics include Conners, East Bend, Redmond, Prineville and Madras. Tier 4 clinics include Bend High SBHC, Lynch SBHC, Crook Kids SBHC and Courtney.

Promises to Give

Unconditional promises to give (pledges) expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give expected to be collected in future years are recorded at the present value of the amounts expected to be collected. Conditional promises to give are not included as support until such times as the conditions are substantially met.

Property and Equipment

Property and equipment are recorded at cost if purchased or at fair market value at the date of gift if donated. It is the Organization's general policy to capitalize expenditures for these items in excess of \$5,000 and with a useful, remaining life greater than one year. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets. Leasehold improvements are recorded at cost and amortized over the terms of the building lease on a straight-line basis. Expenditures for additions, major renewals, and betterments are capitalized and expenditures for repairs and maintenance are charged to operations as incurred. The cost of assets retired or otherwise disposed of, and the related, accumulated depreciation are eliminated from the accounts in the year of disposal with the resulting gain or loss credited or charged to operations.

1. Nature of Organization and Summary of Significant Accounting Policies, continued

Property and Equipment, continued

Property and equipment acquired by the Organization are considered owned by the Organization. However, the Department of Health and Human Services maintains an equitable interest in the property and equipment purchased in whole or in part with funds from its federal grant. In addition, the Uniform Guidance requires that equipment acquired with federal awards be used in the program that acquired it or, when appropriate, other federal programs. When equipment with a current, per-unit, fair market value in excess of \$5,000 is no longer needed by the Organization's federal program, it may be retained or sold with the federal agency having a right to a proportionate (percent of federal participation in the cost of the original project) amount of the current fair market value. Proper sales procedures must be used that provide for competition to the extent practicable and result in the highest possible return.

Supplies Inventory

Medical, vaccine and office supplies are recorded at the lower of average cost or net realizable value.

Accrued Compensated Absences

The Organization provides employee benefit programs that include annual earned time off with pay. Compensated absences are accrued and expensed as earned.

Grants and Contract Revenue

The Organization receives a substantial portion of its grant and contract support from the federal government. The Organization recognizes grant and contract support either on a prorated basis over the grant/contract period or to the extent of expenses, depending on the nature of the grant/contract. Any of the funding sources may, at their discretion, request reimbursement for expenses, return of funds, or both as a result of non-compliance by the Organization with the terms of the grants/contracts.

Patient Service Revenue

The basis for patient service revenue depends on a number of factors, including patient sliding fee scale based on ability to pay and various agreements with third-party payers that provide payments to the Organization at amounts different from its established rates. Payment arrangements include provisions for prospectively determined rates, reimbursed costs, discounted charges, and per diem payments. Patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered, including retroactive adjustments under reimbursement agreements with third-party payers. However, adjustments to these estimated amounts are recorded in the year the adjustment amount is known. A summary of major, third-party payment arrangements follows:

1. Nature of Organization and Summary of Significant Accounting Policies, continued

Patient Service Revenue, continued

Medicare – The terms of the Medicare program provide generally that care providers are reimbursed based on their cost of operations. However, the program reduces actual costs under various formulas which are incorporated in published federal regulations. These regulations are interpreted by fiscal intermediaries. Regulations and interpretations can be changed on a retroactive basis. Under the terms of the Medicare program, further adjustments may also be made after the annual cost report is reviewed and effective to prior years. These adjustments may result in refunds to the Organization or payments to the intermediary. The amounts for possible adjustment are not always determinable at year end.

Medicaid – Services rendered to Medicaid program beneficiaries are paid either at a tentative rate per-patient-per-visit or at a per-patient-per-month.

Private Health Insurance – The Organization also has entered into payment agreements with certain private health insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Organization under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined per-visit rates.

Charity Care

The Organization provides care to all patients regardless of their ability to pay. Discounts are available to those patients whose income level is between the range of zero percent to 200 percent of the federal poverty level. These charity care service discounts are based on the Organization's sliding scale discount program and related policy. Charity care services are defined as those services for which patients have the obligation and willingness to pay, but do not have the ability to do so. The amount of charges forgone for the year ended June 30, 2022, approximated \$670,396.

The Organization is involved in numerous activities and programs reaching beyond the walls of its health centers and into the community that are not calculated in the cost of charity care. These activities are wide-ranging and include providing community health education, support groups, health screenings, health fairs, transportation services, medical residency and internships, education to other health professionals such as nurses and pharmacy technicians, research and language assistance, and many other subsidized health services. Most of these programs and activities are provided either free of charge or for a nominal fee that is significantly less than the cost of providing them.

Revenue and Support with and without Donor Restriction

Contributions received are reported as with or without donor restriction depending on the existence of donor-imposed restrictions. Amounts reported as with donor restrictions consist of temporarily or permanently restricted support depending on the nature of any donor-imposed restrictions. When projects are completed and restricted funds remain, every effort is made to use the excess funds in like or similar projects. When a restriction expires (that is, when a stipulated time restriction ends or purpose restrictions is accomplished), with donor restricted net assets are reclassified to without donor restricted net assets and reported in the statements of activities as net assets released from restrictions.

1. Nature of Organization and Summary of Significant Accounting Policies, continued

Revenue and Support with and without Donor Restriction, continued

The Organization reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Functional Allocation of Expenses

The costs of providing program services have been summarized on a functional basis in the statement of activities and changes in net assets. Accordingly, certain costs have been allocated to program and supporting services benefited. Such allocations are made based on cost accounting information available and the judgement of management.

Advertising Expenses

The Organization uses advertising to promote its programs in the community. Advertising and health promotion costs are expensed as incurred and totaled \$223,132 for the year ended June 30, 2022.

Income Taxes

The Organization is exempt from taxation under Section 501(c)(3) of the Internal Revenue Code (IRC) and has been classified as an organization that is not a private foundation under Section 509(a)(2). No provision for income taxes is made in the accompanying financial statements, as management believes the Organization has no activities subject to unrelated business income tax.

The Organization files income tax returns in the United States federal jurisdiction, as well as the State of Oregon jurisdiction. In the event penalties and interest are assessed by income taxing authorities, it is the Organization's policy to include these in operating expenses. No penalties or interest were assessed for the year ended June 30, 2022.

Change in Accounting Principle

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, Leases (Topic 842). The ASU's objective is to increase transparency and comparability in financial reporting by requiring statement of financial position recognition of leases and note disclosure of certain information about lease arrangements. The Organization has implemented ASU 2016-02 and has adjusted the presentation in these financial statements accordingly.

2. Cash and Cash Equivalents and Restricted Cash Reserve

A significant portion of cash and cash equivalents are handled through a single banking institution. Bank deposits are insured by the Federal Deposit Insurance Corporation (FDIC) for up to \$250,000 per organization. As of June 30, 2022, the Organization had \$9,082,640 of cash and cash equivalents in excess of the \$250,000 FDIC insurance limits. The cash balance reported in the accompanying financial statements may differ from the amount held on deposit due to deposits in transit or outstanding checks that have not cleared the bank as of the statement of financial position date.

Mosaic Community Health
Notes to Financial Statements

3. Liquidity and Availability

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to invest its available funds. The Organization also has various sources of liquidity at its disposal, including cash and cash equivalents, certificates of deposits and marketable securities. The Organization actively manages its resources, using a combination of short and long-term operating investment strategies to align its cash inflows and anticipated outflows in accordance with policies approved by its Board of Directors.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing program activities, interest and principal payments on debt, and internally funded capital construction to be general expenditures.

In addition to financial assets available to meet general expenditures over the 12 months subsequent to period end, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the Statement of Cash Flows, which identifies the sources and uses of cash and shows positive cash generated by operations for the year ended June 30, 2022.

As of June 30, 2022, the following table presents liquid financial assets held by the Organization that are readily available for general expenditures within 12 months:

Financial assets available at period end	
Cash and cash equivalents	\$ 9,186,789
Investments	9,503,997
Accounts receivable, net	4,584,940
Pharmacy receivable, net	1,274,262
Grant and other contributions receivable	<u>4,454,916</u>
Total financial assets available at period end	29,004,904
Less financial assets not available to be used within 12 months	
Accounts payable and accrued expenses	(2,076,186)
Accrued payroll and related taxes	(1,075,800)
Accrued paid time off	(1,608,095)
Lease liabilities minimum cash outlay	(731,488)
Note payable minimum cash outlay	<u>(41,638)</u>
Total financial assets available to be used within 12 months	23,471,697
Less financial assets not available for general expenditure	
Net assets with donor restrictions	<u>(789,754)</u>
Total financial assets available to be used within 12 months and for general expenditure	<u><u>\$ 22,681,943</u></u>

Mosaic Community Health
Notes to Financial Statements

4. Fair Market Value

Generally accepted accounting principles define fair value, establish a framework for measuring fair value, and establish a fair value hierarchy that prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes the transaction to sell the assets or transfer the liability occurs in the principal market for the asset or liability or in the absence of a principal market, the most advantageous market. Valuation techniques consistent with the market, income, or cost approach are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Organization has been able to access.

Level 2: Inputs (other than quoted prices included within Level 1) observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability that rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability. (The unobservable inputs should be developed based on the best information available in the circumstances and may include the Organization's own data.)

The following table presents the Organization's fair value hierarchy for those assets measured at fair value on a recurring basis as of June 30, 2022:

	Level 1	Level 2	Level 3	Total
Exchange traded equities	\$ 686,531	\$ -	\$ -	\$ 686,531
U.S. treasury notes	317,466	-	-	317,466
Total assets at fair value	<u>\$ 1,003,997</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,003,997</u>

5. Accounts Receivable

At June 30, 2022, accounts receivable consisted of the following:

Patient receivables	
Medicaid	\$ 3,959,769
Private health insurance	342,970
Self-pay	119,650
Medicare	267,568
Total patient receivables	<u>4,689,957</u>
Other receivables	533,695
Allowance for doubtful accounts and contractual adjustments	<u>(638,712)</u>
Accounts receivable, net	<u>\$ 4,584,940</u>

Mosaic Community Health
Notes to Financial Statements

5. Accounts Receivable, continued

At June 30, 2022, accounts receivable included balances outstanding for greater than 90 days of \$68,843. The Organization's allowance for doubtful accounts and contractual adjustments has been estimated by management based on expected future payments. Management believes the allowance is adequate to absorb any amounts that are not collected.

6. Promises to Give

The Organization has received various unconditional promises to give for the use of facilities at various operational locations at a lease rate substantially below the fair market value of comparable leases in the Central Oregon area. The portion of the unconditional promise to give that extends more than one year is discounted using present value techniques and a discount rate ranging from 3.25 to 3.50 percent depending upon the estimated borrowing rate at the time of donation to the Organization. The promises to give expire beginning October 2022 through June 2025.

At June 30, 2022, the amount due to the Organization consisted of the following:

Due in less than one year	\$	212,712
Due in more than one year and less than five years		134,400
		347,112
Promise to give before discount		(27,093)
		(27,093)
 Total promises to give	 \$	 320,019
		320,019
 Promises to give, short-term	 \$	 200,207
Promises to give, long-term, discounted		119,812
		119,812
 Total promises to give	 \$	 320,019
		320,019

Lease expense related to promises to give lease arrangements within the financial statements totaled \$244,215 for the year ended June 30, 2022.

7. Right of Use and Lease Liability – Facilities

The Organization leases real property at 11 locations to conduct operating activities under non-cancelable and cancelable operating lease agreements. Non-cancelable leases generally contain initial terms of 1 to 5 years, with one or two renewal options. Lease rates are established upon lease execution at prevailing market rates. Non-cancelable leases include a per square foot base rent plus a common area expense charge. See Note 6, promises to give for additional information on in-kind leases.

Right of use asset is reported at present value using a 4.75 percent annual interest rate consistent with prevailing market rates available to the Organization.

As of June 30, 2022, future minimum rental payments required under these lease agreements for each subsequent period, respectively, are as follows:

Mosaic Community Health
Notes to Financial Statements

7. Right of Use and Lease Liability – Facilities, continued

	Cash lease	In-kind lease (Note 6)	Total cash and in-kind leases
2023	\$ 701,035	\$ 212,712	\$ 913,747
2024	715,761	67,200	782,961
2025	730,868	67,200	798,068
2026	542,475	-	542,475
2027	247,295	-	247,295
Thereafter	-	-	-
Total	\$ 2,937,434	\$ 347,112	\$ 3,284,546
			Total cash lease payments \$ 2,937,434
			Present value discount (264,463)
			Right of use – facilities 2,672,971
			Deferred rent 45,431
			Lease liabilities – facilities \$ 2,718,402

Rental expenses, including common area maintenance, under all operating leases reported in the accompanying financial statements totaled \$1,320,628 for the year ended June 30, 2022.

8. Property and Equipment

At June 30, 2022, property and equipment consisted of the following:

Buildings and improvements (39 - 50 years)	\$ 17,046,958
Land	575,000
Computer hardware and software (3 - 6 years)	3,563,541
Leasehold improvements (3 - 7 years)	1,893,005
Medical and dental equipment (5 - 7 years)	2,321,078
Furniture and equipment (3 - 7 years)	1,195,380
Automobiles (5 years)	367,545
Construction in progress	1,059,615
	<u>28,022,122</u>
Accumulated depreciation	<u>(6,765,079)</u>
Property and equipment, net	<u>\$ 21,257,043</u>

Depreciation expense for the year ended June 30, 2022, was \$1,028,656. The range of useful lives for depreciation purposes is identified in parentheses in the table above for each fixed asset category.

Mosaic Community Health
Notes to Financial Statements

9. Notes Payable

At June 30, 2022, notes payable consisted of the following:

Mortgage payable	\$ 1,352,168
Short-term	<u>(41,638)</u>
Notes payable, long-term	<u><u>\$ 1,310,530</u></u>

Mortgage payable is to First Interstate Bank in monthly installments of \$8,382, beginning December 2017, with a variable interest rate of 2 percentage points over the prime rate (4.75 percent at June 2022). A final balloon payment is due November 2026, and the loan is secured by the underlying real property. At June 30, 2022, future principal maturities for each subsequent period, respectively, are as follows:

2022	\$ 41,638
2023	43,360
2024	45,473
2025	47,524
2026	52,884
Thereafter	<u>1,121,289</u>
Total	<u><u>\$ 1,352,168</u></u>

Under the terms of the above agreement, the Organization is required to maintain various affirmative covenants. The Organization is also required to maintain a Fixed Charge Coverage Ratio covenant that exceeds 1.00 at year end. As of June 30, 2022, management believes the Organization was in compliance with covenant requirements.

On April 17, 2020, the Organization received loan proceeds from First Interstate Bank in the amount of \$4,856,300, pursuant to the Paycheck Protection Program (PPP) established as part of the Coronavirus Aid, Relief and Economic Security Act. The loan carried an interest rate of 1 percent and matured on April 16, 2022. Loan payments are deferred for a 24-week covered period commencing on the date the loan proceeds were funded plus an additional 10 months. The PPP loan is not collateralized and does not require any personal guarantees.

The PPP loan principal and accrued interest of \$58,409 was fully forgiven in July 2021.

Mosaic Community Health
Notes to Financial Statements

10. Net Assets

At June 30, 2022, net assets consisted of the following:

Without donor restrictions	
Investment in property and equipment	\$ 21,257,043
Available for general activities	<u>23,348,148</u>
Total without donor restrictions	<u>44,605,191</u>
With donor restrictions	
Temporarily restricted	
Promises to give - use of facilities	320,019
Various other donations and programs	<u>469,735</u>
Total with donor restrictions	<u>789,754</u>
Total net assets	<u><u>\$ 45,394,945</u></u>

11. Net Patient Service Revenue

The approximate mix of net patient service revenue by payer during the year ended June 30, 2022, was as follows:

Medicaid	85%
Medicare	6%
Private Insurance	7%
Self-pay patients	<u>2%</u>
Total	<u><u>100%</u></u>

12. Uninsured Patients

For uninsured patients that do not qualify for charity care, the Organization recognized revenue based on its standard rates for services provided or based on discounted rates if negotiated or provided by policy. Based on historical experiences, a portion of the Organization's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Organization records a provision for bad debts related to uninsured patients in the period the services are provided. Patient service fees revenue, net of contractual adjustments, but before the provision for bad debts recognized for the year ended June 30, 2022, was as follows:

	<u>Third-Party Payers</u>	<u>Self-Pay</u>	<u>Total</u>
Patient service fees, net but before bad debts	<u>\$ 7,260,906</u>	<u>\$ 625,747</u>	<u>\$ 7,886,653</u>

Mosaic Community Health
Notes to Financial Statements

13. Rental Income

The Organization leases 4,689 square feet of its building in Prineville to Crook County Health Department for base rent of \$6,983 per month. The lease commenced January 2007 and was extended on January 1, 2017, for an additional 10-year term ending December 31, 2026. Per the extension agreement, base rent allows for market rate adjustments starting in 2022. As a part of the lease agreement, the Organization cannot sell, transfer, exchange, grant an option to purchase, or otherwise dispose of the Prineville building without first offering it to Crook County. With 90 days advance notice, Crook County may terminate the rental agreement at any time and without penalty if it fails to receive the funding or adopt appropriations, limitations, or other expenditure authority at levels sufficient to pay the rent fees.

As of June 30, 2022, future minimum rent income anticipated to be received under the lease with Crook County for each subsequent period, respectively, are as follows:

2023	\$ 84,215
2024	85,057
2025	85,907
2026	86,766
2027	43,599
Thereafter	<u>-</u>
Total	<u><u>\$ 385,544</u></u>

14. Malpractice Insurance

The Organization operates in the medical industry, which carries risks of malpractice claims when patients believe themselves to have been injured through acts of omission or negligence. The Organization purchases professional and general liability insurance to cover medical malpractice claims. In addition, the Organization, as a Federally Qualified Health Center, has malpractice claim protection under the Federal Tort Claims Act (FTCA) through the Department of Health and Human Services. The term of coverage is by project period. The FTCA covers activities and claims within the approved scope of deemed Health Centers under the FTCA. The Organization must complete a “redeeming” application annually to continue to receive FTCA malpractice insurance. If the Organization loses its FTCA insurance, it must purchase replacement coverage on the commercial market and go through a probationary period that could result in the eventual loss of the 330 grant. Conversely, if the Organization loses its Section 330 funding, its coverage under FTCA ends immediately upon termination of the grant. Management is unaware of any claims pending or threatened as of the date of the independent auditor’s report. These financial statements do not include an estimate of accrued losses related to any potential claims.

15. Benefit Plans

The Organization’s 401(k) plan covers substantially all of its employees. Employees are eligible to make elective contributions to the 401(k) plan immediately. For the year ended June 30, 2022, the Organization matched up to 4 percent of employees’ contributions on a per-pay-period basis. The Organization may make additional, discretionary matching contributions each year as determined by the plan. Employer-matching contributions are subject to a 5-year vesting schedule. Employer pension expense totaled \$1,025,806 for the year ended June 30, 2022. The Organization also provides a Section 125 cafeteria plan for unreimbursed medical and dependent care expenses.

Mosaic Community Health
Notes to Financial Statements

16. Gifts-in-Kind

The Organization reports the fair value of donated goods and services that meet recognition criteria, in accordance with accounting principles generally accepted in the United States of America, as support and revenue, and immediately thereafter, as expense upon donation. Donated use of facilities are reported as revenues with donor restriction, while contracted services and supplies are reported as revenues without donor restriction unless explicit donor restriction applies. During the year ended June 30, 2022, the Organization did not monetize any gifts-in-kind.

Gifts-in-kind for the fiscal year ended June 30, 2022, included in revenue of the financial statements, were as follows:

Contract services	\$	109,281
COVID supplies		135,086
COVID vaccines		543,334
Use of facilities		<u>484,668</u>
Total	\$	<u><u>1,272,369</u></u>

Donated contract services included work from Licensed Practical Nurses. Donated COVID goods included vaccinations, masks and testing supplies.

Adopted accounting pronouncement

During the fiscal year ended June 30, 2022, the Organization elected to adopt Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The new guidance requires nonprofit entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. The standard also increases the disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets a nonprofit entity has received. Adoption of this standard did not have a significant impact on the financial statements, with the exception of increased disclosure.

17. Concentrations of Risk

Concentrations of geographic and credit risks not clearly identified elsewhere in these notes include the following:

Federal grant revenue was approximately 14 percent of the Organization's total revenue for the year ended June 30, 2022.

Medicare revenue accounted for approximately 3 percent of the Organization's total support, patient service, and other revenue for the year ended June 30, 2022.

Medicaid revenue accounted for approximately 42 percent of the Organization's total support, patient service, and other revenue for the year ended June 30, 2022.

Laws and regulations governing Medicare and Medicaid programs are extremely complex, subject to interpretation and government regulation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

18. Contingent Liabilities

Amounts received from various grantor agencies are subject to audit and potential adjustment by those agencies. Any disallowed claims, including amounts already collected, would become a liability of the Organization, if so determined in the future. It is management's belief that no material amounts received will be required to be returned in the future.

19. Subsequent Events

Management evaluates events and transactions that occur after the statement of financial position date as potential subsequent events. Management has performed this evaluation through the date of the independent auditor's report and noted the following events:

The Organization is defending a civil complaint from a decedent's estate alleging the Organization is vicariously liable for in damages. The court dismissed the Organization from the case, but a notice of appeal was filed and is currently being defended.

The Organization is defending a civil complaint filed by a terminated employee. The lawsuit alleges \$200,000 in damages. The case is currently awaiting trial. The Organization is vigorously defending the lawsuit.

Management and its legal counsel cannot reasonably determine the outcome of the above lawsuits, be it favorable or unfavorable. As such, a contingency cannot be projected as probable or remote, and therefore, it is not currently reported in the financial statements. If either case was to result in an unfavorable outcome for the Organization, substantially all the damages would be covered by insurance. Management believes that its potential maximum out-of-pocket cash obligation related to the above legal matters is \$50,000 if both lawsuits were to result in an unfavorable outcome or settlement.

Single Audit

Mosaic Community Health
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

Federal Grantor/Program Title	CFDA Number	Program or Grant Amount	Period of Performance	Federal Expenditures
Department of Health and Human Services				
Health Resources and Services Administration				
Direct programs				
Health Center Cluster				
Health Center Program	93.224*	\$ 1,274,916	6/1/21-5/31/22	\$ 1,168,673
Health Center Program	93.224*	397,450	6/1/22-5/31/23	33,121
Health Center Program	93.224*	4,038,250	4/1/21-3/31/23	2,366,421
Health Center Program	93.224*	954,386	9/1/20-8/31/23	954,386
Grants for New and Expanded Services Under the Health Center Program	93.527*	3,537,342	6/1/21-5/31/22	3,253,001
Grants for New and Expanded Services Under the Health Center Program	93.527*	4,456,558	6/1/22-5/31/23	371,379
Grants for New and Expanded Services Under the Health Center Program	93.527*	<u>189,600</u>	6/1/20-5/31/23	<u>-</u>
Total Health Center Cluster		14,848,502		8,146,981
Grants for Capital Development in Health Centers	93.526	<u>749,260</u>	9/15/21-9/14/24	<u>444,129</u>
Total Federal Awards		<u><u>15,597,762</u></u>		<u><u>8,591,110</u></u>

* Denotes major program

Mosaic Community Health
Notes to Schedule of Expenditures of Federal Awards

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the Organization. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this Schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

2. 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 the Uniform Guidance, *Subpart E*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Major Programs

The Uniform Guidance establishes criteria to be used in defining major programs. Major programs for the Organization are those programs selected for testing by the auditor using a risk-assessment model, as well as certain minimum expenditure requirements, as outlined in the Uniform Guidance. Programs with similar requirements may be grouped into a cluster for testing purposes.

4. De Minimis Indirect Cost Rate

The Organization has elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance; however, the award agreements with the Department of Health and Human Services do not include an indirect cost reimbursement, so there were no indirect costs charged to the federal award programs for the year ended June 30, 2022.

5. Subrecipients

No award payments were made to subrecipients for the year ended June 30, 2022.

6. Insurance Coverage

The Organization maintains insurance coverage as recommended by its insurance agent of record.

**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
Mosaic Community Health
Prineville, Oregon

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Mosaic Community Health (a nonprofit organization), 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 my report thereon dated November 25, 2022.

Report on Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered Mosaic Community Health's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Mosaic Community Health's internal control. Accordingly, I do not express an opinion on the effectiveness of Mosaic Community Health's internal control.

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

My consideration of the 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 my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses or significant deficiencies. 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 Mosaic Community Health's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my 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 my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Mosaic Community Health's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Mosaic Community Health's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Hamlin CPA, LLC
Bend, Oregon
November 25, 2022

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

To the Board of Directors
Mosaic Community Health
Prineville, Oregon

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

I have audited Mosaic Community 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 each of Mosaic Community Health's major federal programs for the year ended June 30, 2022. Mosaic Community 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 my opinion, Mosaic Community Health complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

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

I am required to be independent of Mosaic Community Health and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion on compliance for each major federal program. My audit does not provide a legal determination of Mosaic Community 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 Mosaic Community Health's federal programs.

Auditor's Responsibilities for the Audit of Compliance

My 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 Mosaic Community 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 Mosaic Community 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, I:

- 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 the Organization's compliance with the compliance requirements referred to above and performing such other procedures as I considered necessary in the circumstances.
- Obtain an understanding of Mosaic Community 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 Mosaic Community Health's internal control over compliance. Accordingly, no such opinion is expressed.

I am 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 I 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.

My 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 my audit I did not identify any deficiencies in internal control over compliance that I 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.

My 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 my 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, appearing to read 'MTH', is positioned above the typed text.

Hamlin CPA, LLC
Bend, Oregon
November 25, 2022

Mosaic Community Health
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

Summary of Auditor's Results

1. The independent auditor's report expresses an unmodified opinion on the financial statements of the Organization.
2. No material weaknesses or significant deficiencies in internal control were disclosed by the audit of the financial statements.
3. No instances of noncompliance material to the financial statements, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No material weaknesses or significant deficiencies in internal control were disclosed by the audit of the major federal award program.
5. The independent auditor's report on compliance for the major federal award program for the Organization expresses an unmodified opinion.
6. No instances of findings or questioned costs were disclosed during the audit which would be required to be reported under Title 2 CFR Section 200.516 (a).
7. The program tested as the major program was:

 The Health Center Cluster:
 Health Center Program CFDA 93.224
 Grants for New and Expanded Services under the Health Center Program CFDA 93.527
8. The threshold for distinguishing between Type A and Type B programs was \$750,000.
9. The Organization did qualify as a low-risk auditee under Title 2 CFR Section 200.520.

Findings – Financial Statement Audit

None.

Findings and Questioned Costs – Major Federal Award Program Audit

None