



Reports of Independent Auditors and
Financial Statements with
Supplementary Information

Mosaic Community Health

June 30, 2024 and 2023

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Report of Independent Auditors

The Board of Directors
Mosaic Community Health

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Mosaic Community Health (Mosaic), which comprise the statements of financial position as of June 30, 2024 and 2023, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Mosaic as of June 30, 2024 and 2023, 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 of America.

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 (Government Auditing Standards)*, issued by the Comptroller General of the United States. 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 Mosaic 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 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's ability to continue as a going concern for one year after the date that 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 Mosaic'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 Mosaic'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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The 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 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 of America. In our opinion, the schedule of expenditures of federal awards 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 November 27, 2024, on our consideration of Mosaic'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 Mosaic'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's internal control over financial reporting and compliance.

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

Portland, Oregon
November 27, 2024

Financial Statements

Mosaic Community Health
Statements of Financial Position
June 30, 2024 and 2023

	2024	2023
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 13,505,112	\$ 22,497,989
Patient accounts receivable, net	3,072,472	4,408,257
Pharmacy receivable, net	2,036,669	1,614,788
Grants and other contributions receivable	654,169	799,722
Supplies inventory	1,600,650	588,074
Deposits	26,788	26,788
Prepaid expenses	679,697	722,595
Investments, net	29,616,422	4,501,392
Promises to give – use of facilities, short-term	208,489	186,112
Pledges receivable, current	10,000	-
Total current assets	51,410,468	35,345,717
PROPERTY AND EQUIPMENT, net	21,361,071	21,255,967
OTHER ASSETS		
Promises to give – use of facilities, long-term	97,273	82,557
Pledges receivable, long-term	24,511	-
Operating lease right-of-use asset, net	1,445,968	1,968,170
Total other assets	1,567,752	2,050,727
Total assets	\$ 74,339,291	\$ 58,652,411
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 2,641,273	\$ 2,758,669
Accrued payroll and taxes	3,579,546	2,988,103
Operating lease liabilities and use of facilities, short-term	726,898	703,687
Total current liabilities	6,947,717	6,450,459
OTHER LIABILITIES		
Operating lease liabilities and use of facilities, long-term	719,070	1,335,478
Total other liabilities	719,070	1,335,478
Total liabilities	7,666,787	7,785,937
NET ASSETS		
Without donor restrictions	65,853,563	50,167,921
With donor restrictions	818,941	698,553
Total net assets	66,672,504	50,866,474
Total liabilities and net assets	\$ 74,339,291	\$ 58,652,411

See accompanying notes.

Mosaic Community Health
Statements of Activities and Changes in Net Assets
For the Year Ended June 30, 2024

	Without Donor Restriction	With Donor Restriction	Total
NET PATIENT SERVICE REVENUE	\$ 13,537,992	\$ -	\$ 13,537,992
CAPITATION REVENUE	32,637,832	-	32,637,832
OTHER SUPPORT AND REVENUE			
Federal grants	5,323,925	-	5,323,925
Other grants	52,054	720,216	772,270
Pharmacy and 340B program, net	8,276,240	-	8,276,240
Medical incentives revenue	7,737,579	-	7,737,579
Service contract revenue	652,331	-	652,331
Contributions	457,043	-	457,043
Gifts-in-kind	148,228	484,229	632,457
	<u>68,823,224</u>	<u>1,204,445</u>	<u>70,027,669</u>
Total revenue and support before net assets released from restrictions			
NET ASSETS RELEASED FROM RESTRICTIONS	<u>1,084,057</u>	<u>(1,084,057)</u>	<u>-</u>
Total revenue and support	69,907,281	120,388	70,027,669
EXPENSES			
Program	44,955,306	-	44,955,306
Management and general	10,730,995	-	10,730,995
Fundraising	324,910	-	324,910
Total expenses	<u>56,011,211</u>	<u>-</u>	<u>56,011,211</u>
Operating income	13,896,070	120,388	14,016,458
NONOPERATING INCOME			
Rent income	100,262	-	100,262
Miscellaneous income	235,622	-	235,622
Investment income, net	1,453,688	-	1,453,688
Total nonoperating income	<u>1,789,572</u>	<u>-</u>	<u>1,789,572</u>
CHANGE IN NET ASSETS	15,685,642	120,388	15,806,030
NET ASSETS, beginning of year	<u>50,167,921</u>	<u>698,553</u>	<u>50,866,474</u>
NET ASSETS, end of year	<u>\$ 65,853,563</u>	<u>\$ 818,941</u>	<u>\$ 66,672,504</u>

See accompanying notes.

Mosaic Community Health
Statements of Activities and Changes in Net Assets
For the Year Ended June 30, 2023

	Without Donor Restriction	With Donor Restriction	Total
NET PATIENT SERVICE REVENUE	\$ 11,259,883	\$ -	\$ 11,259,883
CAPITATION REVENUE	23,326,013	-	23,326,013
OTHER SUPPORT AND REVENUE			
Federal grants	6,547,747	-	6,547,747
Other grants	783,836	-	783,836
Pharmacy and 340B program, net	6,459,986	-	6,459,986
Medical incentives revenue	5,365,076	-	5,365,076
Service contract revenue	632,028	-	632,028
Contributions	177,841	236,571	414,412
Gifts-in-kind	803,494	351,997	1,155,491
	<u>55,355,904</u>	<u>588,568</u>	<u>55,944,472</u>
Total revenue and support before net assets released from restrictions			
NET ASSETS RELEASED FROM RESTRICTIONS	<u>723,044</u>	<u>(723,044)</u>	<u>-</u>
Total revenue and support	56,078,948	(134,476)	55,944,472
EXPENSES			
Program	40,165,398	-	40,165,398
Management and general	10,395,609	-	10,395,609
Fundraising	260,530	-	260,530
Total expenses	<u>50,821,537</u>	<u>-</u>	<u>50,821,537</u>
Operating income	5,257,411	(134,476)	5,122,935
NONOPERATING INCOME			
Rent income	102,310	-	102,310
Miscellaneous income	38,316	43,275	81,591
Investment income, net	164,693	-	164,693
Total nonoperating income	<u>305,319</u>	<u>43,275</u>	<u>348,594</u>
CHANGE IN NET ASSETS	5,562,730	(91,201)	5,471,529
NET ASSETS, beginning of year	<u>44,605,191</u>	<u>789,754</u>	<u>45,394,945</u>
NET ASSETS, end of year	<u>\$ 50,167,921</u>	<u>\$ 698,553</u>	<u>\$ 50,866,474</u>

See accompanying notes.

Mosaic Community Health
Statement of Functional Expenses
For the Year Ended June 30, 2024

	Program	Management and General	Fundraising	Total
PERSONNEL				
Salaries and wages	\$ 26,949,366	\$ 5,795,734	\$ 194,926	\$ 32,940,026
Fringe benefits	4,783,486	999,823	33,460	5,816,769
Payroll taxes	2,076,672	421,180	16,056	2,513,908
Total personnel	33,809,524	7,216,737	244,442	41,270,703
Information technology	1,809,938	1,406,662	6,450	3,223,050
Supplies, medications, and vaccines	2,848,447	14,918	5,751	2,869,116
Occupancy	1,975,192	453,714	-	2,428,906
Depreciation	1,678,452	285,051	-	1,963,503
Contractual services	1,181,745	562,895	15,310	1,759,950
Advertising	282,421	113,758	41,531	437,710
Education, meetings, and conferences	227,518	199,935	2,052	429,505
Medical, dental, and office supplies	346,163	41,945	-	388,108
Travel	213,872	86,240	3,378	303,490
Dues, publications, and postage	173,373	23,084	2,967	199,424
Professional fees	-	179,418	-	179,418
Miscellaneous	129,728	32,635	2,957	165,320
Recruitment	138,029	13,694	-	151,723
Recognition and wellness	69,488	58,319	59	127,866
Insurance	71,416	41,990	13	113,419
Total functional expenses	<u>\$ 44,955,306</u>	<u>\$ 10,730,995</u>	<u>\$ 324,910</u>	<u>\$ 56,011,211</u>

See accompanying notes.

Mosaic Community Health
Statement of Functional Expenses
For the Year Ended June 30, 2023

	Program	Management and General	Fundraising	Total
PERSONNEL				
Salaries and wages	\$ 24,475,604	\$ 5,469,934	\$ 142,763	\$ 30,088,301
Fringe benefits	4,362,602	875,242	23,766	5,261,610
Payroll taxes	1,888,755	398,767	10,932	2,298,454
Total personnel	30,726,961	6,743,943	177,461	37,648,365
Information technology	1,185,854	1,534,763	5,232	2,725,849
Supplies, medications, and vaccines	2,533,037	12,966	741	2,546,744
Occupancy	1,836,530	555,712	-	2,392,242
Depreciation	1,361,637	231,885	-	1,593,522
Contractual services	1,076,137	436,040	24,501	1,536,678
Advertising	234,037	146,712	38,208	418,957
Education, meetings, and conferences	225,026	60,343	4,251	289,620
Medical, dental, and office supplies	349,542	35,242	20	384,804
Travel	182,606	71,481	4,532	258,619
Dues, publications, and postage	179,252	23,136	527	202,915
Professional fees	-	181,001	-	181,001
Miscellaneous	130,340	28,481	4,575	163,396
Recruitment	6,360	110,517	-	116,877
Recognition and wellness	65,073	109,809	482	175,364
Insurance	73,006	43,647	-	116,653
Interest	-	69,931	-	69,931
Total functional expenses	<u>\$ 40,165,398</u>	<u>\$ 10,395,609</u>	<u>\$ 260,530</u>	<u>\$ 50,821,537</u>

See accompanying notes.

Mosaic Community Health
Statements of Cash Flows
For the Years Ended June 30, 2024 and 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 15,806,030	\$ 5,471,529
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	1,963,503	1,593,522
Unrealized gain on investments	(493,689)	(72,471)
Noncash gifts-in-kind	632,457	1,155,491
Change in operating assets and liabilities		
Accounts receivable	1,335,785	176,683
Pharmacy receivable	(421,881)	(340,526)
Grants and other contributions receivable	145,553	3,655,194
Supplies inventory	(1,160,804)	(995,791)
Prepaid expenses	42,898	(174,501)
Promises to give – use of facilities	(37,093)	51,350
Pledges receivable	(34,511)	-
Accounts payable and accrued expenses	(117,396)	682,483
Accrued payroll and taxes	591,443	304,208
Lease liabilities	(555,224)	(326,433)
	17,697,071	11,180,738
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investment	(28,000,000)	(8,000,000)
Proceeds on sale of investments	3,378,659	13,075,076
Purchase of fixed assets	(2,068,607)	(1,592,446)
	(26,689,948)	3,482,630
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments on long-term debt	-	(1,352,168)
	-	(1,352,168)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(8,992,877)	13,311,200
CASH AND CASH EQUIVALENTS, beginning of year	22,497,989	9,186,789
CASH AND CASH EQUIVALENTS, end of year	\$ 13,505,112	\$ 22,497,989
SUPPLEMENTAL DISCLOSURE OF CASH PAID FOR Interest	\$ -	\$ 69,931
SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITY		
Donation of gifts-in-kind	\$ 632,457	\$ 1,155,491

See accompanying notes.

Mosaic Community Health

Notes to Financial Statements

Note 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 provide trusted quality care, with compassion and support for all.” 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 Board). 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, seven School-Based Health Centers (SBHC), and one Mobile Medical Unit. In total, the Organization has expanded from one clinic in 2002, to 15 clinics, 3 pharmacies, and 1 mobile unit, currently.

Basis of accounting and presentation – The accompanying financial statements have been prepared in conformity with the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) and in accordance with Financial Accounting Standards Board (FASB) Accounting Standard Codification (ASC) 958, *Not-for-Profit Entities*. Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of management and the Board of Directors (assuming no other restrictions exist). There were no net assets with Board designated restrictions for the years ended June 30, 2024 and 2023.

Net assets with donor restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor-imposed restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities and changes in net assets.

Use of estimates – The preparation of financial statements in conformity with U.S. GAAP 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

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, exchange-traded funds, 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 net of related investment expenses, 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, 2023, the Organization held investments in three certificates of deposit, recorded at a cost of \$3,500,000. The certificates earn interest at 0.2 % and matured in November 2023. In September 2023, the certificates were liquidated and a new treasury-based money market account was opened. There were no certificates of deposit held as of June 30, 2024.

Accounts receivable – Accounts receivable are recorded at amounts that reflect the consideration to which the Organization expects to be entitled in exchange for providing patient care. In evaluating the collectability of patient accounts receivable, the Organization regularly analyzes its past history, and identifies and reviews trends for each of its major payor sources of revenue to estimate appropriate and sufficient implicit and explicit price concessions reflected in patient accounts receivable.

For receivables associated with services provided to patients who have third-party coverage, the Organization analyzes contractually due amounts and provides additional implicit and explicit price concessions if necessary, based upon historical collection history for deductibles and copayments on accounts for which the third-party payor had not yet paid, or for remaining payor balances.

For receivables associated with self-pay patients, which include both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill, the Organization records a significant implicit price concession in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated or provided by policy) and the amounts actually collected after all reasonable collection efforts have been exhausted is reflected as a reduction in patient accounts receivable. Patient receivables also consist of contracts, 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).

Mosaic Community Health Notes to Financial Statements

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.

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 receive 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.

The balances for accounts receivable, pharmacy receivable, and grants and other contributions receivable as of July 1, 2022, was \$4,584,940, \$1,274,262, and \$4,454,916, respectively.

Concentrations of net patient accounts receivable were approximately as follows:

	2024	2023
Medicaid	72%	84%
Medicare	9%	8%
Private	11%	6%
Self-pay	8%	2%
Total	100%	100%

Grants receivable – Grants receivable include \$654,169 and \$799,722 as of June 30, 2024 and 2023, respectively, in receivables, comprised of various county and agency grants to provide services provided to patients by the Organization during the year. These commitments are expected to be collected by the Organization within the next year.

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.

Mosaic Community Health Notes to Financial Statements

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.

Property and equipment acquired by the Organization are considered owned by the Organization. However, the U.S. 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, Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* 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.

The Organization periodically evaluates prominent events or changes in circumstances affecting property and equipment to determine whether impairment of an asset has occurred. Impairment losses on property and equipment are measured using the method that best reflects the diminished service utility of the asset. No asset impairment was recognized during the years ended June 30, 2024 and 2023.

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

Accrued payroll and taxes – Accrued payroll and taxes represent amounts earned by employees but not yet paid as of year-end. Included in accrued payroll and taxes is 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. Grants revenue is recorded as a nonexchange transaction provided for under FASB ASC 958-605.

Mosaic Community Health Notes to Financial Statements

Revenue recognition – Patient service revenue is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing patient care. These amounts, representing transaction price, are due from third-party payors (including health insurers and government programs), patients, and others. Generally, the Organization bills the third-party payors and patients several days after the services are performed. Revenue is recognized as performance obligations are satisfied. A summary of major third-party payment arrangements is as follows:

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.

The Organization measures the performance obligation at the time the services are performed. Because all of its performance obligations relate to contracts with a duration of less than one year, the Organization has elected to apply the optional exemption provided FASB ASC, *Revenue from Contracts with Customers*, 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The performance obligations for these contracts are generally completed at the time of service.

The Organization is utilizing the portfolio approach practical expedient in ASC 606 for contracts related to patient service revenue. The Organization accounts for the contracts within each portfolio as a collective group, rather than individual contracts, based on the payment pattern expected in each portfolio category, and the similar nature and characteristics of the patients within each portfolio. As a result, the Organization has concluded that revenue for a given portfolio would not be materially different than if accounting for revenue on a contract-by-contract basis.

Mosaic Community Health Notes to Financial Statements

The Organization's agreements with third-party payors, which include commercial insurance, Medicare and Medicaid, and other third-party payors, generally provide for payments to the Organization at amounts different from its established rates. The Organization recognizes revenue based on established or contracted rates, subject to certain discounts and implicit price concessions as determined by the Organization. The Organization determines the transaction price based on standard charges for services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Organization's policy, and implicit price concessions provided to patients. Implicit price concessions represent differences between amounts billed and the estimated consideration the Organization expects to receive from payors and patients, which are determined based on historical collection experience, current market conditions, and other factors. The Organization determines its estimates of contractual adjustments and discounts based on contractual agreements, discount policies, and historical experience.

Entities doing business with governmental payors, including Medicare and Medicaid, are subject to risks unique to the government-contracting environment that are difficult to anticipate and quantify. Revenues are subject to adjustment as a result of examination by government agencies, as well as adjustments in auditors, contractors, and intermediaries retained by the federal, state, or local governments. Resolution of such audits or reviews often extends (or in some cases do not even commence until) several years beyond the year in which services were rendered and/or fees received.

In accordance with generally accepted accounting principles, to account for the uncertainty around Medicare and Medicaid revenues, the Organization estimates the amount of revenue that will ultimately be received under the Medicare and Medicaid programs. Amounts ultimately received or paid may vary significantly from these estimates.

Several of the Organization's contracts with third-party payors provide for incentive payments based on various quality and financial performance metrics. These incentives provide financial incentive payments to the Organization if certain thresholds are achieved. Several other contracts with third-party payors have provisions where financial risk (both upside and downside risk) is shared between the payor and the Organization. Certain other contracts have provisions for shared savings only. To the extent that actual health care costs are less than agreed-upon target medical loss ratios, a portion of such amounts is returned to the Organization. Conversely, for those contracts with downside risk, if actual health care costs exceed the target medical loss ratios, the Organization must reimburse the third-party payors for a portion of that additional cost. The Organization recognizes revenue from incentive contract payments and financial risk agreements when notified by the payor of the settlement amount for each contract, based on the timing and frequency of settlement established in the contracts. The Organization earned \$7,737,579 and \$5,365,076 during the years ended June 30, 2024 and 2023, respectively, from achieving or exceeding quality and financial performance targets on such contracts.

Generally, patients who are covered by third-party payors are responsible for patient responsibility balances, including deductibles and coinsurance established by their insurance plans, which vary in amount. The Organization estimates the transaction price for patients with deductibles and coinsurance based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period such changes occur or when it can be reasonably determined such change is probable. Adjustments arising from a change in the transaction price were not significant during the years ended June 30, 2024 and 2023.

Mosaic Community Health Notes to Financial Statements

The Organization provides discounted medical and dental services to self-pay (uninsured) patients on a sliding fee scale based on the patient's gross income. Sliding fee discounts for the years ended June 30, 2024 and 2023, totaled \$502,203 and \$674,448, respectively, and are included in the accompanying statements of activities and changes in net assets.

The Organization has elected the practical expedient allowed under FASB ASC 606-10-32-18, and does not adjust the promised amount of consideration from patients and third-party payors for the effects of a significant financing component due to the Organization's expectation that the period between the time the service is provided to a patient and the time that the patient or a third-party payor pays for that service will be one year or less. However, the Organization does, in certain instances, enter into payment agreements with patients that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract.

Concentrations of net patient revenue were approximately as follows:

	2024	2023
Medicaid	45%	44%
Medicare	26%	25%
Commercial	23%	22%
Self-pay	6%	9%
Total	100%	100%

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 restriction is accomplished), with donor restricted net assets are reclassified to without donor restricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions.

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.

Donated materials, services, and facilities – The Organization reports the fair value of donated materials and services that meet recognition criteria, in accordance with U.S. GAAP, 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.

Mosaic Community Health Notes to Financial Statements

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 based upon employee time and effort recorded on functions related to the specific activity, or in the case of shared expenses, using an allocation based on personnel costs, space usage, or other relevant bases. 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 \$437,710 and \$418,956 for the years ended June 30, 2024 and 2023, respectively.

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 years ended June 30, 2024 and 2023.

Leases – Transactions give rise to leases when the Organization receives substantially all of the economic benefits from, and has the ability to direct, the use of the specified property and equipment. The Organization primarily has lessee activity that is classified as operating leases. Operating leases are included in operating lease right-of-use assets, current maturities of operating lease liabilities, and operating lease liabilities, less current portions in the statement of financial position.

Operating lease right-of-use assets represents the right to use an underlying asset for the lease term and operating lease liabilities represent obligations to make lease payments arising from the lease. Operating lease right-of-use assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. When discount rates implicit in leases cannot be readily determined, the Organization uses the applicable incremental borrowing rate at lease commencement to perform lease classification tests and to measure lease liabilities and right-of-use assets. Lease expense for operating leases is recognized on a straight-line basis over the lease term. Certain options renewal periods were not included in the determination of the lease liability and right-of-use asset if management determined it was not reasonably certain that the lease would be extended.

The Organization has agreements with lease and non-lease components, such as common area maintenance, and has elected to account for the lease and non-lease components as separate components. The Organization has elected not to recognize right-of-use assets and lease liabilities for leases of terms less than 12 months.

Mosaic Community Health Notes to Financial Statements

Pharmacy and 340B revenue – The Organization participates in the 340B Drug Discount Program which enables qualifying health care providers to purchase drugs from pharmaceutical suppliers at a substantial discount. The 340B Drug Discount Program is managed by the Health Resources and Services Administration (HRSA) Office of Pharmacy Affairs (OPA). The Organization earns revenue under this program by purchasing pharmaceuticals at a reduced cost to fill prescriptions to qualified patients. The Organization has a network of participating pharmacies that dispense the pharmaceuticals to its patients under contract arrangements with the Organization. The net pharmacy and 340B revenue from this program are used to furtherance of the Organization’s mission.

	2024	2023
Internal pharmacy receipts	\$ 18,251,294	\$ 11,966,557
Internal pharmacy cost of goods sold	(11,978,788)	(7,460,300)
Internal pharmacy other operating expenses	(493,333)	(661,559)
Internal pharmacy net revenue	5,779,173	3,844,698
Contract pharmacy receipts	5,671,323	5,153,373
Contract pharmacy drug replenishment costs	(1,776,943)	(1,325,314)
Contract pharmacy administrative and filing fees	(1,397,313)	(1,212,771)
Contract pharmacy net revenue	2,497,067	2,615,288
Net pharmacy revenue	\$ 8,276,240	\$ 6,459,986

Note 2 – Concentrations of Credit Risk

Financial instruments potentially subjecting the Organization to concentrations of credit risk consist primarily of cash and cash equivalents in excess of the Federal Deposit Insurance Corporation insurance thresholds, and equity investments in excess of the Securities Investor Protection Corporation insurance threshold. A significant portion of cash and cash equivalents is handled through a single banking institution, and management has not experienced any loss related to these balances in the past.

Investment securities are exposed to various risks, such as interest rate, market, and credit risk. It is at least reasonably possible, given the level of risk associated with investment securities, that changes in the near term could materially affect the amount reported in the financial statements. The risk associated with the investments is mitigated through diversification.

Federal grant revenue was approximately 7% and 12% of the Organization’s total revenue for the years ended June 30, 2024 and 2023, respectively.

Medicare revenue accounted for approximately 5% and 5% of the Organization’s total support, patient service, and other revenue for the years ended June 30, 2024 and 2023, respectively.

Medicaid revenue accounted for approximately 54% and 50% of the Organization’s total support, patient service, and other revenue for the years ended June 30, 2024 and 2023, respectively.

Mosaic Community Health Notes to Financial Statements

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.

Note 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 deposit, 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 years ended June 30, 2024 and 2023.

As of June 30, 2024 and 2023, the following table presents liquid financial assets held by the Organization that are readily available for general expenditures within 12 months:

	<u>2024</u>	<u>2023</u>
Financial assets available at period end		
Cash and cash equivalents	\$ 13,505,116	\$ 22,497,989
Investments	29,616,422	4,501,392
Accounts receivable, net	3,072,472	4,408,257
Pharmacy receivable, net	2,036,669	1,614,788
Grant and other contributions receivable	<u>654,169</u>	<u>799,722</u>
Total financial assets available at period end	48,884,848	33,822,148
Less financial assets not available for general expenditure		
Net assets with donor restrictions	<u>(818,941)</u>	<u>(698,553)</u>
Total financial assets available to be used within 12 months and for general expenditure	<u><u>\$ 48,065,907</u></u>	<u><u>\$ 33,123,595</u></u>

Mosaic Community Health Notes to Financial Statements

Line of credit – In addition to the financial assets available above, the Organization has an unused \$1,500,000 revolving line of credit as of June 30, 2024 (the Agreement), with a bank that matures December 31, 2024. Interest is payable monthly based on a variable rate index of prime plus 1.00% (9.50% and 9.25% at June 30, 2024 and 2023, respectively). Collateral is provided by substantially all assets of the Organization. The Agreement requires the Organization to maintain specified reporting requirements and financial covenants which are measured periodically. The reporting requirements include submitting annual audited financial statements to the lender within 180 days of year end and quarterly financial statements within 45 days after the end of each fiscal quarter.

Note 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.

Mosaic Community Health Notes to Financial Statements

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, 2024 and 2023:

	June 30, 2024			
	Level 1	Level 2	Level 3	Total
Exchange traded equities	\$ 1,017,197	\$ -	\$ -	\$ 1,017,197
Mutual Funds	216,649	-	-	216,649
U.S. Treasury notes	28,382,576	-	-	28,382,576
Certificates of deposit	-	-	-	-
	<u>\$ 29,616,422</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,616,422</u>
	June 30, 2023			
	Level 1	Level 2	Level 3	Total
Exchange traded equities	\$ 650,466	\$ -	\$ -	\$ 650,466
Mutual Funds	-	-	-	-
U.S. Treasury notes	350,926	-	-	350,926
Certificates of deposit	-	3,500,000	-	3,500,000
	<u>\$ 1,001,392</u>	<u>\$ 3,500,000</u>	<u>\$ -</u>	<u>\$ 4,501,392</u>

Note 5 – 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 with a discount rate ranging from 3.25 – 3.50% depending upon the estimated borrowing rate at the time of donation to the Organization. The promises to give expire beginning December 2024 through June 2028.

Mosaic Community Health Notes to Financial Statements

As of June 30, 2024 and 2023, the amount due to the Organization consisted of the following:

	2024	2023
Due in less than one year	\$ 244,200	\$ 263,032
Due in more than one year and less than five years	133,320	260,820
Promise to give before discount	377,520	523,852
Discount to present value	(71,758)	(255,183)
Total promises to give	\$ 305,762	\$ 268,669
Promises to give, short-term	\$ 208,489	\$ 186,112
Promises to give, long-term, discounted	97,273	82,557
Total promises to give	\$ 305,762	\$ 268,669

Lease expense related to promises to give lease arrangements within the financial statements totaled \$447,136 and \$403,346 for the years ended June 30, 2024 and 2023, respectively.

Note 6 – Right-of-Use and Lease Liability – Facilities

The Organization leases real property at 14 locations to conduct operating activities under noncancelable and cancelable operating lease agreements. Non-cancelable leases generally contain initial terms of 1 – 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 5 for additional information on in-kind leases.

Right-of-use assets are reported at present value using an 8.50% and 8.25% annual interest rate consistent with prevailing market rates available to the Organization for the years ended June 30, 2024 and 2023, respectively.

Mosaic Community Health Notes to Financial Statements

As of June 30, 2024, future minimum rental payments required under these lease agreements for each subsequent period, respectively, are as follows:

	Cash lease	In-kind lease (Note 6)	Total cash and in-kind leases
2025	\$ 764,247	\$ 244,200	\$ 1,008,447
2026	572,011	54,744	626,755
2027	259,746	39,288	299,034
2028	6,389	39,288	45,677
Total	\$ 1,602,393	\$ 377,520	\$ 1,979,913
Total cash lease payments			\$ 1,602,393
Present value discount			(156,425)
Right of use – facilities			\$ 1,445,968

Weighted-average remaining lease term in years for operating leases 3.34

Rental expenses, including common area maintenance, under all operating leases reported in occupancy in the accompanying statements of functional expenses totaled \$1,281,572 and \$1,346,039 for the years ended June 30, 2024 and 2023, respectively.

Note 7 – Property and Equipment

As of June 30, 2024 and 2023, property and equipment consisted of the following:

	2024	2023
Buildings and improvements (39–50 years)	\$ 17,745,688	\$ 17,460,708
Land	575,000	575,000
Computer hardware and software (3–6 years)	4,102,485	3,935,833
Leasehold improvements (3–7 years)	3,079,216	2,039,526
Medical and dental equipment (5–7 years)	3,257,587	2,499,213
Furniture and equipment (3–7 years)	1,697,632	1,256,639
Automobiles (5 years)	367,545	367,545
Construction in progress	858,023	1,480,103
Total property and equipment	31,683,176	29,614,567
Accumulated depreciation	(10,322,105)	(8,358,600)
Property and equipment, net	\$ 21,361,071	\$ 21,255,967

Depreciation expense for the years ended June 30, 2024 and 2023, was \$1,963,503 and \$1,593,522, respectively. 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

Note 8 – Net Assets

As of June 30, 2024 and 2023, net assets consisted of the following:

	2024	2023
Without donor restrictions		
Investment in property and equipment	\$ 21,361,071	\$ 21,255,967
Available for general activities	44,492,492	28,911,954
Total without donor restrictions	65,853,563	50,167,921
With donor restrictions		
Promises to give – use of facilities	305,762	268,669
Various other donations and programs	513,179	429,884
Total with donor restrictions	818,941	698,553
Total net assets	\$ 66,672,504	\$ 50,866,474

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes. Net assets with donor restrictions at June 30, 2024, are expected to be released by June 30, 2025.

Note 9 – 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 which started 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, 2024, future minimum rent income anticipated to be received under the lease with Crook County for each subsequent period, respectively, is as follows:

2025	\$ 81,528
2026	81,528
2027	40,764
Total	\$ 203,820

Mosaic Community Health

Notes to Financial Statements

Note 10 – 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 its grant funding under Section 330 of the Public Health Service Act (Section 330). 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.

Note 11 – 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, 2024, the Organization matched up to 4% 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 \$1,231,631 and \$1,126,380 for the years ended June 30, 2024 and 2023, respectively. The Organization also provides a Section 125 cafeteria plan for unreimbursed medical and dependent care expenses.

Note 12 – 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 years ended June 30, 2024 and 2023, the Organization did not monetize any gifts-in-kind.

Mosaic Community Health Notes to Financial Statements

Gifts-in-kind for the fiscal years ended June 30, 2024 and 2023, included in revenue in the financial statements, were as follows:

	2024	2023
COVID Home Tests	\$ 118,125	\$ 803,494
COVID Vaccines	3,800	-
Madras Equipment	13,000	-
OHA Saves Lives Medications	5,843	-
Sisters SBHC Equipment	7,460	-
Use of Facilities	484,229	351,997
Total	\$ 632,457	\$ 1,155,491

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

Note 13 – Commitments and Contingencies

Industry regulations – The health care industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditations, government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Government activity continues with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs, together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Organization is in compliance with laws and regulations regarding the prevention of Medicare and Medicaid fraud and abuse, as well as other applicable government laws and regulations.

Litigation – Legal matters to which the Organization may be named may be administered and/or litigated and paid by the federal government under the FTCA. These legal matters would primarily relate to tort claims and contract disputes. In the opinion of management, the ultimate settlement of litigation, claims, and disputes in process will not be material to the financial position of the Organization.

Health care reform – As a result of enacted federal and state health care reform legislation, substantial changes are occurring in the United States health care system. Such legislation includes numerous provisions affecting the delivery of health care services, the financing of health care costs, reimbursement of health care providers, and the legal obligations of health insurers, providers, and employers. The Medicaid program in Oregon has seen a growth in members through expansion of those who are eligible for the program.

Mosaic Community Health Notes to Financial Statements

Construction commitments – The Organization has the following construction commitment as of June 30, 2024:

<u>Project</u>	<u>Contract Execution Date</u>	<u>Contracted Amount</u>	<u>Balance at June 30, 2024</u>
Conner 2 Build	6/6/2024	<u>\$ 139,023</u>	<u>\$ 139,023</u>

Note 14 – Subsequent Events

Management evaluates events and transactions that occur after the statement of financial position date but before the financial statements are available to be issued as potential subsequent events. The Organization recognized in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position including estimates inherent in the process of preparing financial statements. The Organization's financial statements do not recognize subsequent events that provide additional evidence about conditions that did not exist at the date of the statement of financial position but arose after the statement of financial position date before the financial statements were available to be issued. Management has performed this evaluation through November 27, 2024, which is the date the financial statements were available to be issued.

Supplementary Information

**Mosaic Community Health
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2024**

Federal Grantor/Program Title	Federal Assistance Listing Number	Program or Grant Amount	Period of Performance	Federal Expenditures
U.S. Department of Health and Human Services				
Health Resources and Services Administration				
Direct Programs:				
Health Center Program	93.224	409,483	6/1/23-5/31/24	375,359
Health Center Program	93.224	4,854,008	6/1/24-5/31/25	404,500
Health Center Program-Sisters SBHC	93.224	350,000	9/1/23-8/31/24	302,228
Health Center Program-CADRE	93.224	954,386	9/1/20-8/31/23	-
93.224 Health Center Program Total		6,567,877		1,082,087
Grants for New and Expanded Services				
Under the Health Center Program	93.527	4,444,525	6/1/23-5/31/24	4,074,149
Grants for New and Expanded Services				
Under the Health Center Program	93.527	42,420	6/1/24-5/31/25	-
Grants for New and Expanded Services				
Under the Health Center Program	93.527	189,600	6/1/20-5/31/24	167,690
93.527 Grants for New and Expanded Services				
Under Health Center Program Total		4,676,545		4,241,839
Total Health Center Program Cluster		11,244,422		5,323,926
Direct Programs:				
Grants for Capital Development in Health Centers	93.526	749,260	9/15/21-9/14/24	155,433
Total Expenditures of Federal Awards		<u>\$ 11,993,682</u>		<u>\$ 5,479,359</u>

See notes to the schedule of expenditures of federal awards

Mosaic Community Health

Notes to Schedule of Expenditures of Federal Awards

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the Mosaic Community Health (Mosaic, or 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). Because the Schedule only presents only a selected portion of the operations of Mosaic, it is not intended to and does not present the financial position, changes in net assets, functional expenses, or cash flows for Mosaic.

Note 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.

Note 3 – 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, there were no indirect costs charged to the federal award programs for the year ended June 30, 2024.

Note 4 – Subrecipients

No federal award payments were made to subrecipients for the year ended June 30, 2024.

Report of Independent Auditors 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*

The Board of Directors
Mosaic Community Health

We 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 (Mosaic), which comprise the statement of financial position as of June 30, 2024, 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 November 27, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Mosaic'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 our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Mosaic's internal control. Accordingly, we do not express an opinion on the effectiveness of Mosaic'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.

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 were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mosaic'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 the entity'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's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Portland, Oregon
November 27, 2024

Report of Independent Auditors on Compliance for the Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

The Board of Directors
Mosaic Community Health

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Mosaic Community Health's compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget Compliance Supplement that could have a direct and material effect on Mosaic Community Health's major federal program for the year ended June 30, 2024. Mosaic Community Health's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Mosaic Community Health complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2024.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

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 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 its 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 Mosaic Community 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 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.

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

Report on Internal Control Over Compliance

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

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

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

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

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

Portland, Oregon
November 27, 2024

**Mosaic Community Health
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2024**

Section I – Summary of Auditor’s Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes No

Identification of major federal programs:	Name of Federal Program or Cluster
ALN Number(s)	
93.224 & 93.527	Health Center Program Cluster

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low risk auditee? Yes No

Section II – Financial Statement Findings

None reported.

Section III – Federal Award Findings and Questioned Costs

None reported.

