Community Health Partners, Inc.

Livingston, Montana

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION WITH INDEPENDENT AUDITORS' REPORT

April 30, 2024, and June 30, 2023

KCOE ISOM

Community Health Partners, Inc.
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Community Health Partners, Inc.
Livingston, Montana

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of Community Health Partners, Inc., a nonprofit health care entity (the Clinic), which comprise the statements of financial position as of April 30, 2024, and June 30, 2023; the related statements of activities, functional expenses, and cash flows for the period July 1, 2023, through April 30, 2024, and year ended June 30, 2023; and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Clinic as of April 30, 2024, and June 30, 2023, and the changes in its net assets and its cash flows for the period and year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis for Opinion

We conducted our 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Community Health Partners, Inc. and to meet our other ethical responsibilities, in accordance with the 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 audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditors' 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 auditors' 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 the Clinic'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 the Clinic'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 accompanying schedule of expenditures of federal awards, as required by Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2024, on our consideration of the Clinic's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Clinic's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Clinic's internal control over financial reporting and compliance.

KCoe Isom, LLP

December 4, 2024
Great Falls, Montana

FINANCIAL SECTION

Community Health Partners, Inc.

STATEMENTS OF FINANCIAL POSITION

April 30 and June 30	2024	2023
ASSETS		
Current Assets		
Cash and cash equivalents	$ 1,654,709	$ 1,120,027
Certificates of deposit	1,197,161	3,014,910
Patient accounts receivable - net	751,334	473,573
Pharmacy accounts receivable	203,265	195,229
Employee retention credit receivable	2,281,251	-
Other receivables	112,684	152,654
Grants receivable	126,164	141,944
Interest receivable	22,085	19,990
Current portion of pledges receivable	26,000	22,333
Inventory	296,170	302,063
Prepaid expenses	104,882	71,063
Total Current Assets	6,775,705	5,513,786
Property and Equipment		
Land	320,000	320,000
Buildings	3,990,758	3,984,381
Office equipment	881,644	889,727
Medical equipment	716,072	824,639
Subtotals	5,908,474	6,018,747
Accumulated depreciation	(1,971,988)	(1,799,987)
Total Property and Equipment	3,936,486	4,218,760
Other Assets		
Certificates of deposit	51,700	51,700
Pledges receivable - net of current portion and discount	36,089	72,941
Long-term notes receivable and accrued interest	4,409,163	4,308,775
Computer software - net of accumulated amortization	421,513	611,113
Total Other Assets	4,918,465	5,044,529
TOTAL ASSETS	$ 15,630,656	$ 14,777,075

The accompanying notes are an integral part of these financial statements.

Community Health Partners, Inc.

STATEMENTS OF FINANCIAL POSITION
(Continued)

April 30 and June 30	2024	2023
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	$ 553,663	$ 183,697
Accrued compensated absences	263,081	188,280
Accrued wages and payroll liabilities	466,382	198,702
Interest payable	1,519	1,535
Refundable grant advances	13,334	172,360
Current portion of long-term debt	25,195	44,571
Total Current Liabilities	1,323,174	789,145
Long-Term Liabilities		
Long-term debt - less current maturities	1,775,944	1,861,404
Closing costs - net of accumulated amortization	(13,916)	(15,267)
Total Long-Term Liabilities	1,762,028	1,846,137
Total Liabilities	3,085,202	2,635,282
Net Assets		
Without donor restrictions:		
Board designated	1,492,320	1,543,012
Undesignated	11,025,336	10,548,088
With donor restrictions:		
Time or purpose restrictions	27,798	50,693
Total Net Assets	12,545,454	12,141,793
TOTAL LIABILITIES AND NET ASSETS	$ 15,630,656	$ 14,777,075

The accompanying notes are an integral part of these financial statements.

Community Health Partners, Inc.

STATEMENTS OF ACTIVITIES

Period Ended April 30 and Year Ended June 30	2024	2023
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Revenue		
Gross patient services	$ 6,699,587	$ 8,969,273
Contractual adjustments	(538,488)	(947,748)
Provision for bad debt	(500,688)	(414,340)
Sliding fee discounts	(753,715)	(818,874)
Net Patient Services	4,906,696	6,788,311
Pharmacy revenue	3,027,308	2,759,651
Cost of goods sold	(1,402,861)	(1,119,601)
Net Pharmacy Revenue	1,624,447	1,640,050
Grant revenue	3,609,599	6,190,753
Contribution revenue	228,230	431,913
In-kind contributions	48,130	293,127
Other revenue	2,309,240	15,862
Net assets released from restriction	50,693	-
Total Revenue	12,777,035	15,360,016
Expenses		
Program services	9,094,503	11,270,038
Management and general	3,302,635	3,693,230
Fundraising	109,841	167,272
Total Expenses	12,506,979	15,130,540
Operating Income	270,056	229,476
Other Income (Expense)		
Interest expense	(73,046)	(71,239)
Loss on disposal of assets	-	(12,378)
Investment income - net	229,546	198,784
Total Other Income (Expense)	156,500	115,167
NET CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	426,556	344,643
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Grant revenue	27,798	50,693
Net assets released from restriction	(50,693)	-
NET CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	(22,895)	50,693
Change in Net Assets	403,661	395,336
Net Assets - Beginning of Year	12,141,793	11,746,457
Net Assets - End of Year	$ 12,545,454	$ 12,141,793

The accompanying notes are an integral part of these financial statements.

Community Health Partners, Inc.

STATEMENTS OF FUNCTIONAL EXPENSES

Period Ended April 30, 2024	Program Services	Management and General	Fundraising	Total
Salaries and wages	$ 5,644,610	$ 1,651,462	$ 11,261	$ 7,307,333
Advertising	-	-	13,030	13,030
Amortization	91,357	98,243	-	189,600
Contract services	852,933	102,612	-	955,545
Depreciation	227,909	66,911	-	294,820
Employee benefits	739,561	307,078	862	1,047,501
Insurance	-	9,156	-	9,156
Information technology	213,712	152,031	-	365,743
Medical supplies	290,083	-	-	290,083
Occupancy	297,352	164,982	-	462,334
Office expenses	38,575	25,103	-	63,678
Other expenses	52,258	367,424	40,000	459,682
Payroll taxes	492,482	125,005	870	618,357
Professional fees	6,973	180,905	43,368	231,246
Retirement plan	138,298	43,242	450	181,990
Travel and training	8,400	8,481	-	16,881
Total	$ 9,094,503	$ 3,302,635	$ 109,841	$ 12,506,979

The accompanying notes are an integral part of these financial statements.

Community Health Partners, Inc.

STATEMENTS OF FUNCTIONAL EXPENSES
(Continued)

Year Ended June 30, 2023	Program Services	Management and General	Fundraising	Total
Salaries and wages	$ 6,905,507	$ 2,007,172	$ 30,124	$ 8,942,803
Advertising	-	-	17,635	17,635
Amortization	39,171	89,308	-	128,479
Contract services	1,042,380	554,954	-	1,597,334
Depreciation	311,942	66,738	-	378,680
Employee benefits	741,421	322,419	2,843	1,066,683
Insurance	-	11,742	-	11,742
Information technology	66,929	94,854	-	161,783
Medical supplies	661,141	-	-	661,141
Occupancy	529,011	114,879	-	643,890
Office expenses	99,262	43,943	-	143,205
Other expenses	46,860	86,574	61,167	194,601
Payroll taxes	597,786	170,486	2,434	770,706
Professional fees	44,691	56,586	52,000	153,277
Retirement plan	160,916	53,040	1,069	215,025
Travel and training	23,021	20,535	-	43,556
Total	$ 11,270,038	$ 3,693,230	$ 167,272	$ 15,130,540

The accompanying notes are an integral part of these financial statements.

Community Health Partners, Inc.

STATEMENTS OF CASH FLOWS

Period Ended April 30 and Year Ended June 30	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 403,661	$ 395,336
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	485,771	508,105
Provision for bad debts	500,688	414,340
Loss on disposal of assets	-	12,378
Interest income earned on certificates of deposit	(108,745)	(76,645)
Changes in:		
Patient accounts receivable - net	(778,449)	(383,538)
Pharmacy accounts receivable	(8,036)	(35,047)
Grants receivable	15,780	(116,995)
Employee retention credit receivable	(2,281,251)	-
Interest and other receivables	(82,926)	(285,096)
Pledges receivable	33,185	60,313
Inventory	5,893	(174,558)
Prepaid expenses	(33,819)	1,667
Deposits	-	5,000
Accounts and interest payable	369,950	(20,964)
Payroll liabilities	342,481	(13,789)
Refundable grant advance	(159,026)	(24,068)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(1,294,843)	266,439
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of certificates of deposit	2,446,917	2,802,000
Purchases of certificates of deposit	(500,010)	(2,261,920)
Proceeds from the sale of property and equipment	-	52,000
Purchases of property, equipment, and computer software	(12,546)	(2,369,382)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	1,934,361	(1,777,302)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of closing costs	-	(16,213)
Proceeds from note payable	-	1,280,000
Payments on long-term debt	(104,836)	(32,087)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(104,836)	1,231,700
Net Change in Cash and Cash Equivalents	534,682	(279,163)
Cash and Cash Equivalents - Beginning of Year	1,120,027	1,399,190
Cash and Cash Equivalents - End of Year	$ 1,654,709	$ 1,120,027

The accompanying notes are an integral part of these financial statements.

Community Health Partners, Inc.

STATEMENTS OF CASH FLOWS
(Continued)

Period Ended April 30 and Year Ended June 30	2024	2023
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	$ 71,711	$ 69,342

The accompanying notes are an integral part of these financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities Community Health Partners, Inc. (the Clinic) is a nonprofit federally qualified health center under Section 330 of the Public Health Service (PHS) Act. The Clinic is governed by a Board of Directors (the Board). The day-to-day operations of the Clinic are administered by the Chief Executive Officer who serves at the pleasure of the Board. Revenues are received from Medicare, Medicaid, private insurance carriers, individuals, private grants, and government grants. The Clinic provides initial primary health services for all residents of Livingston, Bozeman, Belgrade, West Yellowstone, and the surrounding areas. Primary services include:

- Services of physicians, physician assistants, nurse clinicians, dentists, hygienists, mental health therapists, and pharmacists
- Diagnostic laboratory
- Preventative and emergency dental services
- Pharmaceutical services
- Behavioral health services

The Clinic also has a program, Learning Partners, that integrates educational programs with medical, dental, and behavioral health services; empowering individuals and families to become healthy, self-reliant, life-long learners.

Basis of Accounting 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 (GAAP), as codified by the Financial Accounting Standards Board (FASB).

In accordance with GAAP, the Clinic reports information regarding its financial position and activities according to two classes of net assets:

Net Assets Without Donor Restrictions: Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions: Net assets that are subject to donor or certain grantor-imposed stipulations. Some donor or grant restrictions are temporary in nature such as those that will be met by the passage of time or other events specified by the donor or grantor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled or both.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Income on investments earned and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

Support and revenue that are restricted by the donor are reported as net assets without donor restrictions if the restrictions are met in the same year in which the support and revenue are received.

Implementation of New Accounting Standards On July 1, 2023, the Clinic adopted FASB Accounting Standards Update 2016-13, *Financial Instruments – Credit Losses*, and all related subsequent amendments. This guidance significantly changed how the Clinic will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing the Clinic's exposure to credit risk and the measurement of credit losses. Financial assets held by the Clinic that are subject to this guidance were trade accounts receivable.

The Clinic adopted the standard effective July 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in new or enhanced disclosures only.

The Clinic adopted the standard using a modified retrospective method for all financial assets measured at amortized cost and off-balance-sheet credit exposures. Results for reporting periods beginning after July 1, 2023, are presented under the standard while prior-period amounts continue to be reported in accordance with previously applicable GAAP.

Use of Estimates The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents For purposes of the statement of cash flows, the Clinic considers all highly liquid investments purchased with a maturity of three months or less to be cash and cash equivalents.

Concentration of Credit Risk The Clinic maintains its cash, cash equivalents, and certificates of deposit at various financial institutions. The Clinic's cash and cash equivalents and certificates of deposits are insured, up to $250,000 at each institution by the Federal Deposit Insurance Corporation (FDIC). From time to time, certain bank accounts that are subject to FDIC coverage may exceed their insured limits.

Pharmacy Receivables At April 30, 2024, and June 30, 2023, the Clinic had $203,265 and $195,229, respectively, of pharmacy accounts receivable. This amount includes retail pharmacy receivables, as well as receivables due from the Clinic's contract pharmacies. These amounts are considered fully collectible and no allowance for doubtful accounts has been recorded.

Fair Value Investments GAAP includes standards addressing fair value measurements. Fair value is defined as the exchange price that would be received for an asset, or paid to transfer a liability, in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value maximize the use of observable inputs and minimize the use of unobservable inputs, using the market value approach.

GAAP established a fair value hierarchy, which prioritizes the valuation inputs into three broad levels:

Level 1: Quoted market prices available through public exchange venues for identical assets or liabilities.

Level 2: Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Unobservable inputs for the asset or liability due to little or no market activity at the measurement date.

Trade Accounts Receivable, Allowance for Credit Losses and Credit Policies Trade accounts receivable are stated at face amount. The Clinic maintains allowances for credit losses for estimated losses resulting from the inability of its patients to make required payments. Management considers the following factors when determining the collectability of specific customer accounts: creditworthiness, past transaction history, current economic industry trends, forecast of future events and the resident's ability to pay. Past due balances of 365 days and other higher risk amounts are reviewed individually for collectability. If the financial condition of the Clinic's patients were to deteriorate, adversely affecting their ability to make payments, additional allowances would be required. Based on management's assessment, the Clinic provides for estimated uncollectible amounts through a credit to a valuation allowance. Balances that remain outstanding after the Clinic has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

Accounts receivable are uncollateralized patient obligations due under normal trade terms requiring payment within 30 days from the invoice date. However, the Clinic has a variety of credit relationships with its patients and different trade terms are not uncommon. Payments of accounts receivable are allocated to the specific invoices identified on the patient's remittance advice showing dates of service. The Clinic does not charge interest on outstanding accounts receivable. The Clinic has tracked historical loss information for its trade receivables and compiled historical credit loss percentages for different aging categories (current, 1–30 days past due, 31–60 days past due, 61–90 days past due, and more than 90 days past due).

Management believes that the historical loss information it has compiled is a reasonable base on which to determine expected credit losses for trade receivables held at April 30, 2024, because the composition of the trade receivables at that date is consistent with that used in developing the historical credit-loss percentages (i.e., the similar risk characteristics of its customers and its lending practices have not changed significantly over time). Management has determined that the current and reasonable and supportable forecasted economic conditions are similar to the economic conditions included in the historical information.

Inventory Pharmacy inventory is stated at the higher of the last cost paid or current replacement cost, which is a methodology other than GAAP. Management does not believe there is a material difference in the methods used to value pharmaceuticals. Inventory is sold on the first-in first-out method.

Property, Equipment, and Intangible Assets Property, equipment and intangible assets are stated at cost. All expenditures for equipment and intangible assets over $5,000 are capitalized. If actual cost cannot be determined, estimated historical cost is used. Donated property is recorded at its estimated fair value at the date of receipt. Depreciation and amortization are computed on the straight-line method based on the following estimated useful lives:

Buildings	10–40 years
Office and medical equipment	3–10 years
Computer software	3–8 years

Pledges Receivable Unconditional promises to give (pledges receivable) are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Unconditional promises to give that will be collected beyond one year are reported at the present value of the anticipated cash flows using the discount rate established at the date of the pledge.

Performance Indicator The statement of activities includes change in net assets without donor restrictions as a performance indicator. Changes in net assets without donor restrictions which are excluded from operating income, consistent with industry practice, include interest expense, realized and unrealized gains (losses) on investments, and investment income.

Contribution Revenue Contributions are recognized when cash, or other assets, an unconditional promise to give, or notification of beneficial interest is received. A portion of the Clinic's revenue is derived from cost-reimbursable contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts are recognized as revenue when the Clinic has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable grant advances in the statement of financial position. As of April 30, 2024, and June 30, 2023, the Clinic had $13,334 and $172,360 in refundable grant advances, respectively.

Charity Care The Clinic does not provide or recognize charity care. Reduction and fee write-offs are included in the Sliding Fee Discount Program compliant with the 330 grant program. Write-offs for patients who are unable to pay are charged to bad debt expense.

Net Fees and Contracts Net fee and contract revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered. However, net fee and contract revenue includes variable consideration for revenue adjustments due to settlement of audits, reviews, and investigations. Generally, the Clinic bills patients and third-party payors within the month the services are performed. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the Clinic. All fee and contract revenues relate to performance obligations satisfied at a point in time and are recognized when services are provided, as the Clinic does not believe it is required to provide additional goods or services to the patient.

Because all of its performance obligations relate to contracts with a duration of less than one year, the Clinic has elected to apply the optional exemption provided in FASB Accounting Standards Codification 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 unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to patient care services at the end of the reporting period. The performance obligations for these contracts are generally completed when the patients are discharged, which generally occurs the same day the service is provided.

The Clinic determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Clinic's policy and/or implicit price concessions provided to uninsured patients. The Clinic determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policy(ies), and historical experience. The Clinic determines its estimate of implicit price concessions based on its historical collection experience with this class of patients.

Agreements with third-party payors provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payors follows:

Medicare and Medicaid: Reimbursements for Medicare services are paid based on costs for services . These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Other services rendered to Medicare/Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology.

Other: Payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations are paid on a fee-for-service basis based on payment agreements.

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. As a result of investigations by governmental agencies, various healthcare organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation, as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge the Clinic's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon the Clinic. In addition, the contracts the Clinic has with commercial payors also provide for retroactive audit and review of claims.

Settlements with third-party payors for retroactive revenue adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care.

These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and the Clinic's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved.

Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations. Adjustments arising from a change in the transaction price, were not significant in 2024 or 2023.

The nature, amount, timing and uncertainty of revenue and cash flows are affected by several factors that the Clinic considers in its recognition of revenue. Following are some of the factors considered:

- Payors (for example, Medicare, Medicaid, managed care or other insurance, resident/patient) have different reimbursement/payment methodologies
- Length of the patient's service/episode of care
- Geography of the service location
- Organization's line of business that provided the service (medical, dental, behavioral health, pharmacy)

For the period ended April 30, 2024, and year ended June 30, 2023, the Clinic recognized net revenue of $6,531,143 and $8,428,361, respectively, at the time the services were provided.

The mix of accounts receivable and revenue from patients and third-party payors follows:

April 30 and June 30	**2024**	**2023**
Accounts Receivable		
Medicaid	12%	25%
Medicare	21%	13%
Private and other	67%	62%
Revenue		
Medicaid	51%	59%
Medicare	10%	10%
Private and other	38%	31%

Functional Allocation of Expenses The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. All expenses are allocated on a percentage basis as determined by management.

Advertising Expense Advertising costs are expensed as incurred. Total advertising cost expensed for the period ended April 30, 2024, and year ended June 30, 2023, was $13,030 and $17,635, respectively.

Income Taxes The Clinic is exempt from federal income taxes under Section 501(c)(3) of the *Internal Revenue Code* (IRC).

Loan Closing Costs Closing costs are amortized over the life of the loan using the straight-line method and presented as a reduction of the carrying amount of the debt rather than an asset. Amortization of closing costs are classified as a component of interest expense.

Reclassifications Certain amounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements. These reclassifications do not affect prior-year changes in net assets and net assets as reported in the prior-year financial statements.

Evaluation of Subsequent Events The Clinic has evaluated subsequent events through December 4, 2024, the date the financial statements were available to be issued.

2. LIQUIDITY AND AVAILABILITY

The Clinic's financial assets available within one year of the statement of financial position for general expenditures are as follows:

April 30 and June 30	2024	2023
Financial assets at year-end:		
Cash and cash equivalents	$ 1,654,709	$ 1,120,027
Receivables - net of allowance	1,215,532	983,390
Certificates of deposit	1,248,861	3,066,610
Total Financial Assets	4,119,102	5,170,027
Less amounts not available to be used within one year:		
Certificates of deposit with loan restrictions	51,700	51,700
Net assets with donor restrictions	27,798	50,693
Board-designated net assets	1,492,320	1,543,012
Subtotals	1,571,818	1,645,405
Financial Assets Available to Meet General Expenditures Over the Next 12 Months	$ 2,547,284	$ 3,524,622

Receivables, net of allowance, do not include the Employee Retention Credit (ERC) receivable (see note 12).

As of April 30, 2024, and June 30, 2023, the Clinic had working capital of $5,477,532 and $4,749,808, respectively, and 48 and 27 days cash on hand, respectively.

The Clinic's annual operating budget anticipates receiving funds throughout the year from the following sources, typically allowing them to operate with a positive cash flow position:

- Net service revenues supported 39% and 45% of costs for routine operations for the period ended April 30, 2024, and year ended June 30, 2023, respectively.

- Grants from federal, state, and other sources contributed 40% and 55% of total expense directly related to program expenses for the period ended April 30, 2024, and year ended June 30, 2023, respectively.

The Clinic has been successful in receiving additional grant awards as opportunities arise and will continue to apply for appropriate funding. Additionally, the Clinic had $1,492,320 and $1,543,012 in a board-designated operating reserve as of April 30, 2024, and June 30, 2023, respectively. Although the Clinic doesn't intend to spend from its board designated operating reserve, amounts could be made available, if necessary.

3. CERTIFICATES OF DEPOSIT

Certificates of deposit are valued at fair market value as discussed in note 1. Fair market value as of April 30, 2024, was $1,248,861–consisting of $1,197,161 current certificates of deposit and $51,700 noncurrent certificates of deposit. Fair market value as of June 30, 2023, was $3,066,610–consisting of $3,014,910 current certificates of deposit and $51,700 noncurrent certificates of deposit. Certificates of deposit are a level 2 investment.

4. LONG-TERM NOTE RECEIVABLE

During 2021, the Clinic entered into an agreement with a developer for the purchase and construction of the Bozeman facility. The terms of this agreement state that the Clinic will lend the borrower $673,950 for the initial purchase of land for this development project and will continue to advance funds to the borrower for the remainder of the development of this facility project at an annual interest rate of 3%. Beginning in 2022, the Clinic began leasing the new building for $1 per year during the Low-Income Housing Tax Credit compliance period of 15 years under Section 42 of the IRC. This note receivable will mature 2 years after the completion of the 15-year tax credit compliance period, at which time, the Clinic will purchase the building for $1 plus the release of the note receivable and the accrued interest. The maturity of this note receivable is December 31, 2038. The outstanding balance on this note receivable at April 30, 2024, is $4,409,163, including principal of $4,071,307 and accrued interest of $337,856. The outstanding balance on this note receivable at June 30, 2023, is $4,308,775, including principal of $4,071,307 and accrued interest of $237,468.

5. PATIENT ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following:

April 30, 2024			June 30 2024		June 30 2023
Gross patient accounts receivable	$	978,318	$ 765,928	$	825,738
Less: Allowance for credit losses		(226,984)	(292,355)		(321,363)
Patient Accounts Receivable - Net	$	751,334	$ 473,573	$	504,375

Changes in the allowance for credit losses were as follows:

April 30, 2024			June 30 2024		June 30 2023
Beginning Balance	$	292,355	$ 321,363	$	304,682
Provision for credit losses		435,317	385,332		424,754
Write-offs		(500,688)	(414,340)		(408,073)
Ending Balance	$	226,984	$ 292,355	$	321,363

6. PLEDGES RECEIVABLE

Pledges receivable consisted of the following:

April 30 and June 30		2024		2023
Receivable in one year or less	$	26,000	$	22,333
Receivable in one year to five years		39,000		74,500
Subtotals		65,000		96,833
Discount at 4.65% and 4.13%, respectively		(2,911)		(1,559)
Subtotals		62,089		95,274
Less: Current portion		26,000		22,333
Pledges Receivable - Net of Current Portion	$	36,089	$	72,941

7. LONG-TERM DEBT

Notes payable consisted of the following:

April 30 and June 30	2024	2023
Note payable to First Interstate Bank, secured by building, payable in monthly principal installments of $8,421, interest accrues at 6.220%, and matures December 25, 2032.	$ 1,227,140	$ 1,268,587
Note payable to the U.S. Department of Agriculture in monthly installments of $4,327, including interest at 4.625%; due on June 25, 2042. Secured by the Livingston clinic building and the revenues, rents, profits, income, payments, contracts, accounts receivable, general intangibles, grant proceeds, and other revenue derived from the Livingston clinic building operations.	573,999	637,388
Total Notes Payable	1,801,139	1,905,975
Current portion	(25,195)	(44,571)
Total Long-Term Debt - Net of Current Portion	$ 1,775,944	$ 1,861,404

Aggregate maturities for the next five years and thereafter to be paid by One Health subsequent to the merger effective May 1, 2024 (see note 12). Maturities are as follows:

April 30	
2025	$ 25,195
2026	51,072
2027	53,743
2028	56,960
2029	60,166
Thereafter	1,554,003
Total	$ 1,801,139

Amortization of closing costs amounted to $1,351 and $946 for the period ended April 30, 2024, and year ended June 30, 2023, respectively.

8. BOARD-DESIGNATED OPERATING RESERVE

The Clinic has established a board-designated operating reserve for unanticipated expenses and other projects. The board-designated operating reserve was $1,492,320 and $1,543,012 for the period year ended April 30, 2024, and year ended June 30, 2023, respectively.

9. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are as follows:

April 30 and June 30	2024	2023
Restricted for Specific Purposes		
Interdisciplinary Research Leaders program	$ 14,856	$ 25,693
Enabling services	12,942	25,000
Total Restricted for Specific Purposes	$ 27,798	$ 50,693

There were $22,895 net assets released from restrictions during the period ended April 30, 2024, and $-0- net assets released from restrictions during the year ended June 30, 2023.

10. CONTRIBUTED NONFINANCIAL ASSETS

In-kind contributions included in the statements of activities include donations of vaccines from the State of Montana Department of Health and Human Services Immunization Program in the amount of $48,130 and $293,127 for the period ended April 30, 2024, and year ended June 30, 2023, respectively. Vaccines are valued using Centers for Disease Control vaccine values of identical products. The Clinic does not sell in-kind contributions and uses the vaccines in program activities.

11. RELATED-PARTY TRANSACTIONS

The Clinic had the following related-party transactions that have been approved by the Board:

The Chief Medical Informatics Officer of Bozeman Deaconess Hospital (BH) is a member of the Clinic's Board.

The Clinic had a services agreement with Sanford Health Network and Sanford Medical Center (collectively, Stanford), and BH, which is in effect from September 30, 2015, until BH's affiliation with Sanford is terminated where Sanford and BH implement, host, support, and maintain the Clinic's electronic medical record platform. BH provides electronic storage and retrieval of radiology images and data, and performs other ancillary services for the Clinic.

In November 2022, the Clinic entered into an electronic medical record access agreement with BH. This agreement terminated the previous services agreement.

A total of $208,455 and $250,941 was billed to the Clinic during the period ended April 30, 2024, and year ended June 30, 2023, respectively, by BH. As of April 30, 2024, and June 30, 2023, $21,189 and $20,619 was owed to BH, respectively.

12. RISKS AND UNCERTAINTIES

The Clinic is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters in the ordinary course of business. These risks are covered by commercial insurance purchased from independent third parties. The Clinic is covered under the PHS Act, which provides medical liability coverage under the Federal Tort Claims Act (FTCA) as part of the Health Resources and Services Administration grant.

The Clinic purchases additional gap insurance to insure against claims not covered under the FTCA insurance. Settled claims from these risks have not exceeded commercial coverage.

Management believes that none of the claims currently pending or threatened would have a significant impact on the financial condition of the Clinic and that insurance is sufficient to mitigate the risk to the Clinic; however, circumstances may change and management may change its position in the future.

During the period ended April 30, 2024, the Clinic retained the services of Stenson Tamaddon, LLC to assist in the application of an ERC claim for quarters ending March 31, June 30, and September 30, 2021, and filed amended Form 941-X for each applicable quarter. The Clinic paid a $3,000 retainer in October 2023. Additionally, the agreement with Stenson Tamaddon, LLC includes a fee of 12.5% of the credit received. In September 2023, the Internal Revenue Services (IRS) began a moratorium of the ERC claims and did not begin processing claims again until August 2024. The ERC receivable of $2,281,251 and amount payable to Stenson Tamaddon, LLC of $315,261 is included in the statement of financial position as of April 30, 2024. The IRS has not yet approved the Clinic's ERC claim as of the date of this report.

13. RETIREMENT PLAN

The Clinic sponsors a 403(b) retirement plan for its employees. Employees are eligible to participate in the Plan on the first day of employment provided they work 10 hours or more per week. Employees are eligible to receive employer contributions after the employee has completed one year of service with the Clinic. A year of service is defined as the earlier of six months of continuous service or 1,000 hours of service during the relevant eligibility computation period. Eligible employees can defer up to 100% of their eligible compensation into the Plan, up to the maximum allowed by the IRC. The Clinic matches the employee’s contribution dollar for dollar up to 3% of their gross wage, and the Clinic matches 50% of the employee’s contribution above 3% up to a maximum of a 4% match.

The contribution charged to expense for the period ended April 30, 2024, and year ended June 30, 2023, was $186,930 and $215,025, respectively.

14. LEASES

The Clinic accounts for all operating leases with a lease term greater than one year and/or a fair value greater than $5,000 at lease commencement as a liability with a corresponding right-of-use asset. As a result, the following lease is recognized as such:

Belgrade, Montana Lease: The Clinic entered into a six-year operating lease for an office in Belgrade, Montana, effective December 1, 2018. The lease required monthly payments of $4,220 through August 31, 2019. The monthly payments increased to $5,097 beginning September 1, 2019, through December 31, 2024. Rent expense under this lease agreement for the building for the fiscal year ended June 30, 2023, was $43,691. This lease was terminated on December 27, 2022, when the Clinic purchased the building.

The components of lease expense were as follows:

April 30 and June 30		**2024**		**2023**
Operating lease cost	$	-	$	43,691
Short-term lease cost	$	740	$	1,331

The weighted-average remaining lease term and weighted-average discount rates for operating leases are as follows:

April 30 and June 30	**2024**	**2023**
Weighted-average remaining lease terms in years for operating leases	-	-
Weighted-average discount rate for operating leases	0.00%	3.99%

The Clinic also rents office space under short-term leases with durations less than 12 months, and has elected to use the short-term lease exemption, which allows for the expense to be recognized on a straight-line basis over the lease terms.

West Yellowstone, Montana Lease: The Clinic entered into a one-year operating lease for an office in West Yellowstone, Montana, effective January 1, 2017. The agreement was renewed automatically for consecutive one-year terms ending December 31, 2021. The lease required annual payments of $1,200. A new one-year lease was executed through December 31, 2023, with one-year extensions for up to five years and requires annual payments of $1. Total rental expense under this agreement for this building for each of the period ended April 30, 2024, and year ended June 30, 2023, was $1 and $601, respectively.

15. COMMITMENTS AND CONTINGENCIES

The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not limited to matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and Medicaid fraud and abuse.

Recently, government activity has increased with regard to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government health care programs, as well as the imposition of significant fines and penalties and repayments for patient services previously billed.

16. SUBSEQUENT EVENTS

On May 1, 2024, the Clinic successfully completed its merger with Bighorn Valley Health Center, Inc., doing business as One Health, a nonprofit community health center. The merger was executed as planned and previously disclosed in the letter of intent dated November 2023. The combined entity has begun operating under the name One Health.

OTHER SUPPLEMENTARY INFORMATION

Community Health Partners, Inc.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Period Ended April 30, 2024

Federal Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing	Amount Awarded	Federal Expenditures	Passed Through to Subrecipients	Loan Balance at Beginning of Period
Grants					
U.S. Department of Health and Human Services					
Health Center Program:					
H80 CS 00736-23	93.224	$ 3,660,162	$ 91,067	$ -	$ -
H80 CS 00736-22	93.224	$ 3,660,162	2,959,068	-	-
Total AL #93.224 - U.S. Department of Health and Human Services			3,050,135	-	-
COVID-19 - Expanding COVID-19 Vaccination	93.527	$ 164,835	8,936	-	-
Total AL #93.527 - U.S. Department of Health and Human Services			8,936	-	-
Total Health Center Program Cluster			3,059,071	-	-
COVID-19 - Health Center Infrastructure Support	93.526	$ 629,162	12,219	-	-
Total AL #93.526 - U.S. Department of Health and Human Services			12,219	-	-
U.S. Department of Health and Human Services					
Passed Through State of Montana Department of Health and Human Services:					
PATHWAYS Grant	93.558	$ 104,122	54,442	-	-
Total AL #93.558 - Passed Through State of Montana Department of Health and Human Services			54,442	-	-
MIECHV Grant	93.870	$ 184,859	110,678	-	-
Total AL #93.870 - Passed Through State of Montana Department of Health and Human Services			110,678	-	-
Total U.S. Department of Health and Human Services			3,236,410	-	-
U.S. Department of Education					
Passed Through State of Montana Office of Public Instruction:					
ABLE Grant	84.002	$ 43,077	35,802	-	-
Total AL #84.002 - Passed Through State of Montana Office of Public Instruction			35,802	-	-
Total U.S. Department of Education			35,802	-	-
Loans and Loan Guarantees					
U.S. Department of Agriculture					
Community Facilities Loans and Grants	10.766	$ -	-	-	637,388
Total AL #10.766 - U.S. Department of Agriculture			-	-	637,388
Total U.S. Department of Education			-	-	637,388
TOTAL FEDERAL EXPENDITURES OF FEDERAL AWARDS			$ 3,272,212	$ -	$ 637,388

See the accompanying notes to theother supplementary information.

1. BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Community Health Partners, Inc. (the Clinic) and is presented on the accrual basis of accounting for the period July 1, 2023, through April 30, 2024. The information in this schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the general purpose financial statements.

2. COST PRINCIPLES

The accompanying schedule of expenditures of federal awards is presented using the cost principles from Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Subpart E Cost Principles*.

3. INDIRECT COST RATE

For the U.S. Department of Health and Human Services grants passed through the state of Montana, the Clinic has elected to use the 10% de minimus indirect cost rate from Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Subpart E Cost Principles.*

4. LOANS OUTSTANDING

The Clinic received a direct loan from the United States Department of Agriculture under Assistance Listing Number 10.766, Community Facilities Loans and Grants. The ending balance of the loan outstanding at April 30, 2024, with continuing compliance requirements was $573,999.

5. SUBSEQUENT EVENTS

On May 1, 2024, the Clinic successfully completed its merger with Bighorn Valley Health Center, Inc., doing business as One Health, a nonprofit community health center. The merger was executed as planned and previously disclosed in the letter of intent dated November 2023. The combined entity has begun operating under the name, One Health.

OTHER REPORTS SECTION

INDEPENDENT AUDITORS' 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
Community Health Partners, Inc.
Livingston, Montana

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 Community Health Partners, Inc., a nonprofit health care entity (the Clinic), which comprise the statement of financial position as of April 30, 2024; the related statements of activities, functional expenses, and cash flows for the period then ended; and the related notes to the financial statements, and have issued our report thereon dated December 4, 2024.

Report on Internal Control Over Financial Reporting

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

INDEPENDENT AUDITORS' 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*
(Continued)

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Clinic'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 determination of financial statement amounts. 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 the Clinic's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KCoe Isom, LLP

December 4, 2024
Great Falls, Montana

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

To the Board of Directors
Community Health Partners, Inc.
Livingston, Montana

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Community Health Partner, Inc.'s, a nonprofit health care entity (the Clinic) 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 the Clinic's major federal program for the period ended April 30, 2024. The Clinic's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Clinic 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 period ended April 30, 2024.

Basis for Opinion on Each Major Federal Program

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

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

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE
(Continued)

Auditors' 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 the Clinic'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 the Clinic's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Clinic'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 the Clinic'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 the Clinic'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.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE
(Continued)

Report on Internal Control Over Compliance

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items #2024-001, #2024-002, and #2024-003, to be significant deficiencies.

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. *Government Auditing Standard*s requires the auditor to perform limited procedures on the Clinic's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Clinic's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

KCoe Isom, LLP

December 4, 2024
Great Falls, Montana

FINDINGS AND QUESTIONED COSTS SECTION

SECTION I
SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
Noncompliance material to financial statements?	None

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	Yes
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of major programs:

AL No. 93.224 & 93.527	US Department of Health and Human Services Health Center Program Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	$ 750,000
Auditee qualified as low-risk auditee?	No

SECTION II
FINANCIAL STATEMENTS FINDINGS

None.

SECTION III
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

#2024-001 – Grant Program: Department of Health and Human Services Health Centers Cluster – Assistance Listing # 93.224/93.527

Condition: As a result of our audit procedures, we noted instances where no supporting eligibility application and income verification were maintained by Community Health Partners, Inc. (the Clinic) to support the sliding fee scale discount adjustment that the patient received.

Criteria: The sliding fee scale discount is based on patient income and demographic information.

Effect: Continued non-compliance could result in a loss of funding. Additionally, it could result in improper client billing and loss of revenue.

Context: The Clinic did not maintain an eligibility application and income verification for 3 out of 40 patients tested.

Cause: The Clinic had no form of secondary review in place, resulting in the errors in improper documentation not being detected and corrected in a timely manner.

Recommendation: We recommend a secondary review of the applications and system input to ensure the proper documentation is verified in the electronic health records to support the slide eligibility.

Management Response: See Corrective Action Plan.

SECTION III
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

#2024-002 – Grant Program: Department of Health and Human Services Health Centers Cluster – Assistance Listing # 93.224/93.527

Condition: As a result of our audit procedures over the UDS report, it was identified that the number of visits reported for physicians was overstated, while those for Nurse Practitioners (NPs) were understated. This discrepancy was due to a system error that incorrectly classified NPs as physicians.

Criteria: Accurate reporting of service utilization by specific provider types is crucial for compliance with Department of Health and Human Services guidelines.

Effect: Misclassification could lead to non-compliance with grant reporting requirements, potentially affecting the Clinic's funding and accuracy of statistical data used for healthcare planning and resource allocation.

Context: An analysis of visit data revealed that a system coding error led to incorrect provider type attribution where several NPs were recorded as physicians.

Cause: Review of the report detected the error but it was not corrected in the final submission.

Recommendation: We recommend an immediate review and correction of the errors noted in the accuracy report be completed prior to submission.

Management Response: See Corrective Action Plan.

SECTION III
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

#2024-003 – Grant Program: Department of Health and Human Services Health Centers Cluster – Assistance Listing # 93.224/93.527

Condition: As a result of our audit procedures, we noted an instance that payroll was processed without prior approval from the Chief Executive Officer (CEO) or Chief financial Officer (CFO), which is a violation of the Clinic's internal control policies.

Criteria: The Clinic's internal control policies require that all payroll transactions be approved by either the CEO or the CFO before processing to ensure accuracy and compliance with budgetary allocations.

Effect: The absence of proper approval could lead to unauthorized or erroneous payroll transactions, potentially resulting in financial misstatements and non-compliance with internal control requirements. This could also affect the Clinic's financial integrity and accountability.

Context: The approval for payroll processing was missing for one out of five payroll periods tested.

Cause: The established pre-approval process was inadvertently bypassed by the payroll department staff.

Recommendation: We recommend the implementation of a mandatory approval feature within the payroll system that requires sign-off by the CEO or CFO before payroll can be processed. Additionally, training should be provided to all payroll staff on the importance of adhering to internal control policies. Regular audits of payroll approvals should also be instituted to ensure compliance with the policy.

Management Response: See Corrective Action Plan.

#2023-001 – Account Reconciliation and Financial Statement Closing Process

Current Status: No exceptions noted during the current-period audit.

COMMUNITY HEALTH PARTNERS, INC
CORRECTIVE ACTION PLAN
PERIOD ENDING 4/30/2024

#2024-001 – Grant Program: Department of Health and Human Services Health Centers Cluster – Assistance Listing # 93.224/93.527

Corrective Action Plan: As of 5/1/2024, Community Health Partners merged with One Health, thus adopting the sliding fee scale policies and procedures. One Health employs Patient Financial Services Staff that support and review the sliding scale application process, in addition to front desk staff assisting with the initial application.

Anticipated Completion Date: 12/31/2024

Contact Person Responsible for Corrective Action: Emily Faricy – Associate Vice President Finance

#2024-002 – Grant Program: Department of Health and Human Services Health Centers Cluster – Assistance Listing # 93.224/93.527

Corrective Action Plan: As of 5/1/2024, Community Health Partners merged with One Health, which utilizes a data analytics team along with the finance team to compile and review UDS data. UDS data validation, including classification of provider visits, begins early in the UDS preparation process and is verified by multiple sources. Classification of providers is verified by human resources, finance and the data/informatics team. Preparation of the UDS submission includes cross-referencing multiple data sets to ensure accuracy in classification of providers.

Anticipated Completion Date: 2/15/2025

Contact Person Responsible for Corrective Action: Emily Faricy – Associate Vice President Finance

#2024-003 – Grant Program: Department of Health and Human Services Health Centers Cluster – Assistance Listing # 93.224/93.527

Corrective Action Plan: As of 5/1/2024, Community Health Partners merged with One Health, which utilizes ADP as the electronic payroll service provider. The payroll process within One Health requires review and approval of timecards by supervisors and payroll administrators. One Health will ensure that payroll is processed and reviewed according to approved policies.

Anticipated Completion Date: 12/31/2024

Contact Person Responsible for Corrective Action: Emily Faricy – Associate Vice President Finance