

Eastern Iowa Health Center

Independent Auditor's Reports and Financial Statements

June 30, 2019 and 2018

Eastern Iowa Health Center
June 30, 2019 and 2018

Contents

Independent Auditor’s Report.....	1	
 Financial Statements		
Balance Sheets.....	3	
Statements of Operations.....	4	
Statements of Changes in Net Assets	5	
Statements of Cash Flows	6	
Notes to Financial Statements	7	
 Supplementary Information		
Schedule of Expenditures of Federal Awards	26	
Notes to Schedule of Expenditures of Federal Awards	27	
 Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> – Independent Auditor’s Report.....		28
 Report on Compliance for the Major Federal Program and Report on Internal Control over Compliance – Independent Auditor’s Report		30
 Schedule of Findings and Questioned Costs.....	33	
 Summary Schedule of Prior Audit Findings.....	37	

Independent Auditor's Report

Board of Directors
Eastern Iowa Health Center
Cedar Rapids, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of Eastern Iowa Health Center (the "Organization"), which comprise the balance sheets as of June 30, 2019 and 2018, and the related statements of operations, changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Eastern Iowa Health Center as of June 30, 2019 and 2018, and the results of its operations, changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in *Note 18* to the financial statements, in 2019, the Organization adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Supplementary Information

Our audits were 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*, as listed in the table of contents, 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 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 5, 2019, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization'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 Eastern Iowa Health Center's internal control over financial reporting and compliance.

BKD, LLP

Springfield, Missouri
December 5, 2019

Eastern Iowa Health Center

Balance Sheets

June 30, 2019 and 2018

Assets

	2019	2018
Current Assets		
Cash	\$ 668,641	\$ 805,990
Short-term investments	1,068,991	-
Patient accounts receivable, net of allowance: 2019 - \$197,273, 2018 - \$173,392	515,327	640,848
Grant and other receivables	470,929	73,631
Contributions receivable	148,307	168,392
Estimated amounts due from third-party payers	580,199	1,248,792
Inventory	60,703	47,311
Prepaid expenses and other	178,362	109,650
Total current assets	3,691,459	3,094,614
Investment in Equity Investee	181,664	67,149
Property and Equipment, At Cost		
Land	231,100	231,100
Buildings and improvements	2,910,538	2,910,538
Equipment	888,386	880,029
Furniture and fixtures	235,245	235,245
	4,265,269	4,256,912
Less accumulated depreciation	994,494	668,602
	3,270,775	3,588,310
Other Assets	43,333	-
Total assets	\$ 7,187,231	\$ 6,750,073

Liabilities and Net Assets

Current Liabilities		
Current maturities of long-term debt	\$ 93,257	\$ 85,500
Accounts payable	243,749	166,282
Accrued expenses	1,138,074	603,196
Estimated amounts due to third-party payers	84,312	511,192
Total current liabilities	1,559,392	1,366,170
Long-Term Debt	1,563,802	1,698,132
Total liabilities	3,123,194	3,064,302
Net Assets		
Without donor restrictions	3,842,636	3,526,249
With donor restrictions	221,401	159,522
Total net assets	4,064,037	3,685,771
Total liabilities and net assets	\$ 7,187,231	\$ 6,750,073

Eastern Iowa Health Center
Statements of Operations
Years Ended June 30, 2019 and 2018

	2019	2018
Revenues, Gains and Other Support Without Donor Restrictions		
Patient service revenue (net of contractual discounts and allowances)	\$ 11,273,620	\$ 10,994,052
Provision for uncollectible accounts	153,469	95,638
Net patient service revenue less provision for uncollectible accounts	11,120,151	10,898,414
Grant revenue	1,864,718	1,751,075
Other	277,798	275,968
Net assets released from restrictions for operations	161,537	158,632
Total revenue, gains and other support without donor restrictions	13,424,204	13,084,089
Expenses and Losses		
Salaries and wages	7,401,476	6,598,366
Employee benefits	1,570,250	1,442,177
Purchased services and professional fees	2,092,643	1,957,665
Supplies and other	1,573,246	1,462,676
Rent	192,565	173,008
Interest	81,320	89,876
Depreciation	347,335	370,517
Loss on disposal of property and equipment	22,281	53,565
Total expenses and losses	13,281,116	12,147,850
Operating Income	143,088	936,239
Other Income		
Investment return, net	27,735	1,593
Gain on investment in equity investee	99,515	44,687
Total other income	127,250	46,280
Excess of Revenues Over Expenses	270,338	982,519
Grants for acquisition of property and equipment	46,049	46,370
Increase in Net Assets Without Donor Restrictions	\$ 316,387	\$ 1,028,889

Eastern Iowa Health Center
Statements of Changes in Net Assets
Years Ended June 30, 2019 and 2018

	2019	2018
Net Assets Without Donor Restrictions		
Excess of revenues over expenses	\$ 270,338	\$ 982,519
Grants for acquisition of property and equipment	46,049	46,370
Increase in net assets without donor restrictions	316,387	1,028,889
Net Assets With Donor Restrictions		
Contributions received	223,416	168,196
Net assets released from restrictions	(161,537)	(158,632)
Increase in net assets with donor restrictions	61,879	9,564
Change in Net Assets	378,266	1,038,453
Net Assets, Beginning of Year	3,685,771	2,647,318
Net Assets, End of Year	\$ 4,064,037	\$ 3,685,771

Eastern Iowa Health Center
Statements of Cash Flows
Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Operating Activities		
Change in net assets	\$ 378,266	\$ 1,038,453
Items not requiring (providing) operating cash flow		
Loss on disposal of property and equipment	22,281	53,565
Gain on investment in equity investee	(99,515)	(44,687)
Depreciation	347,335	370,517
Grants for acquisition of property and equipment	(46,049)	(46,370)
Changes in		
Patient accounts receivable, net	125,521	356,249
Grants receivable and other receivables	(397,298)	173,705
Contributions receivable	20,085	(20,434)
Estimated amounts due from and due to third-party payers	241,713	92,400
Notes receivable	(83,333)	-
Inventory	(13,392)	(47,311)
Prepaid and other assets	(28,712)	(26,327)
Accounts payable and accrued expenses	<u>597,345</u>	<u>9,288</u>
Net cash provided by operating activities	<u>1,064,247</u>	<u>1,909,048</u>
Investing Activities		
Purchase of short-term investments	(1,068,991)	-
Purchase of property and equipment	<u>(52,081)</u>	<u>(196,722)</u>
Net cash used in investing activities	<u>(1,121,072)</u>	<u>(196,722)</u>
Financing Activities		
Proceeds from issuance of long-term debt	-	58,699
Principal payments on long-term debt	(126,573)	(79,193)
Proceeds from grant for acquisition of property and equipment	46,049	46,370
Borrowings under line-of-credit agreement	-	250,000
Payments on line-of-credit agreement	<u>-</u>	<u>(1,550,000)</u>
Net cash used in financing activities	<u>(80,524)</u>	<u>(1,274,124)</u>
Increase (Decrease) in Cash	(137,349)	438,202
Cash, Beginning of Year	<u>805,990</u>	<u>367,788</u>
Cash, End of Year	<u>\$ 668,641</u>	<u>\$ 805,990</u>
Supplemental Cash Flows Information		
Interest paid	\$ 85,965	\$ 92,078

Eastern Iowa Health Center
Notes to Financial Statements
June 30, 2019 and 2018

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Eastern Iowa Health Center (the “Organization”) is a federally qualified health center with a mission to provide high quality health care access to those in need in Linn County, Iowa. The Organization primarily earns revenues by providing physician, dental and related health care services through clinics located in Cedar Rapids, Iowa.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash

At June 30, 2019, the Organization’s cash accounts exceeded federally insured limits by approximately \$427,000.

Investments and Investment Return

The investment in equity investee is reported on the equity method of accounting. Short-term investments in certificates of deposits are carried at amortized cost. Investment return includes interest income and is reflected in the statement of operations as a component of net assets without donor restrictions.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restrictions. Other investment return is reflected in the statements of operations and changes in net assets as with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

Patient Accounts Receivable

Accounts receivable are reduced by an allowance for uncollectible accounts. In evaluating the collectability of accounts receivable, the Organization analyzes its past history and identifies trends for each of its major payer sources of revenue to estimate the appropriate allowance for uncollectible accounts and provision for uncollectible accounts. Management regularly reviews data about these major payer sources of revenue in evaluating the sufficiency of the allowance for uncollectible accounts.

Eastern Iowa Health Center

Notes to Financial Statements

June 30, 2019 and 2018

For receivables associated with services provided to patients who have third-party coverage, the Organization analyzes contractually due amounts and provides an allowance for uncollectible accounts and a provision for uncollectible accounts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payer has not yet paid, or for payers who are known to be having financial difficulties that make the realization of amounts due unlikely).

For receivables associated with self-pay patients (which includes 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 provision for uncollectible accounts in the period of services 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 the sliding fee or other policy) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for uncollectible accounts.

The Organization's allowance for uncollectible accounts for self-pay patients increased from 86 percent of self-pay accounts receivable at June 30, 2018, to 92 percent of self-pay accounts receivable at June 30, 2019. The Organization's write-offs decreased approximately \$17,000 from approximately \$147,000 for the year ended June 30, 2018, to approximately \$130,000 for the year ended June 30, 2019.

Inventories

The Organization states supply inventories at the lower of cost, determined using the first-in, first-out method, or net realizable value.

Property and Equipment

Property and equipment acquisitions are recorded at cost and are depreciated on a straight-line basis over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Buildings and improvements	5 - 40 years
Equipment	3 - 20 years
Furniture and fixtures	5 - 20 years

Certain property and equipment have been purchased with grant funds received from the U.S. Department of Health and Human Services. Such items or a portion thereof may be reclaimed by the federal government if not used to further the grant's objectives.

Eastern Iowa Health Center
Notes to Financial Statements
June 30, 2019 and 2018

Donations of property and equipment are reported at fair value as an increase in net assets without donor restrictions unless use of the assets is restricted by the donor. Monetary gifts that must be used to acquire property and equipment are reported as restricted support. The expiration of such restrictions is reported as an increase in net assets without donor restrictions when the donated asset is placed in service.

Long-Lived Asset Impairment

The Organization evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the years ended June 30, 2019 and 2018.

Net Assets With Donor Restrictions

Net assets with donor restrictions are those whose use by the Organization has been limited by donors to a specific time period or purpose.

Net Patient Service Revenue

The Organization has agreements with third-party payers that provide for payments to the Organization at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered and includes estimated retroactive revenue adjustments. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such estimated amounts are revised in future periods as adjustments become known.

Contributions

Gifts of cash and other assets received without donor stipulations are reported as revenue and net assets without donor restrictions. Gifts received with a donor stipulation that limits their use are reported as revenue and net assets with donor restrictions. When a donor-stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of operations as net assets released from restrictions. Gifts having donor stipulations which are satisfied in the period the gift is received are reported as revenue and net assets without donor restrictions.

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Gifts of land, buildings, equipment and other long-lived assets are reported as revenue and net assets without donor restrictions unless explicit donor stipulations specify how

Eastern Iowa Health Center
Notes to Financial Statements
June 30, 2019 and 2018

such assets must be used, in which case the gifts are reported as revenue and net assets with donor restrictions. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of net assets with donor restrictions as net assets without donor restrictions are reported when the long-lived assets are placed in service.

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows technique. The resulting discount is amortized using the level-yield method and is reported as contribution revenue.

Conditional gifts depend on the occurrence of a specified future and uncertain event to bind the potential donor and are recognized as assets and revenue when the conditions are substantially met and the gift becomes unconditional. Donor-restricted conditional gifts in which the condition and restriction is met in the period the gift is received are reported as revenue and net assets without donor restrictions.

Government Grant Revenue

Support funded by grants is recognized as the Organization performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by granting agency and, as a result of such audit, adjustments could be required.

Income Taxes

The Organization has been recognized as exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Organization is subject to federal income tax on any unrelated business taxable income.

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. The Organization earns revenue under this program by purchasing pharmaceuticals at a reduced cost to fill prescriptions to qualified patients.

Eastern Iowa Health Center
Notes to Financial Statements
June 30, 2019 and 2018

The Organization has a network of participating pharmacies that dispense the pharmaceuticals to its patients under contract arrangement with the Organization. Reported 340B revenue consists of the pharmacy reimbursements, net of the initial purchase price of the drugs.

	2018	2017
Gross receipts	\$ 268,600	\$ 209,907
Drug replenishment costs	(65,506)	(61,066)
Administrative and filling fees	(101,936)	(78,120)
Net revenue	\$ 101,158	\$ 70,721

The 340B gross receipts are included in net patient service revenue on the statements of operations. The drug replenishment costs and administrative and filling fees are included in supplies and other expenses on the statements of operations. The net 340B revenue from this program is used in furtherance of the Organization's mission.

Electronic Health Records Incentive Program

The Electronic Health Records Incentive Program, enacted as part of the *American Recovery and Reinvestment Act of 2009*, provides for one-time incentive payments under both the Medicare and Medicaid programs to eligible organizations that demonstrate meaningful use of certified electronic health records technology (EHR). Payments under the Medicare program are generally made for up to four years based on a statutory formula. Payments under the Medicaid program are generally made for up to six years based upon a statutory formula, as determined by the state, which is approved by the Centers for Medicare and Medicaid Services. Payment under both programs are contingent on the Organization continuing to meet escalating meaningful use criteria and any other specific requirements that are applicable for the reporting period. The final amount for any payment year is determined based upon an audit by the fiscal intermediary. Events could occur that would cause the final amounts to differ materially from the initial payments under the program.

The Organization recognizes revenue ratably over the reporting period starting at the point when management is reasonably assured it will meet all of the meaningful use objectives and any other specific grant requirements applicable for the reporting period.

The Organization recorded revenue of \$110,500 and \$136,000 for the years ended June 30, 2019 and 2018, respectively, which is included in other revenue in the statements of operations.

Excess of Revenues Over Expenses

The statements of operations includes excess of revenues over expenses. Changes in net assets without donor restrictions which are excluded from excess of revenues over expenses, consistent with industry practice, include contributions and grants of long-lived assets (including assets acquired using contributions or grants which by donor or granting agency restriction are to be used for the purpose of acquiring such assets).

Eastern Iowa Health Center

Notes to Financial Statements

June 30, 2019 and 2018

Subsequent Events

Subsequent events have been evaluated through December 5, 2019, which is the date the financial statements were available to be issued.

Note 2: Grant Revenue

The Organization is the recipient of a Consolidated Health Centers (CHC) grant from the U.S. Department of Health and Human Services (the “granting agency”). The general purpose of the grant is to provide expanded health care service delivery for residents of Linn County and the surrounding area. Terms of the grant generally provide for funding of the Organization’s operations based on an approved budget. Grant revenue is recognized as qualifying expenditures are incurred over the grant period. During the years ended June 30, 2019 and 2018, the Organization recognized \$1,745,926 and \$1,526,414 in CHC grant funds, respectively.

The Organization’s present CHC grant award covers the grant period ending April 30, 2020, and is approved at \$2,159,707. Future funding will be determined by the granting agency based on an application to be submitted by the Organization prior to expiration of the present grant award.

In addition to the CHC grant, the Organization receives financial support from other federal, state, local and private sources. Generally, such support requires compliance with terms and conditions specified in grant agreements and must be renewed on an annual basis.

Note 3: Net Patient Service Revenue

The Organization recognizes patient service revenue associated with services provided to patients who have third-party payer coverage on the basis of contractual rates for the services rendered. For uninsured patients that do not qualify for the sliding fee program, the Organization recognizes revenue on the basis of its standard rates for services provided. On the basis of historical experience, a significant portion of the Organization’s uninsured patients who do not qualify for the sliding fee program will be unable or unwilling to pay for the services provided. Thus, the Organization records a significant provision for uncollectible accounts related to uninsured patients who do not qualify for the sliding fee program in the period the services are provided. This provision for uncollectible accounts is presented on the statement of operations as a component of net patient service revenue.

The Organization is approved as a Federally Qualified Health Center (FQHC) for both Medicare and Medicaid reimbursement purposes. The Organization has agreements with third-party payers that provide for payments to the Organization at amounts different from its established rates. These payment arrangements include:

Medicare. Covered FQHC services rendered to Medicare program beneficiaries are paid in accordance with provisions of Medicare’s Prospective Payment System (PPS) for FQHCs. Medicare payments, including patient coinsurance, are paid on the lesser of the Organization’s actual charge or the applicable PPS rate. Services not covered under the FQHC benefit are paid based on established fee schedules.

Eastern Iowa Health Center

Notes to Financial Statements

June 30, 2019 and 2018

Medicaid. Covered FQHC services rendered to Medicaid program beneficiaries are paid based on a prospective reimbursement methodology. The Organization is reimbursed at prospective rates.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

The Organization has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to the Organization under these agreements includes prospectively determined rates per unit of service and discounts from established charges.

Patient service revenue, net of contractual allowances and discounts (but before the provision for uncollectible accounts), recognized in the years ended June 30, 2019 and 2018, was approximately:

	2019	2018
Medicaid	\$ 8,628,461	\$ 8,903,467
Other third-party payers	2,062,178	1,614,653
Medicare	363,635	394,301
Self-pay	219,346	81,631
Total	\$ 11,273,620	\$ 10,994,052

Note 4: Concentration of Credit Risk

The Organization grants credit without collateral to its patients, most of whom are area residents and are insured under third-party payer agreements. The mix of receivables from patients and third-party payers at June 30, 2019 and 2018, is:

	2019	2018
Medicaid	58%	60%
Other third-party payers	33%	32%
Medicare	7%	5%
Self-pay	2%	3%
	100%	100%

Eastern Iowa Health Center

Notes to Financial Statements

June 30, 2019 and 2018

Note 5: Contributions Receivable

Contributions receivable consisted of the following:

	June 30, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Due within one year	\$ 148,307	\$ -	\$ 148,307

	June 30, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Due within one year	\$ 168,392	\$ -	\$ 168,392

Note 6: Investments and Investment Return

Other Investments

Other investments, at June 30, include:

	2019	2018
Certificates of deposit	\$ 1,068,991	\$ -

Total investment return is comprised of the following:

	2019	2018
Interest income	\$ 27,735	\$ 1,593

Eastern Iowa Health Center
Notes to Financial Statements
June 30, 2019 and 2018

Total investment return is reflected in the statements of operations and changes in net assets as follows:

	2019	2018
Net assets without donor restrictions		
Other nonoperating income	\$ 27,735	\$ 1,593

Note 7: Investment in Equity Investee

In 2016, the Organization entered into a joint venture with other Iowa FQHCs to purchase membership interests in Iowa Health Centers for Accountability – West, LLC, d/b/a Iowa Health+, an Iowa limited liability company (IowaHealth+). The Organization made an initial purchase of interests in IowaHealth+ totaling \$14,333, which represents an approximate 10 percent ownership.

Financial position and results of operations of the investee are summarized below:

	2019	2018
Current assets	\$ 2,110,454	\$ 904,569
Total assets	2,110,454	904,569
Current liabilities	440,621	169,127
Total liabilities	440,621	169,127
Equity	\$ 1,669,833	\$ 735,442
Revenues	\$ 1,623,294	\$ 1,219,722
Net surplus	\$ 934,390	\$ 453,106

The Organization's proportionate share of net income amounted to \$92,152 and \$44,687 for the years ended June 30, 2019 and 2018, respectively. The Organization's investment in the Iowa Health+ is included in investment in equity investee on the balance sheet.

In 2010, the Organization entered into a joint venture with other Iowa federally qualified health centers to purchase a membership interest in Cedar Rapids Physician Hospital Organization, LLC (PHO). As of June 30, 2019, the Organization owns a .89 percent membership interest in PHO.

Eastern Iowa Health Center
Notes to Financial Statements
June 30, 2019 and 2018

Financial position and results of operations of the investee are summarized below:

	2019	2018
Current assets	\$ 704,869	\$ 653,613
Total assets	3,241,857	3,043,716
Current liabilities	423,684	377,509
Total liabilities	423,684	377,509
Equity	\$ 2,818,173	\$ 2,666,207
Revenues	\$ 1,597,585	\$ 1,543,128
Net surplus	\$ 445,068	\$ 416,601

The Organization's investment in the PHO is included in investment in equity investee on the balance sheet.

Note 8: Medical Malpractice Claims

The U.S. Department of Health and Human Services has deemed the Organization and its practicing physicians covered under the Federal Tort Claims Act (FTCA) for damage and personal injury, including death resulting from the performance of medical, surgical, dental and related functions. FTCA coverage is comparable to an occurrence policy without a monetary cap.

Claim liabilities are to be determined without consideration of insurance recoveries. Expected recoveries are presented separately. Based upon the Organization's claims experience, no accrual has been made for medical malpractice costs for the years ended June 30, 2019 and 2018. However, because of the risk of providing health care services, it is possible that an event has occurred which will be the basis of a future material claim.

Note 9: Line of Credit

The Organization has a \$1,900,000 bank line of credit, secured by accounts receivable, maturing on March 28, 2020. The Organization did not have any borrowings against the bank line of credit at June 30, 2019 and 2018. Interest varies with the bank's prime rate and has a minimum rate of 4.50 percent. The interest rate was 6.00 percent at June 30, 2019 and 2018.

Eastern Iowa Health Center
Notes to Financial Statements
June 30, 2019 and 2018

Note 10: Long-Term Debt

Long-term debt at June 30, 2019 and 2018, consisted of the following:

	2019	2018
Note payable, bank (A)	\$ 712,586	\$ 737,541
Note payable, bank (B)	562,488	584,938
Note payable, bank (C)	57,297	71,081
Note payable, bank (D)	324,688	390,072
	1,657,059	1,783,632
Less current maturities	93,257	85,500
	\$ 1,563,802	\$ 1,698,132

- (A) Due August 1, 2023; payable in installments of \$5,430 monthly including interest at 5.75 percent with a final payment of all outstanding principal and interest upon maturity. Note is collateralized by the clinic building.

In connection with the note, the Organization is required to comply with certain restrictive covenants including maintaining a current ratio in excess of 1 and a minimum debt service coverage ratio in excess of 1.25 to 1.

- (B) Due March 4, 2021; payable in installments of \$3,935 monthly including interest at 4.25 percent with a final payment of all outstanding principal and interest upon maturity. Note is collateralized by the clinic building.

In connection with the note, the Organization is required to comply with certain restrictive covenants including maintaining a current ratio in excess of 1 and a minimum debt service coverage ratio in excess of 1.25 to 1.

- (C) Due March 4, 2021; payable in installments of \$1,381 monthly including interest at 4.25 percent with a final payment of all outstanding principal and interest upon maturity. Note is collateralized by the clinic building.

In connection with the note, the Organization is required to comply with certain restrictive covenants including maintaining a current ratio in excess of 1 and a minimum debt service coverage ratio in excess of 1.25 to 1.

- (D) Due September 21, 2022; payable in installments of \$2,436 monthly including interest at 4.00 percent with a final payment of all outstanding principal and interest upon maturity. Note is collateralized by the dental clinic.

In connection with the note, the Organization is required to comply with certain restrictive covenants including maintaining a current ratio in excess of 1 and a minimum debt service coverage ratio in excess of 1.25 to 1.

Eastern Iowa Health Center
Notes to Financial Statements
June 30, 2019 and 2018

Aggregate annual maturities of long-term debt at June 30, 2019, are:

2020	\$	93,257
2021		644,241
2022		65,104
2023		326,746
2024		527,711
		527,711
	\$	1,657,059

Note 11: Net Assets with Donor Restrictions

Net Assets with Donor Restrictions

Net assets with donor restrictions at June 30, 2019 and 2018, are available for the following purposes:

	2019	2018
Children's books	\$ 1,795	\$ 284
Diaper drive	29,516	15,846
Navigation and care coordination	50,000	50,000
Patient unmet needs - dental	41,613	-
Patient unmet needs - healthcare	98,477	93,392
	98,477	93,392
	\$ 221,401	\$ 159,522

Eastern Iowa Health Center
Notes to Financial Statements
June 30, 2019 and 2018

Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes specified by donors.

	2019	2018
Purpose restrictions accomplished		
Children's books	\$ 489	\$ 3,216
Diaper drive	17,239	7,458
Navigation and care coordination	50,000	50,000
Patient unmet needs - healthcare	93,809	97,958
	\$ 161,537	\$ 158,632

Note 12: Liquidity and Availability

The Organization's financial assets available within one year of the balance sheet date for general expenditures are:

	2019	2018
Financial assets at year end		
Cash and cash equivalents	\$ 668,641	\$ 805,990
Investments	1,068,991	-
Patient accounts receivable, net	515,327	640,848
Grants and other receivables	470,929	73,631
Contribution receivables	148,307	168,392
Estimated amounts due from third-party payers	580,199	1,248,792
	\$ 3,452,394	\$ 2,937,653
Financial assets available to meet general expenditures within one year		

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. To help manage unanticipated liquidity needs, the Organization has a committed line of credit of \$1,900,000, which it could draw upon.

Eastern Iowa Health Center
Notes to Financial Statements
June 30, 2019 and 2018

Note 13: Functional Expenses

The Organization provides health care services primarily to residents within its service area. Certain costs attributable to more than one function have been allocated among the health care services, general and administrative and fundraising functional expense classifications based on various methods. The following schedule presents the natural classification of expenses by function as follows:

	2019				2019				Total
	Health Care Program Services			Total Health Care Program Services	Support Services			Total Support Services	
	Medical	Dental	Behavioral Health		General and Administrative	Fundraising	Total		
Salaries and wages	\$ 5,326,517	\$ 890,149	\$ 263,929	\$ 6,480,595	\$ 875,607	\$ 45,274	\$ 920,881	\$ 7,401,476	
Employee benefits	1,070,434	224,046	68,298	1,362,778	197,051	10,421	207,472	1,570,250	
Purchased services and professional fees	1,723,227	57,004	4,955	1,785,186	304,244	3,213	307,457	2,092,643	
Supplies and other	1,144,497	214,776	15,273	1,374,546	197,035	1,665	198,700	1,573,246	
Rent	92,036	-	-	92,036	100,529	-	100,529	192,565	
Interest	67,532	13,788	-	81,320	-	-	-	81,320	
Depreciation	211,864	131,997	-	343,861	3,474	-	3,474	347,335	
Loss on disposal of property and equipment	-	-	-	-	22,281	-	22,281	22,281	
Total expenses	\$ 9,636,107	\$ 1,531,760	\$ 352,455	\$ 11,520,322	\$ 1,700,221	\$ 60,573	\$ 1,760,794	\$ 13,281,116	

	2018				2018				Total
	Health Care Program Services			Total Health Care Program Services	Support Services			Total Support Services	
	Medical	Dental	Behavioral Health		General and Administrative	Fundraising	Total		
Salaries and wages	\$ 4,929,436	\$ 735,949	\$ 86,000	\$ 5,751,385	\$ 824,516	\$ 22,465	\$ 846,981	\$ 6,598,366	
Employee benefits	1,067,814	170,875	19,077	1,257,766	182,686	1,725	184,411	1,442,177	
Purchased services and professional fees	1,551,273	34,608	1,389	1,587,270	368,895	1,500	370,395	1,957,665	
Supplies and other	954,590	163,025	8,269	1,125,884	336,601	191	336,792	1,462,676	
Rent	89,460	7	-	89,467	83,541	-	83,541	173,008	
Depreciation	74,433	15,443	-	89,876	-	-	-	89,876	
Interest	226,152	120,342	-	346,494	24,023	-	24,023	370,517	
Loss on disposal of property and equipment	-	-	-	-	53,565	-	53,565	53,565	
Total expenses	\$ 8,893,158	\$ 1,240,249	\$ 114,735	\$ 10,248,142	\$ 1,873,827	\$ 25,881	\$ 1,899,708	\$ 12,147,850	

Note 14: Operating Leases

Noncancellable operating leases for primary care outpatient and administrative offices expire in various years through 2024. These leases generally contain renewal options for periods ranging from 5 to 11 years and require the Organization to pay all executory costs (property taxes, maintenance and insurance).

Eastern Iowa Health Center
Notes to Financial Statements
June 30, 2019 and 2018

Future minimum lease payments at June 30, 2019, were:

2020	\$ 186,205
2021	187,708
2022	152,101
2023	109,792
2024	94,010
Thereafter	<u>47,005</u>
Future minimum lease payments	<u><u>\$ 776,821</u></u>

Note 15: Pension Plan

The Organization has a defined contribution pension plan covering substantially all employees meeting certain eligibility requirements. The amount contributed by the Organization is equal to 100 percent of the employee’s first 3 percent of contributions, plus 50 percent of their next 2 percent of contributions. Pension expense was \$232,643 and \$206,613 for the years ended June 30, 2019 and 2018, respectively.

Note 16: Related Party Transactions

The Organization entered into a Clinical Service Agreement with Cedar Rapids Medical Education Foundation (CRMEF). The Chief Executive Officer (CEO) of the Organization is on the board of directors of CRMEF as a nonvoting member. CRMEF has an employee who is a voting member of the Organization’s Quality Committee. CRMEF also has an employee who is a nonvoting member of the Organizations board of directors. CRMEF provides the Organization with preventative and primary health care services at various clinics. The Organization recorded expenses for this arrangement of \$594,240 and \$591,760 for the years ended June 30, 2019 and 2018, respectively. These amounts are included in supplies and other expense on the statement of operations. The Organization owed \$54,905 and \$50,640 to CRMEF at June 30, 2019 and 2018, respectively. These amounts are included in accounts payable on the balance sheet.

Note 17: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Allowance for Net Patient Service Revenue Adjustments

Estimates of allowances for adjustments included in net patient service revenue are described in *Notes 1 and 3*.

Eastern Iowa Health Center

Notes to Financial Statements

June 30, 2019 and 2018

Grant Revenue

A concentration of revenues related to grant awards and other support is described in *Note 2*.

Malpractice Claims

Estimates related to the accrual for professional liability claims are described in *Note 8*.

Litigation

In the normal course of business, the Organization is, from time to time, subject to allegations that may or do result in litigation. The Organization evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of counsel, management records an estimate of the amount of ultimate expected loss, if any, for each of these matters. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

Mediation Contingent Liability

At June 30, 2019, the Organization recorded an estimated liability of \$350,000 for an employment related matter. A related insurance receivable was also recorded. These balances are included in grant and other receivable and accrued expenses on the Organization's balance sheet for the year ended June 30, 2019. The Organization has accrued for the insurance deductible of \$10,000 which is included in accrued expenses on the Organization's balance sheet. Events could occur that would cause the estimate of ultimate liability to differ materially in the near term. If the parties do not reach agreement it is possible that this could enter into litigation. No such accrual was recorded at June 30, 2018.

Self-Insurance

The Organization is self-insured for employee group dental and vision care. Liabilities include an accrual for dental and vision claims that have been incurred and an estimate of claims incurred but not reported. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, frequency of claims and other economic and social factors.

Physicians

The Organization is served by residents under a contracted arrangement and a nurse practitioner whose patients comprise a substantial portion of the Organization's net patient service revenue.

Current Economic Conditions

The current economic environment presents community health centers with difficult circumstances and challenges. As employers make adjustments to health insurance plans or more patients become unemployed, certain patients may find it difficult to pay for services rendered. The implementation of the *Affordable Care Act*, including the health insurance exchanges and the decision by the state

Eastern Iowa Health Center

Notes to Financial Statements

June 30, 2019 and 2018

regarding Medicaid expansion, will directly impact community health centers' net revenues. Further, the effect of economic conditions on federal and state budgets could adversely impact the grant revenues available to community health centers and the programs they administer. Each of these factors could have an adverse impact on the Organization's future operating results.

Note 18: Change in Accounting Principle

In 2019, the Organization adopted ASU 2016-14, *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities*. A summary of the change is as follows:

Balance Sheet

- The balance sheet distinguishes between two new classes of net assets—those with donor-imposed restrictions and those without. This is a change from the previously required three classes of net assets—unrestricted, temporarily restricted and permanently restricted.

Statement of Operations

- Investment income is shown net of external and direct internal investment expenses. Disclosure of the expenses netted against investment income is no longer required.

Notes to the Financial Statements

- Enhanced quantitative and qualitative disclosures provide additional information useful in assessing liquidity and cash flows available to meet operating expenses for one year from the date of the balance sheet.
- Expenses are reported by both nature and function in one location.

The 2018 functional expenses (see *Note 13*) have been revised for immaterial classification corrections of certain expenses. As a result of the revisions, the previously reported expenses for health care services increased from \$9,266,572 to \$10,248,143; the previously reported expenses for general and administrative services decreased from \$2,852,319 to \$1,873,826; and the previously reported expenses for fundraising decreased from \$28,959 to \$25,881.

The change in accounting principle and the functional expense revisions had no impact on previously reported total change in net assets.

Eastern Iowa Health Center
Notes to Financial Statements
June 30, 2019 and 2018

Note 19: Future Change in Accounting Principle

Revenue Recognition

The Financial Accounting Standards Board amended its standards related to revenue recognition. This amendment replaces all existing revenue recognition guidance and provides a single, comprehensive revenue recognition model for all contracts with customers. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of the time value of money in the transaction price and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The amendment also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in those judgments and assets recognized from costs incurred to fulfill a contract. The standard allows either full or modified retrospective adoption effective for annual periods beginning after December 15, 2018, for nonpublic entities (December 15, 2017, for not for profits that are conduit debt obligors), and any interim periods within annual reporting periods that begin after December 15, 2019, for nonpublic entities (December 15, 2018, for not for profits that are conduit debt obligors). The Organization is in the process of evaluating the impact the amendment will have on the financial statements.

Clarifying Accounting for Contributions

The FASB issued ASU 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* to clarify existing guidance on determining whether a transfer of assets (or the reduction, settlement or cancellation of liabilities) is a contribution or an exchange transaction. The amendments clarify how the recipient organization determines whether a resource provider (including a foundation, a government agency or other) is receiving commensurate value in return for the resources transferred and whether contributions are conditional or unconditional. If commensurate value is received by the resource provider, the transaction would be accounted for as an exchange transaction by applying Topic 606, *Revenue from Contracts with Customers*, or other topics. The standard clarifies that a resource provider is not synonymous with the general public. Indirect benefit received by the public as a result of the assets transferred is not equivalent to commensurate value received by the resource provider. If commensurate value is not received by the resource provider, *i.e.*, the transaction is nonexchange, the recipient organization would record the transaction as a contribution under Topic 958 and determine whether the contribution is conditional or unconditional. The standard should be applied on a modified prospective basis for the Organization's annual period beginning June 1, 2019, and any interim periods therein. Retrospective application is permitted. The Organization is in the process of evaluating the impact the amendment will have on the financial statements.

Eastern Iowa Health Center
Notes to Financial Statements
June 30, 2019 and 2018

Accounting for Leases

The Financial Accounting Standards Board amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the balance sheet as both a right-of-use asset and a liability. The standard has two types of leases for income statement recognition purposes: operating leases and finance leases. Operating leases will result in the recognition of a single lease expense on a straight-line basis over the lease term similar to the treatment for operating leases under existing standards. Finance leases will result in an accelerated expense similar to the accounting for capital leases under existing standards. The determination of lease classification as operating or finance will be done in a manner similar to existing standards. The new standard also contains amended guidance regarding the identification of embedded leases in service contracts and the identification of lease and nonlease components in an arrangement. The new standard is effective for annual periods beginning after December 15, 2019, and any interim periods within annual reporting periods that begin after December 15, 2020. A Board decision was reached by the FASB at its October 16, 2019, meeting to delay the effective date by one year which is expected to be finalized with the issuance of an ASU later in 2019. The Organization is evaluating the impact the standard will have on the financial statements; however, the standard is expected to have a material impact on the financial statements due to the recognition of additional assets and liabilities for operating leases.

Supplementary Information

Eastern Iowa Health Center
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Health and Human Services/Consolidated Health Center/ Health Center Program Cluster	93.224	N/A	\$ -	\$ 606,104
U.S. Department of Health and Human Services/Grants for New and Expanded Services under the Health Center Program - Health Center Program Cluster	93.527	N/A	-	<u>1,139,822</u>
Total Health Center Program Cluster			-	<u>1,745,926</u>
U.S. Department of Health and Human Services/Iowa Department of Public Health/ Family Planning Services	93.217	5888FP05	-	23,326
U.S. Department of Health and Human Services/Iowa Department of Public Health/ Family Planning Services	93.217	5889FP05	-	<u>126,515</u>
Total Family Planning Services			-	<u>149,841</u>
U.S. Department of Health and Human Services/American Cancer Society, Inc./ Organized Approaches to Increase Colorectal Cancer Screening	93.800	NU58DP006106- 04	-	<u>13,000</u>
			<u>\$ -</u>	<u>\$ 1,908,767</u>

Eastern Iowa Health Center
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

Notes to Schedule

1. The accompanying schedule of expenditures of federal (the “Schedule”) includes the federal award activity of Eastern Iowa Health Center under programs of the federal government for the year ended June 30, 2019. 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* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Eastern Iowa Health Center, it is not intended to and does not present the financial position, results of operations, changes in net assets or cash flows of Eastern Iowa Health Center.
2. 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, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Eastern Iowa Health Center has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.
3. Eastern Iowa Health Center did not have any federal loan programs during the year ended June 30, 2019.

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*

Independent Auditor's Report

Board of Directors
Eastern Iowa Health Center
Cedar Rapids, Iowa

We have audited, in accordance with 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 Eastern Iowa Health Center (the "Organization"), which comprise the balance sheet as of June 30, 2019, and the related statements of operations, changes in net assets and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 5, 2019, which contained an "Emphasis of Matter" paragraph regarding a change in accounting principle.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 Organization's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Board of Directors
Eastern Iowa Health Center

Compliance and Other Matters

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

BKD, LLP

Springfield, Missouri
December 5, 2019

Report on Compliance for the Major Federal Program and Report on Internal Control Over Compliance

Independent Auditor's Report

Board of Directors
Eastern Iowa Health Center
Cedar Rapids, Iowa

Report on Compliance for the Major Federal Program

We have audited Eastern Iowa Health Center's (the "Organization") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended June 30, 2019. The Organization's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Eastern Iowa Health Center's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination on the Organization's compliance.

Opinion on the Major Federal Program

In our opinion, Eastern Iowa Health Center complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2019.

Board of Directors
Eastern Iowa Health Center

Other Matters

The results of our auditing procedures disclosed instances of noncompliance that are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2019-001. Our opinion on the major federal program is not modified with respect to this matter.

The Organization's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs and/or corrective action plan. The Organization's response was not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of Eastern Iowa Health Center is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's 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 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2019-001, that we consider to be a significant deficiency.

The Organization's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs and/or corrective action plan. The Organization's response was not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the response.

Board of Directors
Eastern Iowa Health Center

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.

BKD, LLP

Springfield, Missouri
December 5, 2019

Eastern Iowa Health Center
Schedule of Findings and Questioned Costs
Year Ended June 30, 2019

Summary of Auditor's Results

Financial Statements

1. The type of report the auditor issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) was:

Unmodified Qualified Adverse Disclaimer

2. The independent auditor's report on internal control over financial reporting disclosed:

Significant deficiency(ies)? Yes None Reported

Material weakness(es)? Yes No

3. Noncompliance considered material to the financial statements was disclosed by the audit?

Yes No

Federal Awards

4. The independent auditor's report on internal control over compliance for major federal awards programs disclosed:

Significant deficiency(ies)? Yes None Reported

Material weakness(es)? Yes No

5. The opinion expressed in the independent auditor's report on compliance for major federal awards was:

Unmodified Qualified Adverse Disclaimer

6. The audit disclosed findings required to be reported by 2 CFR 200.516(a)?

Yes No

Eastern Iowa Health Center
Schedule of Findings and Questioned Costs
Year Ended June 30, 2019

7. The Organization's major program was:

Cluster/Program	CFDA Number
Health Center Program Cluster	93.224 and 93.527

8. The threshold used to distinguish between Type A and Type B programs was \$750,000.

9. The Organization qualified as a low-risk auditee? Yes No

Eastern Iowa Health Center
Schedule of Findings and Questioned Costs
Year Ended June 30, 2019

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding
	No matters are reportable.

Eastern Iowa Health Center
Schedule of Findings and Questioned Costs
Year Ended June 30, 2019

Findings Required to be Reported by Uniform Guidance

Reference Number	Finding
2019-001	<p style="text-align: center;">Health Center Program Cluster CFDA Nos. 93.224 and 93.527 U.S. Department of Health and Human Services Award No. 3 H80CS08226-13-02 Program Year 2020</p> <p>Criteria or Specific Requirement – Special Tests and Provisions: Sliding Fee Discounts (42 USC 254(k)(3)(g); 42 CFR sections 51c.303(g) and 42 CFR section 56.303(f)).</p> <p>Condition – Patients who were eligible for sliding fee discounts under the Organization’s policy were given incorrect sliding fee discounts or were provided a percentage of gross charge as their nominal fee for Slide A eligible patients.</p> <p>Questioned cost – None</p> <p>Context – A sample of 40 patient encounters were tested out of the population of 93,524 transactions. The sample is not, and is not intended to be, statistically valid. Of the 40 patient encounters tested, 2 were determined to have resulted in an improper sliding fee adjustment based on the Organization’s policy and screening of patient eligibility. It was also noted that 5 patients were not given a proper sliding fee adjustment due to the Organization’s policy not being in compliance under the health center program compliance manual.</p> <p>Effect – Improper sliding fee discounts were given to patients.</p> <p>Cause – The Organization sliding fee policy did not comply with the compliance manual.</p> <p>Identification as a repeat finding – Not a repeat finding.</p> <p>Recommendation – All personnel involved in the sliding fee discount program should demonstrate their understanding of the sliding fee scale policy in order to improve application of the sliding fee discount program. Management should verify the sliding fee policy is in compliance with the Health Center program compliance manual.</p> <p>Views of Responsible Officials and Planned Corrective Action – The Chief Financial Officer has updated the Sliding Fee Discount policy and Sliding Fee schedule to include a fixed nominal charge for eligible Slide A dental and hospital patients. This policy was approved and implemented on September 25, 2019.</p>

Eastern Iowa Health Center
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2019

Reference Number	Summary of Finding	Status
	No matters are reportable.	

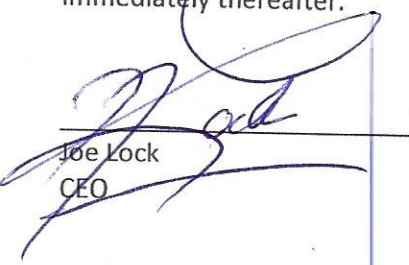
November 7, 2019

FY 2019 Financial Audit
Corrective Action Plan

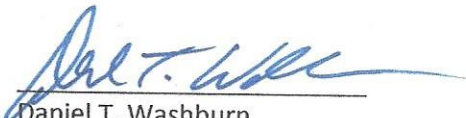
Finding: The Organization's Sliding Fee Discount Policy provided a percentage of gross charge for the nominal fee for eligible Slide A dental and hospital patients. This resulted in patients who were eligible for slide fee discounts given incorrect sliding fee discounts.

Corrective Action Plan:

The Chief Financial Officer will update the Sliding Fee Discount Policy and Schedule to include a fixed, flat, nominal, charge for eligible Slide A dental and hospital patients. The policy and schedule will be shared within the organization for implementation by clinic staff. The revised Sliding Fee Discount Policy and Schedule, incorporating a fixed, flat, nominal, charge, was approved by the Eastern Iowa Health Center Board of Directors on September 25, 2019 and implemented within the organization immediately thereafter.



Joe Lock
CEO



Daniel T. Washburn
CFO