

Eastern Iowa Health Center

Independent Auditor's Reports and Financial Statements

June 30, 2021 and 2020

Eastern Iowa Health Center
June 30, 2021 and 2020

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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, 2021 and 2020, 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, 2021 and 2020, 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.

Other Matters

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 February 25, 2022, 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
February 25, 2022

Eastern Iowa Health Center

Balance Sheets

June 30, 2021 and 2020

Assets

	<u>2021</u>	<u>2020</u>
Current Assets		
Cash	\$ 3,776,362	\$ 1,625,404
Short-term investments	-	1,443,641
Patient accounts receivable	477,996	446,552
Grant and other receivables	262,413	201,093
Contributions receivable	111,746	129,900
Estimated amounts due from third-party payors	1,220,000	610,000
Inventory	67,830	55,799
Prepaid expenses and other	174,111	198,356
	<u>6,090,458</u>	<u>4,710,745</u>
Total current assets		
	<u>6,090,458</u>	<u>4,710,745</u>
Investment in Equity Investees	<u>486,280</u>	<u>243,580</u>
Property and Equipment, At Cost		
Land	251,501	231,100
Buildings and improvements	3,309,113	2,905,714
Equipment	823,617	775,167
Furniture and fixtures	268,767	231,436
Construction in progress	2,042	-
	<u>4,655,040</u>	<u>4,143,417</u>
Less accumulated depreciation	<u>1,470,407</u>	<u>1,156,161</u>
	<u>3,184,633</u>	<u>2,987,256</u>
Other Assets		
Long-term note receivable	35,360	3,333
Interest in assets held by Greater Cedar Rapids Community Foundation	<u>33,586</u>	<u>26,145</u>
	<u>68,946</u>	<u>29,478</u>
Total assets	<u>\$ 9,830,317</u>	<u>\$ 7,971,059</u>

Liabilities and Net Assets

	<u>2021</u>	<u>2020</u>
Current Liabilities		
Current maturities of long-term debt	\$ 96,470	\$ 132,494
Accounts payable	181,300	225,646
Accrued expenses	861,201	778,158
Deferred grant revenue	-	320,657
	<u>1,138,971</u>	<u>1,456,955</u>
Long-Term Debt	<u>1,332,670</u>	<u>1,430,678</u>
Total liabilities	<u>2,471,641</u>	<u>2,887,633</u>
Net Assets		
Without donor restrictions	7,226,746	4,891,970
With donor restrictions	<u>131,930</u>	<u>191,456</u>
	<u>7,358,676</u>	<u>5,083,426</u>
Total liabilities and net assets	<u>\$ 9,830,317</u>	<u>\$ 7,971,059</u>

Eastern Iowa Health Center
Statements of Operations
Years Ended June 30, 2021 and 2020

	2021	2020
Revenues, Gains, and Other Support Without Donor Restrictions		
Patient service revenue	\$ 11,397,815	\$ 10,843,517
Grant revenue	3,985,665	2,892,150
Contribution and other revenue	505,559	203,449
Net assets released from restrictions for operations	191,456	207,675
Total revenues, gains, and other support without donor restrictions	16,080,495	14,146,791
Expenses and Losses		
Salaries and wages	8,069,353	7,148,332
Employee benefits	1,866,957	1,642,091
Purchased services and professional fees	1,715,742	2,057,256
Supplies and other	1,775,419	1,798,848
Rent	202,619	203,441
Interest	59,581	76,115
Depreciation	314,245	318,973
Loss on disposal of property and equipment	-	13,790
Total expenses and losses	14,003,916	13,258,846
Operating Income	2,076,579	887,945
Other Income		
Investment return, net	8,421	30,968
Gain on investment in equity investee	249,776	81,180
Total other income	258,197	112,148
Excess of Revenues Over Expenses	2,334,776	1,000,093
Contributions of property and equipment	-	36,622
Grants for acquisition of property and equipment	-	12,619
Increase in Net Assets Without Donor Restrictions	\$ 2,334,776	\$ 1,049,334

Eastern Iowa Health Center
Statements of Changes in Net Assets
Years Ended June 30, 2021 and 2020

	2021	2020
Net Assets Without Donor Restrictions		
Excess of revenues over expenses	\$ 2,334,776	\$ 1,000,093
Contributions of property and equipment	-	36,622
Grants for acquisition of property and equipment	-	12,619
Increase in net assets without donor restrictions	2,334,776	1,049,334
Net Assets With Donor Restrictions		
Contributions received	131,930	177,730
Net assets released from restrictions	(191,456)	(207,675)
Increase (decrease) in net assets with donor restrictions	(59,526)	(29,945)
Change in Net Assets	2,275,250	1,019,389
Net Assets, Beginning of Year	5,083,426	4,064,037
Net Assets, End of Year	\$ 7,358,676	\$ 5,083,426

Eastern Iowa Health Center
Statements of Cash Flows
Years Ended June 30, 2021 and 2020

	2021	2020
Operating Activities		
Change in net assets	\$ 2,275,250	\$ 1,019,389
Items not requiring (providing) operating cash flow		
Loss on disposal of property and equipment	-	13,790
Undistributed gain on investment in equity investee	(242,700)	(53,163)
Depreciation	314,245	318,973
Contributions for acquisition of property and equipment	-	(36,622)
Grants for acquisition of property and equipment	-	(12,619)
Change in interest in Greater Cedar Rapids Community Foundation	(7,441)	(1,145)
Changes in		
Patient accounts receivable, net	(31,444)	68,775
Grants receivable and other receivables	(61,320)	269,836
Contributions receivable	18,154	18,407
Estimated amounts due from and due to third-party payors	(610,000)	(114,113)
Notes receivable	(32,027)	40,000
Inventory	(12,031)	4,904
Prepaid and other assets	24,245	(19,994)
Deferred revenue	(320,657)	320,657
Accounts payable and accrued expenses	38,697	(378,019)
	<u>1,352,971</u>	<u>1,459,056</u>
Investing Activities		
Proceeds from disposition of short-term investments	1,443,641	-
Purchase of short-term investments	-	(374,650)
Return of investments in equity investees	-	(8,753)
Purchase of property and equipment	(511,622)	(12,622)
Purchase of interest in Greater Cedar Rapids Community Foundation	-	(25,000)
	<u>932,019</u>	<u>(421,025)</u>
Financing Activities		
Principal payments on long-term debt	(134,032)	(93,887)
Proceeds from grant for acquisition of property and equipment	-	12,619
	<u>(134,032)</u>	<u>(81,268)</u>
Increase in Cash	2,150,958	956,763
Cash, Beginning of Year	1,625,404	668,641
Cash, End of Year	\$ 3,776,362	\$ 1,625,404
Supplemental Cash Flows Information		
Interest paid	\$ 60,149	\$ 72,429
Property and equipment acquired through noncash contribution	\$ -	\$ 36,622

Eastern Iowa Health Center
Notes to Financial Statements
June 30, 2021 and 2020

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 and expenses during the reporting period. Actual results could differ from those estimates.

Cash

At June 30, 2021, the Organization’s cash accounts exceeded federally insured limits by approximately \$3,492,000.

Investments and Investment Return

The investment in equity investee is reported on the equity method of accounting. Investments in certificates of deposit are carried at cost. Investment return is comprised of interest income and is reported in the statement of operations as a component of net assets without donor restrictions.

Patient Accounts Receivable

Patient accounts receivable reflects the outstanding amount of consideration to which the Organization expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government programs), and others. As a service to the patient, the Organization bills third-party payors directly and bills the patient when the patient’s responsibility for copays, coinsurance, and deductibles is determined. Patient accounts receivable are due in full when billed.

No material bad debt expense has been recognized for the years ended June 30, 2021 and 2020.

Inventories

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

Eastern Iowa Health Center
Notes to Financial Statements
June 30, 2021 and 2020

Property and Equipment

Property and equipment acquisitions are recorded at cost, less accumulated depreciation and amortization. Depreciation and amortization is charged to expense 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.

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, 2021 and 2020.

Net Assets

Net assets, revenue, gains, and losses are classified based on the existence or absence of donor restrictions.

Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions.

Net assets with donor restrictions are subject to donor restrictions. Restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor.

Eastern Iowa Health Center
Notes to Financial Statements
June 30, 2021 and 2020

Patient Service Revenue

Patient service revenue is recognized as the Organization satisfies performance obligations under its contracts with patients. Patient service revenue is reported at the estimated transaction price or amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing patient care. The Organization 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 Organization’s policies, and implicit price concessions provided to uninsured patients.

The Organization determines its estimates of explicit price concessions which represent adjustments and discounts based on contractual agreements, its discount policies, and historical experience by payor groups. The Organization determines its estimate of implicit price concessions based on its historical collection experience by classes of patients. The estimated amounts also include variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations by third-party payors.

Contributions

Contributions are provided to the Organization either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on the Organization overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> , the donor-imposed barrier is met
<i>Unconditional gifts, with or without restriction</i>	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment, and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

Eastern Iowa Health Center
Notes to Financial Statements
June 30, 2021 and 2020

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

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 statements of operations as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment, and other long-lived assets are reported when those assets are placed in service.

Gifts having donor stipulations which are satisfied in the period the gift is received are reported as revenue and net assets without donor restrictions.

Conditional contributions having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restriction.

Government Grant Revenue

Support funded by government grants is generally considered a conditional contribution and recognized as the Organization performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grants agreements which are reimbursement for services provided are considered exchange transactions and recognized as net patient service revenue which is recognized as the service is performed. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

In-Kind Contributions

In addition to receiving cash contributions, the Organization receives in-kind contributions of professional services and capital equipment from various donors. It is the policy of the Organization to record the estimated fair value of certain in-kind donations as an expense in its financial statements, and similarly increase contribution revenue by the same amount. For the years ended June 30, 2021 and 2020, \$54,287 and \$51,587, respectively, was received in in-kind contributions and is included in the other revenue and nonoperating revenue section within the statement of operations.

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.

Eastern Iowa Health Center

Notes to Financial Statements

June 30, 2021 and 2020

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 benefits under this program by purchasing pharmaceuticals at a reduced cost to fill prescriptions to qualified patients.

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

	<u>2021</u>	<u>2020</u>
Gross receipts	\$ 401,563	\$ 455,473
Drug replenishment costs	(76,966)	(79,870)
Administrative and filling fees	<u>(145,681)</u>	<u>(190,559)</u>
Net revenue	<u>\$ 178,916</u>	<u>\$ 185,044</u>

The 340B gross receipts are included in net patient service revenue on the statements of operations and are recognized as revenue as the Organization satisfies performance obligations under its contracts with patients. 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.

Excess of Revenues Over Expenses

The statements of operations include 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).

Deferred Revenue

Deferred revenue includes grant revenues received which have not been used for their specific purpose.

Eastern Iowa Health Center
Notes to Financial Statements
June 30, 2021 and 2020

Note 2: Grant Revenue

The Organization is the recipient of a Health Center Program (HCP) 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 areas. Terms of the grant generally provide for funding of the Organization's operations based on an approved budget.

Grant revenue is recognized as the Organization meets the conditions prescribed by the grant agreement, which requires incurring expenditures over the grant period. During the years ended June 30, 2021 and 2020, the Organization recognized \$2,314,050 and \$1,563,483 in HCP grant revenue, respectively. The Organization has been authorized for funding in the amount of \$1,603,569 for the budget period ending April 30, 2022.

In addition to the above grants, the Organization receives additional financial support from other state and private sources. See *Note 18* for consideration of funding received for COVID 19. Generally, such support requires compliance with terms and conditions specified in grant agreements and must be renewed on an annual basis.

Note 3: Patient Service Revenue

Patient service revenue is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government programs), and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, the Organization bills the patients and third-party payors several days after the services are performed and patient accounts receivable are due in full when billed. Revenue is recognized as performance obligations are satisfied.

Performance Obligations

Performance obligations are determined based on the nature of the services provided by the Organization. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected or actual charges. The Organization believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients receiving services in our clinics. The Organization measures the performance obligation from commencement of a service to the point when it is no longer required to provide services to that patient, which is generally at the time of completion of the services. Revenue for performance obligations satisfied at a point in time is generally recognized when goods are provided to its patients and customers in a retail setting (for example, pharmaceuticals) and the Organization does not believe it is required to provide additional goods related to the patient. The Organization had no performance obligations considered unsatisfied or partially unsatisfied as of June 30, 2021 and 2020, respectively.

Eastern Iowa Health Center

Notes to Financial Statements

June 30, 2021 and 2020

Transaction Price

The Organization determines the transaction price based on standard charges for goods and services provided, reduced by explicit price concessions which consist of contractual adjustments provided to third-party payors and discounts provided to uninsured patients in accordance with the Organization's sliding fee discount program policy, and implicit price concessions provided to uninsured patients. The Organization determines its estimates of contractual adjustments and discounts based on contractual agreements, its sliding fee discount program policy, and historical experience. The Organization determines its estimate of implicit price concessions based on its historical collection experience with these classes of patients.

Third-Party Payors

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

Medicare. Covered federally qualified health center (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.

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

Other. Payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations provide for payment using prospectively determined rates and discounts from established charges.

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 health care 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 Organization'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 Organization. In addition, the contracts the Organization has with commercial payors also provide for retroactive audit and review of claims.

Eastern Iowa Health Center

Notes to Financial Statements

June 30, 2021 and 2020

Settlements with third-party payors for retroactive adjustments due to cost report or other 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 Organization'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 based on newly available information 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 2021 and 2020.

Patient and Uninsured Payors

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. As required by Section 330 of the Public Health Service Act (42 U.S.C. §254b), the Organization also has established a sliding fee discount program and offers low-income patients a sliding fee discount from standard charges. The Organization estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, sliding fee discounts, and implicit price concessions based on historical collection experience. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. For the years ended June 30, 2021 and 2020, no significant revenue was recognized due to changes in its estimates of implicit price concessions, discounts, and contractual adjustments for performance obligations satisfied in prior years. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense.

Consistent with the Organization's mission, care is provided to patients regardless of their ability to pay. Therefore, the Organization has determined it has provided implicit price concessions to uninsured patients and patients with other uninsured balances, such as copays and deductibles. The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts the Organization expects to collect based on its collection history with those patients.

Refund Liabilities

From time to time the Organization will receive overpayments of patient balances from third-party payors or patients resulting in amounts owed back to either the patients or third-party payors. These amounts are excluded from revenues and are recorded as liabilities until they are refunded. As of June 30, 2021 and 2020, the Organization has a liability for refunds to third-party payors and patients recorded of \$14,553 and \$25,122, respectively, which is included in accounts payable on the balance sheets.

Eastern Iowa Health Center
Notes to Financial Statements
June 30, 2021 and 2020

Revenue Composition

The Organization has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are affected by the following factors:

- Payors (for example, Medicare, Medicaid, managed care, or other insurance, patients have different reimbursement and payment methodologies)
- Method of reimbursement (fee for service)

For the years ended June 30, 2021 and 2020, the Organization recognized revenue of \$10,996,252 and \$10,388,044, respectively, from services that transfer to the patient over time and \$401,563 and \$455,473, respectively, from goods and services that transfer to the patient at a point in time.

Contract Balances

The following table provides information about the Organization’s receivables from contracts with customers:

	2021	2020
Accounts receivable, beginning of year	\$ 446,552	\$ 515,327
Accounts receivable, end of year	\$ 477,996	\$ 446,552

No material contract assets or liabilities are recorded at June 30, 2021 and 2020.

Financing Component

The Organization has elected the practical expedient allowed under FASB ASC 606-10-32-18 and does not adjust the promised amount of consideration from patients and third-party payors for the effects of a significant financing component due to the Organization’s expectation that the period between the time the service is provided to a patient and the time the patient pays for that service will be one year or less.

Contract Costs

The Organization has applied the practical expedient provided by FASB ASC 340-40-25-4 and all incremental customer contract acquisition costs are expensed as they are incurred, as the amortization period of the asset that the Organization otherwise would have recognized is one year or less in duration.

Eastern Iowa Health Center
Notes to Financial Statements
June 30, 2021 and 2020

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 payor agreements. The mix of receivables from patients and third-party payors at June 30, 2021 and 2020, is:

	2021	2020
Medicaid	80%	64%
Other third-party payors	11%	29%
Medicare	5%	2%
Self-pay	4%	5%
	100%	100%

Note 5: Conditional Grants and Contribution

The Organization has received the following conditional promises to give June 30, 2021 and 2020, that are not recognized in the financial statements:

	2021	2020
Given upon incurring allowable expenditures under the agreement	\$ 4,108,772	\$ 5,076,726

Note 6: Investments and Investment Return

Short-Term Investments

Short-term investments, at June 30, include:

	2021	2020
Certificates of deposit	\$ -	\$ 1,443,641

Total investment return is comprised of the following:

	2021	2020
Interest income	\$ 8,421	\$ 30,968

Eastern Iowa Health Center
Notes to Financial Statements
June 30, 2021 and 2020

Total investment return is reflected in the statements of operations as follows:

	<u>2021</u>	<u>2020</u>
Net assets without donor restrictions		
Other nonoperating income	<u>\$ 8,421</u>	<u>\$ 30,968</u>

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 IowaHealth+, 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:

	<u>2021</u>	<u>2020</u>
Current assets	<u>\$ 7,924,091</u>	<u>\$ 3,058,869</u>
Total assets	<u>\$ 7,924,091</u>	<u>\$ 3,062,533</u>
Current liabilities	<u>2,510,035</u>	<u>684,606</u>
Total liabilities	<u>2,510,035</u>	<u>684,606</u>
Equity	<u>\$ 5,414,056</u>	<u>\$ 2,377,927</u>
Revenues	\$ 6,832,325	\$ 1,558,477
Net surplus	\$ 3,036,130	\$ 681,428

The Organization's proportionate share of net income amounted to \$304,072 and \$67,205 for the years ended June 30, 2021 and 2020, respectively. The Organization's investment in the IowaHealth+ 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, 2021, the Organization owns a .16 percent membership interest in PHO.

Eastern Iowa Health Center
Notes to Financial Statements
June 30, 2021 and 2020

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

	2021	2020
Current assets	\$ 370,768	\$ 287,191
Total assets	\$ 5,465,791	\$ 4,655,789
Current liabilities	529,460	528,599
Total liabilities	1,233,510	1,041,264
Equity	\$ 3,702,822	\$ 3,085,925
Revenues	\$ 1,615,067	\$ 1,627,118
Net surplus	\$ 689,680	\$ 481,591

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, 2021 and 2020. 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, 2022. The Organization did not have any borrowings against the bank line of credit at June 30, 2021 and 2020. Interest varies with the bank's prime rate and has a minimum rate of 2.75 percent. The interest rate was 3.25 percent at June 30, 2021, and 4.25 percent at June 30, 2020.

Eastern Iowa Health Center
Notes to Financial Statements
June 30, 2021 and 2020

Note 10: Long-Term Debt

Long-term debt at June 30, 2021 and 2020, consisted of the following:

	2021	2020
Note payable, bank (A)	\$ 627,471	\$ 673,106
Note payable, bank (B)	510,686	538,833
Note payable, bank (C)	-	42,880
Note payable, bank (D)	290,983	308,353
	1,429,140	1,563,172
Less current maturities	96,470	132,494
	\$ 1,332,670	\$ 1,430,678

- (A) Due March 1, 2026; payable in installments of \$6,042 monthly including interest at 3.80 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 May 4, 2025; payable in installments of \$3,935 monthly including interest at 3.60 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, 2023; payable in installments of \$1,381 monthly including interest at 3.60 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.

The Organization paid this balance in full during 2021.

- (D) Due March 1, 2026; payable in installments of \$2,387 monthly including interest at 3.80 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, 2021 and 2020

Aggregate annual maturities of long-term debt at June 30, 2021, are:

2022	\$	96,470
2023		100,244
2024		104,030
2025		495,913
2026		632,483
		632,483
	\$	1,429,140

Note 11: Interest in Assets at Greater Cedar Rapids Community Foundation

The Organization established a beneficial interest in certain endowments held by Greater Cedar Rapids Community Foundation (the “Foundation”). This interest is carried at fair value and the assets from this and other endowments are maintained in the Foundation’s endowment fund and are pooled on a market value basis. Investment return from securities in the endowment fund is allocated to the individual endowments based on the relationship of the fair value of interest of each endowment to the total fair value of the endowment fund, as adjusted for additions to or deductions from these accounts. The Foundation makes annual distributions to the Organization for investment returns received on these endowments based on the Foundation’s spending policy percentage of up to 4.5 percent of the trailing 12 quarters ending December 31st. The Organization did not receive a distribution during the years ended June 30, 2021 and 2020.

Note 12: Net Assets With Donor Restrictions

Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30, 2021 and 2020, are available for the following purposes:

	2021	2020
COVID-19	\$ -	\$ 20,000
Diaper drive	-	22,830
Navigation and care coordination	-	50,000
Patient unmet needs – dental	21,612	35,340
Patient unmet needs – healthcare	110,318	63,286
	110,318	63,286
	\$ 131,930	\$ 191,456

Eastern Iowa Health Center
Notes to Financial Statements
June 30, 2021 and 2020

Net Assets Released from Restrictions

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

	2021	2020
Purpose restrictions accomplished		
Children’s books	\$ -	\$ 1,795
Diaper drive	22,830	29,517
COVID-19	20,000	-
Navigation and care coordination	50,000	50,000
Patient unmet needs – dental	35,340	27,887
Patient unmet needs – healthcare	63,287	98,476
	<u>\$ 191,457</u>	<u>\$ 207,675</u>

Note 13: Liquidity and Availability

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

	2021	2020
Financial assets at year-end		
Cash and cash equivalents	\$ 3,776,362	\$ 1,625,404
Investments	-	1,443,641
Patient accounts receivable	477,996	446,552
Grants and other receivables	262,413	201,093
Contribution receivables	111,746	129,900
Estimated amounts due from third-party payors	1,220,000	610,000
	<u>1,220,000</u>	<u>610,000</u>
Financial assets available to meet general expenditures within one year	<u>\$ 5,848,517</u>	<u>\$ 4,456,590</u>

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, 2021 and 2020

Note 14: 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:

	2021				2021				Total
	Health Care Program Services			Total Health Care Program Services	Support Services			Total Support Services	
	Medical	Dental	Behavioral Health		General and Administrative	Fundraising	Total Support Services		
Salaries and wages	\$ 5,960,113	\$ 967,939	\$ 236,397	\$ 7,164,449	\$ 848,823	\$ 56,081	\$ 904,904	\$ 8,069,353	
Employee benefits	1,312,806	260,758	75,360	1,648,924	204,633	13,400	218,033	1,866,957	
Purchased services and professional fees	1,246,082	67,715	3,777	1,317,574	394,906	3,262	398,168	1,715,742	
Supplies and other	1,104,019	219,189	20,122	1,343,330	429,393	2,696	432,089	1,775,419	
Rent	97,708	26	-	97,734	104,885	-	104,885	202,619	
Interest	-	13,534	-	13,534	46,047	-	46,047	59,581	
Depreciation	199,882	112,531	-	312,413	1,832	-	1,832	314,245	
Loss on disposal of property and equipment	-	-	-	-	-	-	-	-	
Total expenses	\$ 9,920,610	\$ 1,641,692	\$ 335,656	\$ 11,897,958	\$ 2,030,519	\$ 75,439	\$ 2,105,958	\$ 14,003,916	

	2020				2020				Total
	Health Care Program Services			Total Health Care Program Services	Support Services			Total Support Services	
	Medical	Dental	Behavioral Health		General and Administrative	Fundraising	Total Support Services		
Salaries and wages	\$ 5,094,976	\$ 879,510	\$ 258,293	\$ 6,232,779	\$869,177	\$46,376	\$ 915,553	\$ 7,148,332	
Employee benefits	1,129,782	240,624	73,874	1,444,280	186,088	11,723	197,811	1,642,091	
Purchased services and professional fees	1,699,644	59,568	3,876	1,763,088	290,885	3,283	294,168	2,057,256	
Supplies and other	1,276,055	230,735	10,126	1,516,916	279,915	2,017	281,932	1,798,848	
Rent	100,310	-	-	100,310	103,131	-	103,131	203,441	
Interest	-	12,577	-	12,577	63,538	-	63,538	76,115	
Depreciation	192,508	123,806	-	316,314	2,659	-	2,659	318,973	
Loss on disposal of property and equipment	-	-	-	-	13,790	-	13,790	13,790	
Total expenses	\$ 9,493,275	\$ 1,546,820	\$ 346,169	\$ 11,386,264	\$ 1,809,183	\$ 63,399	\$ 1,872,582	\$ 13,258,846	

Eastern Iowa Health Center
Notes to Financial Statements
June 30, 2021 and 2020

Note 15: Operating Leases

Noncancelable 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).

Future minimum lease payments at June 30, 2021, were:

2022		\$ 193,904
2023		149,218
2024		94,010
2025		<u>47,005</u>
Future minimum lease payments		<u><u>\$ 484,137</u></u>

Note 16: 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 \$268,982 and \$241,371 for the years ended June 30, 2021 and 2020, respectively.

Note 17: 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 Organization's 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 \$0 and \$635,320 for the years ended June 30, 2021 and 2020, respectively. These amounts are included in supplies and other expense on the statement of operations. The Organization owed \$0 and \$36,440 to CRMEF at June 30, 2021 and 2020, respectively. These amounts are included in accounts payable on the balance sheet.

The Organization terminated their Clinical Service Agreement with CRMEF on July 1, 2020.

Eastern Iowa Health Center

Notes to Financial Statements

June 30, 2021 and 2020

Note 18: COVID-19 Pandemic and CARES Act Funding

On March 11, 2020, the World Health Organization designated the SARS-CoV-2 virus and the incidence of COVID-19 (COVID-19) as a global pandemic. Patient volumes and the related revenues were significantly affected by COVID-19 as various policies were implemented by federal, state, and local governments in response to the pandemic that led many people to remain at home and forced the closure of or limitations on certain businesses, as well as suspended elective procedures by health care facilities.

While some of these policies have been eased and states have lifted moratoriums on nonemergent procedures, some restrictions remain in place, and some state and local governments are re-imposing certain restrictions due to increasing rates of COVID-19 cases.

Beginning in mid-March 2020, the Organization deferred all nonessential medical and dental procedures and suspended elective procedures, which resumed at different dates during the final quarter of the fiscal year at lower than historical volumes

The Organization's pandemic response plan has multiple facets and continues to evolve as the pandemic unfolds. The Organization has taken precautionary steps to enhance its operational and financial flexibility, and react to the risks the COVID-19 pandemic presents to its business.

The extent of the COVID-19 pandemic's adverse effect on the Organization's operating results and financial condition has been and will continue to be driven by many factors, most of which are beyond the Organization's control and ability to forecast. Such factors include, but are not limited to, the scope and duration of stay-at-home practices and business closures and restrictions, government-imposed or recommended suspensions of elective procedures, continued declines in patient volumes for an indeterminable length of time, increases in the number of uninsured and underinsured patients as a result of higher sustained rates of unemployment, incremental expenses required for supplies and personal protective equipment, and changes in professional and general liability exposure.

Because of these and other uncertainties, the Organization cannot estimate the length or severity of the effect of the pandemic on the Organization's business. Decreases in cash flows and results of operations may have an effect on the inputs and assumptions used in significant accounting estimates, including estimated implicit price concessions related to uninsured patient accounts, and potential impairments of long-lived assets.

Provider Relief Fund

During the years ended June 30, 2021 and 2020, the Organization received approximately \$363,969 and \$5,000, respectively, of distributions from the CARES Act Provider Relief Fund (collectively, the "Provider Relief Fund"). These distributions from the Provider Relief Fund are not subject to repayment, provided the Organization is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for qualifying expenses or lost revenue attributable to COVID-19, as defined by the Department of Health and Human Services.

Eastern Iowa Health Center

Notes to Financial Statements

June 30, 2021 and 2020

The Organization has elected to account for such payments as conditional contributions in accordance with ASC Topic 958-605 – *Revenue Recognition*. Payments are recognized as grant revenue once the applicable terms and conditions required to retain the funds have been substantially met. Based on an analysis of the compliance and reporting requirements of the Provider Relief Fund and the effect of the pandemic on the Organization’s revenues and expenses through year-end, the Organization recognized \$363,969 and \$5,000, respectively, during the years ended June 30, 2021 and 2020, related to the distributions from the Provider Relief Fund, and these payments are recorded as grant revenue in the accompanying statement of operations. The unrecognized amount of distributions from the Provider Relief Fund are recorded as deferred grant revenue in the accompanying balance sheets.

Guidance for reporting use of Provider Relief Fund payments received has changed significantly since distributions were authorized through the CARES Act in March 2020. The Organization has evaluated the “Post-Payment Notice of Reporting Requirements” (Notice) and the Frequently Asked Questions (FAQs) issued by HHS subsequent to June 30, 2021, in accordance with ASC Topic 855 and have concluded as follows:

- July 1, 2021, FAQs – recognized
- September 2021 FAQs – recognized
- October 2021 FAQs – recognized
- December 2021 FAQs – recognized

The Organization has recognized revenue from the Provider Relief Fund based on guidance issued by HHS as of June 30, 2021, and any clarifications issued by HHS subsequent to year-end, including any referenced above as recognized subsequent events. For guidance issued subsequent to June 30, 2021, considered nonrecognized subsequent events, the Organization has reviewed this guidance and estimates no increase or decrease in revenue to be recognized as a change in estimate in future periods. The Organization will continue to monitor compliance with the terms and conditions of the Provider Relief Fund and the effect of the pandemic on the Organization’s revenues and expenses. The terms and conditions governing the Provider Relief Fund are complex and subject to interpretation and change. If the Organization is unable to attest to or comply with current or future terms and conditions, its ability to retain some or all of the distributions received may be affected. Additionally, the amounts recorded in the financial statements compared to the Organization’s Provider Relief Fund reporting could differ. Provider Relief Fund payments are subject to government oversight, including potential audits.

Paycheck Protection Program (PPP) Loan

In April 2020, the entity received a PPP loan established by the CARES Act in the amount of \$1,067,100 and elected to account for the funding as a conditional contribution by applying ASC Topic 958-605, *Revenue Recognition*. Revenue is recognized when conditions are met, which include meeting FTE and salary reduction requirements and incurring eligible expenditures. PPP loans are subject to audit and acceptance by the U.S. Department of Treasury, Small Business Administration, or lender; as a result of such audit, adjustments could be required to the recognition of revenue. The Organization recognized \$1,067,100 as grant revenue during the year ended June 30, 2020.

Eastern Iowa Health Center

Notes to Financial Statements

June 30, 2021 and 2020

In March 2021, the Organization received legal notice that the PPP loan was forgiven in its entirety.

Supplementary CARES Act Grants

In the spring of 2020, the Organization was awarded three additional federal grant awards with various budget periods through March and April 2021 from the *Health Center Coronavirus Aid, Relief, and Economic Security (CARES) Act Funding* totaling \$1,135,024. Each grant award contains specific terms and conditions that must be followed when utilizing this funding. Grant revenue is recognized, and grant funds are drawn down, as the Organization meets the conditions prescribed by the grant agreements which require incurring qualifying expenditures over the grant period. During the years ended June 30, 2021 and 2020, the Organization recognized \$1,018,816 and \$116,208 in CARES Act grant funds, respectively.

In March 2021 as part of the American Rescue Plan Act, the Organization was awarded a federal grant award for \$2,656,125 for a budget period of April 2021 through March 2023. The award has specific terms and conditions that must be followed when utilizing the funding. Grant revenue is recognized, and grant funds drawn down, as the Organization meets the conditions prescribed by the grant agreement which require incurring qualifying expenditures over the grant period. During the years ended June 30, 2021 and 2020, the Organization did not recognize any American Rescue Plan Act grant funds.

Subsequent to year-end as part of the American Rescue Plan Act, the Organization was awarded a federal grant award for capital improvements for \$648,687 for a budget period of September 2021 through September 2024. The award has specific terms and conditions that must be followed when utilizing the funding. Grant revenue will be recognized, and grant funds drawn down, as the Organization meets the conditions prescribed by the grant agreement which require incurring qualifying expenditures over the grant period.

Note 19: 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:

Variable Consideration

Estimates of variable consideration in determining the transaction price for patient service revenue are described in *Notes 1 and 4*.

Grant Revenue

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

Eastern Iowa Health Center
Notes to Financial Statements
June 30, 2021 and 2020

Malpractice Claims

Estimates related to the accrual for professional liability claims are described in *Note 10*.

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.

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 patient service revenue.

340B Drug Pricing Program

The Organization participates in the 340B Drug Pricing Program (340B Program) as a covered entity which enables the Organization to receive discounted prices from drug manufacturers on outpatient pharmaceutical purchases. This program is overseen by the Health Resources and Services Administration (HRSA) Office of Pharmacy Affairs (OPA). HRSA has implemented a program integrity initiative to maximize oversight and manage compliance risks for 340B Program covered entities. The initiative's guiding principles include audits of covered entities and manufacturers to enforce requirements for these stakeholders. Annual recertification is required to allow covered entities an opportunity to assess their 340B Program and reattest to meeting program requirements.

Laws and regulations governing the 340B Program are complex and subject to interpretation and change. Manufacturers are threatening the savings from the 340B Program. The Organization monitors request and notification from manufacturers and assesses with their legal department as needed as these notifications could result in potential reduction in savings for the Organization. As a result, it is reasonably possible that material changes to financial statement amounts related to the 340B Program could occur in the near term.

Eastern Iowa Health Center
Notes to Financial Statements
June 30, 2021 and 2020

Note 20: Subsequent Events

Subsequent to year-end, the Organization received an award under the American Rescue Plan Act. See *Note 18* for details of this award.

Subsequent to year-end, the Organization obtained a \$500,000 secured promissory note from East Central Iowa Council of Governments, due in full on October 29, 2028, to finance the expansion of the dental building. The note is secured by certain assets. The note bears interest at 0 percent for 2 years and 2 percent for 5 years per annum. The Organization also received contributions of \$500,000 from the Delta Dental of Iowa Foundation to finance this expansion.

Subsequent events have been evaluated through February 25, 2022, which is the date the financial statements were available to be issued.

Note 21: Future Change in Accounting Principle

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 consolidated balance sheets as both a right-of-use asset and a liability. The standard has two types of leases for consolidated statements of operations 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, 2021. The Organization is evaluating the effect the standard will have on the financial statements; however, the standard is expected to have a material effect 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, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing 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	\$ -	\$ 518,948
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	-	1,795,102
U.S. Department of Health and Human Services/Grants for New and Expanded Services under the Health Center Program – COVID-19 – Health Center Program Cluster	93.224	N/A	-	1,018,816
Total Health Center Program Cluster			-	3,332,866
U.S. Department of Health and Human Services/American Cancer Society, Inc./ Organized Approaches to Increase Colorectal Cancer Screening	93.800	5880CRC16	-	20,920
U.S. Department of Health and Human Services/Iowa Department of Public Health/ Family Planning Services	93.217	5888FP05	-	232,427
U.S. Department of Health and Human Services/ Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution	93.498	N/A	-	320,657
U.S. Department of Health and Human Services/Linn County Public Health/ Improving the Health of Americans through Prevention and Management of Diabetes and Heart Disease and Stroke	93.426	20AHP6	-	21,613
			\$ -	\$ 3,928,483

Eastern Iowa Health Center
Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

Notes to Schedule

1. The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of Eastern Iowa Health Center under programs of the federal government for the year ended June 30, 2021. 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, 2021.
4. Personal Protective Equipment (PPE) (Unaudited): Eastern Iowa Health Center did not receive any donated PPE during the year ended June 30, 2021.

**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, 2021, 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 February 25, 2022.

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) 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 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Springfield, Missouri
February 25, 2022

Report on Compliance for Each 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 Each 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 each of the Organization's major federal programs for the year ended June 30, 2021. The Organization's major federal programs are 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 each of Eastern Iowa Health Center's major federal programs 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 each 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 each of its major federal programs for the year ended June 30, 2021.

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 each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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
May 13, 2022

Eastern Iowa Health Center
Schedule of Findings and Questioned Costs
Year Ended June 30, 2021

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 opinions expressed in the independent auditor's report on compliance for major federal awards were:

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, 2021

7. The Organization's major programs were:

Cluster/Program	Assistance Listing Number
Health Center Program Cluster Provider Relief Fund	93.224 and 93.527 93.498

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, 2021

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, 2021

Findings Required to be Reported by Uniform Guidance

**Reference
Number**

Finding

No matters are reportable.

Eastern Iowa Health Center
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2021

Reference Number	Summary of Finding	Status
	No matters are reportable.	