




Eastern Iowa Health Center

Independent Auditor's Report and Financial Statements

June 30, 2024 and 2023



Independent Auditor's Report

Board of Directors
Eastern Iowa Health Center
Cedar Rapids, Iowa

Opinion

We have audited the financial statements of Eastern Iowa Health Center, which comprise the balance sheets as of June 30, 2024 and 2023, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Eastern Iowa Health Center as of June 30, 2024 and 2023, and the results of its operations, changes in its net assets, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of Eastern Iowa Health Center and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Eastern Iowa Health Center's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Eastern Iowa Health Center's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Forvis Mazars, LLP

Springfield, Missouri
November 21, 2024

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Eastern Iowa Health Center

Balance Sheets

June 30, 2024 and 2023

Assets

	<u>2024</u>	<u>2023</u>
Current Assets		
Cash and cash equivalents	\$ 2,470,096	\$ 2,919,736
Short-term investments	2,359,211	2,111,013
Assets limited as to use - current	-	500,000
Patient accounts receivable	540,311	441,257
Grant and other receivables	240,695	507,484
Contributions receivable - current	255,832	210,002
Estimated amounts due from third-party payors	977,391	1,731,939
Inventory	39,459	41,681
Prepaid expenses and other	123,156	110,264
	<u>7,006,151</u>	<u>8,573,376</u>
Investment in Equity Investees	<u>735,264</u>	<u>713,713</u>
Property and Equipment, At Cost		
Land	251,501	251,501
Buildings and improvements	8,005,134	3,575,456
Equipment	1,051,726	1,122,417
Furniture and fixtures	1,353,065	268,767
Construction in progress	52,615	3,265,501
	<u>10,714,041</u>	<u>8,483,642</u>
Less accumulated depreciation	<u>2,261,836</u>	<u>1,954,602</u>
	<u>8,452,205</u>	<u>6,529,040</u>
Other Assets		
Contributions receivable	-	100,000
Right-of-use-assets - operating leases	198,425	291,497
Right-of-use-assets - finance leases	84,696	114,269
Interest in assets held by Greater Cedar Rapids Community Foundation	33,807	30,345
	<u>316,928</u>	<u>536,111</u>
Total assets	<u><u>\$ 16,510,548</u></u>	<u><u>\$ 16,352,240</u></u>

Liabilities and Net Assets

	<u>2024</u>	<u>2023</u>
Current Liabilities		
Current maturities of long-term debt	\$ 671,320	\$ 224,103
Accounts payable	200,449	668,276
Accrued expenses	1,144,677	1,079,401
Current portion of operating lease liabilities	76,560	93,072
Current portion of finance lease liabilities	29,313	26,417
Estimated amounts due to third-party payors	104,000	-
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Total current liabilities	2,226,319	2,091,269
Other Liabilities		
Long-term debt	3,294,031	2,362,274
Operating lease liabilities	121,865	198,425
Finance lease liabilities	65,170	94,482
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Total liabilities	5,707,385	4,746,450
Net Assets		
Without donor restrictions	10,579,317	10,240,146
With donor restrictions	223,846	1,365,644
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Total net assets	10,803,163	11,605,790
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Total liabilities and net assets	\$ 16,510,548	\$ 16,352,240
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Eastern Iowa Health Center
Statements of Operations
Years Ended June 30, 2024 and 2023

	2024	2023
Revenues, Gains, and Other Support Without Donor Restrictions		
Patient service revenue	\$ 12,423,855	\$ 12,253,750
Grant revenue	2,193,075	4,223,238
Contributions of cash and other financial assets and other revenue	590,245	515,168
Contributions of nonfinancial assets	26,564	41,208
Net assets released from restrictions used for operations	128,337	133,632
Total revenues, gains, and other support without donor restrictions	15,362,076	17,166,996
Expenses and Losses		
Salaries and wages	9,119,155	8,640,977
Employee benefits and payroll taxes	2,138,075	1,898,596
Purchased services and professional fees	2,253,014	2,437,128
Supplies and other	2,433,215	2,125,491
Rent	107,023	170,003
Interest expense	241,865	63,604
Depreciation and amortization	494,232	315,589
Loss on disposal of property and equipment	4,974	-
Total expenses and losses	16,791,553	15,651,388
Operating Income (Loss)	(1,429,477)	1,515,608
Other Income (Expense)		
Investment return, net	297,092	196,006
Gain on investment in equity investee	22,869	129,646
Total other income (expense)	319,961	325,652
Excess (Deficiency) of Revenues Over Expenses	(1,109,516)	1,841,260
Contributions for acquisition of property and equipment	211,380	62,500
Net assets released from restriction for property and equipment	1,237,307	500,000
Increase in Net Assets Without Donor Restrictions	\$ 339,171	\$ 2,403,760

Eastern Iowa Health Center
Statements of Changes in Net Assets
Years Ended June 30, 2024 and 2023

	2024	2023
Net Assets Without Donor Restrictions		
Excess (deficiency) of revenues over expenses	\$ (1,109,516)	\$ 1,841,260
Contributions of property and equipment	211,380	62,500
Net assets released from restriction for property and equipment	1,237,307	500,000
Increase in net assets without donor restrictions	339,171	2,403,760
Net Assets With Donor Restrictions		
Contributions of cash and other financial assets	223,846	1,065,645
Net assets released from restrictions	(1,365,644)	(633,632)
Increase (decrease) in net assets with donor restrictions	(1,141,798)	432,013
Change in Net Assets	(802,627)	2,835,773
Net Assets, Beginning of Year	11,605,790	8,770,017
Net Assets, End of Year	\$ 10,803,163	\$ 11,605,790

Eastern Iowa Health Center
Statements of Cash Flows
Years Ended June 30, 2024 and 2023

	2024	2023
Operating Activities		
Change in net assets	\$ (802,627)	\$ 2,835,773
Items not requiring (providing) cash		
Loss on disposal of property and equipment	4,974	-
Undistributed gain on investment in equity investee	(22,869)	(129,646)
Depreciation and amortization	494,232	315,589
Noncash operating lease expense	93,072	148,879
Net realized and unrealized gain on investments	(274,668)	(167,465)
Contributions for acquisition of property and equipment	(236,380)	(499,807)
Change in interest in Greater Cedar Rapids Community Foundation	(3,462)	(2,763)
Changes in		
Patient accounts receivable	(99,054)	105,986
Grants and other receivables	266,789	195,047
Contributions receivable	54,170	(974,594)
Estimated amounts due from and due to third-party payors	858,548	(1,939)
Notes receivable	-	12,500
Inventory	2,222	31,320
Prepaid and other assets	(11,574)	118,843
Operating lease liability	(93,072)	(148,879)
Accounts payable and accrued expenses	248,642	21,026
	478,943	1,859,870
Investing Activities		
Proceeds from disposition of investments	660,364	606,196
Purchase of investments	(133,894)	(1,411,695)
Purchase of property and equipment	(3,043,991)	(2,919,510)
	(2,517,521)	(3,725,009)
Financing Activities		
Proceeds from issuance of long-term debt	1,571,369	901,521
Principal payments on long-term debt	(192,395)	(148,299)
Proceeds from contribution for acquisition of property and equipment	236,380	1,162,500
Proceeds from grant for acquisition of property and equipment	-	437,307
Principal payments on finance lease liabilities	(26,416)	(24,505)
Borrowings under line-of-credit agreement	100,000	-
Payments on line-of-credit agreement	(100,000)	-
	1,588,938	2,328,524

Eastern Iowa Health Center
Statements of Cash Flows
Years Ended June 30, 2024 and 2023

	2024	2023
Increase (Decrease) in Cash and Cash Equivalents	\$ (449,640)	\$ 463,385
Cash and Cash Equivalents, Beginning of Year	2,919,736	2,456,351
Cash and Cash Equivalents, End of Year	\$ 2,470,096	\$ 2,919,736
Supplemental Cash Flows Information		
Interest paid	\$ 234,225	\$ 60,493
Property and equipment in accounts payable and accrued expense	\$ -	\$ 651,193
ROU assets obtained in exchange for new finance lease liabilities	\$ -	\$ 145,404

Eastern Iowa Health Center
Notes to Financial Statements
June 30, 2024 and 2023

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, gains, losses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents. Uninvested cash and cash equivalents included in investment accounts are considered to be cash and cash equivalents. At June 30, 2024 and 2023, cash equivalents consisted primarily of a money market account with a broker.

At June 30, 2024, the Organization’s cash accounts exceeded federally insured limits by approximately \$2,249,000.

Assets Limited as to Use

Assets limited as to use include assets restricted by donors. Amounts required to meet current liabilities of the Organization are included in current assets.

Equity Investments

The Organization measures equity securities, other than investments that qualify for the equity method of accounting, at fair value with changes recognized in excess (deficiency) of revenues over expenses. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Net Investment Return

Investment return includes dividend, interest, and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments, less external and direct internal investment expenses.

Eastern Iowa Health Center

Notes to Financial Statements

June 30, 2024 and 2023

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 of any donor or legally imposed 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 credit loss expense has been recognized for the years ended June 30, 2024 and 2023.

Inventories

Supply inventories are stated at the lower of cost or net realizable value. Costs are determined using the first-in, first-out (FIFO) method.

Property and Equipment

Property and equipment acquisitions over \$5,000 are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization is charged to expense on the straight-line basis over the estimated useful life of each asset. Assets under finance lease obligations and leasehold improvements are amortized over the shorter of the lease term or 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 – 15 years
Furniture and fixtures	5 – 15 years

Certain property and equipment have been purchased with grant funds received from various federal agencies. 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.

Eastern Iowa Health Center

Notes to Financial Statements

June 30, 2024 and 2023

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, 2024 and 2023.

Net Assets

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

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

Net assets with donor restrictions are subject to donor or certain grantor 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.

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.

340B Drug Pricing Program

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.

Eastern Iowa Health Center
Notes to Financial Statements
June 30, 2024 and 2023

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.

	2024	2023
Gross receipts	\$ 369,528	\$ 517,845
Drug replenishment costs	(177,263)	(145,270)
Administrative and filling fees	(167,044)	(207,432)
Net revenue	\$ 25,221	\$ 165,143

The 340B gross receipts are included in 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.

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, 2024 and 2023

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.

Contributed Nonfinancial Assets

In addition to receiving cash contributions, the Organization receives in-kind contributions of professional services and capital equipment from various donors. Contributions of services are recognized as revenue at their estimated fair value only when the services received create or enhance nonfinancial assets or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated.

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. Grant agreements which are reimbursement for services provided are considered exchange transactions and recognized as 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.

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.

The Organization files tax returns in the U.S. federal jurisdiction.

Eastern Iowa Health Center

Notes to Financial Statements

June 30, 2024 and 2023

Excess (Deficiency) of Revenues Over Expenses

The statements of operations include excess (deficiency) of revenues over expenses. Changes in net assets without donor restrictions which are excluded from excess (deficiency) 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).

Change in Accounting Principle

Effective July 1, 2023, the Organization adopted ASU 2016-13, *Financial Instruments - Credit Losses* (Topic 326), related to the impairment of financial instruments. This guidance, commonly referred to as current expected credit loss (CECL), changes impairment recognition to a model that is based on expected losses rather than incurred losses. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, including patient accounts receivables and estimated amounts due to/from third party payors.

Upon adoption of the guidance on July 1, 2023, the Organization recognized no impact on net assets.

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, Iowa, 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, 2024 and 2023, the Organization recognized \$1,743,765 and \$1,743,765 in HCP grant revenue, respectively. The Organization has been authorized for funding in the amount of \$1,780,234 for the budget period ending April 30, 2025.

In addition to the above grants, the Organization receives additional financial support from other federal, state, 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: American Rescue Plan Act Grants Funding

In March 2021, the Organization was awarded an additional federal grant award with the budget period through March 2023 from the *American Rescue Plan Act (ARP) Funding for Health Centers* program totaling \$2,656,125. In August 2022, the Organization was awarded an additional \$65,500.

Eastern Iowa Health Center

Notes to Financial Statements

June 30, 2024 and 2023

In August 2021, the Organization was awarded an additional federal grant award with the budget period through September 2024 from the *American Rescue Plan Act (ARP) Health Center Infrastructure Support* program totaling \$648,687.

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, 2024 and 2023, the Organization recognized \$211,380 and \$2,138,893 in ARP Act grant funds, respectively. Of the amount recognized, during the years ended June 30, 2024 and 2023, \$0 and \$437,307, respectively, were recorded within net assets with donor restrictions.

Note 4: 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 the Organization's 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, 2024 and 2023, respectively.

Eastern Iowa Health Center

Notes to Financial Statements

June 30, 2024 and 2023

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 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, 2024 and 2023

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. In 2023, adjustments arising from the desk audit of the cost report resulted in a change in transaction price of approximately \$250,000. Adjustments arising from a change in the transaction price were not significant in 2024.

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, 2024 and 2023, 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 credit loss 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, 2024 and 2023, the Organization has a liability for refunds to third-party payors and patients recorded of \$77,345 and \$29,721, respectively, which is included in accounts payable on the balance sheets.

Eastern Iowa Health Center
Notes to Financial Statements
June 30, 2024 and 2023

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, 2024 and 2023, the Organization recognized revenue of \$12,054,327 and \$11,735,905, respectively, from services that transfer to the patient over time and \$369,528 and \$517,845, respectively, from goods and services that transfer to the patient at a point in time.

The composition of patient service revenue by primary payor for the years ended June 30, 2024 and 2023, is as follows:

	2024	2023
Medicare	\$ 80,429	\$ 292,025
Medicaid	10,653,532	10,556,596
Other third-party payors	1,601,567	1,315,514
Self-pay	88,327	89,615
	\$ 12,423,855	\$ 12,253,750

Contract Balances

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

	2024	2023
Accounts receivable, beginning of year	\$ 441,257	\$ 547,243
Accounts receivable, end of year	\$ 540,311	\$ 441,257

No material contract assets or liabilities are recorded at June 30, 2024 and 2023.

Eastern Iowa Health Center
Notes to Financial Statements
June 30, 2024 and 2023

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.

Note 5: 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, 2024 and 2023, is:

	2024	2023
Medicaid	60%	57%
Other third-party payors	31%	37%
Medicare	6%	3%
Self-pay	3%	3%
	100%	100%

Eastern Iowa Health Center

Notes to Financial Statements

June 30, 2024 and 2023

Note 6: Contributions Receivable

Contributions receivable consisted of the following:

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Due within one year	\$ -	\$ 255,832	\$ 255,832
	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Due within one year	\$ -	\$ 210,002	\$ 210,002
Due within one to five years	-	100,000	100,000
	\$ -	\$ 310,002	\$ 310,002

Note 7: Conditional Grants and Contribution

The Organization has received the following conditional promises to give at June 30, 2024 and 2023, that are not recognized in the financial statements:

	2024	2023
Given upon incurring allowable expenditures under the agreement	\$ 1,778,045	\$ 2,255,112

Eastern Iowa Health Center
Notes to Financial Statements
June 30, 2024 and 2023

Note 8: Investments and Investment Return

Assets Limited as to Use

Assets limited as to use, at June 30, 2024 and 2023, include:

	2024	2023
Certificate of deposit	\$ -	\$ 500,000

Short-Term Investments

Short-term investments at June 30, 2024 and 2023, include:

	2024	2023
Mutual funds	\$ 905,366	\$ 878,435
Equity securities	1,453,845	1,232,578
	\$ 2,359,211	\$ 2,111,013

Total investment return is reflected in the statement of operations as a component of net assets without donor restrictions and is comprised of the following:

	2024	2023
Interest income	\$ 22,424	\$ 28,541
Net realized and unrealized gain on investments	274,668	167,465
	\$ 297,092	\$ 196,006

Eastern Iowa Health Center
Notes to Financial Statements
June 30, 2024 and 2023

Note 9: Investment in Equity Investee

IowaHealth+

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 8 percent ownership as of June 30, 2024 and 2023.

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

	2024	2023
Current assets	<u>\$ 11,768,210</u>	<u>\$ 12,911,474</u>
Total assets	<u>11,768,210</u>	<u>12,911,474</u>
Current liabilities	<u>3,363,890</u>	<u>4,786,407</u>
Total liabilities	<u>3,363,890</u>	<u>4,786,407</u>
Equity	<u>\$ 8,404,320</u>	<u>\$ 8,125,067</u>
Revenues	\$ 6,587,797	\$ 7,399,296
Net surplus	\$ 280,917	\$ 957,236

The Organization’s proportionate share of net income amounted to \$22,599 and \$128,460 for the years ended June 30, 2024 and 2023, respectively. The year ended June 30, 2023 included a change of estimate of income from the year ended June 30, 2022 of \$48,829. The Organization’s investment in IowaHealth+ is included in investment in equity investees on the balance sheet.

Eastern Iowa Health Center
Notes to Financial Statements
June 30, 2024 and 2023

PHO

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, 2024 and 2023, the Organization owed a .17 and .20 percent membership interest in PHO.

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

	2024	2023
Current assets	\$ 730,857	\$ 642,086
Total assets	6,049,427	5,614,062
Current liabilities	641,338	609,293
Total liabilities	1,601,929	1,637,548
Equity	\$ 4,447,498	\$ 3,976,514
Revenues	\$ 2,630,676	\$ 2,334,004
Net surplus	\$ 823,411	\$ 496,530

The Organization's proportionate share of net income amounted to \$270 and \$1,186 for the years ended June 30, 2024 and 2023, respectively. The Organization's investment in the PHO is included in investment in equity investees on the balance sheet.

Note 10: 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, 2024 and 2023. 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.

Eastern Iowa Health Center
Notes to Financial Statements
June 30, 2024 and 2023

Note 11: Line of Credit

The Organization has a \$2,000,000 bank line of credit secured by accounts receivable, maturing on May 28, 2025. The Organization did not have any borrowings against the bank line of credit at June 30, 2024 and 2023. Interest varies with the bank’s prime rate and has a minimum rate of 2.75 percent. The interest rate was 8.50 percent at June 30, 2024, and 8.25 percent at June 30, 2023, respectively.

Note 12: Long-Term Debt

Long-term debt at June 30, 2024 and 2023, consisted of the following:

	2024	2023
Note payable, bank (A)	\$ 473,907	\$ 526,981
Note payable, bank (B)	420,427	451,634
Note payable, bank (C)	235,721	254,851
Note payable, not-for-profit (D)	370,175	451,390
Note payable, bank (E)	2,465,121	901,521
	3,965,351	2,586,377
Less current maturities	671,320	224,103
	\$ 3,294,031	\$ 2,362,274

- (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 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, 2024 and 2023

- (D) Due November 15, 2028; zero percent interest until December 15, 2023, payments of principal only beginning December 15, 2022; beginning December 15, 2023, principal and interest installments of \$7,303 monthly including interest at 2.00 percent with a final payment of all outstanding principal and interest upon maturity. Note is collateralized by the dental clinic.
- (E) Effective March 28, 2023, entered a promissory note where through the construction maturity date of March 28, 2024 could draw upon the maximum loan amount of \$2,479,890 with a variable interest rate. From the effective date through the construction maturity date, interest only payments are payable monthly. After the construction maturity date through the maturity date the interest will be a fixed rate of 2.00 percent over the prevailing 7-year constant maturity treasury rate. Beginning in April 2024, payment of \$20,476 including interest at 6.2 percent are due monthly. A final payment of all outstanding principal and interest are due upon maturity of March 28, 2031.

Aggregate annual maturities of long-term debt at June 30, 2024, are:

2025	\$	671,320
2026		816,910
2027		190,981
2028		199,486
2029		157,100
Thereafter		1,929,554
	\$	3,965,351

Note 13: 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 31. The Organization did not request and receive a distribution during the years ended June 30, 2024 and 2023. The fair value change in the asset value is recognized within investment return, net on the statements of operations.

Eastern Iowa Health Center

Notes to Financial Statements

June 30, 2024 and 2023

Note 14: Net Assets

Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30, 2024 and 2023, are restricted for the following purposes:

	2024	2023
Subject to expenditure for specified purpose		
Cash for dental facility project	\$ -	\$ 1,237,307
Cash for equipment	25,000	-
Cash for pharmacy project	75,000	-
Other events	-	10,137
Patient unmet needs – dental	-	21,613
Patient unmet needs – healthcare	123,846	96,587
	\$ 223,846	\$ 1,365,644

Net Assets Released from Restrictions

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

	2024	2023
Satisfaction of purpose restrictions		
Other events	\$ 10,137	\$ -
Dental facility	1,237,307	500,000
Patient unmet needs – dental	21,613	21,613
Patient unmet needs – healthcare	96,587	112,019
	\$ 1,365,644	\$ 633,632

Eastern Iowa Health Center

Notes to Financial Statements

June 30, 2024 and 2023

Note 15: Liquidity and Availability

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

	2024	2023
Financial assets at year-end		
Cash and cash equivalents	\$ 2,470,096	\$ 2,919,736
Investments	2,359,211	2,111,013
Assets limited as to use - current	-	500,000
Patient accounts receivable	540,311	441,257
Grants and other receivables	240,695	507,484
Contribution receivables - current	255,832	210,002
Estimated amounts due from third-party payors	977,391	1,731,939
	<u> </u>	<u> </u>
Financial assets available to meet general expenditures within one year	<u>\$ 6,843,536</u>	<u>\$ 8,421,431</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 \$2,000,000 which it could draw upon (see *Note 11*).

Eastern Iowa Health Center
Notes to Financial Statements
June 30, 2024 and 2023

Note 16: 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:

	2024							
	Health Care Program Services				Support Services			
	Medical	Dental	Behavioral Health	Total Health Care Program Services	General and Administrative	Fundraising	Total Support Services	Total
Salaries and wages	\$ 5,768,950	\$ 1,985,708	\$ 53,644	\$ 7,808,302	\$ 1,242,765	\$ 68,088	\$ 1,310,853	\$ 9,119,155
Employee benefits	1,236,396	534,605	22,375	1,793,376	323,822	20,877	344,699	2,138,075
Purchased services and professional fees	1,466,871	104,905	192,467	1,764,243	488,771	-	488,771	2,253,014
Supplies and other	1,321,839	533,362	3,303	1,858,504	566,759	7,952	574,711	2,433,215
Rent	105,919	-	-	105,919	1,104	-	1,104	107,023
Interest	-	184,421	-	184,421	57,444	-	57,444	241,865
Depreciation and amortization	140,542	211,062	-	351,604	142,628	-	142,628	494,232
Loss on disposal of property and equipment	4,352	622	-	4,974	-	-	-	4,974
Total expenses	\$ 10,044,869	\$ 3,554,685	\$ 271,789	\$ 13,871,343	\$ 2,823,293	\$ 96,917	\$ 2,920,210	\$ 16,791,553

	2023							
	Health Care Program Services				Support Services			
	Medical	Dental	Behavioral Health	Total Health Care Program Services	General and Administrative	Fundraising	Total Support Services	Total
Salaries and wages	\$ 6,166,633	\$ 1,235,004	\$ 266,842	\$ 7,668,479	\$ 874,623	\$ 97,875	\$ 972,498	\$ 8,640,977
Employee benefits	1,217,656	308,761	101,815	1,628,232	239,310	31,054	270,364	1,898,596
Purchased services and professional fees	1,502,931	76,155	71,977	1,651,063	786,065	-	786,065	2,437,128
Supplies and other	1,299,905	306,166	6,831	1,612,902	497,342	15,247	512,589	2,125,491
Rent	53,482	-	-	53,482	116,521	-	116,521	170,003
Interest	7,267	18,112	-	25,379	38,225	-	38,225	63,604
Depreciation and amortization	247,514	57,581	-	305,095	10,494	-	10,494	315,589
Total expenses	\$ 10,495,388	\$ 2,001,779	\$ 447,465	\$ 12,944,632	\$ 2,562,580	\$ 144,176	\$ 2,706,756	\$ 15,651,388

Eastern Iowa Health Center
Notes to Financial Statements
June 30, 2024 and 2023

Note 17: Leases

Accounting Policies

The Organization determines if an arrangement is a lease or contains a lease at inception. Leases result in the recognition of ROU assets and lease liabilities on the balance sheets. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The Organization determines lease classification as operating or finance at the lease commencement date.

The Organization combines lease and nonlease components, such as common area and other maintenance costs, and accounts for them as a single lease component in calculating the ROU assets and lease liabilities for its office buildings and copier leases.

At lease commencement, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. The Organization uses the implicit rate when readily determinable. As most of the leases do not provide an implicit rate, the Organization uses its incremental borrowing rate based on the information available at the commencement date to determine the present value of lease payments. Incremental borrowing rates used to determine the present value of lease payments were derived by reference to the Organization's secured-debt yields corresponding to the lease commencement date.

The lease term may include options to extend or to terminate the lease that the Organization is reasonably certain to exercise. Lease expense is generally recognized on a straight-line basis over the lease term.

The Organization has elected not to record leases with an initial term of 12 months or less on the balance sheets. Lease expense on such leases is recognized on a straight-line basis over the lease term.

Nature of Leases

The Organization has entered into the following lease arrangements:

Finance Leases

These leases mainly consist of equipment for the use of copiers. Termination of the leases generally are prohibited unless there is a violation under the lease agreement.

Operating Leases

The Organization lease an administrative office that expires in 2027. These leases generally contain renewal options for periods ranging from month to month to one year and require the Organization to pay all executory costs (property taxes, maintenance, and insurance). Lease payments do not have an escalating fee schedule. Termination of the leases is generally prohibited unless there is a violation under the lease agreement.

Eastern Iowa Health Center
Notes to Financial Statements
June 30, 2024 and 2023

Short-Term Leases

The Organization leases certain equipment or space as needed. The expected lease terms are less than 12 months. Total lease expense included in operating expenses for the years ending June 30, 2024 and 2023, was \$1,450 and \$795, respectively.

All Leases

The Organization has no material related-party leases.

The Organization's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Quantitative Disclosures

The lease cost and other required information for the years ended June 30, 2024 and 2023 are:

	2024	2023
Lease cost		
Finance lease cost		
Amortization of right-of-use asset	\$ 29,573	\$ 31,135
Interest on lease liabilities	5,173	7,267
Operating lease cost	93,072	148,879
Short-term lease cost	1,450	795
Variable lease cost	12,501	20,329
Total lease cost	\$ 141,769	\$ 208,405
	2024	2023
Other information		
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from finance leases	\$ 34,746	\$ 38,402
Financing cash flows from finance leases	26,416	24,505
Operating cash flows from operating leases	93,072	148,879
Right-of-use assets obtained in exchange for new finance lease liabilities	-	145,404
Weighted average remaining lease term		
Finance leases	3.0 years	4.0 years
Operating leases	2.5 years	3.3 years
Weighted average discount rate		
Finance leases	4.8%	4.8%
Operating leases	4.8%	4.8%

Eastern Iowa Health Center
Notes to Financial Statements
June 30, 2024 and 2023

Future minimum lease payments and reconciliation to the balance sheet at June 30, 2024, are as follows:

	Finance Leases	Operating Leases
2025	\$ 33,169	\$ 84,333
2026	34,827	84,333
2027	33,521	42,166
Total future undiscounted lease payments	106,690	210,832
Less imputed interest	12,207	12,407
Lease liabilities	<u>\$ 94,483</u>	<u>\$ 198,425</u>

Note 18: 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 for their next 2 percent of contributions. Pension expense was \$312,401 and \$306,664 for the years ended June 30, 2024 and 2023, respectively.

Note 19: Disclosures About Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. The hierarchy comprises three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and that are significant to the fair value of the assets or liabilities

Eastern Iowa Health Center

Notes to Financial Statements

June 30, 2024 and 2023

Recurring Measurements

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying balance sheets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2024 and 2023:

	Fair Value Measurements Using			
	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2024				
Assets				
Mutual funds	\$ 905,366	\$ 905,366	\$ -	\$ -
Equity securities	1,453,845	1,453,845	-	-
Cash equivalents	90,655	90,655	-	-
	<u>2,449,866</u>	<u>2,449,866</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 2,449,866</u>	<u>\$ 2,449,866</u>	<u>\$ -</u>	<u>\$ -</u>
June 30, 2023				
Assets				
Mutual funds	\$ 878,435	\$ 878,435	\$ -	\$ -
Equity securities	1,232,578	1,232,578	-	-
Cash equivalents	888,117	888,117	-	-
	<u>2,999,130</u>	<u>2,999,130</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 2,999,130</u>	<u>\$ 2,999,130</u>	<u>\$ -</u>	<u>\$ -</u>

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying balance sheets, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended June 30, 2024.

Eastern Iowa Health Center

Notes to Financial Statements

June 30, 2024 and 2023

Investments and Cash Equivalents

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections, and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. The Organization has no securities classified as Level 3.

Note 20: Contributed Nonfinancial Assets

For the years ended June 30, 2024 and 2023 contributed nonfinancial assets recognized within the statement of operations included:

	2024	2023
Medical services	\$ 2,175	\$ 7,050
Below-market interest	24,389	34,158
	<u>\$ 26,564</u>	<u>\$ 41,208</u>

The nonfinancial assets listed above were recognized within revenue. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions. Contributed services recognized comprise professional services from a medical provider and were valued based on current salary rates for similar services. The Organization has a loan where they are charged an interest rate significantly below market. The contribution interest rate was calculated utilizing the differential between the interest charged and the current interest rate of the Organization's line of credit which was 8.50 and 8.25 percent at June 30, 2024 and 2023, respectively.

Eastern Iowa Health Center

Notes to Financial Statements

June 30, 2024 and 2023

Note 21: 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 *Notes 2* and *3*.

Malpractice Claims

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

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 requests and notifications 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.

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Notes to Financial Statements
June 30, 2024 and 2023

Note 22: Construction in Progress

The Organization renovated a clinic facility to be operational for pediatric services. Construction was completed in August 2024. The Organization funded the project costs of \$135,530 with operating cash.

Note 23: Subsequent Events

In September 2024, the Organization began a construction project for a pharmacy. The project has a total estimated cost of approximately \$1,500,000 and is estimated to be completed in January 2025 with services at the site estimated to begin July 1, 2025. The project will be funded through operating cash reserves, use of the available line of credit, and contributions.

Subsequent events have been evaluated through November 21, 2024, which is the date the financial statements were available to be issued.