

**NORTHEAST IOWA AREA AGENCY
ON AGING, INC. AND AFFILIATE**

COMBINED FINANCIAL STATEMENTS

JUNE 30, 2020

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INDEPENDENT AUDITOR'S REPORT
ON THE COMBINED FINANCIAL STATEMENTS

To the Board of Directors
Northeast Iowa Area Agency on Aging, Inc. and Affiliate
Waterloo, Iowa

Report on the Combined Financial Statements

We have audited the accompanying combined financial statements of Northeast Iowa Area Agency on Aging, Inc. and Affiliate (nonprofit corporations), which comprise the combined statements of financial position as of June 30, 2020 and 2019, and the related combined statements of activities, functional expenses - programs, and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined 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 combined financial statements based on our audits. We conducted our audits in accordance with U.S. generally accepted auditing standards 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Agency's preparation and fair presentation of the combined 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 Agency'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 combined 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 combined financial statements referred to above present fairly, in all material respects, the financial position of Northeast Iowa Area Agency on Aging, Inc. and Affiliate as of June 30, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The supplementary information on Schedules 1 and 2 are presented for purposes of additional analysis and are not a required part of the combined financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is also not a required part of the combined financial statements. Such information is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audits of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated, in all material respects, in relation to the combined financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2020, on our consideration of Northeast Iowa Area Agency on Aging, Inc. and Affiliate's internal control over financial reporting and on our tests of their 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 Northeast Iowa Area Agency on Aging, Inc. and Affiliate'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 Northeast Iowa Area Agency on Aging, Inc. and Affiliate's internal control over financial reporting and compliance.

Hacker, Nelson & Co., P.C.

Decorah, Iowa
December 4, 2020

NORTHEAST IOWA AREA AGENCY ON AGING, INC. AND AFFILIATE
 COMBINED STATEMENTS OF FINANCIAL POSITION
 June 30, 2020 and 2019

ASSETS	2020	2019
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,935,106	\$ 2,384,512
Certificates of deposits	594,224	416,420
Receivables (net of uncollectible amounts):		
Grants and contract fees	674,480	379,602
United Way support	45,623	45,623
Prepaid expenses	99,470	81,631
Total current assets	3,348,903	3,307,788
PROPERTY, EQUIPMENT AND IMPROVEMENTS, net	611,182	633,540
OTHER ASSETS		
Certificates of deposit	170,956	330,818
	\$ 4,131,041	\$ 4,272,146
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 520,215	\$ 407,982
Estimated revenue refunds	371,409	608,110
Accrued expenses	342,196	303,644
Current portion of long-term debt	10,877	10,310
Total current liabilities	1,244,697	1,330,046
LONG-TERM DEBT		
Notes payable, less current portion	316,239	327,163
NET ASSETS		
Without donor restrictions	2,524,482	2,569,314
With donor restrictions	45,623	45,623
Total net assets	2,570,105	2,614,937
Total liabilities and net assets	\$ 4,131,041	\$ 4,272,146

See Notes to Combined Financial Statements.

NORTHEAST IOWA AREA AGENCY ON AGING, INC. AND AFFILIATE
 COMBINED STATEMENTS OF ACTIVITIES
 Years Ended June 30, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND GAINS						
Contributions:						
Cash	\$ 82,469	\$ 45,623	\$ 128,092	\$ 98,995	\$ 45,623	\$ 144,618
In-kind	202,469		202,469	203,258		203,258
Government grants	7,278,588		7,278,588	5,846,446		5,846,446
Fees for service	641,963		641,963	706,472		706,472
Program income	445,708		445,708	421,206		421,206
Other	84,258		84,258	101,528		101,528
Total revenues and gains	8,735,455	45,623	8,781,078	7,377,905	45,623	7,423,528
EXPENSES						
Program expenses:						
Congregate and home-delivered meals	3,368,532		3,368,532	2,426,423		2,426,423
Senior Medicare patrol project	786,546		786,546	660,061		660,061
State health insurance assistance	1,181,548		1,181,548	980,494		980,494
Information and assistance	568,303		568,303	615,981		615,981
Case management	241,418		241,418	261,731		261,731
Counseling	409,560		409,560	306,085		306,085
Respite	117,770		117,770	107,852		107,852
Homemaker	112,013		112,013	97,175		97,175
Other	999,382		999,382	980,010		980,010
Total program expenses	7,785,072	-	7,785,072	6,435,812	-	6,435,812
Administrative support activities:						
Management and general	1,047,536		1,047,536	1,170,136		1,170,136
Total functional expenses	8,832,608	-	8,832,608	7,605,948	-	7,605,948
Change in net assets from operations	(97,153)	45,623	(51,530)	(228,043)	45,623	(182,420)
Gain on disposal of property, equipment and improvements	-	-	-	9,689	-	9,689
Net assets released from restrictions	45,623	(45,623)	-	107,750	(107,750)	-
Change in net assets	(51,530)	-	(51,530)	(110,604)	(62,127)	(172,731)
NET ASSETS, beginning of year, restated	2,576,012	45,623	2,621,635	2,679,918	107,750	2,787,668
NET ASSETS, end of year	\$ 2,524,482	\$ 45,623	\$ 2,570,105	\$ 2,569,314	\$ 45,623	\$ 2,614,937

See Notes to Combined Financial Statements.

NORTHEAST IOWA AREA AGENCY ON AGING, INC. AND AFFILIATE
 COMBINED STATEMENTS OF FUNCTIONAL EXPENSES - PROGRAMS
 Years Ended June 30, 2020 and 2019

Functional Expenses	2020										Total Program Services	Management and General	Total
	Congregate and Home Delivered Meals	Senior Medicare Patrol Project	State Health Insurance Assistance	Information and Assistance	Case Management	Counseling	Respite	Homemaker	Other				
Salaries	\$ 462,863	\$ 291,212	\$ 305,416	\$ 277,002	\$ 148,766	\$ 259,733			\$ 293,257	\$ 2,038,249	\$ 508,609	\$ 2,546,858	
Payroll taxes and benefits	170,755	127,298	117,585	106,592	60,398	103,898			103,038	789,564	219,082	1,008,646	
Total salaries and related expenses	633,618	418,510	423,001	383,594	209,164	363,631	\$ -	\$ -	396,295	2,827,813	727,691	3,555,504	
Premise costs	325,313	1,639	1,555	15,561	5,521	8,062			11,327	368,978	23,075	392,053	
Telephone	35,630	20,826	32,515	10,255	5,834	3,521			4,260	112,841	21,636	134,477	
Insurance	5,006	3,463	3,238	4,443	2,340	3,871			4,310	26,671	14,233	40,904	
Interest	2,317	2,536	2,453	1,270	777	1,485			1,255	12,093	4,352	16,445	
Travel expenses	16,982	23,096	24,743	4,701	3,346	8,502			26,666	108,036	9,908	117,944	
Equipment and repairs	18,631	7,942	5,502	15,862	2,795	700			3,724	55,156	34,104	89,260	
Depreciation									1,829	1,829	31,863	33,692	
Advertising	5,742			11,213		500			5,556	23,011	995	24,006	
Printing	3,566	1,140	4,025	7,604	479	283			29,924	47,021	5,086	52,107	
Supplies	8,264	489	4,935	3,353	257	129			8,119	25,696	13,847	39,543	
Dues and subscriptions				150						150	20,345	20,495	
Postage	1,185	681	296	55	39	43			17	2,316	13,458	15,774	
Contractual expense	2,311,447	298,980	679,060	108,084	10,635	18,275	117,620	112,013	503,595	4,159,709	118,329	4,278,038	
Training	786	7,244	225	2,158	107	558			2,505	13,583	5,590	19,173	
Miscellaneous	45				124					169	3,024	3,193	
	\$ 3,368,532	\$ 786,546	\$ 1,181,548	\$ 568,303	\$ 241,418	\$ 409,560	\$ 117,770	\$ 112,013	\$ 999,382	\$ 7,785,072	\$ 1,047,536	\$ 8,832,608	

Functional Expenses	2019										Total Program Services	Management and General	Total
	Congregate and Home Delivered Meals	Senior Medicare Patrol Project	State Health Insurance Assistance	Information and Assistance	Case Management	Counseling	Respite	Homemaker	Other				
Salaries	\$ 396,470	\$ 274,449	\$ 277,864	\$ 334,972	\$ 147,444	\$ 190,459			\$ 256,992	\$ 1,878,650	\$ 539,743	\$ 2,418,393	
Payroll taxes and benefits	162,385	135,431	120,151	146,532	80,998	83,337			107,015	835,849	239,974	1,075,823	
Total salaries and related expenses	558,855	409,880	398,015	481,504	228,442	273,796	\$ -	\$ -	364,007	2,714,499	779,717	3,494,216	
Premise costs	394,054	17,311	13,722	29,320	6,151	11,198			12,998	484,754	45,656	530,410	
Telephone	33,370	22,846	18,186	10,198	6,796	3,163			4,945	99,504	24,854	124,358	
Insurance	3,306	3,603	2,988	5,081	1,074	2,506			2,759	21,317	6,867	28,184	
Interest	417	772	674	1,148	162	441			193	3,807	465	4,272	
Travel expenses	24,807	21,039	25,184	10,748	4,798	7,998			37,572	132,146	25,604	157,750	
Equipment and repairs	10,249	6,916	9,663	2,575	10,650	1,272			6,604	47,929	28,307	76,236	
Depreciation									2,355	2,355	24,586	26,941	
Advertising	262			2,458					444	3,164	1,615	4,779	
Printing	615	68	346	10,602		30			2,003	13,664	5,032	18,696	
Supplies	7,826	2,663	2,126	11,467	934	970			36,816	62,802	15,757	78,559	
Dues and subscriptions	300			560						860	19,191	20,051	
Postage	581	751	144		41	59			309	1,885	11,330	13,215	
Contractual expense	1,388,736	172,823	509,096	48,233	2,107	3,214	107,852	97,175	506,928	2,836,164	165,171	3,001,335	
Training	2,650	1,371	350	2,087	576	1,438			2,077	10,549	15,136	25,685	
Miscellaneous	395	18								413	848	1,261	
	\$ 2,426,423	\$ 660,061	\$ 980,494	\$ 615,981	\$ 261,731	\$ 306,085	\$ 107,852	\$ 97,175	\$ 980,010	\$ 6,435,812	\$ 1,170,136	\$ 7,605,948	

See Notes to Combined Financial Statements.

NORTHEAST IOWA AREA AGENCY ON AGING, INC. AND AFFILIATE
 COMBINED STATEMENTS OF CASH FLOWS
 Years Ended June 30, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (51,530)	\$ (172,731)
Adjustment to reconcile change in net assets to net cash flows (used in) provided by operating activities:		
Depreciation	33,692	26,941
Gain on disposal of property, equipment and improvements		(9,689)
Interest income added to certificates of deposit	(17,942)	(6,769)
(Increase) decrease in accounts receivable	(294,878)	182,848
(Increase) decrease in prepaid expenses	(17,839)	11,686
Increase in accounts payable	112,233	37,191
(Decrease) increase in estimated revenue refunds	(236,701)	479,151
Increase (decrease) in accrued expenses	45,250	(30,139)
Net cash flows (used in) provided by operating activities	<u>(427,715)</u>	<u>518,489</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property, equipment and improvements		9,689
Purchase of property, equipment and improvements	(11,334)	(483,151)
Net cash flows used in investing activities	<u>(11,334)</u>	<u>(473,462)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on debt	(10,357)	
Proceeds from loans borrowed		337,473
Net cash flows (used in) provided by financing activities	<u>(10,357)</u>	<u>337,473</u>
Net (decrease) increase in cash and cash equivalents	(449,406)	382,500
CASH AND CASH EQUIVALENTS		
Beginning of year	2,384,512	2,002,012
End of year	<u>\$ 1,935,106</u>	<u>\$ 2,384,512</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash payments for interest and income taxes	<u>\$ 16,445</u>	<u>\$ 4,272</u>
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Matured certificates of deposit reinvested	<u>\$ 462,275</u>	<u>\$ 674,262</u>
Decrease in contributions receivable recorded for donated office space	<u>\$ -</u>	<u>\$ 62,127</u>

See Notes to Combined Financial Statements.

NORTHEAST IOWA AREA AGENCY ON AGING, INC. AND AFFILIATE

NOTES TO COMBINED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

a. Nature of Activities

Northeast Iowa Area Agency on Aging, Inc. (the Agency) is a nonprofit corporation organized as an Area Agency on Aging designated under Section 305 of the Older Americans Act of 1965 and by the Iowa Department on Aging (IDA). The Agency's purpose is to provide supportive services for the elderly, serving an 18-county area in Iowa including Allamakee, Black Hawk, Bremer, Buchanan, Butler, Chickasaw, Clayton, Delaware, Dubuque, Fayette, Grundy, Hardin, Howard, Jackson, Marshall, Poweshiek, Tama, and Winneshiek counties. The Agency was given the authority to develop an area plan to administer a program of service to the aging and to carry it out either directly or through contractual or other arrangements. The Agency accomplishes its purpose by providing meals, transportation, and other services to persons primarily over the age of 60 residing in the aforementioned counties.

b. Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the combined financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accompanying combined financial statements have been prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles. Revenues are recognized when earned and expenses are recorded when the liability is incurred.

c. Combined Financial Statement Presentation

The Agency is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are composed of all resources not included in the net assets with donor restrictions category.

Net assets with donor restrictions carry restrictions that expire upon the passage of a prescribed period, upon the occurrence of a stated event as specified by the donor, or those that may never be spent by the Agency, including gifts of endowment, as well as the earnings on those assets when restricted by the donor.

However, in reality a substantial portion of these assets are not available for general purposes. Included in net assets without donor restrictions are significant resources subject to contractual agreements with external parties. In addition, a significant portion of these net assets as of June 30, 2020, is invested in the Agency's property and equipment. While Financial Accounting Standards Board (FASB) requires that all these resources be reported as net assets without donor restrictions, the Agency manages them in compliance with Board designations, legal requirements, and contractual obligations.

NOTES TO COMBINED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (Continued)

c. Combined Financial Statement Presentation (Continued)

Federal and state grants are recorded as revenue when earned and the expenses for the purpose of the grant are recognized when incurred. The combined financial statements present any funds received and not expended as refundable advances. Expenses are recorded when the liability is incurred. Disbursements for the purchase of fixed assets providing future benefits whose title remains with the funding source are recorded as expenses in the program at the time of purchase.

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions depending on the existence and/or nature of any donor restrictions. Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends, or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the combined statements of activities as net assets released from restrictions.

d. Principles of Combination

The combined financial statements include the accounts of Northeast Iowa Area Agency on Aging, Inc. and its Affiliate, Aging Properties Corporation. Aging Properties Corporation is a nonprofit 501(c)(2) title-holding corporation which provides rental facilities, primarily to the Agency and pays out its net profits to the Agency. All intercompany balances and transactions between the two entities have been eliminated.

e. Cash and Cash Equivalents

For purposes of the combined statements of cash flows, the Agency considers all highly liquid debt instruments purchased with original maturities of three months or less to be cash equivalents.

f. Certificates of Deposits

Non-negotiable certificates of deposits are stated at cost, which approximates fair value.

g. Receivables

Grants and contract fees receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to expense and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

h. Property, Equipment and Improvements

Property, equipment and improvements are capitalized at cost if purchased, or at fair value as of the date of the gift if donated, with depreciation computed under the straight-line method over estimated useful lives of the assets from 10 to 40 years.

1. Summary of Significant Accounting Policies (Continued)

i. Estimated Revenue Refunds

Certain fee revenue is reported at amounts billed to the State of Iowa and includes estimated retroactive revenue adjustments due to future audits, reviews and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews and investigations.

Laws and regulations concerning the Medicaid program are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that reported estimates will change by a material amount in the near term. As of June 30, 2020 and 2019, management's estimate of revenue refunds was \$128,480 and \$128,480, respectively, based upon the annual cost reports to be submitted to the State of Iowa.

j. Annual/Vacation Leave

The Agency's employees accumulate sick leave and annual leave for subsequent use. The accumulation of annual/vacation leave is recognized when earned; however, the accumulation of sick leave is not funded and is not recognized as an expense by the Agency until used. Accumulated sick leave is not paid out at separation from the Agency. Annual/vacation leave is paid for any unused amounts when the employee ends their employment with the Agency. The amount is computed based on hours available at their current rate of pay. Annual/vacation leave of \$173,664 and \$153,552 for June 30, 2020 and 2019, respectively, is included in accrued expenses on the combined statements of financial position.

k. Income Taxes

The Agency and its Affiliate are exempt from federal income tax under Section 501(c)(3) and 501(c)(2), respectively, of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying combined financial statements. In addition, the Agency has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code. There was no unrelated business income for the years ended June 30, 2020 and 2019.

l. Concentrations of Credit Risk and Contribution of Revenue

Financial instruments that potentially subject the Agency to significant concentrations of credit risk consist principally of receivables and cash. Receivables are primarily from the U.S. government, the State of Iowa and local governments in Iowa. These receivables are uncollateralized.

The Agency receives substantially all of its support from federal, state, and local governments. The federal and state government is the source for 80% of the Agency's revenue and support. A significant reduction in the level of this support, if this were to occur, would have a material effect on the Agency's programs and activities.

m. Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the combined statements of activities and in the combined statements of functional expenses. Directly identifiable expenses are charged to programs and supporting services. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Allocated expenses are those that are not 100% program specific and are allocated monthly based on total direct expenses.

NOTES TO COMBINED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (Continued)

n. Management Estimates

The preparation of combined financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the combined financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Liquidity and Availability

Financial assets for general expenditure, that is, without donor, board, or other restrictions limiting their use, within one year of the statement of financial position date, comprise of the following as of June 30, 2020 and 2019:

	2020	2019
Cash and cash equivalents	\$ 2,529,330	\$ 2,800,932
Accounts receivable	720,103	425,225
Less amounts restricted by donor	(45,623)	(45,623)
	<u>\$ 3,203,810</u>	<u>\$ 3,180,534</u>

As part of the liquidity policy, cash in excess of daily requirements is invested in savings and money market funds. Financial assets are structured to be available as its general expenditures, liabilities, and other obligations come due.

3. Deposits and Investments

The Agency's deposits in banks at June 30, 2020 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds. Certificates of deposit totaling \$594,224 and \$416,420 are included in investments in the accompanying combined financial statements as of June 30, 2020 and 2019, respectively.

4. Contributed Resources

The Agency receives federal funding through Iowa Department on Aging (IDA) under agreements which require the Agency to match of portion of certain grants.

The Agency provides a portion of the required match through in-kind contributions of services by volunteers. The value of these in-kind volunteer services is based on reports filed by the Agency's subcontractors. The Agency also occasionally receives, without charge, services used in its operations to develop its programs, principally in the transportation, counseling, home health care, congregate and home-delivered meals, and resource development programs. When these contributed services require specialized skills or create or enhance nonfinancial assets, the Agency records these services at their fair value. There were no contributed services with specialized skills or contributed services that create or enhance nonfinancial assets for the years ended June 30, 2020 and 2019. During the years ended June 30, 2020 and 2019, the Agency received approximately 38,750 and 53,200 hours, respectively, of nonspecialized contributed services.

NOTES TO COMBINED FINANCIAL STATEMENTS

4. **Contributed Resources (Continued)**

The Agency utilizes several sites for meal distribution without charge. For those sites where the value of these contributed facilities is susceptible to objective measurement or valuation, their value is recorded as contribution revenue at fair value. For the years ended June 30, 2020 and 2019, both revenue and expenses were increased by \$202,469 and \$203,258, respectively, to reflect the fair value of these donations.

5. **Cost Allocation**

Allocated costs are certain administrative expenditures incurred for a common or joint purpose benefiting more than one program and not readily assignable to the programs specifically benefited. The cost allocation plan was approved by the Board of Directors, however, there is no requirement that the cost allocation plan be approved by its oversight agency, the Iowa Department on Aging. These allocated costs are calculated monthly and allocated based on total direct expenses.

6. **Property, Equipment and Improvements**

Major classifications of property and equipment as of June 30, 2020 and 2019 are summarized as follows:

	2020	2019
Land	\$ 12,892	\$ 12,892
Buildings and improvements	575,730	575,730
Leasehold improvements	227,485	227,485
Equipment and furnishings	576,755	565,421
	1,392,862	1,381,528
Less accumulated depreciation	781,680	747,988
	\$ 611,182	\$ 633,540

Depreciation expense totaled \$33,692 and \$26,941 for the years ended June 30, 2020 and 2019, respectively. No interest costs were capitalized during the years ended June 30, 2020 and 2019.

7. **Long-term Debt**

Details of long-term debt as of June 30, 2020 is as follows:

	Balance Due	
	Total	Current
Lincoln Savings Bank, Waterloo		
4.875% (5.25% starting April 2026) interest bearing note payable, due \$2,233 per month including interest through March 2026, then \$2,283 monthly through February 2029 with a balloon payment of \$213,457 in March 2029, collateralized by real estate with a carrying value of \$437,180.	\$ 327,116	\$ 10,877

NOTES TO COMBINED FINANCIAL STATEMENTS

7. **Long-term Debt (Continued)**

Maturities of long-term debt during the years following June 30, 2020 are as follows:

<u>Long-term debt maturities</u>	<u>Amount</u>
2021	\$ 10,877
2022	11,426
2023	12,004
2024	12,572
2025	13,246
2026-2029	<u>266,991</u>
	<u>\$ 327,116</u>

Interest expense totaled \$16,445 and \$4,272 for the years ended June 30, 2020 and 2019, respectively.

8. **Restrictions on Net Assets**

Net assets with donor restrictions restricted for the following purposes as of June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Subsequent year's program activities	<u>\$ 45,623</u>	<u>\$ 45,623</u>

9. **Retirement Plan**

The Agency contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 6.29% in 2020 and 2019 of their annual covered salary and the Agency is required to contribute 9.44% in 2020 and 2019 of annual covered payroll. Contribution requirements are established by state statute. The Agency's contribution to IPERS for the years ended June 30, 2020 and 2019 was \$234,739 and \$227,632, respectively.

10. **Operating Leases**

The Agency leases kitchen space and other office space in Waterloo under an operating lease which expired in June 2020. It also leases other office space and meal sites in Bellevue, Cascade, Cresco, Decorah, Dubuque, Grundy Center, Marshalltown, and Oelwein on a month-to-month or annual basis.

The future minimum lease payments for the year ending June 30, 2021 is \$73,510.

Rent expense for all operating leases, including in-kind rent, was \$308,582 and \$440,196 for the years ended June 30 2020 and 2019, respectively.

NOTES TO COMBINED FINANCIAL STATEMENTS

11. Aging Properties Corporation

The June 30 balance sheets of Aging Properties Corporation consisted of money market funds and real estate used for rental purposes:

	2020	2019
Cash and cash equivalents	\$ 118,930	\$ 111,627
Land	12,892	12,892
Buildings and improvements	64,872	64,872
Less accumulated depreciation	54,841	53,012
Total assets	\$ 141,853	\$ 136,379
Liabilities	\$ 2,885	\$ 2,885
Net assets without donor restrictions	138,968	133,494
Total liabilities and net assets	\$ 141,853	\$ 136,379

During the years ended June 30, 2020 and 2019, Aging Properties Corporation received \$7,034 and \$7,134 in rental income from the Agency, respectively. As of June 30, 2020 and 2019, Aging Properties Corporation reported a liability of \$2,885 and \$2,885, respectively, payable to the Agency. These items have been eliminated in combination.

12. Contingent Liabilities

The Agency participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants were subjected to local audit but still remain open to audit by the appropriate grantor government. If expenditures are disallowed by the grantor government due to noncompliance with grant program regulations, the Agency may be required to reimburse the grantor government. As of June 30, 2020 and 2019, significant amounts of grant expenditures have not been audited by granting authorities but the Agency believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the Agency.

Agency employees accumulate sick leave days for subsequent use. Because the sick leave is non-vesting, the accumulations are not recognized as an expense by the Agency until used. The Agency's unrecognized accrued sick leave benefits totaled \$280,314 and \$260,543 as of June 30, 2020 and 2019, respectively. Sick leave becomes payable when used by the employees to the extent of the number of hours of accumulation, which is limited to a maximum of 480 hours.

13. Agency Risk Management

The Agency is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. The Agency assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims for these risks have not exceeded commercial insurance coverage for the past three years.

NOTES TO COMBINED FINANCIAL STATEMENTS

14. COVID-19

The recent COVID-19 outbreak in the United States has disrupted the Agency's operations. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. Accordingly, the Agency expects this matter to impact its net assets, however, the related financial impact and duration cannot be reasonably estimated at this time. The Coronavirus Aid, Relief and Economic Security (CARES) Act was enacted in March 2020 in response to the outbreak, which among other things contains numerous tax, emergency funding and other provisions. The Agency directly received money from the CARES Act.

15. Restatement

Net assets without donor restrictions was restated to adjust the accrued PTO balance to actual beginning balance.

Net assets without donor restrictions June 30, 2019, as previously reported	\$ 2,569,314
Accrued PTO	<u>6,698</u>
Net assets without donor restrictions July 1, 2019, as restated	<u>\$ 2,576,012</u>

16. Subsequent Events

Management has evaluated subsequent events through December 4, 2020, the date on which the combined financial statements were available to be issued. After the year end, the Agency became aware of potential external vendor fraud. At this time, an estimate of the loss cannot be made.

Supplementary Information

NORTHEAST IOWA AREA AGENCY ON AGING, INC. AND AFFILIATE
IOWA DEPARTMENT ON AGING AREA PLAN FINANCIAL STATUS REPORT/AUDIT RECONCILIATION
Year Ended June 30, 2020

Funds/Service Category	Budget	Current Authorization	Accrued Receipts	Accrued Expenditures	Balance	Administration 01A	Personal Care 1	Homemaker 2	Chore 3	Home Delivered Nutrition 4
Iowa Department on Aging:										
Elderly Services General	\$ 1,429,280	\$ 1,429,280	\$ 1,429,280	\$ 1,429,280		\$ 107,135		\$ 1	\$ 8,713	\$ 928,086
LifeLong Links	141,529	141,529	141,529	141,529		7,962				
Elderly Abuse Prevention Awareness Program	77,089	77,089	77,089	77,089		5,782				
Title IIIB Supportive Services	977,602	977,602	920,852	920,852		70,830	\$ 14,565	121,759	4,298	
Title IIIB Supportive Services - CARES	328,417	328,417		-						
Title IIIC(1) Congregate Meals	873,273	873,273	797,129	797,129		86,697				
Title IIIC(1) Congregate Meals - FFCRA	138,665	138,665	138,665	138,665		13,533				125,132
Title IIIC(2) Home Delivered Meals	448,841	448,841	448,841	448,841		42,988				405,853
Title IIIC(2) Home Delivered Meals - FFCRA	277,324	277,324	277,324	277,324		27,065				250,259
Title IIIC(2) Home Delivered Meals - CARES	788,206	788,206	261,566	261,566		41,283				220,283
Title IIIE Caregiver Support	537,681	537,681	276,021	276,021		20,817				
Title IIIE Grandparent/Older Relative		166,588		-						
Title IIIE Caregiver Support - CARES	166,588	166,588		-						
Title IIID Prevention Health	40,208	40,208	40,208	40,208						
NSIP Cash Estimate	159,626	159,626	159,626	159,626						159,626
Subtotal IDA	6,384,329	6,550,917	4,968,130	4,968,130	\$ -	424,092	14,565	121,760	13,011	2,089,239
Iowa Non-Department on Aging										
State Non-IDA	3,411		6,727	6,727						
Local Public Funds	202,408		181,331	181,331		18,917				3,000
Other Local Cash	95,642		99,630	99,630		34,814				40,229
Program Income IIIC(1) Congregate Meals	216,153		147,059	147,059						
Program Income IIIC(2) Home Delivered Meals	221,547		187,165	187,165						187,165
Program Income - Other	14,795		18,490	18,490			170	452	978	
Program Income III - FFCRA			57,661	57,661						57,661
Program Income III - CARES			29,678	29,678						29,678
Subtotal Non-IDA	753,956	-	727,741	727,741	-	53,731	170	452	978	317,733
Total Cash	7,138,285	6,550,917	5,695,871	5,695,871		477,823	14,735	122,212	13,989	2,406,972
Noncash	620,676	-	389,182	389,182		7,096	-	-	-	231,499
Totals per Financial Status Report	\$ 7,758,961	\$ 6,550,917	6,085,053	6,085,053	\$ -	\$ 484,919	\$ 14,735	\$ 122,212	\$ 13,989	\$ 2,638,471
Reconciling Items to Audit:										
Sources Not Listed on Report			2,873,431	2,865,797						
Combination of Affiliate			7,303	1,829						
Adjustment to Investments			11,571							
Prior Year Adjustment			(2,533)							
Adjustments to Accounts Payable				39,048						
Adjustments to Fixed Assets				34,628						
Adjustments to In-kind Amounts			(186,713)	(186,713)						
Adjustments to Record Intercompany Elimination			(7,034)	(7,034)						
Totals per Statements of Activities			\$ 8,781,078	\$ 8,832,608						

See Independent Auditor's Report.

NORTHEAST IOWA AREA AGENCY ON AGING, INC. AND AFFILIATE
IOWA DEPARTMENT ON AGING AREA PLAN FINANCIAL STATUS REPORT/AUDIT RECONCILIATION
Year Ended June 30, 2020

Funds/Service Category	Case Management 6	Congregate Nutrition 7	Nutrition Counseling 8	Assisted Transportation 9	Transportation 10	Legal Assistance 11	Nutrition Education 12	Information and Assistance 13	Outreach 14	Material Aid: Home Mod/Repair A01
Iowa Department on Aging:										
Elderly Services General	\$ 1	\$ 14,934		\$ 1,621				\$ 1	\$ 1	\$ 20,919
LifeLong Links								133,567		
Elderly Abuse Prevention Awareness Program										
Title IIIB Supportive Services	199,787		\$ 263	2,962	\$ 13,328	\$ 25,935	\$ 49,679	169,215	72,610	
Title IIIC Supportive Services - CARES										
Title IIIC(1) Congregate Meals		710,432								
Title IIIC(1) Congregate Meals - FFCRA										
Title IIIC(2) Home Delivered Meals										
Title IIIC(2) Home Delivered Meals - FFCRA										
Title IIIC(2) Home Delivered Meals - CARES										
Title IIIE Caregiver Support										
Title IIIE Grandparent/Older Relative										
Title IIIE Caregiver Support - CARES										
Title IIID Prevention Health										
NSIP Cash Estimate										
Subtotal IDA	199,788	725,366	263	4,583	13,328	25,935	49,679	302,783	72,611	20,919
Iowa Non-Department on Aging										
State Non-IDA		6,727								
Local Public Funds	24,917			25,109				22,590		24,261
Other Local Cash								5,667		
Program Income IIIC(1) Congregate Meals		147,059								
Program Income IIIC(2) Home Delivered Meals										
Program Income - Other					4,461		432	43		2,213
Program Income III - FFCRA										
Program Income III - CARES										
Subtotal Non-IDA	24,917	153,786	-	25,109	4,461	-	432	28,300	-	26,474
Total Cash	224,705	879,152	263	29,692	17,789	25,935	50,111	331,083	72,611	47,393
Noncash		117,894	-	9,655	-	3,559	-	-	-	-
Totals per Financial Status Report	\$ 224,705	\$ 997,046	\$ 263	\$ 39,347	\$ 17,789	\$ 29,494	\$ 50,111	\$ 331,083	\$ 72,611	\$ 47,393

See Independent Auditor's Report.

NORTHEAST IOWA AREA AGENCY ON AGING, INC. AND AFFILIATE
IOWA DEPARTMENT ON AGING AREA PLAN FINANCIAL STATUS REPORT/AUDIT RECONCILIATION
Year Ended June 30, 2020

Funds/Service Category	Health Promotion: Nonevidence-Based B02	Emergency Response System B04	Health Promotion: Evidence-Based B07	EAPA Consultation C07	EAPA Assessment and Intervention C08	EAPA Training and Education C09	Training and Education D01	Options Counseling E05	Material Aid: Consumable Supplies F07	CG Counseling CG3
Iowa Department on Aging:										
Elderly Services General	\$ 20,806	\$ 11,262	\$ 8,417	\$ 142	\$ 462	\$ 1,774	\$ 30,523	\$ 223,407	\$ 25,879	
LifeLong Links										
Elderly Abuse Prevention Awareness Program					4,250	13,869	53,188			
Title IIIB Supportive Services	5,356	4,366	37,049				27,407	101,443		
Title IIIB Supportive Services - CARES										
Title IIIC(1) Congregate Meals										
Title IIIC(1) Congregate Meals - FFCRA										
Title IIIC(2) Home Delivered Meals										
Title IIIC(2) Home Delivered Meals - FFCRA										
Title IIIC(2) Home Delivered Meals - CARES										
Title IIIE Caregiver Support										\$ 3,702
Title IIIE Grandparent/Older Relative										
Title IIIE Caregiver Support - CARES										
Title IIID Prevention Health			40,208							
NSIP Cash Estimate										
Subtotal IDA	26,162	15,628	85,674	4,392	14,331	54,962	57,930	324,850	25,879	3,702
Iowa Non-Department on Aging										
State Non-IDA										
Local Public Funds			2,703					24,917		
Other Local Cash			1,942				4,565			2,205
Program Income IIIC(1) Congregate Meals										
Program Income IIIC(2) Home Delivered Meals										
Program Income - Other	106	242	6,200				76	95	10	
Program Income III - FFCRA										
Program Income III - CARES										
Subtotal Non-IDA	106	242	10,845	-	-	-	4,641	25,012	10	2,205
Total Cash	26,268	15,870	96,519	4,392	14,331	54,962	62,571	349,862	25,889	5,907
Noncash	-	-	-	-	-	-	-	-	-	-
Totals per Financial Status Report	\$ 26,268	\$ 15,870	\$ 96,519	\$ 4,392	\$ 14,331	\$ 54,962	\$ 62,571	\$ 349,862	\$ 25,889	\$ 5,907

See Independent Auditor's Report.

NORTHEAST IOWA AREA AGENCY ON AGING, INC. AND AFFILIATE
IOWA DEPARTMENT ON AGING AREA PLAN FINANCIAL STATUS REPORT/AUDIT RECONCILIATION
Year Ended June 30, 2020

Funds/Service Category	CG Information Services CG4	CG Supplemental Services CG6	CG Options Counseling CG8	CG Case Management CG9	CG Information and Assistance CG10	CG Support Groups CG11	CG Training CG12	CG Emergency Response System CG14	CG Respite Care: In-Home CG23	CG Respite Care: Out-of-Home (Day) CG24
Iowa Department on Aging:										
Elderly Services General					\$ 4,383		\$ 1		\$ 20,812	
LifeLong Links										
Elderly Abuse Prevention Awareness Program										
Title IIIB Supportive Services										
Title IIIB Supportive Services - CARES										
Title IIIC(1) Congregate Meals										
Title IIIC(1) Congregate Meals - FFCRA										
Title IIIC(2) Home Delivered Meals										
Title IIIC(2) Home Delivered Meals - FFCRA										
Title IIIC(2) Home Delivered Meals - CARES										
Title IIIE Caregiver Support	\$ 5,236	\$ 4,295	\$ 65,669	\$ 38,670	8,186	\$ 10,933	21,658	\$ 1,426	95,113	\$ 316
Title IIIE Grandparent/Older Relative										
Title IIIE Caregiver Support - CARES										
Title IIID Prevention Health										
NSIP Cash Estimate										
Subtotal IDA	5,236	4,295	65,669	38,670	12,569	10,933	21,659	1,426	115,925	316
Iowa Non-Department on Aging										
State Non-IDA										
Local Public Funds			24,917						9,383	617
Other Local Cash		10,000					208			
Program Income IIIC(1) Congregate Meals										
Program Income IIIC(2) Home Delivered Meals										
Program Income - Other		43	232	25				460	2,252	
Program Income III - FFCRA										
Program Income III - CARES										
Subtotal Non-IDA	-	10,043	25,149	25	-	-	208	460	11,635	617
Total Cash	5,236	14,338	90,818	38,695	12,569	10,933	21,867	1,886	127,560	933
Noncash	-	372	-	-	-	2,195	16,912	-	-	-
Totals per Financial Status Report	\$ 5,236	\$ 14,710	\$ 90,818	\$ 38,695	\$ 12,569	\$ 13,128	\$ 38,779	\$ 1,886	\$ 127,560	\$ 933

See Independent Auditor's Report.

NORTHEAST IOWA AREA AGENCY ON AGING, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2020

Part I: Summary of the Independent Auditor’s Results:

- (a) The auditor’s report expresses an unmodified opinion on whether the financial statements of Northeast Iowa Area Agency on Aging, Inc. were prepared in accordance with U.S. generally accepted accounting principles.
- (b) No significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements. No material weaknesses noted.
- (c) No instances of noncompliance material to the financial statements of Northeast Iowa Area Agency on Aging, Inc., which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- (d) No significant deficiencies in internal control over the major federal award programs were disclosed by the audit of the financial statements. No material weaknesses noted.
- (e) The auditor’s report on compliance for the major federal award programs for Northeast Iowa Area Agency on Aging, Inc. expresses an unmodified opinion on all major federal programs.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with 2 CFR Section 200.516(a).
- (g) The programs tested as major programs were:
 - Clustered programs:
 - Aging Cluster:
 - CFDA Number 93.044 Title III, Part B, Grants for Supportive Services and Senior Centers
 - CFDA Number 93.045 Title III, Part C, Nutrition Services (Congregate Meals and Home Delivered Meals)
 - CFDA Number 93.053 Nutrition Services Incentive Program
- (h) The threshold for distinguishing Types A and B programs was \$750,000.
- (i) Northeast Iowa Area Agency on Aging, Inc. did not qualify as a low-risk auditee.

Part II: Findings Related to the Financial Statements:

Instances of noncompliance: no matters were noted.

Significant deficiencies: no matters were noted.

Part III: Findings and Questioned Costs for Federal Awards:

Instances of noncompliance: no matters were noted.

Significant deficiencies: no matters were noted.

Part IV: Other Findings Related to Required Statutory Reporting:

See management letter dated December 4, 2020

See Independent Auditor’s Report.

NORTHEAST IOWA AREA AGENCY ON AGING, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2020

Grantor/Pass-through Grantor/Program or Cluster Title	CFDA Number	Program Expenditures
U.S. Department of Health and Human Services:		
Direct:		
Special Programs for the Aging:		
Title IV and Title II, Discretionary Projects (National Resource Center Grant)	93.048	\$ 789,045
State Health Insurance Assistance Program	93.324	1,163,833
Passed through Iowa Department on Aging Special Programs for Aging:		
Special Programs for the Aging:		
Title III, Part D, Disease Prevention and Health Promotion Services	93.043	40,208
Aging Cluster:		
Title III, Part B, Grants for Supportive Services and Senior Centers	93.044	954,535
Title III, Part C, Nutrition Services (Congregate Meals and Home Delivered Meals)	93.045	1,245,970
COVID-19 Title III, Part C, Nutrition Services (Congregate Meals and Home Delivered Meals)	93.045	677,555
Nutrition Services Incentive Program	93.053	159,626
Total Aging Cluster		<u>3,037,686</u>
National Family Caregiver Support, Title III, Part E	93.052	276,021
Medicare Enrollment Assistance Program	93.071	17,447
Subtotal U.S. Department of Health and Human Services		<u>5,324,240</u>
U.S. Department of Education:		
Passed through Iowa Department of Education:		
Rehabilitation Services, Vocational Rehabilitation Grants to States	84.126	74,891
Total Federal Financial Assistance		<u>\$ 5,399,131</u>

See Independent Auditor's Report.

NORTHEAST IOWA AREA AGENCY ON AGING, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2020

Basis of Presentation:

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of Northeast Iowa Area Agency on Aging, Inc. under programs of the federal government for the year ended June 30, 2020. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Northeast Iowa Area Agency on Aging, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Northeast Iowa Area Agency on Aging, Inc.

Summary of Significant Accounting Policies:

- (1) 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.
- (2) Pass through entity identifying numbers are presented where available.
- (3) Northeast Iowa Area Agency on Aging, Inc. has elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

Subrecipients:

There were no awards passed through to subrecipients.

See Independent Auditor's Report.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF COMBINED FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Northeast Iowa Area Agency on Aging, Inc. and Affiliate
Waterloo, Iowa

We have audited the combined financial statement of Northeast Iowa Area Agency on Aging, Inc. and Affiliate (nonprofit corporations), which comprise the combined statement of financial position as of June 30, 2020, and the related combined statements of activities, functional expenses - programs, and cash flows for the year then ended, and the related notes to the combined financial statements, and have issued our report thereon dated December 4, 2020. The financial statements of Aging Properties Corporation were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with Aging Properties Corporation.

Internal Control over Financial Reporting

In planning and performing our audit of the combined financial statements, we considered Northeast Iowa Area Agency on Aging, Inc. and Affiliate'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 combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of Northeast Iowa Area Agency on Aging, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency'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 Agency's combined 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Northeast Iowa Area Agency on Aging, Inc.'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 Agency'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 Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hacker, Nelson & Co., P.C.

Decorah, Iowa
December 4, 2020

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
Northeast Iowa Area Agency on Aging, Inc.
Waterloo, Iowa

Report on Compliance for Each Major Federal Program

We have audited Northeast Iowa Area Agency on Aging, Inc.'s (nonprofit corporation) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Northeast Iowa Area Agency on Aging, Inc.'s major federal programs for the year ended June 30, 2020. Northeast Iowa Area Agency on Aging, Inc.'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 Northeast Iowa Area Agency on Aging, Inc.'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 U.S. generally accepted auditing standards, 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* (CFR) 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 Northeast Iowa Area Agency on Aging, Inc.'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 of Northeast Iowa Area Agency on Aging, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Northeast Iowa Area Agency on Aging, Inc. 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, 2020.

Report on Internal Control over Compliance

Management of Northeast Iowa Area Agency on Aging, Inc. 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 Northeast Iowa Area Agency on Aging, Inc.'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 Northeast Iowa Area Agency on Aging, Inc.'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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the 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.

Hacker, Nelson & Co., P.C.

Decorah, Iowa
December 4, 2020

MANAGEMENT LETTER

To the Board of Directors
Northeast Iowa Area Agency on Aging, Inc. and Affiliate
Waterloo, Iowa

In planning and performing our audit of the combined financial statements of Northeast Iowa Area Agency on Aging, Inc. and Affiliate for the year ended June 30, 2020, we considered the Agency's internal control to determine our auditing procedures for the purpose of expressing an opinion on the combined financial statements and not to provide assurance on internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The following summarizes our comments and suggestions regarding those matters. A separate report dated December 4, 2020, contains our report on the Agency's internal control. This letter does not affect our report dated December 4, 2020, on the combined financial statements of Northeast Iowa Area Agency on Aging, Inc. and Affiliate. Comments 2 and 3 are unresolved comments from the prior year. These comments are not intended to and do not constitute legal opinions. We did not audit the Agency's responses and, accordingly, we express no opinion on them.

1. Questionable Disbursements

We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's Opinion dated April 25, 1979.

2. Deposits and Investments

During our audit, we noted one investment that was not receiving the state mandated rate per Chapter 12C.2 of the Code of Iowa.

Recommendation

The Agency should maintain minimum rates on investments as required by Chapter 12C.2 of the Code of Iowa for public funds.

Response

The public funds rate required has decreased since year end and the investment now meets the state mandated rate. We will watch this area closer in the future.

Conclusion

Response accepted.

3. Affiliate Properties Corporation Tax-Exempt Status

During our audit, we noted that Aging Properties Corporation (Affiliate), which is a 501(c)(2) tax-exempt organization is not in compliance with Internal Revenue Service (IRS) definition of a title-holding corporation. The IRS requires that a title-holding corporation qualify for exemption only if there is effective ownership and control over an affiliate by another exempt organization. Based on the Articles of Incorporation and By-Laws of the Affiliate, the Agency does not have direct control over the Affiliate. Also, according to IRS Publication 557, a 501(c)(2) tax-exempt organization is required to turn over its entire income from property, less expenses, in a timely manner. During our audit, we noted the Affiliate has not done this. The potential effect is the risk of the Affiliate losing its tax-exempt status and becoming a corporation that is subject to corporate taxes.

Recommendation

We recommend the Affiliate continue to work with their attorney to amend its Articles of Incorporation and By-Laws to state the Agency has the power to appoint the Board of Directors of Affiliate or that the majority of the Board of Directors of Affiliate also be members of the Agency's Board of Directors. We also recommend that the paragraph regarding dissolution be amended to state the Agency's name. In addition, we recommend the Affiliate pay revenue in excess of expenses to the Agency as soon as possible each year.

Response

The Agency is currently working with their attorney to update the By-Laws and Articles of Incorporation for Aging Properties Corporation.

Conclusion

Response accepted.

We have also provided you under separate cover a listing of general steps that you should review and consider implementing to strengthen controls. This list is not all inclusive. You should review all aspects of your operations and implement appropriate controls as deemed necessary. Some of these items may not be applicable or you may have already implemented them.

We would like to acknowledge the many courtesies and assistance extended to us by the personnel of Northeast Iowa Area Agency on Aging, Inc. and Affiliate during the course of our audit.

If you have any questions concerning these or other matters, we would be happy to discuss them with you at your convenience.

Hacker, Nelson & Co., P.C.

Decorah, Iowa
December 4, 2020