

**Heritage Area Agency on Aging
Cedar Rapids, Iowa**

FINANCIAL REPORT

June 30, 2020

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS	3-4
FINANCIAL STATEMENTS	
Statement of financial position	5
Statement of activities	6
Statement of functional expenses	7-8
Statement of cash flows	9
Notes to financial statements	10-15
SUPPLEMENTARY INFORMATION	16
Schedule of expenditures of federal awards	17
Notes to schedule of expenditures of federal awards	18
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	19-20
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	21-22
Schedule of findings and questioned costs	23-24



INDEPENDENT AUDITOR'S REPORT

Board of Directors
Heritage Area Agency on Aging
Cedar Rapids, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of Heritage Area Agency on Aging (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Heritage Area Agency on Aging as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 9 to the financial statements, Heritage Area Agency on Aging has restated its beginning net assets balance included in the financial statements in order to recognize amounts held by others as of June 30, 2019. Our opinion is not modified with respect to this matter.

Other Matters

Other Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 20, 2021, on our consideration of Heritage Area Agency on Aging's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Heritage Area Agency on Aging'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 Heritage Area Agency on Aging's internal control over financial reporting and compliance.



DENMAN & COMPANY, LLP

West Des Moines, Iowa
April 20, 2021

**Heritage Area Agency on Aging
STATEMENT OF FINANCIAL POSITION
June 30, 2020**

ASSETS

Cash and cash equivalents	\$1,173,583
Amounts held by others	647,335
Grants receivable	250,325
Other receivables	6,965
Equipment, net	<u>16,399</u>
Total assets	<u>\$2,094,607</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable	\$ 789,150
Accrued expenses	<u>130,934</u>
Total liabilities	<u>920,084</u>

NET ASSETS

Net assets without donor restrictions	527,188
Net assets with donor restrictions	<u>647,335</u>
Total net assets	<u>1,174,523</u>
Total liabilities and net assets	<u>\$2,094,607</u>

Heritage Area Agency on Aging
STATEMENT OF ACTIVITIES
Year ended June 30, 2020

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
REVENUES AND SUPPORT			
Grants			
Supportive services	\$1,203,324	\$ —	\$1,203,324
Home delivered meals	2,523,554	—	2,523,554
Congregate meals	716,804	—	716,804
Caregiver support	379,404	—	379,404
VOCA	140,655	—	140,655
Elderly services	827,273	—	827,273
Life long links	413,011	—	413,011
Other services	428,385	—	428,385
Program income	1,146,182	—	1,146,182
Contributions	—	55,059	55,059
In-kind contributions	237,245	—	237,245
Investment income	21	14,146	14,167
Total revenues and other support	<u>8,015,858</u>	<u>69,205</u>	<u>8,085,063</u>
EXPENSES			
Program services	<u>7,562,893</u>	<u>—</u>	<u>7,562,893</u>
Supporting services			
Management and general	294,188	—	294,188
Fundraising	—	—	—
Total supporting services	<u>294,188</u>	<u>—</u>	<u>294,188</u>
Total expenses	<u>7,857,081</u>	<u>—</u>	<u>7,857,081</u>
CHANGE IN NET ASSETS	158,777	69,205	227,982
NET ASSETS , beginning of year (as restated)	<u>368,411</u>	<u>578,130</u>	<u>946,541</u>
NET ASSETS , end of year	<u>\$ 527,188</u>	<u>\$ 647,335</u>	<u>\$1,174,523</u>

See Notes to Financial Statements.

Heritage Area Agency on Aging
STATEMENT OF FUNCTIONAL EXPENSES
Year ended June 30, 2020

	Program Services					
	<u>Supportive services</u>	<u>Home delivered meals</u>	<u>Congregate meals</u>	<u>Caregiver support</u>	<u>VOCA</u>	<u>Elderly services</u>
Salaries	\$ 171,108	\$ 57,821	\$ 112,059	\$ 75,039	\$ 83,849	\$ 409,217
Payroll taxes and benefits	<u>42,117</u>	<u>11,027</u>	<u>31,679</u>	<u>22,968</u>	<u>27,792</u>	<u>118,134</u>
Total salaries and related benefits	<u>213,225</u>	<u>68,848</u>	<u>143,738</u>	<u>98,007</u>	<u>111,641</u>	<u>527,351</u>
Grants to other organizations	885,136	2,177,983	507,241	213,766	15,952	205,242
Program supplies	242,310	613,195	63,523	138,065	8,753	17,891
Office occupancy	12,173	17,917	8,353	6,784	2,860	4,292
Travel and conferences	9,935	4,281	9,854	3,396	2,836	5,287
Phone	3,185	660	2,203	1,563	1,192	5,534
Office expenses	58,529	79,648	37,122	41,953	2,787	19,290
Advertising	<u>881</u>	<u>14,089</u>	<u>1,484</u>	<u>1,557</u>	<u>2,583</u>	<u>1,184</u>
	<u>1,212,149</u>	<u>2,907,773</u>	<u>629,780</u>	<u>407,084</u>	<u>36,963</u>	<u>258,720</u>
Total expenses before depreciation	1,425,374	2,976,621	773,518	505,091	148,604	786,071
Depreciation	—	—	—	—	—	—
Totals	<u>\$1,425,374</u>	<u>\$2,976,621</u>	<u>\$ 773,518</u>	<u>\$ 505,091</u>	<u>\$ 148,604</u>	<u>\$ 786,071</u>

See Notes to Financial Statements.

Supporting services

<u>Life long links</u>	<u>Other services</u>	<u>Total</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total</u>	<u>Total expenses</u>
\$ 81,068	\$ 159,803	\$1,149,964	\$ 14,714	\$ -	\$ 14,714	\$1,164,678
<u>24,478</u>	<u>60,978</u>	<u>339,173</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>339,173</u>
<u>105,546</u>	<u>220,781</u>	<u>1,489,137</u>	<u>14,714</u>	<u>-</u>	<u>14,714</u>	<u>1,503,851</u>
324,707	254,219	4,584,246	-	-	-	4,584,246
4	10,723	1,094,464	-	-	-	1,094,464
3,831	4,320	60,530	-	-	-	60,530
2,170	9,208	46,967	-	-	-	46,967
1,694	2,507	18,538	-	-	-	18,538
1,661	6,002	246,992	275,038	-	275,038	522,030
<u>108</u>	<u>133</u>	<u>22,019</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,019</u>
<u>334,175</u>	<u>287,112</u>	<u>6,073,756</u>	<u>275,038</u>	<u>-</u>	<u>275,038</u>	<u>6,348,794</u>
439,721	507,893	7,562,893	289,752	-	289,752	7,852,645
-	-	-	4,436	-	4,436	4,436
<u>\$ 439,721</u>	<u>\$ 507,893</u>	<u>\$7,562,893</u>	<u>\$ 294,188</u>	<u>\$ -</u>	<u>\$ 294,188</u>	<u>\$7,857,081</u>

Heritage Area Agency on Aging
STATEMENT OF CASH FLOWS
Year ended June 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ <u>227,982</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	4,436
Realized and unrealized (gains) on amounts held by others	(2,428)
Interest and dividends reinvested	(11,718)
Contributions recognized for long-term purposes	(55,059)
Change in assets and liabilities	
Grants receivable	(165,930)
Other receivables	640,368
Prepaid expenses	12,263
Accounts payable	466,605
Accrued expenses	<u>57,064</u>
Total adjustments	<u>945,601</u>
Net cash provided by operating activities	<u>1,173,583</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS

1,173,583

CASH AND CASH EQUIVALENTS

Beginning	<u>—</u>
Ending	<u>\$1,173,583</u>

**Heritage Area Agency on Aging
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Heritage Area Agency on Aging (Heritage or the Organization) serves the needs of older adults, caregivers, their families and people with disabilities in the following ways:

- Planning: Developing and implementing plans that identify and meet the needs of older adults in our service area.
- Funding: Obtaining federal, state, and other (i.e. grants, etc.) funding for older-adult programs.
- Advocating: Standing strong for older adults' needs at the national, state and local levels.

The Organization's service area includes seven counties: Benton, Cedar, Iowa, Johnson, Jones, Linn and Washington. The Heritage region is also referenced as Planning and Service Area (PSA) 4 in relationship to the county designations of the state of Iowa and the Iowa Department on Aging.

Heritage had been a department of Kirkwood Community College (the College) since its beginning in 1971, and its activity was included as a restricted fund in the College financial statements. In April 2018, Heritage became a separate 501(c)(3) organization.

Use of Estimates

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

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board as required by the classification of net assets topic of the *FASB Accounting Standards Codification*. Heritage is required to report information regarding its financial position and operations according to two classes of net assets:

Net assets without donor restrictions are those assets which are not restricted by donor-imposed stipulations and represent the portion of expendable assets available for support of the Organization's operations.

Net assets with donor restrictions represent contributions or other inflows of assets whose use by the Organization is limited by donor-imposed stipulations. As donor-imposed stipulations expire, net assets with donor restrictions are reclassified as net assets without donor restrictions.

Revenue Recognition

Grants and Contributions

Revenue from grants is generally considered to be subject to conditions that must be met before Heritage is entitled to funding. Heritage recognizes revenue from grants when all material barriers have been overcome in order for Heritage to be entitled to the funding. Typically, these barriers are overcome when qualifying expenditures have been incurred or defined outcomes have been achieved. Certain grants provide for payments in advance based upon estimated budgets. These advance payments are considered unconditional, as there are no material barriers to overcome in order for Heritage to be entitled to the funding nor is there a refund requirement. Revenues from grants whose conditions have been met are recorded as grants receivable until funded by the grantor.

**Heritage Area Agency on Aging
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition (continued)

Grants and Contributions (continued)

Contributions are recognized as revenue when the donor makes a promise to give to Heritage which is, in substance, unconditional. Conditional promises to give are recognized only when the conditions on which they depend are substantially met. Unconditional contributions are recorded as with or without donor restrictions, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Program Income

Program income is generated through activities supported by federal grants received and generally consists of fees earned for services performed under the related grants. Program income is recognized as the related services are performed. Program income is used to support the program that generated the income and is considered expended as it is earned and is, therefore, reported as without donor restrictions in the statement of activities.

In-kind Contributions

Heritage receives supplies and services donated by individuals and corporations. Donated items are recorded at their fair value on the date of donation. Donated services are recognized as contributions if the services received create or enhance a long-lived asset or require specialized skills provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

Heritage receives various types of in-kind support including contributed time. Heritage uses volunteers to fulfill their mission. The use of volunteers to fulfill its mission is not recognized as revenue and support by the Organization.

Cash and Cash Equivalents

Cash and cash equivalents consists of cash deposits in federally insured financial institutions and money market funds.

Grants Receivable

Unconditional grants receivable are recorded as receivables and grant revenue in the year received. Conditional grants receivable are recognized when the conditions on which they depend are substantially met. An allowance for doubtful accounts is provided for receivables based upon management's judgment, including such factors as prior history and nature of the contribution. All grants receivable are considered collectible, therefore, no allowance for doubtful accounts was recorded at June 30, 2020.

**Heritage Area Agency on Aging
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Amounts Held by Others

The Kirkwood Community College Foundation and the Greater Cedar Rapids Community Foundation (the Foundations) hold amounts designated for Heritage in an agency capacity. These amounts are maintained by the Foundations in the Foundations' investments, which consist of both fixed income and equity mutual funds. The Foundations do not have variance power over these funds. Heritage reports these funds as amounts held by others in its statement of financial position at fair value. Contributions received through these funds during the year, if any, are reported as contributions with donor restrictions in the statement of activities, as donors make contributions to these funds as an endowment to provide perpetual benefits to Heritage. Gains and losses resulting from market fluctuations or sales of the underlying investments are recognized in the period in which the fluctuations occur as increases or decreases in net assets with donor restrictions. Interest and dividend income is reported as an increase in net assets with donor restrictions to the extent distributions are not taken during the year. During the year ended June 30, 2020, Heritage reported restricted contributions of \$55,059 and restricted investment income of \$14,146 from these funds.

Equipment and Depreciation

Equipment purchases of major assets are capitalized and recognized at cost when placed in service. Donated items are recorded at estimated fair market value. Maintenance, repairs, and minor replacements are expensed. Depreciation is provided using the straight-line method over the estimated useful lives ranging from three to ten years.

Credit Risk

Heritage at various times throughout the year has amounts on deposit with financial institutions in excess of FDIC limits. Management believes the credit risk related to the uninsured balance is minimal.

Functional Expenses

The Organization's functional expenses have been allocated on the basis of time spent on the activity or the usage breakdown of the related asset. Accordingly, certain costs have been allocated to the programs or other categories benefited.

Income Taxes

Heritage is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and is not classified as a private foundation.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by Heritage and recognize a tax liability (or asset) for an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has evaluated their material tax positions and determined there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. Heritage is subject to routine audits by tax authorities; however, there are currently no audits for any tax periods in progress. As Heritage became a separate 501(c)(3) organization in April 2018, management believes all tax years for Heritage remain subject to income tax examinations.

**Heritage Area Agency on Aging
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (continued)

New Accounting Standards

The Financial Accounting Standards Board (FASB) issued new guidance that created Topic 606, *Revenue from Contracts with Customers*, in the Accounting Standards Codification (ASC). Topic 606 requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services.

The FASB also issued Accounting Standards Update (ASU) 2018-08 *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The ASU provided additional clarity on transactions which are to be recorded as contributions (nonreciprocal transactions) or exchange transactions (reciprocal) along with additional guidance on conditional contributions.

Heritage adopted the requirements of the new guidance as of July 1, 2019. Adoption of the new guidance resulted in no material changes to the Organization's accounting policies for revenue recognition, and there was no change in the beginning net assets balance as a result of the adoption.

NOTE 2 GRANTS RECEIVABLE

Heritage has grants receivable from both federal and state sources that represent revenues from grants whose conditions have been met but have not yet been funded by the grantor. These receivables are considered unrestricted, as the amounts related to them have already been expended for their restricted purpose. Grants receivable at June 30, 2020 are related to the following programs:

Supportive services	\$ 36,765
Congregate meals	91,865
Caregiver support	16,972
VOCA	34,607
Nutrition	50,665
Other services	<u>19,451</u>
Total	<u>\$250,325</u>

NOTE 3 EQUIPMENT

Equipment consists of the following at June 30, 2020:

Equipment	\$ 34,827
Less accumulated depreciation	<u>(18,428)</u>
Equipment, net	<u>\$ 16,399</u>

NOTE 4 RESTRICTIONS ON NET ASSETS

Net assets with donor restrictions of \$647,335 at June 30, 2020 consist of amounts to be held in perpetuity to provide a source of long term income for Heritage programs and operations.

**Heritage Area Agency on Aging
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 ENDOWMENT FUND

The Organization's endowment fund consists of donor restricted net assets to be held in perpetuity to provide a source of long term income for a variety of Heritage programs as well as long term support for operations. The majority of the endowment fund is held for Heritage by Kirkwood Community College Foundation (the Foundation) in an agency capacity. The Foundation does not have variance power over these funds.

In accordance with the Financial Statements of Not-for-Profit Organizations Topic of the *FASB Accounting Standards Codification* and the Uniform Prudent Management of Institutional Funds Act (Act), Heritage has adopted the practice of preserving the fair value of the original gift as of the gift date of the donor restricted endowment fund absent explicit donor stipulations to the contrary. Accordingly, Heritage classifies as donor restricted net assets held in perpetuity the original value of the gifts donated to the endowment fund, the original value of subsequent gifts to the endowment fund, and accumulations made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with the Foundation's spending policy for the endowment fund, the yearly interest on the fund may be distributed for use; however, if it is not spent, it is returned to the corpus of the fund to further build the endowment. No distributions have been taken from the endowment fund to-date; therefore, all interest and dividend income has become a part of the corpus of the fund and is perpetually restricted. Gains and losses resulting from market fluctuations or sales of the underlying investments are recognized in the period in which the fluctuations occur as increases or decreases in net assets with donor restrictions. Interest and dividend income is reported as an increase in net assets with donor restrictions to the extent distributions are not taken during the year. The Foundation's overall investment objectives are preservation of principal, preservation of purchasing power through growth, competitive investment returns, and moderate investment risk.

At June 30, 2020, the endowment fund composition consisted entirely of donor-restricted funds held in perpetuity. Changes in the endowment fund for the year ended June 30, 2020 were as follows:

Endowment fund, beginning of year	\$ 578,130
Interest and dividends	11,718
Realized and unrealized gains, net	2,428
Contributions	<u>55,059</u>
Endowment fund, end of year	\$ <u>647,335</u>

NOTE 6 AGREEMENT WITH KIRKWOOD COMMUNITY COLLEGE

The Organization entered into a management services agreement with Kirkwood Community College (the College) during the year ended June 30, 2020. As part of the agreement, the College provides management services and oversight of the day-to-day operations of Heritage through, among other things, the assignment of two co-directors to be employed by the College and assigned exclusively to Heritage, leased operations staff utilized to provide services related to the day-to-day operations of Heritage, information technology services, facilities and maintenance support services, risk management and insurance administration services, and other additional services as deemed necessary. Salaries and related expenses reimbursed to the College under this agreement were \$1,503,851 during the year ended June 30, 2020. Compensation for the services provided under the management services agreement includes a fixed management services fees of \$54,960 annually, with an agreed upon fair value of \$150,000. Heritage paid the College \$41,220 related to this fee during the year ended June 30, 2020, and recognized an additional \$71,280 of in-kind revenues and office expenses related to the agreed upon fair value of this fee. The term of the management services agreement continued through June 30, 2020, when it was automatically renewed for one year.

The Organization also entered into a lease agreement with the College for the space used by Heritage. The lease calls for monthly rental payments of \$3,250 through September 30, 2020, when it was automatically renewed for one year. Rent expense incurred under this agreement during the year ended June 30, 2020 was \$29,250.

**Heritage Area Agency on Aging
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 AGREEMENT WITH KIRKWOOD COMMUNITY COLLEGE (continued)

The Organization had amounts due to the College under this management services agreement of \$463,517 included in accounts payable at June 30, 2020.

NOTE 7 LIQUIDITY

Heritage regularly monitors the availability of resources required to meet its operating needs and other commitments while striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, Heritage considers all expenditures related to its ongoing activities as well as the conduct of services to support those activities to be general expenditures.

The following table shows the total financial assets held by Heritage which are available to meet its general expenditures and future needs as of the statement of financial position date of June 30, 2020:

Cash and cash equivalents	\$1,173,583
Grants receivable	250,325
Other receivables	<u>6,965</u>
Total	<u>\$1,430,873</u>

NOTE 8 RISKS AND UNCERTAINTIES

On March 11, 2020, the World Health Organization declared the novel coronavirus (COVID-19) outbreak a global pandemic. The pandemic has resulted in economic disruptions and uncertainties across the global economy. Heritage has worked with its governmental and local grantors to maximize its financial resources and program services during the pandemic. Heritage is unable to predict the overall impact that the pandemic will ultimately have on its operations, liquidity, and capital resources.

NOTE 9 RESTATEMENT

Heritage has restated its net assets for the year ended June 30, 2019 in order to recognize amounts held as of that date by Kirkwood Community College Foundation for Heritage in an agency capacity. The restatement impacted the total beginning net assets balance presented in the financial statements as follows:

	<u>Original balance</u>	<u>Restatement</u>	<u>Restated balance</u>
Beginning net assets, total	\$ <u>399,351</u>	\$ <u>547,190</u>	\$ <u>946,541</u>

NOTE 10 SUBSEQUENT EVENTS

Heritage has evaluated subsequent events through April 20, 2021, the date which the financial statements were available to be issued. There were no subsequent events required to be accrued or disclosed.

SUPPLEMENTARY INFORMATION

Heritage Area Agency on Aging
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2020

<u>Federal grantor/pass-through grantor/ pass through grant description and identifying number</u>	<u>Federal CFDA number</u>	<u>Agency or pass-through number</u>	<u>Federal expenditures</u>	<u>Amounts provided to subrecipients</u>
United States Department of Justice				
<i>Passed through Iowa Department of Justice</i>				
Crime Victim Assistance	16.575	NI-19-171-AG VP-20-100-SP	\$ <u>139,645</u>	\$ <u>15,952</u>
Total United States Department of Justice			<u>139,645</u>	<u>15,952</u>
United States Department of Education				
<i>Passed through Iowa Vocational Rehabilitation Services</i>				
Rehabilitation Services Vocational Rehabilitation Grants	84.126	14-AAA-HER-01	<u>63,815</u>	<u>—</u>
Total United States Department of Education			<u>63,815</u>	<u>—</u>
United States Department of Health and Human Services				
<i>Passed through Iowa Department on Aging</i>				
Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services	93.043	N/A	<u>14,800</u>	<u>3</u>
Aging Cluster				
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044	N/A	619,100	295,331
Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045	N/A	1,741,755	1,325,755
Nutrition Services Incentive Program	93.053	N/A	<u>228,808</u>	<u>228,808</u>
Total Aging Cluster			<u>2,589,663</u>	<u>1,849,894</u>
National Family Caregiver Support, Title III, Part E	93.052	N/A	274,295	119,480
Aging Research	93.866	N/A	34,298	—
PPHF Geriatric Education Centers	93.969	N/A	991	—
Total United States Department of Health and Human Services			<u>2,914,047</u>	<u>1,969,377</u>
Total expenditures of federal awards			<u>\$3,117,507</u>	<u>\$1,985,329</u>

Heritage Area Agency on Aging
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2020

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal award activity of Heritage Area Agency on Aging 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*, 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 Heritage Area Agency on Aging, it is not intended to and does not present the financial position, change in net assets, or cash flows of Heritage Area Agency on Aging.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported in the schedule of expenditures of federal awards are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and/or OMB Circular 122, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Heritage Area Agency on Aging has elected not to use the 10 percent de minimus indirect cost rate as allowed under the Uniform Guidance.

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

Board of Directors
Heritage Area Agency on Aging
Cedar Rapids, Iowa

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Heritage Area Agency on Aging (a nonprofit organization) which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 20, 2021.

Internal Control Over Financial Reporting

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Heritage's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



DENMAN & COMPANY, LLP

West Des Moines, Iowa
April 20, 2021

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

Board of Directors
Heritage Area Agency on Aging
Cedar Rapids, Iowa

Report on Compliance for the Major Federal Program

We have audited Heritage Area Agency on Aging's (Heritage) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Heritage's major federal program for the year ended June 30, 2020. Heritage's major federal program is identified in the summary of independent 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 Heritage's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Heritage's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

In our opinion, Heritage Area Agency on Aging complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of Heritage 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 Heritage's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its 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 Heritage'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.

Denman & Company, LLP

DENMAN & COMPANY, LLP

West Des Moines, Iowa
April 20, 2021

**Heritage Area Agency on Aging
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2020**

SECTION 1 – SUMMARY OF INDEPENDENT AUDITOR’S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: **Unmodified opinion**

Internal control over financial reporting:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? Yes X None Reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? Yes X None Reported

Type of auditor’s report issued on compliance for major federal programs: **Unmodified opinion**

- Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes X No

Identification of major federal programs: **CFDA Number 93.044, 93.045, 93.053 – Aging Cluster**

Dollar threshold used to distinguish between type A and type B programs: **\$750,000**

Auditee qualified as low-risk auditee? Yes X No

**Heritage Area Agency on Aging
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2020**

SECTION II – FINANCIAL STATEMENT FINDINGS

INTERNAL CONTROL DEFICIENCIES

None.

INSTANCES OF NONCOMPLIANCE

No matters were noted.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

INTERNAL CONTROL DEFICIENCIES

None.

INSTANCES OF NONCOMPLIANCE

No matters were noted.