

# **Visiting Nurse Services of Iowa d/b/a EveryStep**

Consolidated Financial Report  
June 30, 2021

## Contents

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Independent auditor's report	1-2
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Financial statements	
Consolidated statements of financial position	3
Consolidated statements of activities	4
Consolidated statements of cash flows	5
Notes to consolidated financial statements	6-21

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Supplementary information	
Consolidating statements of financial position	22-23
Consolidating statement of activities	24

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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>	25-26
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Schedule of findings and questioned costs	27
Corrective action plan	28

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## Independent Auditor's Report

RSM US LLP

Board of Directors  
Visiting Nurse Services of Iowa d/b/a EveryStep

### Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Visiting Nurse Services of Iowa d/b/a EveryStep (the Organization) which comprise the consolidated statement of financial position as of June 30, 2021, the consolidated statement of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively, 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 Visiting Nurse Services of Iowa d/b/a EveryStep as of June 30, 2021, 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.

**Other Matters**

The financial statements of the Organization, as of and for the year ended December 31, 2020, were audited by other auditors, whose report, dated October 1, 2020, expressed an unmodified opinion on those statements.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The consolidating statement of financial position as of June 30, 2021 and consolidating statement of activities for the year ended June 30, 2021, are presented for purposes of additional analysis of the financial statements rather than to present the financial position and changes in net assets of the individual affiliates, and are 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 audits 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 November 19, 2021, on our consideration of Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 Organization's internal control over financial reporting and compliance.

*RSM US LLP*

Des Moines, Iowa  
November 19, 2021

Visiting Nurse Services of Iowa d/b/a EveryStep

Consolidated Statements of Financial Position  
June 30, 2021 and 2020

	2021	2020
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 6,064,638	\$ 6,361,657
Patient accounts receivable, net	2,972,384	2,642,403
Grants and contracts receivable, net	1,373,280	1,295,487
Interest in charitable trusts, current portion	56,000	54,758
Pledge receivables, current portion	226,581	619,112
Prepaid expenses and other	670,758	390,216
<b>Total current assets</b>	<b>11,363,641</b>	<b>11,363,633</b>
Property and equipment, net	7,590,324	6,877,952
Investments	17,277,414	13,763,590
Interest in charitable trusts, net of current portion	697,646	505,292
Pledge receivables, net of current portion	117,283	302,127
Other assets	308,292	263,447
	<b>\$ 37,354,600</b>	<b>\$ 33,076,041</b>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable	\$ 3,343,579	\$ 2,407,326
Accrued payroll and other related benefits	3,186,256	2,538,267
Deferred revenue	223,995	478,244
Paycheck Protection Program note payable, current portion	-	1,599,220
<b>Total current liabilities</b>	<b>6,753,830</b>	<b>7,023,057</b>
Paycheck Protection Program note payable, net of current portion	-	2,043,180
Deferred revenue, net of current portion	37,500	-
<b>Total liabilities</b>	<b>6,791,330</b>	<b>9,066,237</b>
Commitments and contingencies		
Net assets:		
Without donor restrictions:		
Board designated	8,369,020	6,342,596
Undesignated	17,063,177	13,740,912
<b>Total net assets without donor restrictions</b>	<b>25,432,197</b>	<b>20,083,508</b>
With donor restrictions	5,131,073	3,926,296
<b>Total net assets</b>	<b>30,563,270</b>	<b>24,009,804</b>
	<b>\$ 37,354,600</b>	<b>\$ 33,076,041</b>

See notes to consolidated financial statements.

Visiting Nurse Services of Iowa d/b/a EveryStep

Consolidated Statements of Operations and Changes in Net Assets  
Years Ended June 30, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and Revenue:</b>						
Net patient and program service revenue	\$ 20,946,600	\$ -	\$ 20,946,600	\$ 18,627,787	\$ -	\$ 18,627,787
Fees and grants from governmental agencies	7,325,123	-	7,325,123	6,993,140	-	6,993,140
Contributions	1,907,600	1,868,429	3,776,029	1,864,921	1,943,054	3,807,975
Investment income	388,599	-	388,599	208,579	-	208,579
Net realized and unrealized gains on investments	2,923,167	67,884	2,991,051	555,164	-	555,164
Other revenue	525,001	-	525,001	957,414	-	957,414
Gain on PPP loan forgiveness	3,642,400	-	3,642,400	-	-	-
Net assets released from restriction	731,536	(731,536)	-	259,621	(259,621)	-
<b>Total support and revenue</b>	<b>38,390,026</b>	<b>1,204,777</b>	<b>39,594,803</b>	<b>29,466,626</b>	<b>1,683,433</b>	<b>31,150,059</b>
<b>Expenses:</b>						
Salaries and wages	19,260,465	-	19,260,465	17,303,515	-	17,303,515
Payroll taxes	1,390,058	-	1,390,058	1,290,892	-	1,290,892
Employee benefits	2,523,947	-	2,523,947	2,307,084	-	2,307,084
Professional fees	1,658,951	-	1,658,951	1,283,710	-	1,283,710
Pharmacy and supplies	1,782,861	-	1,782,861	1,720,285	-	1,720,285
Contracted food service	86,742	-	86,742	83,216	-	83,216
Telephone	427,589	-	427,589	390,706	-	390,706
Postage and shipping	37,551	-	37,551	33,655	-	33,655
Occupancy	1,015,628	-	1,015,628	1,021,664	-	1,021,664
Printing and publication	106,101	-	106,101	104,549	-	104,549
Travel and mileage	722,907	-	722,907	663,506	-	663,506
Conferences, trainings, and meetings	149,394	-	149,394	63,229	-	63,229
Client instructional resources	730,418	-	730,418	639,321	-	639,321
Other patient care	1,884,728	-	1,884,728	990,250	-	990,250
Subscriptions and publications	50,918	-	50,918	100,754	-	100,754
Advertising and public relations	304,836	-	304,836	277,068	-	277,068
Miscellaneous	250,513	-	250,513	401,266	-	401,266
Interest	-	-	-	43,829	-	43,829
Depreciation	657,730	-	657,730	574,738	-	574,738
<b>Total expenses</b>	<b>33,041,337</b>	<b>-</b>	<b>33,041,337</b>	<b>29,293,237</b>	<b>-</b>	<b>29,293,237</b>
<b>Change in net assets</b>	<b>5,348,689</b>	<b>1,204,777</b>	<b>6,553,466</b>	<b>173,389</b>	<b>1,683,433</b>	<b>1,856,822</b>
Net assets, beginning of year	20,083,508	3,926,296	24,009,804	19,910,119	2,242,863	22,152,982
Net assets, end of year	\$ 25,432,197	\$ 5,131,073	\$ 30,563,270	\$ 20,083,508	\$ 3,926,296	\$ 24,009,804

See notes to consolidated financial statements.

**Visiting Nurse Services of Iowa d/b/a EveryStep**

**Consolidated Statements of Cash Flows**  
**Years Ended June 30, 2021 and 2020**

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 6,553,466	\$ 1,856,822
Adjustments to reconcile changes in net assets to net cash from operating activities:		
Loan forgiveness income	(3,642,400)	-
Donated investments	(609,715)	-
Contribution of charitable trust	(250,000)	-
Depreciation	657,730	574,738
Provision for uncollectible pledges	-	42,283
Restricted contributions for capital campaign	-	(1,242,343)
Net unrealized and realized gains on investments	(2,991,051)	(555,164)
Change in interest in charitable trusts	-	79,454
Changes in assets and liabilities:		
Patient accounts receivable	(329,981)	(782,910)
Grants and contracts receivable	(77,793)	(66,901)
Pledges receivable	577,375	552,831
Accrued interest receivable	-	2,934
Prepaid expenses and other	(280,542)	131,890
Other assets	(44,845)	(4,204)
Accounts payable	936,253	600,308
Accrued payroll and other related benefits	647,989	971,041
Deferred revenue	(216,749)	396,521
<b>Net cash provided by operating activities</b>	<b>929,737</b>	<b>2,557,300</b>
Cash flows from investing activities:		
Purchases of property and equipment	(1,370,102)	(664,959)
Cash received from charitable trusts	56,404	122,985
Purchases of investments	(3,006,402)	(2,443,797)
Proceeds from sales of investments	3,093,344	2,611,083
<b>Net cash used in investing activities</b>	<b>(1,226,756)</b>	<b>(374,688)</b>
Cash flows from financing activities:		
Proceeds from the Payment Protection Plan notes payable	-	3,642,400
Payments on line of credit	-	(161,372)
<b>Net cash provided by financing activities</b>	<b>-</b>	<b>3,481,028</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(297,019)</b>	<b>5,663,640</b>
Cash and cash equivalents:		
Beginning of year	6,361,657	698,017
End of year	<b>\$ 6,064,638</b>	<b>\$ 6,361,657</b>

See notes to consolidated financial statements.

## Visiting Nurse Services of Iowa d/b/a EveryStep

### Notes to Consolidated Financial Statements

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#### Note 1. Summary of Significant Accounting Policies

**Nature of operations:** Visiting Nurse Services of Iowa d/b/a EveryStep (EveryStep) is incorporated under the provisions of the Iowa Nonprofit Corporation Act, Chapter 504A of the Code of Iowa. EveryStep is the sole member of Hospice of Central Iowa Foundation d/b/a EveryStep Foundation (the Foundation), an Iowa Non-Profit Organization (collectively, the Organization).

EveryStep provides physical, emotional, social, and spiritual support and care to patients in Central Iowa with a limited life expectancy due to a terminal illness, and to their families. EveryStep also provides health and human services with preventative focus to women, children, families and communities in homes, clinics, schools, day care centers and at the work site. The Foundation provides fundraising, investment management, grants and other support services to EveryStep.

**Basis of consolidation:** The consolidated financial statements (collectively, the financial statements) include the accounts of EveryStep and the Foundation (on a consolidated basis, the Organization). All significant intercompany accounts and transactions have been eliminated in the consolidation.

**Basis of accounting:** The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

**Financial statement presentation:** Financial statement presentation follows the recommendations of the Not-for-Profit Entities Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). Under the standards, net assets are classified based on the existence or absence of donor imposed restrictions. Accordingly, the net assets of the Foundation and changes therein are classified as follows:

**Without donor restrictions:** Net assets without donor restrictions are net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization's board may designate net assets without restrictions for specific operational purposes from time to time. The Foundation's board has designated certain investments as endowment assets.

**With donor restrictions:** Net assets with donor restrictions are net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature and will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity.

Net assets with donor restrictions are net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature and will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity.

**Use of estimates:** The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and cash equivalents:** The Organization considers all highly liquid investments of operating cash purchased with an original maturity of three months or less to be cash equivalents. The Organization maintains cash balances at various financial institutions and from time to time, the cash balances may exceed the amounts insured by the Federal Deposit Insurance Corporation. However, the Organization has not experienced any losses in such accounts and management believes the Foundation is not exposed to any significant credit risk related to those accounts.

## Visiting Nurse Services of Iowa d/b/a EveryStep

### Notes to Consolidated Financial Statements

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#### Note 1. Summary of Significant Accounting Policies (Continued)

**Patient accounts receivable:** The patient accounts receivable balance represents the unpaid amounts billed to patients and third-party payors, net of any explicit price concessions (formerly known as contractual adjustments and discounts) and implicit price concessions. Explicit and implicit price concessions are recorded to report receivables for patient care services at net realizable value. Past due receivables are determined based on contractual terms. Accounts are routinely reviewed for uncollectible amounts. Receivables are written off when deemed uncollectible. EveryStep's allowance for doubtful accounts on patient accounts receivable at June 30, 2021 and 2020, was \$820,970 and \$350,000, respectively.

**Grants and contracts receivable:** Grants and contracts receivable are primarily generated from billings of various governmental agencies and other entities for services provided by EveryStep. The receivables are stated at the amount management expects to collect from balances outstanding at year end. Management periodically reviews receivable balances and determines whether any balances are uncollectible. Receivables are considered impaired if payments are not received in accordance with the contractual terms.

**Property and equipment:** Property and equipment are stated at cost or, if donated to the Organization, at fair value on the date of the gift. Additions and improvements over \$5,000 are capitalized; expenditures for routine maintenance are charged to operations. Depreciation is provided over the estimated useful lives of the various classes of assets on the straight-line method.

Gifts of long-lived assets such as land, buildings and equipment are reported as support without donor restrictions unless explicit donor stipulations specify how the donated assets are to be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash and other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Absent explicit donor stipulations about how long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

**Impairment of long-lived assets:** On an ongoing basis, the Organization reviews long-lived assets for impairment whenever events or circumstances indicate that the carrying amounts may be overstated. The Organization recognizes impairment losses if the undiscounted cash flows expected to be generated by the asset are less than the carrying value of the related asset. The impairment loss adjusts the assets to fair value. As of June 30, 2021 and 2020, management believes that no impairments existed.

**Investments:** All investments are valued at their fair values in the consolidated statements of financial position. Unrealized gains and losses are included in the change in net assets. See Notes 4 and 12 for additional information on the Organization's investments.

**Interest in charitable trusts:** The Organization has various interests in charitable remainder trusts and charitable lead trusts. The charitable remainder trust values have been estimated by management based on the fair value of the underlying assets, the terms of the benefits using actuarial tables and the benefits paid to the income beneficiary. The charitable lead trust values have been estimated by management using the present value of future payments based on the fair value of the underlying assets.

**Pledge receivables:** Pledge receivables represent the remaining balance of unconditional promises to give that have not yet been paid, net of any allowance for doubtful pledges. Pledges that are expected to be collected within one year or less are recorded at net realizable value. Pledges that are expected to be collected beyond one year are recorded at the present value of their estimated future cash flows. The pledges have been discounted using a rate commensurate with risk applicable during the time the pledge was made. Amortization of the pledge discount is recognized as contribution revenue each year until the pledge is paid in full. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

## Visiting Nurse Services of Iowa d/b/a EveryStep

### Notes to Consolidated Financial Statements

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#### Note 1. Summary of Significant Accounting Policies (Continued)

**Net patient and program service revenue:** Patient and program service revenues are reported at the amount that reflects the ultimate consideration EveryStep expects to receive in exchange for providing patient care. These amounts are due from third-party payors, primarily commercial health insurers and government programs (Medicare and Medicaid), and includes variable consideration for revenue adjustments due to settlements of audits and reviews, as well as certain hospice-specific revenue capitations. Amounts are generally billed monthly or subsequent to patient discharge. Subsequent changes in the transaction price initially recognized are not significant.

Hospice services are provided on a daily basis and the type of service provided is determined based on a physician's determination of each patient's specific needs on that given day. Reimbursement rates for hospice services are on a per diem basis regardless of the type of service provided or the payor. Reimbursement rates from government programs are established by the appropriate governmental agency and are standard across all hospice providers. Reimbursement rates from health insurers are negotiated with each payor and generally structured to closely mirror the Medicare reimbursement model. The types of hospice services provided and associated reimbursement model for each are as follows:

Routine Home Care occurs when a patient receives hospice care in their home, including a nursing home setting. The routine home care rate is paid for each day that a patient is in a hospice program and is not receiving one of the other categories of hospice care. For Medicare patients, the routine home care rate reflects a two-tiered rate, with a higher rate for the first 60 days of a hospice patient's care and a lower rate for days 61 and after. In addition, there is a Service Intensity Add-on payment which covers direct home care visits conducted by a registered nurse or social worker in the last seven days of a hospice patient's life, reimbursed up to four hours per day in fifteen minute increments at the continuous home care rate.

General Inpatient Care occurs when a patient requires services in a controlled setting for a short period of time for pain control or symptom management which cannot be managed in other settings. General inpatient care services must be provided in a Medicare or Medicaid certified hospital or long-term care facility or at a freestanding inpatient hospice facility with the required registered nurse staffing.

Continuous Home Care is provided to patients while at home, including a nursing home setting, during periods of crisis when intensive monitoring and care, primarily nursing care, is required in order to achieve palliation or management of acute medical symptoms. Continuous home care requires a minimum of eight hours of care within a 24-hour day, which begins at midnight. The care must be predominantly nursing care provided by either a registered nurse or licensed nurse practitioner. While the published Medicare continuous home care rates are daily rates, Medicare pays for continuous home care in 15-minute increments. This 15-minute rate is calculated by dividing the daily rate by 96.

Respite Care permits a hospice patient to receive services on an inpatient basis for a short period of time in order to provide relief for the patient's family or other caregivers from the demands of caring for the patient. A hospice can receive payment for respite care for a given patient for up to five consecutive days at a time, after which respite care is reimbursed at the routine home care rate.

## Visiting Nurse Services of Iowa d/b/a EveryStep

### Notes to Consolidated Financial Statements

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#### Note 1. Summary of Significant Accounting Policies (Continued)

Each level of care represents a separate promise under the contract of care and is provided independently for each patient, contingent upon the patient's specific medical needs as determined by a physician. However, the clinical criteria used to determine a patient's level of care is consistent across all patients, given that each patient is subject to the same payor rules and regulations. As a result, the Organization has concluded that each level of care is capable of being distinct and is distinct in the context of the contract. Furthermore, the Organization has determined that each level of care represents a stand ready service provided as a series of either days or hours of patient care. The Organization believes that the performance obligations for each level of care meet criteria to be satisfied over time. The Organization recognizes revenue based on the service output. The Organization believes this to be the most faithful depiction of the transfer of control of services as the patient simultaneously receives and consumes the benefits provided by the Organization's performance. Revenue is recognized on a daily or hourly basis for each patient in accordance with the reimbursement model for each type of service. The Organization's performance obligations relate to contracts with an expected duration of less than one year. Therefore, the Organization has elected to apply the optional exception provided in Topic 606 and is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially satisfied performance obligations referred to above relate to bereavement services provided to patients' families for up to 12 months after death.

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance which vary in amount. The Organization also provides service to patients without a reimbursement source and may offer those patients discounts from standard charges. The Organization estimates the transaction price for patients with deductibles and coinsurance, along with those uninsured patients, based on historical experience and current conditions. The estimate of any explicit or implicit price concessions reduces the amount of revenue initially recognized. Subsequent changes to the estimate of the transaction price are recorded as adjustments to patient service revenue in the period of change. Subsequent changes that are determined to be the result of an adverse change in the patients' ability to pay (i.e., change in credit risk) are recorded as bad debt expense. The Organization has no material adjustments related to subsequent changes in the estimate of the transaction price or subsequent changes as the result of an adverse change in the patient's ability to pay for any period reported.

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. Compliance with such laws and regulations may be subject to future government review and interpretation. Additionally, the contracts the Organization has with commercial health insurance payors provide for retroactive audit and review of claims. Settlement with third-party payors for retroactive adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. The variable consideration is estimated based on the terms of the payment agreement, existing correspondence from the payor and our historical settlement activity. These estimates are adjusted in future periods, as new information becomes available. Management intends to fully cooperate with any governmental agencies in requests for information. Noncompliance with laws and regulations can make the Organization subject to regulatory action, including fines, penalties, and exclusion from the Medicare and Medicaid programs.

## Visiting Nurse Services of Iowa d/b/a EveryStep

### Notes to Consolidated Financial Statements

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#### Note 1. Summary of Significant Accounting Policies (Continued)

For the Organization's patients in the nursing home setting in which Medicaid pays the nursing home room and board, the Organization serves as a pass-through between Medicaid and the nursing home. The Organization is responsible for paying the nursing home for that patient's room and board. Medicaid reimburses the Organization for 95% of the amount paid to the nursing home. The Organization has concluded that the 5% difference between the amount paid to the nursing home and the amount received from Medicaid is an adjustment to transaction price and, as a result, the 5% is recognized as a reduction to revenue recognized in the accompanying financial statements.

Hospice organizations are subject to two specific payment limit caps under the Medicare program. One limit relates to inpatient care days that exceed 20% of the total days of hospice care provided for the year. The Organization did not exceed the 20% cap related to inpatient days for the years ended June 30, 2021 and 2020. The second limit relates to an aggregate Medicare reimbursement cap calculated by the Organization. The Organization did not exceed the Medicare reimbursement cap for the years ended June 30, 2021 and 2020.

In addition, EveryStep receives overhead reimbursement through an indirect rate calculation which is determined by the U.S. Department of Health and Human Services (HHS). EveryStep operates under a provisional rate during the year prior to the receipt of the final rate determined by HHS. Upon receipt of the final rate, EveryStep may need to return funds to various agencies in the event the final rate is lower than the initial provisional rate. Due to the timing of notification of final rates, it is possible that the related estimate may change significantly in the near term.

Approximately 80% and 75% of net patient and program service revenue was from Medicare for the years ended June 30, 2021 and 2020, respectively. Patient receivables from Medicare as of June 30, 2021 and 2020 was 77% and 53% of patient accounts receivable, respectively.

**Charity care:** The Organization has a policy of providing charity care to patients who are unable to pay. Such patients are identified based on financial information obtained from the patient and subsequent analysis. Since the Organization does not expect payment for such services, there is no revenue recognized for the value of charity care. Charity care is underwritten by the Foundation and is reported as contributions revenue. The estimated cost of charity care charges was approximately \$324,000 and \$349,000 for the years ended June 30, 2021 and 2020, respectively. The cost estimate was based on the organization-wide cost to charge ratio.

**Contributions:** Contributions received and unconditional promises to give are recorded as revenue without donor restrictions or revenue with donor restrictions depending on the existence of donor restrictions and the nature of such restrictions, if they exist.

When a donor 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 consolidated statements of operations and change in net assets as net assets released from restrictions.

If a restriction is fulfilled in the same accounting period in which the contribution is received, the contribution is reported as without donor restrictions.

## Visiting Nurse Services of Iowa d/b/a EveryStep

### Notes to Consolidated Financial Statements

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#### Note 1. Summary of Significant Accounting Policies (Continued)

**Donated services:** Donated services provided by volunteers for patient care, bereavement and thrift store operations amounted to approximately \$106,000 and \$509,000 for the years ended June 30, 2021 and 2020, respectively (unaudited), have not been recorded by the Organization as the criteria under current accounting guidance for recognition have not been met. Donated materials are recorded at fair value when received, and correspondingly charged to operations. The Organization operates a resale shop that sells primarily donated merchandise. The fair value of the donated merchandise sold approximates the revenue generated from its sale.

**Advertising:** The Organization expenses advertising costs as incurred. Advertising costs for the years ended June 30, 2021 and 2020, were \$304,836 and \$277,068, respectively.

**Income taxes:** The Organization and its affiliates are exempt from income taxes on income from related activities under Section 501(c)(3) of the U.S. Internal Revenue Code and corresponding state tax law. Accordingly, no provision has been made for federal or state income taxes.

U.S. GAAP requires that a tax position is recognized as a benefit only if it is “more likely than not” that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the “more likely than not” test, no tax benefit is recorded.

The Organization’s Forms 990 have not been subject to examination by the Internal Revenue Service or the State of Iowa for the last three years. The Organization does not expect the total amount of unrecognized tax benefits to significantly change in the next 12 months. The Organization recognizes interest and/or penalties related to income tax matters in income tax expense. The Organization did not have any amounts accrued for interest and penalties at June 30, 2021 or 2020.

**Reclassifications:** Certain prior year amounts have been reclassified to conform with the current year presentation. These reclassifications had no effect on total net assets or the change in net assets.

**Subsequent events:** The Organization has evaluated subsequent events through November 19, 2021, the date the report was available for issuance.

#### Note 2. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statement of financial position date, comprise the following (including amounts the Board could un-designate):

	2021	2020
Cash and cash equivalents	\$ 6,064,638	\$ 6,361,657
Patient accounts receivable, net	2,972,384	2,642,403
Grants and contracts receivable, net	1,373,280	1,295,487
Pledge receivables, current portion	226,581	619,112
Investments	17,277,414	13,763,590
Less certain net assets with donor restrictions	(4,377,427)	(3,366,246)
	<u>\$ 23,536,870</u>	<u>\$ 21,316,003</u>

## Visiting Nurse Services of Iowa d/b/a EveryStep

### Notes to Consolidated Financial Statements

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#### Note 2. Liquidity and Availability (Continued)

As part of the Organization's liquidity management plan, management invests cash in excess of daily requirements in short-term investments and money market funds. The Organization has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet 60 days of normal operating expenses. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization typically collects patient accounts receivable within one year of the date of service. Collections by payor type may vary based on payor source liquidity and timeliness of claims processing. In the event of an unanticipated liquidity need, the Organization also could draw upon its available line of credit (as further discussed in Note 6).

The Organization's endowment fund consists of donor-restricted endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure. Of the total amount of investments, \$8,369,020 and \$6,342,596 are designated by the Board of Directors as of June 30, 2021 and 2020, respectively, and must be undesignated to be spent for general expenditures.

#### Note 3. Property and Equipment

Property and equipment and the related accumulated depreciation are as follows at June 30:

	2021	2020
Land	\$ 1,068,532	\$ 1,068,532
Buildings and improvements	9,495,007	9,508,752
Furniture and equipment	3,048,649	2,671,035
Software	1,338,949	1,240,449
Vehicles	123,860	107,528
Projects in progress	910,899	170,218
	<u>15,985,896</u>	<u>14,766,514</u>
Less accumulated depreciation	(8,395,572)	(7,888,562)
	<u>\$ 7,590,324</u>	<u>\$ 6,877,952</u>

Depreciation expense for the years ended June 30, 2021 and 2020, was \$657,730 and \$574,738, respectively.

During the year ended June 30, 2021, the Organization entered into a construction contract for a significant renovation to one of its facilities. The total contract is approximately \$2,880,000 and as of June 30, 2021, \$539,000 has been completed to date. The Organization expects to complete the renovations in fiscal year 2022.

## Visiting Nurse Services of Iowa d/b/a EveryStep

### Notes to Consolidated Financial Statements

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#### Note 4. Investments

The following are the major types of investments held by the Organization at June 30:

	2021	2020
Cash and cash equivalents	\$ 365,343	\$ 334,633
Fixed income mutual funds	5,747,063	2,166,066
Equity mutual funds	9,019,462	6,997,425
International mutual funds	1,607,596	1,598,599
Corporate debt securities	537,950	2,666,867
	<u>\$ 17,277,414</u>	<u>\$ 13,763,590</u>

Investment securities are exposed to a variety of uncertainties, including interest rate, market, and credit risks. Due to the level of risk associated with certain investments, it is possible that changes in the values of these investments could occur in the near term. Such changes could materially affect the amounts reported in the financial statements of the Organization.

#### Note 5. Pledges Receivable

The Organization recognizes unconditional promises of contributions at fair value in the period the promise is made. Contributions receivable at June 30 are as follows:

	2021	2020
Less than one year	\$ 226,581	\$ 619,112
One to five years	159,566	344,410
Total contributions	386,147	963,522
Less allowance for uncollectible pledges and discount	(42,283)	(42,283)
	<u>\$ 343,864</u>	<u>\$ 921,239</u>

#### Note 6. Line of Credit

EveryStep maintains a \$6,000,000 line of credit with a financial institution that expires on October 31, 2021. The line of credit is secured by a guarantee from EveryStep and carries an interest rate at the bank's prime lending rate less 1%. The interest rate was 3.25% and 3.75% at June 30, 2021 and 2020, respectively. The outstanding balance was \$0 at June 30, 2021 and 2020, respectively. The line of credit contains various financial covenants.

#### Note 7. Retirement Plans and Subsequent Event

The Organization participates in a defined contribution retirement plan for the benefit of its eligible employees. Employees are automatically enrolled on the 91st day of employment unless they opt not to be enrolled. The Organization matches contributions 100% up to 1% and then 50% of the next 5% for a maximum match of 3.5%. Employees are 100% vested in the employer match after two years of employment and will forfeit all employer contributions received if they terminate employment before two years of service. For the years ended June 30, 2021 and 2020, the Organization contributed \$457,390 and \$425,227, respectively, to the plan.

## Visiting Nurse Services of Iowa d/b/a EveryStep

### Notes to Consolidated Financial Statements

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#### Note 7. Retirement Plans and Subsequent Event (Continued)

EveryStep contributes to a defined benefit multi-employer pension and retirement plan administered by United Way of Central Iowa. Prior to January 1, 2010, certain employees were eligible to participate in the plan. Effective December 31, 2009, EveryStep elected a “hard freeze” to the plan, meaning no new participants are allowed to participate in the plan, no future service will be credited, and no future compensation changes will be used in determining benefits under the plan. The risks of participating in these multi-employer plans are different from single-employer plans in the following aspects:

Assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers.

If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.

If the organization chooses to stop participating in some of its multi-employer plans, it may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

For the years ended June 30, 2021 and 2020, contributions of EveryStep to the plan were \$135,128 and \$270,258, respectively. In September 2021, the United Way of Central Iowa Board voted to terminate the Plan effective December 31, 2021. A contingency reserve of approximately \$96,000 has been accrued for as of June 30, 2021.

#### Note 8. Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30 are as follows:

	2021	2020
Hospice patient needs	\$ 614,569	\$ 676,464
Capital Campaign—Kavanagh House renovations	3,282,907	2,118,283
Interest in charitable lead trusts	753,646	560,050
Earnings on donor restricted endowment	339,420	271,536
Endowment restricted in perpetuity	81,799	81,799
Other	58,732	218,164
	<u>\$ 5,131,073</u>	<u>\$ 3,926,296</u>

Net assets with donor restrictions have been released from restriction due to the purpose or time restriction being met for the years ending June 30 are as follows:

	2021	2020
Hospice patient needs	\$ 665,574	\$ 91,868
Interest in charitable lead and remainder trusts	56,404	167,753
Other	9,558	-
	<u>\$ 731,536</u>	<u>\$ 259,621</u>

## Visiting Nurse Services of Iowa d/b/a EveryStep

### Notes to Consolidated Financial Statements

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#### Note 9. Endowment Assets

**Overview:** The Organization's endowment, primarily held by Foundation, consists of numerous gifts established to fund and support the mission of EveryStep. The endowment is made up of board designated, time and purpose restricted, and perpetually restricted net assets. As required by U.S. GAAP, net assets associated with these endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

**Interpretation of Relevant Law:** The Foundation's Board of Trustees has determined the requirements of Iowa's version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) to center around the preservation of the fair value of the original investment as of the date of the asset transfers. Investments resulting from donations directing that they be invested in perpetuity are classified as net assets with donor restrictions that are perpetual in nature. The earnings generated by these investments are classified as without donor restrictions or time and purpose restricted depending on the donors' stipulations. The time and purpose restricted net assets are reclassified as without donor restrictions upon their appropriation for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by Iowa's version of UPMIFA. The Foundation considers the following factors in making a determination to appropriate or accumulate its endowment funds:

1. The duration and preservation of the fund
2. The purposes of Foundation and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of Foundation
7. The investment policies of Foundation

**Return objectives and risk parameters:** Foundation has adopted investment and spending policies for endowment assets that attempt to achieve long-term asset appreciation. The investment policy establishes an achievable return objective through diversification of asset classes. The target rate of return for the fund's investable assets is based on the assumption that future real returns will approximate the long-term real rates of return experience for each asset class.

**Strategies employed for achieving objectives:** To satisfy its long-term rate-of-return objectives, Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Foundation targets a diversified asset allocation that places a greater emphasis on cash and cash equivalents, fixed income, and equity investments to achieve its long-term return objectives within prudent risk constraints.

**Spending policy and how the investment objectives relate to spending policy:** The Board of Trustees adopted a spending policy for the endowment assets which allows disbursements in an amount up to 5% of the average fair value, based upon the previous 12 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. The amount appropriated is evaluated prior to the beginning of the fiscal year in which the disbursement was approved by the Board of Trustees based on availability of funds and market conditions.

## Visiting Nurse Services of Iowa d/b/a EveryStep

### Notes to Consolidated Financial Statements

#### Note 9. Endowment Assets (Continued)

**Fund with deficiencies:** From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. Cumulative deficiencies of this nature that are in excess of related time and purpose restricted amounts are reported in net assets with donor restrictions. There were no such deficiencies as of June 30, 2021 and 2020.

**Endowment net asset composition by type of fund:** The Organization's composition of endowment assets for the years ended June 30 is as follows:

	2021			Total
	Without Donor Restrictions	Accumulated Earnings	Original Gift	
Board designated	\$ 8,369,020	\$ -	\$ -	\$ 8,369,020
Donor-restricted	-	339,420	81,799	421,219
Total endowment	<u>\$ 8,369,020</u>	<u>\$ 339,420</u>	<u>\$ 81,799</u>	<u>\$ 8,790,239</u>

  

	2020			Total
	Without Donor Restrictions	Accumulated Earnings	Original Gift	
Board designated	\$ 6,342,596	\$ -	\$ -	\$ 6,342,596
Donor-restricted	-	271,536	81,799	353,335
Total endowment	<u>\$ 6,342,596</u>	<u>\$ 271,536</u>	<u>\$ 81,799</u>	<u>\$ 6,695,931</u>

**Change in endowment net assets:** The Organization's change in endowment assets, by net asset composition, for the years ended June 30 is as follows:

	Board Designated	2021		Total
		Accumulated Earnings	Original Gift	
Beginning balance	\$ 6,342,596	\$ 271,536	\$ 81,799	\$ 6,695,931
Investment income and gains	1,807,919	67,884	-	1,875,803
Contributions	218,505	-	-	218,505
Appropriations for expenditure	-	-	-	-
Total endowment	<u>\$ 8,369,020</u>	<u>\$ 339,420</u>	<u>\$ 81,799</u>	<u>\$ 8,790,239</u>

## Visiting Nurse Services of Iowa d/b/a EveryStep

### Notes to Consolidated Financial Statements

#### Note 9. Endowment Assets (Continued)

	2020			
	Board Designated	With Donor Restrictions		Total
		Accumulated Earnings	Original Gift	
Beginning balance	\$ 6,416,953	\$ 261,947	\$ 81,799	\$ 6,760,699
Investment income and gains	276,315	9,589	-	285,904
Contributions	276,730	-	-	276,730
Appropriations for expenditure	(627,402)	-	-	(627,402)
Total endowment	<u>\$ 6,342,596</u>	<u>\$ 271,536</u>	<u>\$ 81,799</u>	<u>\$ 6,695,931</u>

#### Note 10. Functional Expenses

The operating expenses of the Organization presented by their natural classification within the consolidated statements of operations and changes in net assets are summarized by function as follows:

	2021			Total
	Program	General and Administrative	Fundraising	
Salaries and wages	\$ 15,386,995	\$ 3,616,984	\$ 256,486	\$ 19,260,465
Payroll taxes	1,092,655	279,350	18,053	1,390,058
Employee benefits	1,905,506	593,434	25,007	2,523,947
Professional fees	1,017,894	634,418	6,639	1,658,951
Pharmacy and supplies	1,759,329	23,532	-	1,782,861
Contracted food service	86,742	-	-	86,742
Telephone	301,667	117,356	8,566	427,589
Postage and shipping	20,134	12,561	4,856	37,551
Occupancy	570,276	429,426	15,926	1,015,628
Printing and publication	50,775	43,623	11,703	106,101
Travel and mileage	713,685	8,202	1,020	722,907
Conferences, trainings and meetings	131,220	18,174	-	149,394
Client instructional resources	730,464	(46)	-	730,418
Other patient care	1,879,734	4,994	-	1,884,728
Subscriptions and publications	41,757	8,288	873	50,918
Advertising and public relations	-	-	304,836	304,836
Miscellaneous	162,715	41,120	46,678	250,513
Depreciation	373,154	284,576	-	657,730
	<u>\$ 26,224,702</u>	<u>\$ 6,115,992</u>	<u>\$ 700,643</u>	<u>\$ 33,041,337</u>

## Visiting Nurse Services of Iowa d/b/a EveryStep

### Notes to Consolidated Financial Statements

#### Note 10. Functional Expenses (Continued)

	2020			Total
	Program	General and Administrative	Fundraising	
Salaries and wages	\$ 13,869,528	\$ 3,207,811	\$ 226,176	\$ 17,303,515
Payroll taxes	973,955	301,917	15,020	1,290,892
Employee benefits	1,835,436	465,163	6,485	2,307,084
Professional fees	708,753	569,912	5,045	1,283,710
Pharmacy and supplies	1,679,216	41,069	-	1,720,285
Contracted food service	83,216	-	-	83,216
Telephone	285,795	95,457	9,454	390,706
Postage and shipping	17,685	10,372	5,598	33,655
Occupancy	660,718	360,946	-	1,021,664
Printing and publication	65,142	24,033	15,374	104,549
Travel and mileage	647,612	13,917	1,977	663,506
Conferences, trainings and meetings	53,606	9,623	-	63,229
Client instructional resources	609,382	29,939	-	639,321
Other patient care	990,250	-	-	990,250
Subscriptions and publications	10,865	89,532	357	100,754
Advertising and public relations	-	3,643	273,425	277,068
Miscellaneous	264,717	72,216	64,333	401,266
Interest	-	43,829	-	43,829
Depreciation	364,994	209,744	-	574,738
	<u>\$ 23,120,870</u>	<u>\$ 5,549,123</u>	<u>\$ 623,244</u>	<u>\$ 29,293,237</u>

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and benefits, which are allocated on the basis of estimates of time and effort, as well as depreciation, professional and contract services, and facilities, which are allocated similarly to the overall salaries and benefits allocation.

#### Note 11. Commitments

**Operating leases:** The Organization has operating leases for various facilities and equipment that expire on various dates through 2025. Rent expense was \$484,165 and \$492,351 for the years ended June 30, 2021 and 2020, respectively. The future minimum rental payments on noncancelable operating leases at June 30, 2021, are as follows:

Years ending June 30:	
2022	\$ 386,000
2023	314,922
2024	214,877
2025	89,875
	<u>\$ 1,005,674</u>

## Visiting Nurse Services of Iowa d/b/a EveryStep

### Notes to Consolidated Financial Statements

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#### Note 11. Commitments (Continued)

**Self-insurance:** Effective January 1, 2020, the Organization commenced a self-funded health insurance plan. The Organization is liable for employee's healthcare claims up to \$50,000 per employee and unlimited in the aggregate for the year ended June 30, 2021. The Organization has third-party insurance coverage for any claims in excess of such amounts. Costs are accrued based on claims reported as of June 30, 2021 as well as an estimated liability for claims incurred but not reported of \$475,000 and \$200,000 at June 30, 2021 and 2020, respectively, recorded in accrued payroll and other related benefits on the consolidated statements of financial position. The expense for this plan for the year ended June 30, 2021 and 2020, was approximately \$2,750,000 and \$690,000, respectively, recorded in employee benefits in the consolidated statements of operations and changes in net assets.

#### Note 12. Fair Value Measurements of Financial Instruments

U.S. GAAP defines fair value as the price that would be received for an asset or paid to transfer a liability (an exit price) in the Organization's principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

A fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. There are three levels of inputs that may be used to measure fair value:

- Level 1:** Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date. The fair values of cash and cash equivalents, fixed income mutual funds, equity mutual funds, and international mutual funds that are readily marketable are determined by obtaining quoted prices on nationally recognized securities exchanges.
- Level 2:** Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data. The fair values of the Organization's corporate debt securities are determined by matrix pricing, which is a mathematical technique widely used in the industry to value debt securities without relying exclusively on quoted prices for the specific securities but rather by relying on the securities' relationship to other benchmark quoted securities.
- Level 3:** Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability. The Organization's Level 3 investments are not subject to redemption by the Organization and consist of interest in charitable trusts, which are valued at their estimated present value using the Organization's estimated discount rate and life expectancies of donors.

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy.

**Visiting Nurse Services of Iowa d/b/a EveryStep**

**Notes to Consolidated Financial Statements**

**Note 12. Fair Value Measurements of Financial Instruments (Continued)**

**Assets Measured on a Recurring Basis**

Assets measured at fair value on a recurring basis are summarized below:

	Fair Value Measurements at June 30, 2021			
	Level 1	Level 2	Level 3	Total
Investments:				
Cash and cash equivalents	\$ 365,343	\$ -	\$ -	\$ 365,343
Fixed income mutual funds	5,747,063	-	-	5,747,063
Equity mutual funds	9,019,462	-	-	9,019,462
International mutual funds	1,607,596	-	-	1,607,596
Corporate debt securities	-	537,950	-	537,950
Total investments	16,739,464	537,950	-	17,277,414
Interest in charitable trusts	-	-	753,646	753,646
Total assets	<u>\$ 16,739,464</u>	<u>\$ 537,950</u>	<u>\$ 753,646</u>	<u>\$ 18,031,060</u>

	Fair Value Measurements at June 30, 2020			
	Level 1	Level 2	Level 3	Total
Investments:				
Cash and cash equivalents	\$ 334,633	\$ -	\$ -	\$ 334,633
Fixed income mutual funds	2,166,066	-	-	2,166,066
Equity mutual funds	6,997,425	-	-	6,997,425
International mutual funds	1,598,599	-	-	1,598,599
Corporate debt securities	-	2,666,867	-	2,666,867
Total investments	11,096,723	2,666,867	-	13,763,590
Interest in charitable trusts	-	-	560,050	560,050
Total assets	<u>\$ 11,096,723</u>	<u>\$ 2,666,867</u>	<u>\$ 560,050</u>	<u>\$ 14,323,640</u>

A reconciliation of beginning and ending balances for the Organization's fair value measurements using Level 3 inputs is as follows:

Balance at June 30, 2019	\$ 762,489
Distributions from charitable trusts	(122,985)
Change in value of charitable trusts	<u>(79,454)</u>
Balance at June 30, 2020	560,050
Distributions from charitable trusts	(56,404)
Additions to charitable trusts	<u>250,000</u>
Balance at June 30, 2021	<u>\$ 753,646</u>

## Visiting Nurse Services of Iowa d/b/a EveryStep

### Notes to Consolidated Financial Statements

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#### **Note 13. COVID-19 Pandemic and Relieve Funding Sources**

The Coronavirus Aid, Relief, and Economic Security (CARES Act) became law on March 27, 2020, which included provisions to support individuals and businesses in the form of loans, grants, and tax changes, among other types of relief. The CARES Act adds \$175 billion to the “Public Health and Social Services Emergency Fund” to reimburse eligible health care providers for health care related expenses or lost revenues attributable to coronavirus that are outside of routine payments they will receive for direct patient care. During April 2020, the Organization received \$832,675 under such fund, recognizing \$292,632 and \$434,163 in revenue during the years ended June 30, 2021 and 2020, respectively, with the remainder recorded in deferred revenue at June 30, 2021. These funds come with terms and conditions including providing certifications in which all providers will be required to submit documents to ensure the funds will be used for health care related expenses or lost revenue attributable to the coronavirus. Any unused funds are required to be returned.

The CARES Act also established the Paycheck Protection Program (PPP) which is a loan program administered by the U.S. Small Business Administration (SBA). The PPP Loan is subject to partial or full forgiveness in the event the Organization (i) uses all proceeds for eligible purposes; (ii) maintains certain employment levels; and (iii) maintains certain compensation levels, in accordance with the CARES Act.

During the year ended June 30, 2020, EveryStep obtained a PPP loan with a financial institution in the amount of \$3,642,400 and recorded as a liability as of June 30, 2020. During the year ended June 30, 2021, EveryStep received notification from the SBA that all loan proceeds received by EveryStep were forgiven. As EveryStep was legally released as the primary obligor, EveryStep recorded loan forgiveness income in the consolidated statement of activities totaling \$3,642,400.

## **Supplementary Information**

Visiting Nurse Services of Iowa d/b/a EveryStep

Consolidating Statements of Financial Position  
June 30, 2021

	EveryStep	EveryStep Foundation	Eliminations	Consolidated Total
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 3,275,534	\$ 2,789,104	\$ -	\$ 6,064,638
Patient accounts receivable, net	2,972,384	-	-	2,972,384
Grants and contracts receivable, net	1,373,280	-	-	1,373,280
Interest in charitable trusts, current portion	-	56,000	-	56,000
Contributions receivable, current portion	-	226,581	-	226,581
Prepaid expenses and other	670,758	-	-	670,758
<b>Total current assets</b>	<b>8,291,956</b>	<b>3,071,685</b>	<b>-</b>	<b>11,363,641</b>
Property and equipment, net	7,590,324	-	-	7,590,324
Investments	-	17,277,414	-	17,277,414
Interest in charitable trusts, net of current portion	-	697,646	-	697,646
Contributions receivable, net of current portion	-	117,283	-	117,283
Other assets	168,301	139,991	-	308,292
Beneficial interest in net assets of Foundation	20,858,511	-	20,858,511	-
	<b>\$ 36,909,092</b>	<b>\$ 21,304,019</b>	<b>\$ 20,858,511</b>	<b>\$ 37,354,600</b>

(Continued)

Visiting Nurse Services of Iowa d/b/a EveryStep

Consolidating Statements of Financial Position (Continued)  
June 30, 2021

	EveryStep	EveryStep Foundation	Eliminations	Consolidated Total
<b>Liabilities and Net Assets</b>				
Current liabilities:				
Accounts payable	\$ 3,331,942	\$ 11,637	\$ -	\$ 3,343,579
Accrued payroll and other related benefits	3,137,398	48,858	-	3,186,256
Deferred revenue	126,495	97,500	-	223,995
Due to/from EveryStep	(250,013)	250,013	-	-
<b>Total current liabilities</b>	<b>6,345,822</b>	<b>408,008</b>	<b>-</b>	<b>6,753,830</b>
Deferred revenue, net of current portion	-	37,500	-	37,500
<b>Total liabilities</b>	<b>6,345,822</b>	<b>445,508</b>	<b>-</b>	<b>6,791,330</b>
Net assets:				
Without donor restrictions:				
Board designated	-	8,369,020	-	8,369,020
Undesignated	9,646,027	7,417,150	-	17,063,177
<b>Total net assets without donor restrictions</b>	<b>9,646,027</b>	<b>15,786,170</b>	<b>-</b>	<b>25,432,197</b>
With donor restrictions	20,917,243	5,072,341	20,858,511	5,131,073
<b>Total net assets</b>	<b>30,563,270</b>	<b>20,858,511</b>	<b>20,858,511</b>	<b>30,563,270</b>
	<b>\$ 36,909,092</b>	<b>\$ 21,304,019</b>	<b>\$ 20,858,511</b>	<b>\$ 37,354,600</b>

## Visiting Nurse Services of Iowa d/b/a EveryStep

### Consolidating Statement of Activities Year Ended June 30, 2021

	EveryStep	EveryStep Foundation	Eliminations	Consolidated Total
<b>Revenue:</b>				
Net patient and program service revenue	\$ 20,946,600	\$ -	\$ -	\$ 20,946,600
Fees and grants from governmental agencies	7,325,123	-	-	7,325,123
Contributions	2,257,724	3,758,747	2,240,442	3,776,029
Investment income	1	388,598	-	388,599
Net realized and unrealized gains on investments	2,407	2,988,644	-	2,991,051
Other revenue	525,001	-	-	525,001
Gain on PPP loan forgiveness	3,642,400	-	-	3,642,400
<b>Total revenue</b>	<b>34,699,256</b>	<b>7,135,989</b>	<b>2,240,442</b>	<b>39,594,803</b>
<b>Expenses:</b>				
Salaries and wages	18,916,225	344,240	-	19,260,465
Payroll taxes	1,365,829	24,229	-	1,390,058
Employee benefits	2,489,147	34,800	-	2,523,947
Professional fees	1,423,972	234,979	-	1,658,951
Pharmacy and supplies	1,782,861	-	-	1,782,861
Contracted food service	86,742	-	-	86,742
Telephone	419,023	8,566	-	427,589
Postage and shipping	32,695	4,856	-	37,551
Occupancy	999,702	15,926	-	1,015,628
Printing and publication	94,398	11,703	-	106,101
Travel and mileage	721,887	1,020	-	722,907
Conferences, trainings and meetings	149,394	-	-	149,394
Client instructional resources	730,418	-	-	730,418
Other patient care	1,884,728	-	-	1,884,728
Subscriptions and publications	50,045	873	-	50,918
Advertising and public relations	299,070	5,766	-	304,836
Miscellaneous	208,394	49,287	-	257,681
Interest	(7,168)	-	-	(7,168)
Depreciation	657,730	-	-	657,730
Contributions to affiliate	-	2,240,442	2,240,442	-
<b>Total expenses</b>	<b>32,305,092</b>	<b>2,976,687</b>	<b>2,240,442</b>	<b>33,041,337</b>
<b>Changes in net assets before other changes</b>	<b>2,394,164</b>	<b>4,159,302</b>	<b>-</b>	<b>6,553,466</b>
<b>Other changes:</b>				
Change in beneficial interest in Foundation	10,435,688	-	10,435,688	-
Transfer of Investments to/from affiliate	(6,276,386)	6,276,386	-	-
<b>Change in net assets</b>	<b>6,553,466</b>	<b>10,435,688</b>	<b>10,435,688</b>	<b>6,553,466</b>
Net assets, beginning of year	24,009,804	10,422,823	10,422,823	24,009,804
Net assets, end of year	\$ 30,563,270	\$ 20,858,511	\$ 20,858,511	\$ 30,563,270



RSM US LLP

**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  
Visiting Nurse Services of Iowa d/b/a EveryStep

We have audited, in accordance with the 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 consolidated financial statements of EveryStep (Organization), which comprise the consolidated statement of financial position as of June 30, 2021, and the related consolidated statements of operations and change in net assets and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively, the financial statements), and have issued our report thereon dated November 19, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as items 2021.001 and 2021.002 that we consider to be significant deficiencies.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Organization's financial statements are free of 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*.

**Organization's Response to Findings**

Government Auditing Standards requires the auditor to perform limited procedures on the Organization's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

**Purpose of this Report**

The purpose of this 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 Organization'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*RSM US LLP*

Des Moines, Iowa  
November 19, 2021

## Visiting Nurse Services of Iowa d/b/a EveryStep

### Schedule of Findings and Questioned Costs Year Ended June 30, 2021

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#### Findings Relating to the Financial Statement Audit as Required to be Reported in Accordance with Generally Accepted *Government Auditing Standards*

##### Internal Control

###### 2021.001

Finding: The Organization overestimated the liability for its new self-funded insurance plan which resulted in an audit adjustment of approximately \$320,000 being made to the financial statements.

Criteria: RSM noted that the client was utilizing incorrect assumptions in the determination of the IBNR liability utilizing the expected cost per month vs. the actual cost per month (ASC 944-40-55-1).

Condition and context: The different use between the expected cost per month vs. the actual cost per month caused an over accrual of the liability.

Effect: Net effect is an overstatement of the IBNR liability accrual and related expense of \$320,000.

Cause: This is the first full year for the IBNR accrual with complex estimation requirements and lack of knowledge of the accounting requirements by the person performing the review. The person performing the review of the IBNR liability took a position that was more conservative than that required by ASC 944-40-55-1, resulting in an over accrual of the IBNR liability.

Questioned costs: None.

Recommendation: We recommend that EveryStep adequately follow accounting guidance in order to properly accrue the IBNR liability.

###### 2021.002

Finding: Restricted net assets account balances included in the financial statements were not properly reconciled to management's records resulting in an overstatement of the fiscal year 2020 donor restricted net assets and an understatement of unrestricted net assets of \$150,000.

Criteria: Accounting standards require internal controls be designed to prevent or detect misstatements on a timely basis. A system of financial reporting should address donor restricted net asset reconciliations to ensure all net asset restrictions are properly reflected in the financial statements.

Condition and context: The Organization did not have sufficient controls in place to identify misstatements surrounding donor releases of restrictions on net assets.

Effect: Net effect is an overstatement of net assets released from restrictions in fiscal 2021 and an overstatement of donor restricted net assets in fiscal year 2020.

Cause: Lack of supervisory review of the donor restricted net asset balance.

Questioned costs: None.

Recommendation: We recommend adding additional supervisory reviews over the net asset reconciliations to properly reflect restrictions on net assets in the financial statements and disclosures.

**CORRECTIVE ACTION PLAN  
YEAR ENDED JUNE 30, 2021**

Identifying Number: 2021.001

Finding:

The organization overestimated its liability for IBNR claims for its new self-funded employee health insurance plan, which resulted in an audit adjustment of approximately \$320,000 decreasing the IBNR liability on its financial statements.

Corrective Actions Taken or Planned:

Going forward, EveryStep will make a thorough review of the accounting guidance on IBNR, currently ASC 944-40-55-1, to ensure that its IBNR accrual balance is stated at an appropriate level.

Identifying Number: 2021.002

Finding:

The Foundation's donor restricted net assets are maintained outside of its general ledger software and are reconciled annually for external financial reporting purposes. During RSM's testing of our FYE 06/30/21 net asset restriction balances, they noted the June 30, 2020 balance of restricted net assets maintained by us did not agree to the financial statements, resulting in an overstatement of restricted net assets of \$150,000 and an understatement of unrestricted net assets of \$150,000.

Corrective Actions Taken or Planned:

Going forward, year-end net asset reconciliations will be reviewed by the Executive Director of the Foundation in addition to the Director of Accounting and the CFO.