



Financial Statements
June 30, 2021 and 2020

Hillcrest Family Services, Inc.

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Independent Auditor's Report

The Board of Trustees
Hillcrest Family Services, Inc.
Dubuque, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of Hillcrest Family Services, Inc., which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Audit 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 Hillcrest Family Services, Inc., as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 35 through 37 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 a report, under separate cover, dated February 23, 2022, on our consideration of Hillcrest Family Services, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Hillcrest Family Services, Inc.'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 Hillcrest Family Services, Inc.'s internal control over financial reporting and compliance.

The image shows a handwritten signature in black ink that reads "Eric Sully LLP". The signature is written in a cursive, flowing style.

Dubuque, Iowa
February 23, 2022

Hillcrest Family Services, Inc.
 Statements of Financial Position
 June 30, 2021 and 2020

	2021	2020
Assets		
Current Assets		
Cash and cash equivalents	\$ 5,852,382	\$ 2,094,415
Cash - custodial	100,449	63,961
Receivables		
Program service fees, net of allowances for uncollectibles of \$37,000 and \$190,000 in 2021 and 2020	1,704,495	2,118,497
Employee Retention Tax Credit receivable	3,271,992	-
Grants	429,445	282,849
Estimated third-party payor settlements	2,515,765	3,725,439
Promises to give	72,313	61,446
Prepaid expenses and other	393,001	479,625
Total current assets	14,339,842	8,826,232
Property and Equipment, Net	7,690,992	8,109,671
Other Assets		
Promises to give	17,912	100
Investments	3,381,654	2,499,548
Rental property, net of accumulated depreciation of \$506,323 and \$478,026 in 2021 and 2020	336,465	364,762
Beneficial interest in assets of community foundation	16,281	12,748
Total other assets	3,752,312	2,877,158
Total assets	\$ 25,783,146	\$ 19,813,061

Hillcrest Family Services, Inc.
Statements of Financial Position
June 30, 2021 and 2020

	2021	2020
Liabilities and Net Assets		
Current Liabilities		
Current maturities of long-term debt	\$ 695,087	\$ 391,550
Current maturities of capital lease	11,722	11,224
Refunds payable	31,296	71,183
Advance payable	-	270,000
Custodial funds	100,449	63,961
Paycheck Protection Program refundable advance	5,195,000	3,195,000
Accounts payable	232,329	202,415
Estimated health claims payable	103,282	200,114
Accrued Expenses		
Salaries and wages, including related taxes	1,025,296	260,672
Vacation	421,410	542,957
Payroll taxes and other benefits	29,877	46,288
Other	91,762	596,488
Deferred revenue and refundable advances	153,286	130,649
Total current liabilities	8,090,796	5,982,501
Long-Term Debt, Less Current Maturities and Unamortized		
Debt Issuance Costs of \$17,609 and \$19,160 in 2021 and 2020	3,267,459	4,034,885
Capital Leases, Less Current Maturities	18,570	30,289
Interest Rate Swap	67,908	114,097
Total liabilities	11,444,733	10,161,772
Net Assets		
Without donor restrictions		
Undesignated	10,860,652	7,072,167
Designated by Board - quasi-endowment	3,061,312	2,220,417
	13,921,964	9,292,584
With donor restrictions		
Perpetual in nature	231,000	231,000
Purpose restrictions	104,821	66,159
Time-restricted for future periods	80,628	61,546
	416,449	358,705
Total net assets	14,338,413	9,651,289
Total liabilities and net assets	\$ 25,783,146	\$ 19,813,061

Hillcrest Family Services, Inc.
Statements of Activities
Years Ended June 30, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue						
Public support						
Direct:						
Contributions	\$ 186,296	\$ 46,509	\$ 232,805	\$ 299,702	\$ 16,121	\$ 315,823
CARES Act Funds	4,493,119	-	4,493,119	33,664	-	33,664
Bequests	5,250	-	5,250	8,089	-	8,089
Special event						
miscellaneous	26,898	-	26,898	19,058	-	19,058
Special event - lights	309,854	-	309,854	289,402	-	289,402
Indirect:						
Grants - federal						
awards	1,096,820	-	1,096,820	1,260,779	-	1,260,779
Grants - other	823,736	-	823,736	185,490	-	185,490
United Way	10,602	50,646	61,248	10,610	50,646	61,256
Total public support	<u>6,952,575</u>	<u>97,155</u>	<u>7,049,730</u>	<u>2,106,794</u>	<u>66,767</u>	<u>2,173,561</u>
Revenue						
Program service fees						
and grants, net	15,275,841	-	15,275,841	15,016,605	-	15,016,605
Other program charges	35,134	-	35,134	71,105	-	71,105
Net investment return	502,472	56,624	559,096	48,391	6,443	54,834
Distributions from and						
change in value of						
beneficial interest in						
assets of community						
foundation	3,533	-	3,533	(967)	-	(967)
Rental income	80,295	-	80,295	54,198	-	54,198
Miscellaneous	3,363	-	3,363	14,259	-	14,259
Net assets released from						
restrictions	96,035	(96,035)	-	124,470	(124,470)	-
Total revenue	<u>15,996,673</u>	<u>(39,411)</u>	<u>15,957,262</u>	<u>15,328,061</u>	<u>(118,027)</u>	<u>15,210,034</u>
Total public support						
and revenue	<u>22,949,248</u>	<u>57,744</u>	<u>23,006,992</u>	<u>17,434,855</u>	<u>(51,260)</u>	<u>17,383,595</u>
Expenses						
Program services	15,210,430	-	15,210,430	17,518,513	-	17,518,513
Supporting services						
General and						
administrative	2,341,105	-	2,341,105	2,367,196	-	2,367,196
Fundraising	814,522	-	814,522	368,138	-	368,138
Total expenses	<u>18,366,057</u>	<u>-</u>	<u>18,366,057</u>	<u>20,253,847</u>	<u>-</u>	<u>20,253,847</u>

Hillcrest Family Services, Inc.
 Statements of Activities (Continued)
 Years Ended June 30, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenue in Excess of (Less Than) Expenses	\$ 4,583,191	\$ 57,744	\$ 4,640,935	\$ (2,818,992)	\$ (51,260)	\$ (2,870,252)
Other Changes in Net Assets Change in fair value of interest rate swap	<u>46,189</u>	<u>-</u>	<u>46,189</u>	<u>(68,359)</u>	<u>-</u>	<u>(68,359)</u>
Change in Net Assets	4,629,380	57,744	4,687,124	(2,887,351)	(51,260)	(2,938,611)
Net Assets, Beginning of Year	<u>9,292,584</u>	<u>358,705</u>	<u>9,651,289</u>	<u>12,179,935</u>	<u>409,965</u>	<u>12,589,900</u>
Net Assets, End of Year	<u>\$ 13,921,964</u>	<u>\$ 416,449</u>	<u>\$ 14,338,413</u>	<u>\$ 9,292,584</u>	<u>\$ 358,705</u>	<u>\$ 9,651,289</u>

Hillcrest Family Services, Inc.
Statement of Functional Expenses
Year Ended June 30, 2021

	Program Services									
	Residential Education	CMI Group Homes	Health Services	Schools	Family Centered Services	Hillcrest Supported Living IPRS/Voc	Transitional Housing	Mental Health Centers	Other Services	Total Program Services
Salaries	\$ 960,954	\$ 2,758,985	\$ 486,448	\$ 116,390	\$ 22,209	\$ 1,018,874	\$ 2,911	\$ 4,124,012	\$ 202,620	\$ 9,693,403
Fringe Benefits	148,514	445,475	101,091	22,353	3,653	146,185	480	671,854	39,751	1,579,356
Payroll Taxes and Other	67,671	186,107	30,153	7,908	1,573	68,531	204	260,337	12,301	634,785
Total personnel expenses	1,177,139	3,390,567	617,692	146,651	27,435	1,233,590	3,595	5,056,203	254,672	11,907,544
Contracted Services	68,671	104,061	25,387	5,719	955	35,820	-	313,829	21,424	575,866
Supplies and Equipment										
Maintenance	81,014	294,432	28,995	6,507	-	3,325	877	137,754	41,393	594,297
Telephone	2,588	20,455	30,302	4,120	-	18,823	-	75,741	25,490	177,519
Postage and Shipping	353	1,385	5,282	5	7	94	-	3,831	626	11,583
Occupancy	68,117	201,135	65,658	51,366	126	26,563	16,087	257,206	2,838	689,096
Outside Printing	234	2,398	450	-	-	97	-	8,704	38	11,921
Professional Insurance	7,392	18,730	2,310	6,966	114	5,169	157	26,250	855	67,943
Travel	10,521	24,310	7,747	-	249	12,494	-	19,316	2,403	77,040
Conferences and Meetings	3,364	5,948	5,374	-	-	384	-	20,194	268	35,532
Subscriptions	-	15	-	-	-	-	-	199	-	214
Client Assistance	12,495	6,326	13,645	-	-	47	-	5,751	45,195	83,459
Dues	9,094	6,343	43	203	42	1,819	-	15,598	223	33,365
Miscellaneous	11,595	34,832	19,009	1,213	-	1,886	-	33,557	568	102,660
Interest and Amortization	8,333	62,806	10	51,596	40	1,615	-	7,993	37,847	170,240
Bad Debts	32,140	129,009	-	-	-	-	-	92,494	10,078	263,721
Special Events	-	-	-	-	-	-	-	-	-	-
Total Expenses Before Depreciation and Amortization	1,493,050	4,302,752	821,904	274,346	28,968	1,341,726	20,716	6,074,620	443,918	14,802,000
Depreciation and Amortization	46,543	102,238	6,926	71,480	1	5,853	17,285	11,688	146,416	408,430
Total Expenses Before Allocation	1,539,593	4,404,990	828,830	345,826	28,969	1,347,579	38,001	6,086,308	590,334	15,210,430
General and Administrative Allocation	216,995	731,425	132,476	22,688	4,624	213,530	6,070	937,238	36,341	2,301,387
Total Expenses	<u>\$ 1,756,588</u>	<u>\$ 5,136,415</u>	<u>\$ 961,306</u>	<u>\$ 368,514</u>	<u>\$ 33,593</u>	<u>\$ 1,561,109</u>	<u>\$ 44,071</u>	<u>\$ 7,023,546</u>	<u>\$ 626,675</u>	<u>\$ 17,511,817</u>

Hillcrest Family Services, Inc.
Statement of Functional Expenses (Continued)
Year Ended June 30, 2021

	Supporting Services			Total Supporting Services	Total Expenses
	Total Program Services	General and Administrative	Fundraising		
Salaries	\$ 9,693,403	\$ 1,188,309	\$ 105,390	\$ 1,293,699	\$ 10,987,102
Fringe Benefits	1,579,356	228,916	12,747	241,663	1,821,019
Payroll Taxes and Other	634,785	82,993	6,778	89,771	724,556
Total personnel expenses	11,907,544	1,500,218	124,915	1,625,133	13,532,677
Contracted Services	575,866	316,718	257,222	573,940	1,149,806
Supplies and Equipment					
Maintenance	594,297	75,418	164,681	240,099	834,396
Telephone	177,519	55,293	244	55,537	233,056
Postage and Shipping	11,583	2,618	885	3,503	15,086
Occupancy	689,096	107,778	14,904	122,682	811,778
Outside Printing	11,921	1,757	11,154	12,911	24,832
Professional Insurance	67,943	29,867	1,172	31,039	98,982
Travel	77,040	26,195	174	26,369	103,409
Conferences and Meetings	35,532	7,121	37,055	44,176	79,708
Subscriptions	214	757	-	757	971
Client Assistance	83,459	-	-	-	83,459
Dues	33,365	1,390	1,060	2,450	35,815
Miscellaneous	102,660	71,832	1,798	73,630	176,290
Interest and Amortization	170,240	1,587	40,000	41,587	211,827
Estimated	263,721	1,357	1,006	2,363	266,084
Special Events	-	-	116,294	116,294	116,294
Total Expenses Before Depreciation and Amortization	14,802,000	2,199,906	772,564	2,972,470	17,774,470
Depreciation and Amortization	408,430	141,199	41,958	183,157	591,587
Total Expenses Before Allocation	15,210,430	2,341,105	814,522	3,155,627	18,366,057
General and Administrative Allocation	2,301,387	(2,341,105)	39,718	(2,301,387)	-
Total Expenses	\$ 17,511,817	\$ -	\$ 854,240	\$ 854,240	\$ 18,366,057

Hillcrest Family Services, Inc.
Statement of Functional Expenses
Year Ended June 30, 2020

	Program Services									Total Program Services
	Residential Education	CMI Group Homes	Health Services	Schools	Family Centered Services	Hillcrest Supported Living IPRS/Voc	Transitional Housing	Mental Health Centers	Other Sevices	
Salaries	\$ 972,876	\$ 3,236,367	\$ 673,319	\$ 394,076	\$ 8,931	\$ 1,037,720	\$ -	\$ 4,232,677	\$ 139,835	\$ 10,695,801
Fringe Benefits	146,981	477,303	147,036	161,388	2,726	140,880	-	710,175	29,499	1,815,988
Payroll Taxes and Other	70,932	235,876	47,201	27,185	1,423	75,013	-	297,688	10,392	765,710
Total personnel expenses	1,190,789	3,949,546	867,556	582,649	13,080	1,253,613	-	5,240,540	179,726	13,277,499
Contracted Services	96,340	112,079	91,879	13,023	623	42,726	-	741,502	18,690	1,116,862
Supplies and Equipment										
Maintenance	89,685	316,915	113,107	16,926	9	4,409	-	41,955	12,932	595,938
Telephone	2,019	21,296	20,647	13,747	1	19,358	-	82,035	3,472	162,575
Postage and Shipping	162	414	2,851	74	18	148	-	2,693	660	7,020
Occupancy	66,688	237,901	105,515	49,264	-	17,867	-	240,024	44,622	761,881
Outside Printing	347	2,606	688	620	-	2	-	2,640	36	6,939
Professional Insurance	4,556	18,805	2,449	8,354	39	2,693	-	10,737	319	47,952
Travel	11,760	29,958	13,688	2,745	1,153	17,933	-	32,688	3,925	113,850
Conferences and Meetings	1,339	5,223	6,535	74	8	507	-	9,876	864	24,426
Subscriptions	-	269	-	-	-	-	-	-	-	269
Client Assistance	14,702	2,118	28,555	-	-	175	-	372	21,789	67,711
Dues	8,051	2,153	352	-	13	664	-	13,677	8,964	33,874
Miscellaneous	4,592	21,951	16,421	4,476	-	2,220	-	20,377	792	70,829
Interest and Amortization	9,264	81,471	618	65,910	36	1,622	-	65,939	8,111	232,971
Bad Debts (Recoveries)	90,713	361,548	(24,709)	21,913	-	(4,283)	45,846	85,015	8,475	584,518
Special Events	-	1,739	-	-	-	27	-	-	-	1,766
Total Expenses Before Depreciation and Amortization	1,591,007	5,165,992	1,246,152	779,775	14,980	1,359,681	45,846	6,590,070	313,377	17,106,880
Depreciation and Amortization	57,127	142,280	8,046	84,296	2	6,011	-	27,575	86,296	411,633
Total Expenses Before Allocation	1,648,134	5,308,272	1,254,198	864,071	14,982	1,365,692	45,846	6,617,645	399,673	17,518,513
General and Administrative Allocation	215,291	751,223	163,779	113,029	1,960	178,395	5,980	837,263	52,540	2,319,460
Total Expenses	\$ 1,863,425	\$ 6,059,495	\$ 1,417,977	\$ 977,100	\$ 16,942	\$ 1,544,087	\$ 51,826	\$ 7,454,908	\$ 452,213	\$ 19,837,973

Hillcrest Family Services, Inc.
Statement of Functional Expenses (Continued)
Year Ended June 30, 2020

	<u>Supporting Services</u>			Total Supporting Services	Total Expenses
	Total Program Services	General and Administrative	Fundraising		
Salaries	\$ 10,695,801	\$ 1,247,781	\$ 99,193	\$ 1,346,974	\$ 12,042,775
Fringe Benefits	1,815,988	221,039	16,397	237,436	2,053,424
Payroll Taxes and Other	765,710	79,957	7,429	87,386	853,096
Total personnel expenses	13,277,499	1,548,777	123,019	1,671,796	14,949,295
Contracted Services	1,116,862	313,896	8,407	322,303	1,439,165
Supplies and Equipment					
Maintenance	595,938	56,905	9,526	66,431	662,369
Telephone	162,575	57,522	1,587	59,109	221,684
Postage and Shipping	7,020	2,937	874	3,811	10,831
Occupancy	761,881	79,557	17,895	97,452	859,333
Outside Printing	6,939	1,069	14,056	15,125	22,064
Professional Insurance	47,952	25,941	550	26,491	74,443
Travel	113,850	16,834	372	17,206	131,056
Conferences and Meetings	24,426	17,847	1,189	19,036	43,462
Subscriptions	269	-	144	144	413
Client Assistance	67,711	-	-	-	67,711
Dues	33,874	912	255	1,167	35,041
Miscellaneous	70,829	74,287	7,630	81,917	152,746
Interest and Amortization	232,971	2,061	-	2,061	235,032
Bad Debts (Recoveries)	584,518	(1,878)	-	(1,878)	582,640
Special Events	1,766	-	139,080	139,080	140,846
Total Expenses Before Depreciation and Amortization	17,106,880	2,196,667	324,584	2,521,251	19,628,131
Depreciation and Amortization	411,633	170,529	43,554	214,083	625,716
Total Expenses Before Allocation	17,518,513	2,367,196	368,138	2,735,334	20,253,847
General and Administrative Allocation	2,319,460	(2,367,196)	47,736	(2,319,460)	-
Total Expenses	\$ 19,837,973	\$ -	\$ 415,874	\$ 415,874	\$ 20,253,847

Hillcrest Family Services, Inc.
Statements of Cash Flows
Years Ended June 30, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities		
Change in net assets	\$ 4,687,124	\$ (2,938,611)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	591,587	625,716
Interest expense attributable to amortization of debt issuance costs	1,551	1,552
Change in unrealized gains and losses on investments	(425,722)	(13,847)
Realized gain on sales of investments	(106,219)	(7,670)
Change in beneficial interest held by others	(3,533)	967
Bad debts	266,084	582,640
Change in value of interest rate swap	(46,189)	68,359
Changes in assets and liabilities		
Receivables	(2,089,675)	293,414
Prepaid expenses and other	86,624	(120,260)
Accounts, refunds and advance payable	(376,805)	113,696
Paycheck Protection Program refundable advance	2,000,000	3,195,000
Accrued expenses	121,940	301,942
Deferred revenue and refundable advances	22,637	37,507
Net Cash from Operating Activities	4,729,404	2,140,405
Cash Flows used for Investing Activities		
Purchase of property and equipment	(144,611)	(166,214)
Purchase of investments	(3,128,100)	(669,918)
Sale of investments	2,777,935	630,136
Net Cash used for Investing Activities	(494,776)	(205,996)
Cash Flows from Financing Activities		
Proceeds from issuance of long-term debt	-	466,800
Principal payments on long-term debt	(465,440)	(368,086)
Principal payments on capital leases	(11,221)	(10,747)
Net Cash from (used for) Financing Activities	(476,661)	87,967
Change in Cash and Cash Equivalents	3,757,967	2,022,376
Cash and Cash Equivalents, Beginning of Year	2,094,415	72,039
Cash and Cash Equivalents, End of Year	\$ 5,852,382	\$ 2,094,415
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	\$ 210,276	\$ 233,480

Note 1 - Organization and Significant Accounting Policies**Organization**

Hillcrest Family Services, Inc. (Organization) is located in Dubuque, Iowa. The purpose of the Organization is to provide a range of educational, counseling, and health services to individuals and families in an effort to improve the welfare of their clients.

Cash and Cash Equivalents

The Organization considers all cash and highly liquid financial instruments with original maturities of three months or less, and which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to capital expenditures, endowments that are perpetual in nature, or other long-term purposes of the Organization are excluded from this definition.

Receivables and Credit Policies

Accounts receivable consist primarily of uncollateralized individual and third-party payor obligations. Unpaid accounts receivable are not charged interest on amounts owed. Payments of client receivables are allocated to the specific claims identified on the remittance advice or, if unspecified, are applied to the earliest unpaid claim. The carrying amount of client receivables is reduced by a valuation allowance that reflects management's estimate of amounts that will not be collected from clients and third-party payors. Management reviews client receivables by payor class and applies percentages to determine estimated amounts that will not be collected from third parties under contractual agreements and amounts that will not be collected from clients due to bad debts. Accounts receivable are written off when deemed uncollectible.

Grant Receivables

Grant receivables consist of payments to be collected for costs incurred by the Organization based on the grants. All amounts are deemed uncollectible.

Promises to Give

Unconditional promises to give expected to be collected within one year are recorded at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. The Organization determines the allowance for uncollectible promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectible. At June 30, 2021 and 2020, no allowance was recorded as management estimates that all amounts are collectible.

Property and Equipment

Property and equipment additions over \$2,000 are recorded at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from three to fifteen years for equipment, vehicles, and leasehold improvements, and up to forty years for building and improvements. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any remaining gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed.

The Organization reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended June 30, 2021 and 2020.

Rental Property

Rental property consists of certain property that is not used in operations and is available for rental to third parties. Rental property is depreciated over an estimated life of 10 to 25 years. There were no indicators of asset impairment during the years ended June 30, 2021 and 2020.

Beneficial Interest in Assets Held by Community Foundation

The Organization established a permanent endowment fund (the Fund) under Community Foundation of Greater Dubuque's (the CFGD) Organization Endowment Fund program and named itself as beneficiary. The Organization granted variance power to CFGD which allows CFGD to modify any condition or restriction on its distributions for any specified charitable purpose or to any specified organization if, in the sole judgment of CFGD's Board of Directors, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. The Fund is held and invested by CFGD for the benefit of the Organization and is reported at fair value in the statements of financial position, with trust distributions and changes in fair value recognized in the statements of activities.

Investments

The Organization records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Investment return is reported in the statements of activities and consists of interest and dividend income, and realized and unrealized gains and losses, net of investment fees.

Refunds Payable

Refunds payable consists of monies due to clients, third-party payors and counties for over payments on account balances.

Interest-Rate Swap

The Organization uses an interest-rate swap to mitigate interest-rate risk on a note payable. The related liability or asset is reported at fair value in the statements of financial position, and the change in fair value is included in the statements of activities as other change in net assets.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for a board-designated endowment.

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. These restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Revenue and Revenue Recognition

The Organization recognizes revenue from program services, other program charges and rental income over time. Performance obligations are determined based on the nature of the services provided by the Organization. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred. The Organization believes that this method provides a reasonable depiction of the transfer of services over the time of the performance obligation based on the inputs needed to satisfy the obligation. The Organization has agreements with third-party payors that provide for payments to the Organization at amounts different from its established rates. The Organization is reimbursed at prospectively determined rates by some payors. Certain other payors reimburse at interim rates with final settlement determined after submission of annual cost reports. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

A portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received with conditions and restrictions are recognized as revenue that increases net asset without donor restrictions if those conditions are met and restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. Amounts received prior to incurring qualified expenditures are reported as a refundable advance in the statement of financial position.

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they have been met. The Organization records special events revenue equal to the cost of direct benefits to donors, and contribution revenue for the difference.

Performance Indicator

Public support and revenue in excess of (less than) expenses excludes the change in value of interest-rate swap.

Donated Goods and Services

Volunteers contribute significant amounts of time to the Organization's program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. Donated professional services are recorded at the respective fair values of the services received. No significant contributions of such goods or services were received during the years ended June 30, 2021 and 2020.

Debt Issuance Costs

Debt issuance costs are amortized using the straight-line method over the life of the bonds. The straight-line method is a reasonable estimate of the effective interest method. Debt issuance costs are included within long-term debt on the statements of financial position.

Advertising Costs

Advertising costs are expensed as incurred, and approximated \$128,000 and \$57,000 for the years ended June 30, 2021 and 2020.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, insurance, rent, utilities, and other occupancy expenses, which are allocated on a square footage basis, as well as payroll and benefits that are allocated based on time studies. Any other expenses that benefit the entire Organization are allocated based on the size of the program (percentage of program's expenses compared to the total Organization expenses).

Self-Insurance Reserves

The Organization provides for self-insurance reserves for estimated incurred but not reported claims for its employee health plan. This reserve, which is included in current liabilities on the statements of financial position, is estimated based upon historical submission and payment data, cost trends, utilization history, and other relevant factors. Adjustments to the reserve are reflected in the operating results in the period in which the change in estimate is identified.

Income Taxes

The Organization is organized as an Iowa nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3), qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi), and has been determined not to be a private foundation under Section 509(a)(1). The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Organization is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose. The Organization files an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS to report its unrelated business taxable income.

The Organization believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

Estimates

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

Financial Instruments and Credit Risk

Deposit concentration risk is managed by placing cash, money market accounts, and certificates of deposit with financial institutions believed by management to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the Organization has not experienced losses in any of these accounts. Credit risk associated with accounts receivable and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from Board members, governmental agencies, and businesses supportive of the Organization's mission. Investments are made by diversified investment managers whose performance is monitored by management and the Board of Trustees. Although the fair values of investments are subject to fluctuation on a year-to-year basis, management and the Board of Trustees believe that the investment policies and guidelines are prudent for the long-term welfare of the Organization.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Note 2 - Liquidity and Availability

The following reflects the Organization's financial assets at June 30, 2021 and 2020, reduced by amounts not available for general use within one year of the date of the statement of financial position because of contractual or donor-imposed restrictions or internal designations. Amounts available include the Board-designated quasi endowment. The net assets of the Hillcrest Endowment consist of unrestricted and donor restricted funds. Amounts approximating 5% of the average market value for the last three years are available for appropriation to Hillcrest Family Services from the endowment account's net assets with donor restrictions. In the event of additional liquidity needs, the Organization could draw up to \$2,500,000 on its two revolving bank lines of credit.

Financial Assets at Year End	2021	2020
Cash and cash equivalents	\$ 5,852,382	\$ 2,094,415
Program service and grants receivables, net	2,133,940	2,401,346
Employee Retention Tax Credit receivable	3,271,992	-
Estimated third-party payor settlements	2,515,765	3,725,439
Promises to give	72,313	61,446
Investments	3,061,312	2,220,417
Endowment spending-rate distribution	14,730	14,234
Financial Assets Available to Meet General Expenditures Within One Year	\$ 16,922,434	\$ 10,517,297

Note 3 - Net Program Service Fees

The Organization has agreements with third-party payors that provide for payments to the Organization at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

Medicaid

The Medicaid program reimburses the Organization for services as defined in various agreements. The basis for reimbursement under these agreements may include discounts from established charges and prospectively determined rates or may be based on a cost reimbursement methodology. Under this methodology, the Organization is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports. The Organization's Medicaid cost reports for years 2020 and 2021 are subject to final settlement.

Grants

The Organization has several grant agreements with various governmental organizations. These grants are administered by the various government agencies and grant awards are determined based on availability of funds and need. The Organization is required to submit documentation to the various grantors to verify allowable expenditures that will be reimbursed under the grant.

County Regions

The Organization has also entered into payment agreements with several county regions. The basis for reimbursement under these agreements may include discounts from established charges and prospectively determined rates. Rates are negotiated based on annual cost report information.

Medicare

The Medicare program reimburses the Organization for services under agreements that may include discounts from established charges and prospectively determined rates.

Other Payors

The Organization has also entered into payment agreements with certain commercial insurance carriers. The basis for payment to the Organization under these agreements may include discounts from established charges and prospectively determined rates.

Net program service fees and grants revenue increased (decreased) approximately \$664,000 and (\$35,000) for the years ended June 30, 2021 and 2020 due to prior-year retroactive adjustments differing from amounts previously estimated.

A summary of revenue from the various payors is as follows:

	<u>2021</u>	<u>2020</u>
Medicaid/Medicare	55%	52%
County Board of Supervisors	19	20
Commerical insurance and other third-party payors and clients	13	16
Grants	<u>13</u>	<u>12</u>
	<u>100%</u>	<u>100%</u>

Laws and regulations governing the Medicare, Medicaid, and other programs are extremely complex and subject to interpretation. In addition, the ability to estimate the collectability of uninsured and other self-pay patients is contingent on the patient's ability or willingness to pay for the services provided. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

Receivables, Contract Assets and Contract Liabilities

Program service fees receivable consists primarily of uncollateralized individual and third-party obligations. Grants receivable consists of payments to be collected for costs incurred by the Organization based on the grants. Estimated third-party payor settlements which represent amounts due for cost report settlements are considered contract assets. Deferred revenues and refundable advances are contract liabilities for amounts billed or received in excess of revenue recognized. The beginning and ending balances for receivables, contract assets and contract liabilities were as follows for the years ended June 30, 2021 and 2020:

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>July 1, 2019</u>
Receivables			
Program service fees	<u>\$ 1,704,495</u>	<u>\$ 2,118,497</u>	<u>\$ 3,165,873</u>
Grants	<u>\$ 429,445</u>	<u>\$ 282,849</u>	<u>\$ 520,123</u>
Contract Assets			
Estimated third-party payor settlements	<u>\$ 2,515,765</u>	<u>\$ 3,725,439</u>	<u>\$ 3,267,838</u>
Contract Liabilities			
Deferred revenue and refundable advances	<u>\$ 153,286</u>	<u>\$ 130,649</u>	<u>\$ 93,142</u>

Note 4 - Fair Value Measurements

The Organization has determined the fair value of certain assets and liabilities in accordance with generally accepted accounting principles, which provides a framework for measuring fair value.

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques should maximize the use of observable inputs and minimize the use of unobservable inputs. A fair value hierarchy has been established, which prioritizes the valuation inputs into three broad levels.

Level 1 inputs consist of quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the reporting date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the related asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or the liability and market-corroborated inputs. Level 3 inputs are unobservable inputs related to the asset or liability. In these situations, inputs are developed using the best information in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to our assessment of the quality, risk, or liquidity profile of the asset or liability.

A significant portion of the Organization's investment assets are classified within Level 1 because they are comprised of open-end mutual funds with readily determinable fair values based on daily redemption values.

The fair value of the Organization's beneficial interest in assets held by the Community Foundation is based on the fair value of fund investments as reported by the Community Foundation. This is considered to be a Level 3 measurement. The interest rate swap agreement is valued using a third party's proprietary discounted cash flow model which considers past, present and future assumptions regarding interest rates and market conditions to estimate the fair value of the agreement. This is classified within Level 2.

There have been no changes in valuation techniques used for any assets measured at fair value during the year ended June 30, 2021.

The following table presents assets and liabilities measured at fair value on a recurring basis, except those measured at cost as identified below, at June 30, 2021:

	Fair Value Measurements at Report Date Using			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Investments				
Money market (at cost)	\$ 168,831	\$ -	\$ -	\$ -
Land (at cost)	1,050	-	-	-
Mutual funds	<u>3,211,773</u>	<u>3,211,773</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,381,654</u>	<u>\$ 3,211,773</u>	<u>\$ -</u>	<u>\$ -</u>
Beneficial Interest in Assets of Community Foundation	<u>\$ 16,281</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,281</u>
Liability				
Interest Rate Swap	<u>\$ 67,908</u>	<u>\$ -</u>	<u>\$ 67,908</u>	<u>\$ -</u>

The following table presents assets and liabilities measured at fair value on a recurring basis, except those measured at cost as identified below, at June 30, 2020:

	Fair Value Measurements at Report Date Using			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Investments				
Money market (at cost)	\$ 158,216	\$ -	\$ -	\$ -
Land (at cost)	1,050	-	-	-
Mutual funds	<u>2,340,282</u>	<u>2,340,282</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,499,548</u>	<u>\$ 2,340,282</u>	<u>\$ -</u>	<u>\$ -</u>
Beneficial Interest in Assets of Community Foundation	<u>\$ 12,748</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,748</u>
Liability				
Interest Rate Swap	<u>\$ 114,097</u>	<u>\$ -</u>	<u>\$ 114,097</u>	<u>\$ -</u>

Hillcrest Family Services, Inc.

Notes to Financial Statements

June 30, 2021 and 2020

Below is a reconciliation of the beginning and ending balance of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

	<u>2021</u>	<u>2020</u>
Beginning Balance	\$ 12,748	\$ 13,715
Investment income	4,299	(207)
Grants approved	(570)	(580)
Administrative/investment fees	<u>(196)</u>	<u>(180)</u>
Ending Balance	<u>\$ 16,281</u>	<u>\$ 12,748</u>

Note 5 - Net Investment Return

Net investment return consists of the following:

	<u>2021</u>	<u>2020</u>
Interest and dividends	\$ 46,664	\$ 49,656
Net realized and unrealized gain	531,941	21,517
Less investment management fees	<u>(19,509)</u>	<u>(16,339)</u>
Total net investment return	<u>\$ 559,096</u>	<u>\$ 54,834</u>

Note 6 - Promises to Give

Unconditional promises to give are estimated to be collected as follows:

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Less than one year	\$ 72,313	\$ 61,446
One to five years	<u>17,912</u>	<u>100</u>
	<u>\$ 90,225</u>	<u>\$ 61,546</u>

Included above is \$50,646 of United Way promises to give for the years ended June 30, 2021 and 2020. At June 30, 2021 and 2020, one donor accounted for 100% and 92% of total promises to give, excluding United Way.

Note 7 - Property and Equipment

Property and equipment consist of the following:

	2021		2020	
	Cost	Accumulated Depreciation and Amortization	Cost	Accumulated Depreciation and Amortization
Land	\$ 307,342	\$ -	\$ 307,342	\$ -
Land improvements	408,310	268,709	405,526	248,668
Buildings	13,074,515	6,456,582	13,055,664	6,081,364
Equipment	3,590,211	3,208,408	3,516,542	3,114,943
Vehicles	877,729	775,623	836,037	731,847
Furniture and fixtures	510,147	401,038	499,702	372,858
Leasehold improvements	190,807	157,705	190,807	152,269
	<u>\$ 18,959,057</u>	<u>\$ 11,268,065</u>	<u>\$ 18,811,620</u>	<u>\$ 10,701,949</u>
Property and equipment, net		<u>\$ 7,690,992</u>		<u>\$ 8,109,671</u>

Note 8 - Long-Term Debt

Mortgage and notes payable consist of the following:

	<u>2021</u>	<u>2020</u>
Mortgage payable to bank, variable interest rate currently 3.65%, due in monthly installments of \$12,224, including interest, due in August 2032, secured by real estate, net of unamortized debt issuance costs of \$9,885 and \$10,769 in 2021 and 2020	\$ 1,326,242	\$ 1,422,273
Community facility revenue bonds, series 2012, variable interest rate currently 2.07%, due in monthly installments of \$9,547, including interest, due in February 2033, secured by real estate, net of unamortized debt issuances costs of \$7,724 and \$8,391 in 2021 and 2020 (A)	1,066,580	1,138,044
Note payable to bank, accrues interest at 4.95%, due in monthly installments of \$758, including interest, due in March 2024, secured by real estate	277,675	375,801
Note payable to bank, accrues interest at 4.35%, due in monthly installments of \$4,749, including interest, due in May 2023 secured by real estate	310,173	362,596
Note payable to bank, accrues interest at 3.5%, due in monthly installments of \$3,551, including interest, due in July 2021, secured by real estate (B)	298,470	330,488
Note payable to bank, accrues interest at 4.5%, due in monthly installments of \$2,497, including interest, due in June 2022, secured by real estate	225,344	242,560
Note payable to bank, accrues interest at 3.5%, due in monthly installments of \$2,046, including interest, due in December 2021, secured by real estate (B)	179,749	197,695
Note payable to bank, accrues interest at 5.5%, due in monthly installments of \$1,743, including interest, due in November 2024, secured by real estate	140,470	152,163
Note payable to bank, accrues interest at 3.5%, due in monthly installments of \$973, including interest, due in September 2021 secured by real estate (B)	137,843	144,036
Note payable to bank, accrues interest at 4.28%, due in monthly installments of \$574, including interest, due in August 2021, secured by real estate; paid in full during fiscal year 2021	<u>-</u>	<u>60,779</u>
	3,962,546	4,426,435
Less current maturities	<u>(695,087)</u>	<u>(391,550)</u>
Long-term debt, less current maturities	<u>\$ 3,267,459</u>	<u>\$ 4,034,885</u>

Under the terms of certain mortgages and notes, the Organization is required to maintain certain measures of financial performance.

Future maturities of mortgage and notes payable are as follows:

<u>Years Ending June 30,</u>	
2022	\$ 695,087
2023	621,365
2024	342,744
2025	362,594
2026	272,694
Thereafter	1,685,671
Less unamortized debt issuance costs	<u>(17,609)</u>
Total	<u>\$ 3,962,546</u>

(A) – To hedge against interest rate risk on its variable-rate note, the Organization entered into an interest rate swap (the Swap) with a financial institution as the counterparty. The Swap has a declining notional value matching the outstanding note principal over time. The Organization pays interest on the notional value at 3.77% per annum in exchange for interest on the notional value based on a floating rate of 2.01% plus 67% of one-month LIBOR as of the fifth day of each month (2.07% at June 30, 2021 and 2.13% at June 30, 2020). The reference rate under the agreement was updated from LIBOR to the Secured Overnight Financing Rate effective December 31, 2021. The interest payment dates, notional amounts and maturities of the Swap contract are consistent with the Series 2012 Bonds. The effect of the Swap is to convert the Organization’s floating-rate debt to fixed-rate debt.

During the years ended June 30, 2021 and 2020, the fair value of the liability under the Swap increased (decreased) \$(46,189) and \$68,359, which has been reflected in the accompanying statements of activities. At June 30, 2021 and 2020, the fair value of the Swap liability was \$67,908 and \$114,097.

(B) – On September 17, 2021, these loans were refinanced into a one loan. This new note accrues interest at 3.5%, due in monthly installments of \$6,570, including interest, through September 2026, with a balloon payment due on the remaining balance, and is secured by real estate.

Note 9 - Paycheck Protection Program Refundable Advance

During the year ended June 30, 2020, the Organization was granted a \$3,195,000 loan under the Paycheck Protection Program (PPP) Administered by a Small Business Administration (SBA) approved partner. During the year ended June 30, 2021, the Organization was granted an additional \$2,000,000 loan under the same program. These loans are uncollateralized and are fully guaranteed by the Federal government. The Organization is eligible for loan forgiveness of up to 100% of the loans, upon meeting certain requirements. The Organization has elected to account for the funding as a conditional contribution by applying ASC 958-605, *Not-for-Profit – Revenue Recognition*. The Organization has initially recorded the loans as a refundable advance and will record the forgiveness in accordance with guidance for conditional contributions when there is no longer a measurable performance or other barrier and a right to return of the PPP loan or when such conditions are explicitly waived. Proceeds from the loans are eligible for forgiveness if the Organization maintains employment levels during its covered period and uses the funds for certain payroll, rent, and utility expenses. No contribution revenue has been recorded for the years ended June 30, 2021 and 2020. The Organization will be required to repay any remaining balance, plus accrued interest at 1%, in monthly payments commencing upon notification of forgiveness or partial forgiveness. On August 16, 2021, the Organization received formal forgiveness notification from the SBA for the PPP loan of \$3,195,000.

Note 10 - Lines of Credit

The Organization has two lines of credit available for up to \$1,000,000 and \$1,500,000 with a bank. Interest is paid monthly at a rate of 2.95% plus one-month LIBOR (3.19% at June 30, 2021). During October 2021, the reference rate under these agreements was changed from LIBOR to the prime rate. The lines expire on March 31, 2022 and are secured by a mortgage on the primary property at 1995 Asbury Road and the quasi-endowment fund. At June 30, 2021 and 2020, there was no balance outstanding on the lines of credit. At February 23, 2022, there were no amounts outstanding on these lines of credit.

Note 11 - Leases

The Organization leases certain property and equipment under various operating leases and equipment under various capital leases expiring at varying dates through 2024.

Future minimum lease payments are as follows:

<u>Years Ending June 30,</u>	<u>Capital Leases</u>	<u>Operating Leases</u>
2022	\$ 12,808	\$ 167,404
2023	12,808	81,252
2024	<u>6,404</u>	<u>3,450</u>
Total minimum lease payments	32,020	<u>\$ 252,106</u>
Less amount representing interest	<u>(1,728)</u>	
Capital lease obligation	<u>\$ 30,292</u>	

Total lease expense for the years ended June 30, 2021 and 2020 totaled \$167,353 and \$213,882.

Leased property under capital leases at June 30, 2021 and 2020 includes the following:

	<u>2021</u>	<u>2020</u>
Equipment	\$ 57,331	\$ 57,331
Less accumulated amortization	<u>(30,576)</u>	<u>(19,110)</u>
	<u>\$ 26,755</u>	<u>\$ 38,221</u>

Note 12 - Deferred Revenue and Refundable Advances

Refundable advances include an advance from the Iowa Department of Public Health earmarked for future periods. The advance was \$43,666 at June 30, 2021 and 2020. Amounts included in deferred revenue primarily relate to the Reflections in the Park event and the transitional housing program.

Note 13 - Endowments

The Organization's endowment (the Endowment) consists of individual funds established by donors to provide annual funding for specific activities and general operations. The Endowment also includes certain net assets without donor restrictions that are designated for quasi-endowment by the Board of Trustees.

Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization's Board of Trustees has interpreted the Iowa Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At June 30, 2021 and 2020, there were no such donor stipulations. As a result of this interpretation, the Organization retains in perpetuity (a) the original value of gifts donated to the Endowment, (b) the original value of subsequent gifts donated to the Endowment (including promises to give net of discount and allowance for doubtful accounts), and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA.

The Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization

The Organization had the following endowment net asset composition by type of fund:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
June 30, 2021			
Board-designated endowment funds	\$ 3,061,312	\$ -	\$ 3,061,312
Donor-restricted endowment funds	<u>-</u>	<u>319,294</u>	<u>319,294</u>
	<u>\$ 3,061,312</u>	<u>\$ 319,294</u>	<u>\$ 3,380,606</u>
June 30, 2020			
Board-designated endowment funds	\$ 2,220,417	\$ -	\$ 2,220,417
Donor-restricted endowment funds	<u>-</u>	<u>278,079</u>	<u>278,079</u>
	<u>\$ 2,220,417</u>	<u>\$ 278,079</u>	<u>\$ 2,498,496</u>

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. There were no such deficiencies as of June 30, 2021 and 2020.

Investment and Spending Policies

The Organization has adopted investment and spending policies for the Endowment that attempt to provide a predictable stream of funding for operations while seeking to maintain the purchasing power of the endowment assets. Over time, long-term rates of return should be equal to an amount sufficient to maintain the purchasing power of the Endowment assets, to provide the necessary capital to fund the spending policy, and to cover the costs of managing the Endowment investments. Actual returns in any given year may vary from this amount. To satisfy this long-term rate-of-return objective, the investment portfolio is structured on a total-return approach through which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). A significant portion of the funds are invested to seek growth of principal over time.

The Organization uses an endowment spending-rate formula to determine the amounts available to spend from the Endowment each year. The rate, determined and adjusted from time to time by the Board of Trustees, is applied to the average fair value of the Endowment investments for the prior 3 years to determine the spending amount for the upcoming year. During 2021 and 2020, the maximum spending rate was 5%. Fluctuations of the market may cause the principal to go below the value of the donor's gift(s). Distributions will not occur when the endowment fair value is less than the endowed principal amount or when distributions would invade the original endowed principal amount (underwater funds). In establishing this policy, the Organization considered the long-term expected return on the Endowment and set the rate with the objective of maintaining the purchasing power of the Endowment over time.

Changes in endowment net assets for the year ended June 30, 2021 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 2,220,417	\$ 278,079	\$ 2,498,496
Investment return, net			
Investment income, net	24,424	2,733	27,157
Net realized and unrealized gain	478,051	53,891	531,942
Contributions	323,011	-	323,011
Appropriation of endowment assets pursuant to spending - rate policy	<u>15,409</u>	<u>(15,409)</u>	<u>-</u>
Endowment net assets, end of year	<u>\$ 3,061,312</u>	<u>\$ 319,294</u>	<u>\$ 3,380,606</u>

Changes in endowment net assets for the year ended June 30, 2020 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 2,150,743	\$ 286,455	\$ 2,437,198
Investment return, net			
Investment income, net	29,408	3,909	33,317
Net realized and unrealized gain	18,983	2,534	21,517
Contributions	6,464	-	6,464
Appropriation of endowment assets pursuant to spending - rate policy	<u>14,819</u>	<u>(14,819)</u>	<u>-</u>
Endowment net assets, end of year	<u>\$ 2,220,417</u>	<u>\$ 278,079</u>	<u>\$ 2,498,496</u>

Note 14 - Net Assets with Donor Restrictions

Net asset with donor restrictions are restricted for the following purposes or periods.

	<u>2021</u>	<u>2020</u>
Subject to Expenditure for Specified Purpose		
Cedar Rapids programming	\$ 6,930	\$ 8,465
Window replacement	-	5,050
Client assistance	-	5,565
Promises to give, the proceeds from which have been restricted by the donor for programming	<u>9,597</u>	<u>-</u>
	<u>16,527</u>	<u>19,080</u>
Subject to the Passage of Time		
Promises to give that are not restricted by donors, but which are unavailable for expenditure until due	<u>80,628</u>	<u>61,546</u>
Endowments		
Subject to appropriation and expenditure when a specified event occurs		
Restricted by donor for		
Available for general use	26,156	3,420
Educational programs	61,964	43,636
Family counseling	<u>174</u>	<u>23</u>
	<u>88,294</u>	<u>47,079</u>
Perpetual in nature, earnings from which are subject to endowment spending policy appropriation		
General operations	150,000	150,000
Educational programs	80,000	80,000
Counseling	<u>1,000</u>	<u>1,000</u>
	<u>231,000</u>	<u>231,000</u>
	<u>319,294</u>	<u>278,079</u>
	<u>\$ 416,449</u>	<u>\$ 358,705</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows:

	<u>2021</u>	<u>2020</u>
Expiration of Time Restrictions	\$ 61,546	\$ 99,651
Satisfaction of Specified Purpose Restrictions	19,080	10,000
Restricted-Purpose Spending-Rate Distributions and Appropriations		
Educational programs	6,847	6,581
Family counseling	57	54
General use	8,505	8,184
	<u>15,409</u>	<u>14,819</u>
	<u>\$ 96,035</u>	<u>\$ 124,470</u>

Note 15 - Concentrations of Credit Risk

The Organization grants credit without collateral to its clients, most of whom are insured under third-party payor agreements. The mix of receivables from third-party payors and clients was as follows:

	<u>2021</u>	<u>2020</u>
Medicaid/Medicare	40%	42%
County regions	22	19
Grants	21	25
Commerical insurance and other third-party payors and clients	17	14
	<u>100%</u>	<u>100%</u>

Note 16 - Commitments and Contingencies

Professional Liability

The Organization has liability insurance coverage to provide protection for general liability losses on a claims-made basis subject to a limit of \$1,000,000 per claim and an annual aggregate limit of \$3,000,000. The Organization is also insured under a claims-made excess umbrella insurance policy with a limit of \$4,000,000 per occurrence and an annual aggregate limit of \$4,000,000. Should the claims-made policies not be renewed or replaced with equivalent insurance, claims based on occurrences during its term, but reported subsequently, will be uninsured.

Worker's Compensation Insurance

The Organization has worker's compensation insurance coverage to provide protection for costs related to employee injuries.

Litigations, Claims, and Disputes

The Organization is subject to the usual contingencies in the normal course of operations relating to the performance of its tasks under its various programs.

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with these laws and regulations, specifically those relating to the Medicare and Medicaid programs, can be subject to government review and interpretation, as well as regulatory actions unknown and unasserted at this time. Federal government activity has increased with respect to investigations and allegations concerning possible violations by health care providers of regulations, which could result in the imposition of significant fines and penalties, as well as significant repayments of previously billed and collected revenues from program services.

Paycheck Protection Program (PPP) Loan Review

Loans issued under the PPP were subject to good-faith certifications of the necessity of the loan request. Borrowers with loans issued under the program in excess of \$2 million are subject to review by the SBA for compliance with the program requirements. If the SBA determines that a borrower lacked an adequate basis for the loan or did not meet the program requirements, the loan will not be eligible for loan forgiveness and the SBA will seek repayment of the outstanding PPP loan balance. As such, the potential exists that the Organization may be deemed ineligible for loan forgiveness and would be required to repay the loan.

Note 17 - Employee Benefits

Self-Insured Health Plan

The Organization self-insures for losses related to employee health benefits. Reinsurance coverage is maintained for specific individual and aggregate liability losses over specified amounts. At June 30, 2021 and 2020, the provision for estimated health claims outstanding is \$103,282 and \$200,114.

401(k) Retirement Plan

The Organization has a qualified 401(k) retirement plan. Employees over 21 years of age are eligible to participate in the plan if they meet the service requirement. Union employees must complete two years of service to participate. Non-union employees must complete one year of service to participate. The Organization makes discretionary contributions of 3% of eligible compensation. The Organization also matches 50% of employee contributions up to 4% of eligible compensation.

The employer contributions for the 401(k) plan for the years ended June 30, 2021 and 2020 was \$348,695 and \$416,619.

Note 18 - Coronavirus Aid, Relief and Economic Security Act Funds (CARES Act Funds)**Employee Retention Tax Credit**

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) provided an employee retention tax credit (ERTC) which is a refundable tax credit against certain employment taxes of up to \$5,000 per employee for eligible employers. The credit is equal to 50% of qualified wages paid to employees, capped at \$10,000 of qualified wages each quarter through December 31, 2020. The Consolidated Appropriations Act of 2021, the American Rescue Plan Act of 2021, and the Infrastructure Investment and Job Act (collectively the Acts) expanded the availability of the credit and extended the ERTC through September 30, 2021.

The Acts increased the credit to 70% of qualified wages, capped at \$10,000 of qualified wages per quarter, through 2021. As a result of the changes to the ERTC initiated through the Acts, the maximum credit per employee increased from \$5,000 in 2020 to \$21,000 in 2021. During the year ended June 30, 2021, the Organization accrued a receivable for a \$3,271,992 benefit related to the ERTC, which is presented in the statement of activities as unrestricted revenue under CARES Act Funds.

Other CARES Act Funds

The Organization received \$505,382 of CARES Act Provider Relief Funds administered by the Department of Health and Human Services (HHS) and \$237,371 of CARES Act Covid Relief funds allocated from the State of Iowa for mental health and disability services through June 30, 2021. In addition, the Organization received various funding from other agencies and organizations totaling \$516,139 through June 30, 2021. The funds are subject to various terms and conditions. Among the terms and conditions is a provision that payments will only be used to prevent, prepare for, and respond to coronavirus and shall reimburse the recipient only for related expenses or lost revenues that are attributable to the coronavirus. Recipients may not use the payments to reimburse expenses or losses that have been reimbursed from other sources or that other sources are obligated to reimburse. HHS has set varying deadlines to incur eligible expenses depending on when the funds were received. Unspent funds will be expected to be repaid.

These funds are recorded as a refundable advance when received and are recognized as revenues in the accompanying statements of activities as all terms and conditions are considered met. The terms and conditions are subject to interpretation, changes and future clarification, the most recent of which have been considered through the date that the financial statements were available to be issued. In addition, these programs may be subject to oversight, monitoring and audit. Failure to comply with any term or condition can subject the recipient to recoupment of some or all of the payments. As a result, there is at least a reasonable possibility that recorded estimates could change by a material amount in the near term.

During the years ended June 30, 2021 and 2020, the Organization has recognized \$4,493,119 and \$33,664 as revenue related to the CARES Act Funds.

Note 19 - Subsequent Events

The Organization evaluated events and transactions through February 23, 2022, the date the financial statements were available to be issued.

As discussed in Note 9, the Organization received formal notification of forgiveness from the SBA for the PPP loan of \$3,195,000 in August 2021.

Subsequent to year-end, the Organization received an additional \$133,407 of CARES Act Provider Relief Funds administered by HHS. The funds are subject to the terms and conditions disclosed in Note 18.



Supplementary Information
June 30, 2021 and 2020

Hillcrest Family Services, Inc.

Hillcrest Family Services, Inc.
Schedule of Mental Health Center Expenses
Year Ended June 30, 2021

	Washington County MHC	Dubuque County MHC	Jackson County MHC	CCBHC	Henry County MHC	Louisa County MHC	Wellness Center MHC	Southeast Iowa Crisis	Integrated Health Homes	ACT Teams	Total Program Services
Salaries	\$ 432,816	\$ 1,153,232	\$ 358,211	\$ 265,643	\$ 194,567	\$ 178,766	\$ 138,165	\$ 54,256	\$ 1,049,653	\$ 298,703	\$ 4,124,012
Fringe Benefits	65,882	146,186	51,345	46,345	24,803	28,128	27,863	7,208	221,158	52,936	671,854
Payroll Taxes and Other	26,349	74,082	22,268	17,385	12,510	11,556	8,055	3,889	67,808	16,435	260,337
Total personnel expenses	525,047	1,373,500	431,824	329,373	231,880	218,450	174,083	65,353	1,338,619	368,074	5,056,203
Contracted Services	20,305	79,581	12,658	118,596	9,452	9,601	5,246	2,463	46,248	9,679	313,829
Supplies and Equipment											
Maintenance	10,940	14,421	27,437	52,658	8,583	9,372	636	70	11,343	2,294	137,754
Telephone	13,596	24,355	2,699	1,865	3,624	3,107	1,443	2,415	19,221	3,416	75,741
Postage and Shipping	641	1,179	720	-	177	170	1	-	929	14	3,831
Occupancy	22,871	64,225	22,201	59,149	549	10,816	24,664	3,696	43,750	5,285	257,206
Outside Printing	255	6,255	310	74	1	1	237	8	1,209	354	8,704
Professional Insurance	1,809	5,371	2,365	6,344	1,280	1,361	772	525	5,281	1,142	26,250
Travel	1,695	349	522	234	2,074	705	1,555	-	8,282	3,900	19,316
Conferences and Meetings	96	1,423	407	15,053	-	33	931	1,075	668	508	20,194
Subscriptions	-	-	-	-	-	-	-	-	-	199	199
Client Assistance	-	-	-	4,559	-	-	54	-	84	1,054	5,751
Dues	1,622	4,814	1,198	1,794	675	628	250	159	3,910	548	15,598
Miscellaneous	1,466	7,900	2,382	16,906	2	949	378	-	1,993	1,581	33,557
Interest and Amortization	642	1,964	441	1,720	290	291	262	131	1,772	480	7,993
Bad Debts (Recoveries)	8,972	42,658	16,320	-	5,040	6,524	8,927	1,788	2,265	-	92,494
Total Expenses Before Depreciation	609,957	1,627,995	521,484	608,325	263,627	262,008	219,439	77,683	1,485,574	398,528	6,074,620
Depreciation	713	2,762	6	30	3,027	307	653	-	4,183	7	11,688
Total Expenses Before Allocation	610,670	1,630,757	521,490	608,355	266,654	262,315	220,092	77,683	1,489,757	398,535	6,086,308
General and Administrative Allocation	96,436	257,911	78,615	96,912	41,507	40,577	35,142	12,260	277,878	-	937,238
Total Expenses	\$ 707,106	\$ 1,888,668	\$ 600,105	\$ 705,267	\$ 308,161	\$ 302,892	\$ 255,234	\$ 89,943	\$ 1,767,635	\$ 398,535	\$ 7,023,546

Hillcrest Family Services, Inc.
Schedule of Mental Health Center Expenses
Year Ended June 30, 2020

	Washington County MHC	Dubuque County MHC	Jackson County MHC	CCBHC	Henry County MHC	Louisa County MHC	Wellness Center MHC	MH Solutions MHC	Southeast Iowa Crisis	Integrated Health Homes	ACT Teams	Total Program Services
Salaries	\$ 359,267	\$ 1,457,038	\$ 389,913	\$ 448	\$ 237,861	\$ 163,520	\$ 156,903	\$ 148,238	\$ 76,591	\$ 1,100,492	\$ 142,406	\$ 4,232,677
Fringe Benefits	64,625	228,086	41,762	-	31,557	43,519	29,589	20,766	14,776	194,750	40,745	710,175
Payroll Taxes and Other	26,586	100,087	26,903	34	17,850	11,948	10,609	8,271	5,580	78,807	11,013	297,688
Total personnel expenses	450,478	1,785,211	458,578	482	287,268	218,987	197,101	177,275	96,947	1,374,049	194,164	5,240,540
Contracted Services	91,496	353,982	90,112	-	91,410	52,023	3,157	9,484	4,792	38,576	6,470	741,502
Supplies and Equipment												
Maintenance	1,963	17,427	2,348	-	3,326	2,051	476	399	4,782	7,197	1,986	41,955
Telephone	12,918	21,903	6,612	-	3,914	2,875	1,175	3,542	2,477	26,000	619	82,035
Postage and Shipping	685	505	209	-	264	267	5	10	26	718	4	2,693
Occupancy	21,930	96,458	10,813	-	278	9,813	25,591	19,791	3,713	51,637	-	240,024
Outside Printing	403	823	271	-	-	20	279	165	21	493	165	2,640
Professional Insurance	825	3,540	987	-	582	746	311	547	262	2,418	519	10,737
Travel	2,502	517	239	7	1,065	1,289	1,686	58	1,101	20,636	3,588	32,688
Conferences and Meetings	741	4,429	519	-	432	367	33	118	356	2,081	800	9,876
Client Assistance	-	-	-	-	-	-	(64)	-	-	436	-	372
Dues	1,809	4,775	1,350	-	704	655	61	191	87	3,872	173	13,677
Miscellaneous	1,451	7,519	1,869	365	127	1,877	1,521	1,327	58	3,139	1,124	20,377
Interest and Amortization	7,719	27,904	12,917	-	4,988	4,197	166	426	238	7,001	383	65,939
Bad Debts (Recoveries)	3,372	38,448	3,158	-	5,666	6,838	1,394	3,776	1,593	20,770	-	85,015
Total Expenses Before Depreciation	598,292	2,363,441	589,982	854	400,024	302,005	232,892	217,109	116,453	1,559,023	209,995	6,590,070
Depreciation	1,186	3,740	6,918	-	3,447	727	2,508	2,029	-	7,020	-	27,575
Total Expenses Before Allocation	599,478	2,367,181	596,900	854	403,471	302,732	235,400	219,138	116,453	1,566,043	209,995	6,617,645
General and Administrative Allocation	78,574	309,170	77,980	111	52,684	39,537	30,734	28,603	15,269	204,601	-	837,263
Total Expenses	\$ 678,052	\$ 2,676,351	\$ 674,880	\$ 965	\$ 456,155	\$ 342,269	\$ 266,134	\$ 247,741	\$ 131,722	\$ 1,770,644	\$ 209,995	\$ 7,454,908

Hillcrest Family Services, Inc.

Schedules of Revenues and Expenses

WIC – Contract #5889A035

Contract Period: October 1, 2020 Through September 30, 2021

	<u>WIC</u>
Revenues	
Iowa Department of Public Health	\$ 677,028
Iowa Department of Public Health - Breast feeding pumps reimbursement	<u>8,405</u>
Total revenues	<u>685,433</u>
Expenses	
Salaries	338,116
Fringe benefits	89,871
Payroll taxes	21,795
Contracted services	8,437
Supplies and equipment maintenance	8,302
Telephone	28,239
Postage and shipping	4,914
Occupancy	56,112
Outside printing	341
Travel	7,080
Conferences and meetings	635
Client assistance	5,434
Miscellaneous	17,563
Depreciation	<u>6,852</u>
Total expenses	<u>593,691</u>
General and administrative allocation	<u>92,687</u>
Revenues in excess of (less than) expenses	<u>\$ (945)</u>