Northwest Iowa Diagnostics
Le Mars, Iowa

FINANCIAL REPORT

June 30, 2021 and 2020

CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS	3-4
MANAGEMENT'S DISCUSSION AND ANALYSIS	5-7
FINANCIAL STATEMENTS	
Statements of assets, liabilities and members' equity	8
Statements of revenue and expenses	9
Statements of members' equity	10
Statements of cash flows	11
Notes to financial statements	12-14
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*	15-16
Schedule of findings	17

DENMAN
& COMPANY, LLP

INDEPENDENT AUDITOR'S REPORT

To the Members
Northwest Iowa Diagnostics
LeMars, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of Northwest Iowa Diagnostics (a joint venture), which comprise the statements of assets, liabilities and members' equity as of June 30, 2021 and 2020, and the statements of revenues and expenses, members' equity 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 Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 Joint Venture'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 Joint Venture'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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the statements of assets, liabilities and members' equity of Northwest Iowa Diagnostics, as of June 30, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5-7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2021, on our consideration of the Joint Venture's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Joint Venture'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 the Joint Venture's internal control over financial reporting and compliance.

Denman & Company, LLP

DENMAN & COMPANY, LLP

West Des Moines, Iowa
November 5, 2021

Northwest Iowa Diagnostics
MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Northwest Iowa Diagnostics (Joint Venture), we offer readers of the Joint Venture's financial statements this narrative overview and analysis of the Joint Venture's financial performance during the fiscal years ended June 30, 2021, 2020 and 2019. Please read it in conjunction with the Joint Venture's financial statements, which follow this section.

Overview of the Financial Statements

This annual report includes management's discussion and analysis report, the independent auditor's report and the basic financial statements of the Joint Venture. The financial statements also include notes that explain in more detail some of the information in the financial statements.

Required Financial Statements

The financial statements of Northwest Iowa Diagnostics report information of the Joint Venture using accounting methods similar to those used by private sector companies. These statements offer short and long term financial information about its activities. The statement of assets, liabilities and members' equity includes all of the Joint Venture's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to Northwest Iowa Diagnostics' creditors (liabilities). It also provides the basis for evaluating the capital structure of the Joint Venture and assessing the liquidity and the financial flexibility of Northwest Iowa Diagnostics.

All of the current year's revenues and expenses are accounted for in the statement of revenues and expenses. This statement measures the success of the Northwest Iowa Diagnostics' operations over the past year and can be used to determine whether the Joint Venture has successfully recovered all of its costs through its service revenue, profitability and credit worthiness.

The final required financial statement is the statement of cash flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, noncapital financing, capital and related financing and investing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

Financial Highlights

- Members' equity decreased by $15,298 from FY 2020 due to positive earnings from operations of $24,702 and a reduction of $40,000 due to member distributions.
- Operating revenue remained consistent to prior year due to consistent number of exams at member facilities performed.
- Operating expenses increased over FY 2020 by $16,153 due to increased costs for staffing of ultrasound techs.
- Total margin for FY 2021 was 3.8% compared to 6.2% for FY 2020 and (1.7)% in FY 2019.

Financial Analysis of the Joint Venture

The statement of assets, liabilities and members' equity, the statement of revenue and expenses, and the statement of members' equity report the equity of the Joint Venture and the changes in it. The Joint Ventures members' equity, the difference between assets and liabilities, are a way to measure financial health or financial position. Over time, sustained increases or decreases in the Joint Venture's members' equity are one indicator of whether its financial health is improving or deteriorating.

Members' Equity

A summary of the Joint Venture's statements of assets, liabilities and members' equity at June 30, 2021, 2020 and 2019, are presented in Table 1 below:

Table 1
Condensed Statements of Assets, Liabilities and Members' Equity

	June 30, 2021	June 30, 2020	June 30, 2019
Current and other assets	$ 156,165	$ 178,119	$ 131,322
Total assets	$ 156,165	$ 178,119	$ 131,322
Accounts payable	$ 50,138	$ 56,794	$ 50,763
Total liabilities	$ 50,138	$ 56,794	$ 50,763
Total members' equity	$ 106,027	$ 121,325	$ 80,559

As can be seen in Table 1, members' equity has decreased by $15,298 to $106,027 in fiscal year 2021. The decrease in members' equity is a result of income from operations, net of member distributions, in fiscal year 2021.

Revenues, Expenses and Changes in Members' Equity

The following table presents a summary of the Joint Venture's historical revenues and expenses for each of the fiscal years ended June 30, 2021, 2020 and 2019.

Table 2
Condensed Statements of Revenue, Expenses, and Members' Equity

	Year ended June 30		
	2021	2020	2019
Total revenue	$ 654,530	$ 654,420	$ 591,145
Expenses	629,878	613,725	601,435
Operating income (loss)	24,652	40,695	(10,290)
Nonoperating gains	50	71	65
Net income (loss)	24,702	40,766	(10,225)
Total members' equity, beginning	121,325	80,559	90,784
Member distributions	(40,000)	–	–
Total members' equity, ending	$ 106,027	$ 121,325	$ 80,559

Operating and Financial Performance

Volume: Volume remained the same compared to prior year with no changes in rates charged.

Expenses for FY 2021 increased by 2.6% from FY 2020 levels, reflecting an increase in staffing costs. The Joint Venture contracts with several of the member hospitals to provide ultrasound technician staffing. The Joint Venture also has a management contract with Voss Sonographic Services to provide the day to day management of the Joint Venture.

Capital Assets

Northwest Iowa Diagnostics does not utilize any capital assets in the operations. The Joint Venture consists of professional services of an ultrasound technician to contract facilities for the performance of diagnostic ultrasound exams.

Debt Administration

Northwest Iowa Diagnostics does not utilize any debt in its operations other than accounts payable for routine supplies and contract personnel. There are no long-term debt or capital leases.

Contacting Northwest Iowa Diagnostics' Management

This financial report is designed to provide our customers, government officials, and creditors with a general overview of the Joint Venture's finances. If you have questions about this report or need additional information, contact Northwest Iowa Diagnostics at (712) 546-3338 or write care of: President, Northwest Iowa Diagnostics, 714 Lincoln Street NE, Le Mars, Iowa 51031.

Northwest Iowa Diagnostics
STATEMENTS OF ASSETS, LIABILITIES AND MEMBERS' EQUITY

ASSETS	June 30 2021	June 30 2020
Cash	$ 103,650	$ 95,769
Accounts receivable, members	52,515	82,350
Totals	$ 156,165	$ 178,119

LIABILITIES AND MEMBERS' EQUITY		
Accounts payable		
Members	$ 50,138	$ 54,744
Other	–	2,050
Total liabilities	50,138	56,794
Members' equity	106,027	121,325
Totals	$ 156,165	$ 178,119

See Notes to Financial Statements.

Northwest Iowa Diagnostics
STATEMENTS OF REVENUE AND EXPENSES

	Year ended June 30	
	2021	**2020**
REVENUE		
Professional fees	$ 654,530	$ 654,420
OPERATING EXPENSES		
Purchased services	625,160	612,847
Supplies	655	709
Advertising and marketing	63	69
Other	4,000	100
Total expenses	629,878	613,725
Operating income	24,652	40,695
NONOPERATING INCOME		
Interest income	50	71
Net income	$ 24,702	$ 40,766

See Notes to Financial Statements.

Northwest Iowa Diagnostics
STATEMENTS OF MEMBERS' EQUITY

	Year ended June 30	
	2021	**2020**
BALANCE, beginning	$ 121,325	$ 80,559
Net income	24,702	40,766
Member distributions	(40,000)	–
BALANCE, ending	$ 106,027	$ 121,325

See Notes to Financial Statements.

Northwest Iowa Diagnostics
STATEMENTS OF CASH FLOWS

	Year ended June 30	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from providing services	$ 684,365	$ 643,890
Cash paid to suppliers for goods and services	636,534	607,694
Net cash provided by operating activities	47,831	36,196
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	50	71
CASH FLOWS FROM FINANCING ACTIVITIES		
Member distributions	(40,000)	–
NET INCREASE IN CASH	7,881	36,267
CASH		
Beginning	95,769	59,502
Ending	$ 103,650	$ 95,769
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	$ 24,652	$ 40,695
Change in assets and liabilities		
Accounts receivable, members	29,835	(10,530)
Accounts payable, members	(4,606)	6,031
Accounts payable	(2,050)	–
Net cash provided by operating activities	$ 47,831	$ 36,196

See Notes to Financial Statements.

NOTE 1 NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Northwest Iowa Diagnostics is a Joint Venture by and among Floyd Valley Hospital, Hawarden Regional Healthcare, Hegg Memorial Health Center, and Sioux Center Health formed pursuant to the provisions of Chapter 28E of the Code of Iowa. The purpose of the Joint Venture is to provide a means whereby the resources, expertise, and knowledge of the Members can be combined, coordinated, and shared in order to achieve the Members' common goals of improving the quality, availability, and cost effectiveness of ultrasound services available to their respective service areas.

The Joint Venture provides staffing for services related to the administration of ultrasound procedures. The Joint Venture provides services at each Members' facility and other locations in Northwest Iowa.

Use of Estimates

The preparation of financial statements prepared in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, 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.

Reporting Entity

For financial reporting purposes, the Joint Venture has included all funds, organizations, agencies, boards, commissions and authorities that are not legally separate. The Joint Venture has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Joint Venture are such that exclusion would cause the Joint Venture's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Joint Venture to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the Joint Venture. The Joint Venture has no component units which meet the Governmental Accounting Standards Board criteria.

Measurement Focus and Basis of Accounting

The accounting policies of the Joint Venture conform to accounting principles generally accepted in the United States of America as applicable to governments. The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The Joint Venture has no government or fiduciary funds. The Joint Venture's accounts are organized into a single proprietary fund. The enterprise fund (a proprietary fund) is used to account for operations (a) that are operated in a manner similar to private business where the intent of the governing body is that the cost of providing services is financed or recovered primarily through user charges or (b) where the governing body has decided that the periodic determination of revenues earned, expenses incurred and/or changes in net assets is appropriate for capital maintenance.

The Joint Venture's principal operating revenues are the fees charged for service to member Hospitals and others.

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

Revenue Recognition

Revenue for services are recorded during the month the services are performed, are billed at the end of the month of service, and payment is due when billed. Revenue is derived principally from Joint Venture members at predetermined rates. The Joint Venture's revenues do not include financing components nor do they include a significant amount of variable consideration. Accounts receivable are carried at the amount expected to be collected and no allowance for doubtful accounts was recorded at year end.

Income Taxes

The Joint Venture is treated as a domestic general partnership for federal and state income tax purposes. Each member recognizes its share of income, whether or not distributed, and reports its share of any net income or loss on its financial statements. As a consequence, no provision is made in these financial statements for income taxes.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Joint Venture and recognize a tax liability (or asset) for an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has evaluated their material tax positions and determined there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosures in the financial statements. The Joint Venture is subject to routine audits by tax authorities; however, there are currently no audits for any tax periods in progress.

NOTE 2 CASH

The Joint Venture's deposits in banks at June 30, 2021 and 2020 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. The Chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Joint Venture is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Joint Venture; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Joint Venture had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

NOTE 3 RELATED PARTY TRANSACTIONS

The Joint Venture provides ultrasound services to the Member Hospitals. Accounts receivable from the members for these services totaled $52,515 and $82,350 at June 30, 2021 and 2020, respectively.

The Joint Venture owed the Member Hospitals $50,138 and $54,744 for reimbursement for expenses paid on behalf of the Joint Venture at June 30, 2021 and 2020, respectively.

The Joint Venture has agreements with the members of the Joint Venture to provide ultrasound services to them. The Joint Venture charged the Members $646,725 and $643,170 under these agreements during the years ended June 30, 2021 and 2020, respectively.

NOTE 3 RELATED PARTY TRANSACTIONS (continued)

These agreements expired August 1, 2021 and are automatically renewable for a one year period thereafter.

The Joint Venture has agreements with Floyd Valley Hospital, Hegg Memorial Health Center and Sioux Center Health, members of the Joint Venture, to lease the services of employees from the Hospitals. The Joint Venture incurred expenses of $613,458 and $588,248 under these agreements during the years ended June 30, 2021 and 2020, respectively.

NOTE 4 ALLOCATION OF EXCESS OF REVENUE OVER EXPENSES

In accordance with the 28E agreement that governs the Joint Venture, cash distributions and the excess (deficit) of revenue over expenses are allocated to Members in proportion to their capital accounts.

NOTE 5 RISK MANAGEMENT

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

DENMAN
& COMPANY, 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*

To the Members
Northwest Iowa Diagnostics
LeMars, Iowa

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Northwest Iowa Diagnostics, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Northwest Iowa Diagnostics' basic financial statements, and have issued our report thereon dated November 5, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Joint Venture'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 the Joint Venture's internal control. Accordingly, we do not express an opinion on the effectiveness of the Joint Venture'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 Joint Venture'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, and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings, that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Joint Venture'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*.

Statutory and other legal matters about the Joint Venture's operations for the year ended June 30, 2021 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Joint Venture. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Joint Venture's Response to the Finding

The Joint Venture's response to the finding identified in our audit is described in the accompanying schedule of findings. The Joint Venture's response was not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Joint Venture'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 Joint Venture's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Denman & Company, LLP

DENMAN & COMPANY, LLP

West Des Moines, Iowa
November 5, 2021

Northwest Iowa Diagnostics
SCHEDULE OF FINDINGS
June 30, 2021

Part I – Findings Related to the Financial Statements

INTERNAL CONTROL DEFICIENCIES

21-I-A SEGREGATION OF DUTIES

One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One person has primary control over all accounting records, including billing, deposit preparation, posting transactions to accounting records, reconciling payments to receivable records and bank reconciliations.

Recommendation

The Joint Venture should designate a member of the Board to provide additional control through review of financial transactions to help ensure that all transactions are properly recorded.

Response

The Joint Venture will continue to improve its review of financial records.

Conclusion

Response accepted.

INSTANCES OF NONCOMPLIANCE

No matters noted.

Part II – Findings Related to Required Statutory Reporting

No matters noted.