

**NORTHEAST IOWA MENTAL
HEALTH CENTER**

FINANCIAL STATEMENTS

JUNE 30, 2008

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NORTHEAST IOWA MENTAL HEALTH CENTER
BOARD OF DIRECTORS AND STAFF MEMBERS
June 30, 2008

President:
Vice President:
Secretary:
Treasurer:

Becky Cleveland (Gundersen Lutheran)
Stuart Johnston (Winneshiek)
Sallee A. Scarff-Muehlbauer (Clayton)
Sallee A. Scarff-Muehlbauer (Clayton)

Steve Bouska, Winneshiek
Don Burnikel, Howard
Diann Cline, Fayette
Randy Keehner, Clayton
John Lacewell, Allamakee

Lori McCarthy, Allamakee
Bill Nixon, Winneshiek
Mark Smith, Fayette
Kathy Strike, Howard

STAFF MEMBERS

Management

Diane Decker, BA, Support/Transcriptionist
Jan Jauert, Support/Administrative Assistant
Bonnie Johnson, BA, Assistant to MIS Director
Dawn Levenhagen, Support/Reception
Sharla Lieder, Support/Insurance
Susan Looney, Support/Clinical Data Coordinator
Marcia Oltrogge, MA, CADC, Associate Director
Marlene Pins, BA, MIS Director
Patrick Smith, M. Ed., Executive Director
Jaynece Tekippe, Support/Accounting
Kathy Villa, Support/Oelwein Office Manager

Medical Staff

B.J. Dave, M.D., Consulting Psychiatrist
Neelu Gill, M.D., Medical Director
Vithalji Modha, M.D., Consulting Psychiatrist

Clinical Staff - Oelwein

Lynda Elgers, MA, Behavioral Health Therapist
Jamie Lanus, LISW, Behavioral Health Therapist
Ginger O'Connell, LBSW, ACADC, Substance Abuse Counselor

Clinical Staff- Decorah

Jennifer Benda, BS, Community Support Specialist
Wendy Buenzow, BA*, Community Support Specialist
Brenda Burke, LMSW, Behavioral Health Therapist
Stacia Danielson, LMSW, Behavioral Health Therapist
Susan Doll, LISW, ACADC, Behavioral Health Therapist
Carol Hagen, LISW*, Behavioral Health Therapist
Kim Havens, CADC, Cert. Substance Abuse Counselor
Rebecca Loven, M. Ed., Behavioral Health Therapist
Esther Metzger, M. Ed., NCC, Behavioral Health Therapist
Theresa O'Connell, LISW, Behavioral Health Therapist
Ann Pahlas, LBSW, Community Support Specialist
Cynthia Peterson, MA, LISW, Behavioral Health Therapist
Connie Popenhagen, LMSW, Behavioral Health Therapist
Dave Prochaska, MS, Community Support Specialist
Aaron Rempp, LISW, Behavioral Health Therapist
Karen Tenneson, LISW, Behavioral Health Therapist
Karla Wolfs, LMSW, Behavioral Health Therapist

*Terminated prior to or on June 30, 2008

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INDEPENDENT AUDITOR'S REPORT ON THE
FINANCIAL STATEMENTS

To the Board of Directors
Northeast Iowa Mental Health Center
Decorah, Iowa

We have audited the accompanying statements of financial position of Northeast Iowa Mental Health Center (a nonprofit corporation) as of June 30, 2008 and 2007, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Northeast Iowa Mental Health Center as of June 30, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2008, on our consideration of Northeast Iowa Mental Health Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

Hacker, Nelson & Co., P.C.

Decorah, Iowa
October 10, 2008

NORTHEAST IOWA MENTAL HEALTH CENTER
 STATEMENTS OF FINANCIAL POSITION
 June 30, 2008 and 2007

ASSETS

	2008	2007
CURRENT ASSETS		
Cash and cash equivalents	\$ 176,908	\$ 186,591
Accounts receivable, less allowance for adjustments of 2008 \$82,485; 2007 \$54,457	236,870	226,609
Prepaid expenses	23,236	19,933
Total current assets	437,014	433,133
PROPERTY AND EQUIPMENT, net	938,567	970,469
ASSETS WHOSE USE IS LIMITED		
Investments, at fair value	430,533	408,395
Accrued interest receivable	2,540	3,847
Noncurrent assets whose use is limited	433,073	412,242
	\$ 1,808,654	\$ 1,815,844

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 30,102	\$ 20,839
Accrued expenses	6,726	5,517
Deferred revenue	15,811	
Accrued salary and vacation pay	66,801	58,421
Total current liabilities	119,440	84,777
NET ASSETS		
Unrestricted net assets		
Designated for specified purposes	604,962	575,339
Undesignated	1,084,252	1,155,728
Total net assets	1,689,214	1,731,067
	\$ 1,808,654	\$ 1,815,844

See Notes to Financial Statements.

NORTHEAST IOWA MENTAL HEALTH CENTER
STATEMENTS OF ACTIVITIES
June 30, 2008 and 2007

	2008	2007
SUPPORT AND REVENUE		
Support		
Grants and contracts	\$ 540,904	\$ 576,953
Revenue and gains		
County fees	193,841	119,516
Other		
Fees	803,935	747,951
Other services	6,884	11,658
Registration - non grant		1,350
Interest	21,384	19,636
Dividends	774	774
Gifts	300	735
Unrealized gain on investments	446	163
In-kind contributions	3,000	3,000
Miscellaneous	5,646	7,228
Total revenue and gains	1,036,210	912,011
Total support and revenue	1,577,114	1,488,964
EXPENSES		
Program services		
Mental Health program	867,986	814,789
Alcohol and Related Problems program	460,062	430,808
Total program services	1,328,048	1,245,597
Support services		
General and administrative	290,919	278,394
Total expenses	1,618,967	1,523,991
Change in unrestricted net assets	(41,853)	(35,027)
NET ASSETS, beginning	1,731,067	1,766,094
NET ASSETS, ending	\$ 1,689,214	\$ 1,731,067

See Notes to Financial Statements.

NORTHEAST IOWA MENTAL HEALTH CENTER
 STATEMENTS OF CASH FLOWS
 June 30, 2008 and 2007

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (41,853)	\$ (35,027)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	44,937	48,575
Provision for adjustments	28,028	26,455
Unrealized gain on investments	(446)	(163)
Changes in:		
Accounts receivable	(38,289)	(99,465)
Accrued interest	1,307	(1,423)
Prepaid expenses	(3,303)	(1,194)
Accounts payable and accrued expenses	9,263	(1,945)
Accrued expenses	1,209	5,517
Deferred revenue	15,811	(19,344)
Accrued salaries and benefits	8,380	11,614
	25,044	(66,400)
Net cash provided by (used in) operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment, furniture and fixtures	(13,035)	(6,148)
Purchase of investments	(21,692)	(16,029)
	(34,727)	(22,177)
Net cash used in investing activities		
	(9,683)	(88,577)
Net decrease in cash		
CASH AND CASH EQUIVALENTS		
Beginning of year	186,591	275,168
End of year	\$ 176,908	\$ 186,591

See Notes to Financial Statements.

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NORTHEAST IOWA MENTAL HEALTH CENTER
 STATEMENTS OF FUNCTIONAL EXPENSES
 Years Ended June 30, 2008 and 2007

	2008			
	Program Services		Supporting Services	
	Mental Health Program	Alcohol and Related Problems Program	General and Administrative	Total
Salaries	\$ 543,912	\$ 297,395	\$ 191,509	\$ 1,032,816
Payroll taxes	47,989	26,772	17,056	91,817
Employee benefits	94,760	52,733	33,641	181,134
Total personnel	686,661	376,900	242,206	1,305,767
Psychiatric consultation	7,953			7,953
Independent contractors	4,744	3,804		8,548
Professional fees	10,202	5,214	3,483	18,899
Building repair and maintenance	9,588	6,507	3,755	19,850
Office supplies and expense	11,089	15,007	6,587	32,683
Telephone	4,811	2,617	1,690	9,118
Mileage and travel	19,008	3,956	4,762	27,726
Rent	2,169	1,496	857	4,522
Janitorial services	6,602	4,890	2,709	14,201
Equipment repair and maintenance	8,928	6,184	3,534	18,646
Equipment rental	575	422	234	1,231
Depreciation and amortization	37,823		7,114	44,937
Bad debts	13,371	9,610		22,981
Other expenses	44,462	23,455	13,988	81,905
Total expenses	\$ 867,986	\$ 460,062	\$ 290,919	\$ 1,618,967

See Notes to Financial Statements.

2007

Program Services		Supporting Services	
Mental Health Program	Alcohol and Related Problems Program	General and Administrative	Total
\$ 507,668	\$ 274,657	\$ 181,551	\$ 963,876
44,735	25,167	16,299	86,201
92,433	48,664	32,636	173,733
644,836	348,488	230,486	1,223,810
15,826			15,826
84	1,765		1,849
11,745	6,618	4,283	22,646
6,867	4,955	2,843	14,665
10,815	10,741	5,396	26,952
4,846	2,173	1,593	8,612
13,406	5,200	4,152	22,758
2,090	1,437	844	4,371
6,597	4,596	2,680	13,873
8,011	5,139	3,116	16,266
650	425	255	1,330
40,871		7,704	48,575
5,584	11,392		16,976
42,561	27,879	15,042	85,482
\$ 814,789	\$ 430,808	\$ 278,394	\$ 1,523,991

NORTHEAST IOWA MENTAL HEALTH CENTER

NOTES TO FINANCIAL STATEMENTS

1. Organization and Function and Significant Accounting Policies

a. Organization and Function

Northeast Iowa Mental Health Center is a private, nonprofit corporation organized under Chapter 504A.36 and Chapter 230A of the Code of Iowa operating under the fictitious name of Northeast Iowa Behavioral Health, Inc. Northeast Iowa Mental Health Center provides outpatient mental health evaluation, treatment and education services to the four counties of Allamakee, Clayton, Howard, and Winneshiek. In addition, substance abuse services are provided to the previously mentioned counties plus Fayette County. Northeast Iowa Mental Health Center's central office is in Decorah with a branch office in Oelwein. Satellite offices are located in Cresco, Elkader, Waukon and West Union, Iowa.

Northeast Iowa Mental Health Center and Gundersen Lutheran, Inc. have forged a corporate relationship to aid the coordination and delivery of quality health and education services to the residents of Northeastern Iowa. This established health system offers the sharing of resources and coordinating of services to clients. There is no financial dependence through this relationship.

Funding sources are patient fees, third-party payors, contracts with the four county Boards of Supervisors, contracts with MBC of Iowa an affiliate of Magellan Behavioral Health, First Judicial District Community Corrections for 321J treatment, the Division of Mental Health and Disability Services for the Iowa Department of Human Services, and various grants that become available from year to year.

Accreditation is through the Division of Mental Health and Disability Services of the Iowa Department of Human Services. Licensing is through the Division of Health Promotion, Prevention and Addictive Behaviors of the Iowa Department of Public Health. The Center is also a member of the Iowa Behavioral Health Association, Iowa Substance Abuse Supervisors Association and the National Coalition against Domestic Violence.

b. Basis of Accounting

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

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

c. Financial Statement Presentation

The Center follows Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, the Center is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As required by this statement, the Center has prepared its external financial statements to present the three classes of net assets required. As permitted by this standard, the Center has discontinued its use of fund accounting and has, accordingly, reclassified its financial statements to present classes of net assets.

The Center follows SFAS No. 116, "Accounting for Contributions Received and Contributions Made." In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. The Center has not received any contributions with donor-imposed restrictions that would result in temporarily or permanently restricted net assets.

1. Organization and Function and Significant Accounting Policies (Continued)

d. Cash and Cash Equivalents

For purposes of reporting the statements of cash flows, the Center includes all unrestricted cash accounts, money market accounts, and certificates of deposit with a maturity of 90 days or less as cash and cash equivalents on the accompanying financial statements.

e. Patient Services Revenue

Patient services revenue is reported at the estimated realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. 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. Balances that are still outstanding after management has used reasonable collection efforts are written off to bad debts. The allowance for adjustment was \$82,485 and \$54,457 at June 30, 2008 and 2007, respectively.

f. Investments

The Center follows SFAS No. 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations." Under SFAS No. 124, investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets.

The fair value of investment securities are based on quoted market prices for those investments.

g. Property and Equipment

Property and equipment acquired by the Center are considered to be owned by the Center. Expenditures for maintenance repairs and minor replacements are charged to the current year, while major replacements and betterments costing over \$500 per item are capitalized. Depreciation is computed by the straight-line method with estimated useful lives ranging from 20 to 40 years for buildings and 5 to 10 years for equipment.

h. Support and Revenue

Support in the statements of activities consists of nonreciprocal receipts of grants and contracts. Revenues are classified as private, county, or other revenues. Private revenues represent revenues which the Center has received from patient services and contracted third-party payors.

A portion of other revenues represents revenues from MBC of Iowa an affiliate of Magellan Behavioral Health, in the Alcohol and Related Problems Program.

i. Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

j. Income Taxes

Northeast Iowa Mental Health Center is a nonprofit corporation qualifying for exempt status under Section 501(c) (3) of the Internal Revenue Code and is not required to pay income tax. The Center files the required annual informational return for organizations exempt from income tax. In addition, the Center has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code. There was no unrelated business income for 2008.

NOTES TO FINANCIAL STATEMENTS

1. Organization and Function and Significant Accounting Policies (Continued)

k. Pension Plan

The Center has a defined contribution pension plan for employees who have completed one year (date of hire to anniversary of that date) with a minimum of 1,000 hours of service to Northeast Iowa Mental Health Center. Thereafter, the Center contributes 10% of the employee's salary into the pension plan. The employee is not allowed to contribute. Vesting occurs at the rate of 33 1/3% per year.

The pension plan is administered by Mutual of America, Milwaukee, Wisconsin. Employees of the Center are eligible to participate in tax sheltered annuities. The Center does not contribute to the employee's tax sheltered annuities.

l. Accrued Vacation

The Center accrues vacation pay as a liability and as an expense on the statements of activities in the year it is earned and reduces the liability account in the year the vacation is taken.

m. Concentrations of Credit Risk

Financial instruments that potentially subject the Center to significant concentrations of credit risk consist principally of accounts receivables and cash. Receivables are primarily from the U.S. Government, the State of Iowa and local governments in Iowa, patients and third-party payors. These receivables are uncollateralized.

As of the balance sheet date, cash balances on deposit with financial institutions exceeded the amount insured by the Federal Deposit Insurance Corporation (FDIC) by \$71,565. These cash balances fluctuate during the year and at various times may exceed the \$100,000 insurance limit. Excess cash is invested daily to increase income. These investments are collateralized by bonds purchased by the financial institution. Management continually monitors the financial condition of the financial institutions along with the cash balances, which are maintained on deposit with them in order to minimize this potential risk.

n. Management Estimates

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

2. Investments

Investments at June 30, 2008 and 2007 are carried at fair value and are composed of the following:

	2008		2007	
	Cost	Fair Value	Cost	Fair Value
Investments whose use is limited				
Mutual funds	\$ 18,365	\$ 19,195	\$ 17,591	\$ 17,932
Certificates of deposit	411,411	411,338	390,493	390,463
	<u>\$ 429,776</u>	<u>\$ 430,533</u>	<u>\$ 408,084</u>	<u>\$ 408,395</u>

NOTES TO FINANCIAL STATEMENTS

2. Investments (Continued)

The following schedule summarizes the investment return for the years ended June 30, 2008 and 2007:

	2008		2007	
Investment income	\$ 22,158	\$	20,410	
Unrealized gain	446		163	
	\$ 22,604	\$	20,573	

The following tabulation summarizes the relationship between cost and fair value of investment assets:

	Cost		Fair Value	Excess of Fair Value Over Cost
Balance, beginning of year	\$ 408,084	\$	408,395	\$ 311
Increase in unrealized gain on investments				446
Balance, end of year	\$ 429,776	\$	430,533	\$ 757

The Center incurred no direct investment expenses during the years ended June 30, 2008 and 2007.

3. Property and Equipment

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

	2008		2007	
Buildings	\$ 1,350,065	\$	1,341,926	
Office furniture and equipment	435,731		430,835	
	1,785,796		1,772,761	
Accumulated depreciation	847,229		802,292	
	\$ 938,567	\$	970,469	

The total depreciation expense for the Center for the years ended June 30, 2008 and 2007 was \$44,937 and \$48,575, respectively.

4. Assets Whose Use is Limited

Assets of \$433,073 (\$412,242 in 2007) have been designated by the Board of Directors for the improvement, replacement, and expansion of property and equipment. Of this total, \$354,999 is designated for operating reserve, \$1,143 for a Medicare claiming reserve and \$76,931 is for equipment replacement. Management expects that a portion of the board-designated funds may be required for operations in the fiscal year ended June 30, 2009. This designation is subject to change at the discretion of the Board and is not a legal restriction on use of the assets.

5. Contributed Services

Contributed services, which require special skills that would be purchased, if not donated, or create or enhance a nonfinancial asset are recognized in the statements of activities. This amount equaled \$3,000 and \$3,000 for the years ended June 30, 2008 and 2007, respectively.

6. Fund-Raising Expense

The Center incurred no fund-raising expenses for the years ended June 30, 2008 and 2007.

7. Pension Plan

The total pension expense for the Center for the years ended June 30, 2008 and 2007 was \$89,419 and \$76,958, respectively.

8. Interest Expense

For the years ended June 30, 2008 and 2007, the Center incurred no interest cost, and accordingly, no interest expense was capitalized during these periods.

9. Lease Obligations

The Center leases office space for its satellite offices under various month to month leases with \$4,522 and \$4,371 charged to expense for the years ended June 30, 2008 and 2007, respectively.

The Center also rents equipment under various month to month leases which totaled \$1,231 and \$1,330 for the years ended June 30, 2008 and 2007, respectively.

10. Commitments and Contingencies

The Center's employees accumulate sick leave days for subsequent use. These accumulations are not recognized as expenses by the Center until used. The Center's approximate unrecognized accrued sick leave at June 30, 2008 is \$171,888 (\$163,097 at June 30, 2007). Sick leave becomes payable when used by the employees. The Center's policy prohibits payoff of accumulated benefits at termination of employment. The Board of Directors considers this amount designated, however, no assets have been specifically earmarked for this purpose.

On April 4, 2005, the Center entered into a contingency search agreement with FCS for the recruitment of a psychiatrist. Dr. Neelu Gill signed an employment agreement on July 19, 2005, to provide medical services for three years, with a two year extension subsequently signed, commencing in July 2006. Under the agreement, in addition to compensation and benefits, the Center paid for relocation costs up to \$7,000 and attorney's fees up to \$5,000 to help Dr. Gill obtain H-1B visa status. In accordance with the contingency search agreement with FCS, the Center paid half the fee, \$10,000 upon Dr. Gill signing the employment agreement. The remaining \$10,000 was paid when Dr. Gill began work at the Center in July 2006 and recorded as an expense for that period.

11. Risk Management

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

12. Support from Governmental Units

The Center receives a substantial portion of its support from federal, state, and local governments. These various governments are the source for approximately one half of the Center's revenue and support. A significant reduction in the level of this support would have a significant effect on the Center's programs and activities.

Effective October 1, 2006, Medicaid introduced a new cost reimbursement program to help offset the cost Mental Health Centers were being forced to absorb. Under the new plan, the Center charges for Medicaid services based on a set fee schedule. In April 2007, a five percent increase was approved by Medicaid retroactive to October 1, 2006, for services provided. The Center also stopped billing the counties for Medicaid related administration fees.

12. **Support from Governmental Units (Continued)**

Under this new program, the Center will do a cost report that will be due September 30th following fiscal year end. Based on the report submitted for the year ended June 30, 2007, the Center was reimbursed \$29,153. This amount was subsequently received in July, 2008. The Center's management estimates that the final reimbursement to be received for fiscal year 2008 will be \$30,000. This amount is included in the accounts receivable balance on the Statements of Financial Position and in the balance of revenue and gains, other, fees on the Statements of Activities. Anything received above or below this amount will be recognized in fiscal year 2009.

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**INDEPENDENT AUDITOR'S REPORT ON THE
SUPPLEMENTARY INFORMATION**

**To the Board of Directors
Northeast Iowa Mental Health Center
Decorah, Iowa**

Our report on our audits of the basic financial statements of Northeast Iowa Mental Health Center (a nonprofit corporation) for the years ended June 30, 2008 and 2007 appears on page 2. We conducted our audits in accordance with U.S. generally accepted auditing standards. These audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information listed on pages 14 through 20 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Hacker, Nelson & Co., P.C.

Decorah, Iowa
October 10, 2008

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NORTHEAST IOWA MENTAL HEALTH CENTER
STATEMENT OF FINANCIAL POSITION INFORMATION
June 30, 2008

	Mental Health Program	Alcohol and Related Problems Program
CURRENT ASSETS		
Cash and cash equivalents	\$ 176,908	
Accounts receivable, net of allowance for adjustments	164,328	\$ 72,542
Due from Mental Health Program		685,364
Prepaid expenses	23,236	
Total current assets	364,472	757,906
PROPERTY AND EQUIPMENT		
Buildings	1,350,065	
Equipment	435,731	
	1,785,796	
Less accumulated depreciation	(847,229)	
Total property and equipment	938,567	
ASSETS WHOSE USE IS LIMITED		
Investments, at fair market value	430,533	
Accrued interest receivable	2,540	
Noncurrent assets whose use is limited	433,073	
	\$ 1,736,112	\$ 757,906
CURRENT LIABILITIES		
Account payable	\$ 30,102	
Due to Alcohol and Related Problems Program	685,364	
Accrued expenses	6,726	
Deferred revenue	15,811	
Accrued salary and vacation pay	39,894	\$ 26,907
Total current liabilities	777,897	26,907
NET ASSETS		
Unrestricted net assets		
Designated for specified purposes	604,962	
Undesignated	353,253	730,999
Total unrestricted net assets	958,215	730,999
	\$ 1,736,112	\$ 757,906

See Independent Auditor's Report on the Supplementary Information.

Inter-program Eliminations	Total all Programs
	\$ 176,908
	236,870
\$ (685,364)	None
	23,236
<u>(685,364)</u>	<u>437,014</u>
	1,350,065
	<u>435,731</u>
	1,785,796
	<u>(847,229)</u>
	<u>938,567</u>
	430,533
	<u>2,540</u>
	<u>433,073</u>
<u>\$ (685,364)</u>	<u>\$ 1,808,654</u>
	\$ 30,102
\$ (685,364)	None
	6,726
	15,811
	<u>66,801</u>
<u>(685,364)</u>	<u>119,440</u>
	604,962
	<u>1,084,252</u>
	<u>1,689,214</u>
<u>\$ (685,364)</u>	<u>\$ 1,808,654</u>

NORTHEAST IOWA MENTAL HEALTH CENTER
STATEMENT OF FINANCIAL POSITION INFORMATION (Continued)
June 30, 2008

ASSETS WHOSE USE IS LIMITED			
	Interest Rate	Maturity Date	Amount
<u>Mental Health Program</u>			
Mutual Fund			
U.S. Government Securities Fund			
American Funds Service Company	Variable		\$ 19,195
Certificate of Deposits			
Edward D. Jones & Company American National			
National Bank of Nevada	3.50%	February 26, 2009	19,999
Washington Mutual Bank	3.50%	May 1, 2009	76,931
			<u>96,930</u>
Farmers and Merchants Savings Bank	5.10%	February 6, 2009	75,786
Bank of the West	2.81%	July 9, 2008	80,397
Viking State Bank & Trust	2.85%	May 10, 2009	44,560
Decorah Bank & Trust	5.05%	January 25, 2009	112,522
Decorah Bank & Trust	4.00%	September 10, 2008	1,143
			<u>411,338</u>
Accrued interest			<u>2,540</u>
Total assets whose use is limited			<u>\$ 433,073</u>

See Independent Auditor's Report on the Supplementary Information.

NORTHEAST IOWA MENTAL HEALTH CENTER
 STATEMENT OF CHANGES IN NET ASSETS (By Program)
 Year Ended June 30, 2008

	Mental Health Program	Alcohol and Related Problems Program	Inter-program Eliminations	Total All Programs
Total support and revenue	\$ 855,877	\$ 733,401	\$ (12,164)	\$ 1,577,114
Total expenses	<u>1,025,413</u>	<u>605,718</u>	<u>(12,164)</u>	<u>1,618,967</u>
Change in net assets	(169,536)	127,683	None	(41,853)
NET ASSETS, beginning	<u>1,127,751</u>	<u>603,316</u>	None	<u>1,731,067</u>
NET ASSETS, ending	<u>\$ 958,215</u>	<u>\$ 730,999</u>	<u>\$ None</u>	<u>\$ 1,689,214</u>

See Independent Auditor's Report on the Supplementary Information.

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NORTHEAST IOWA MENTAL HEALTH CENTER
STATEMENT OF ACTIVITIES INFORMATION
Year Ended June 30, 2008

	Mental Health Program	Alcohol and Related Problems Program
SUPPORT AND REVENUE		
Support		
County block grants	\$ 22,187	
Division of Health, Promotion, Prevention and Addictive Behaviors contract		\$ 425,676
Iowa Department of Corrections		17,911
Magellan Grant	18,446	
Star-Si Grant	11,500	
Division of Behavioral, Developmental and Protective Services for Families, Adults and Children		
Mental Health Adult Grant	21,834	
Mental Health Child Grant	23,350	
	97,317	443,587
Total support		
Revenue and Gains		
County		
Outpatient fees	170,811	
Community support services	23,030	
	193,841	
Other Revenue		
Fees		
Medicaid		145,016
Medicare	143,723	949
Patient fees	303,247	654,807
Contracted third party payors	249,404	
HPSA payments	6,142	
Community support services - MBC	103,730	
OWI education		27,030
Less adjustments	(9,710)	(424,372)
Insurance write-offs	(281,599)	(114,432)
	514,937	288,998
Total other revenue fees		
Other		
Psychological services	6,884	
Rent	12,164	
Interest	21,383	1
Dividends	774	
Gifts		300
Unrealized gain on investments	446	
In-kind contributions	3,000	
Miscellaneous	5,131	515
	49,782	816
Total other revenue other		
Total other revenue		
	564,719	289,814
Total revenue and gains		
	758,560	289,814
Total support and revenue		
	\$ 855,877	\$ 733,401

See Independent Auditor's Report on the Supplementary Information.

<u>Inter-program Eliminations</u>	<u>Total All Programs</u>
	\$ 22,187
	425,676
	17,911
	18,446
	11,500
	21,834
	<u>23,350</u>
	<u>540,904</u>
	170,811
	<u>23,030</u>
	<u>193,841</u>
	145,016
	144,672
	958,054
	249,404
	6,142
	103,730
	27,030
	(434,082)
	<u>(396,031)</u>
	<u>803,935</u>
\$ (12,164)	6,884
	None
	21,384
	774
	300
	446
	3,000
	5,646
<u>(12,164)</u>	<u>38,434</u>
<u>(12,164)</u>	<u>842,369</u>
<u>(12,164)</u>	<u>1,036,210</u>
<u>\$ (12,164)</u>	<u>\$ 1,577,114</u>

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NORTHEAST IOWA MENTAL HEALTH CENTER
STATEMENT OF FUNCTIONAL EXPENSES INFORMATION
Year Ended June 30, 2008

	Program Services			Total Program Services
	Mental Health Program	Alcohol and Related Problems Program	Inter-program Eliminations	
Salaries	\$ 543,912	\$ 297,395		\$ 841,307
Payroll taxes	47,989	26,772		74,761
Employee benefits	94,760	52,733		147,493
Total personnel	686,661	376,900		1,063,561
Psychiatric consultation	7,953			7,953
Independent contractors	4,744	3,804		8,548
Professional fees	10,202	5,214		15,416
Building repair and maintenance	9,588	6,507		16,095
Office supplies and expense	11,089	15,007		26,096
Telephone	4,811	2,617		7,428
Mileage and travel	19,008	3,956		22,964
Rent	2,169	7,848	\$ (6,352)	3,665
Janitorial services	6,602	4,890		11,492
Equipment repair and maintenance	8,928	6,184		15,112
Equipment rental	575	3,427	(3,005)	997
Depreciation and amortization	37,823			37,823
Bad debts	13,371	9,610		22,981
Other expenses	44,462	23,455		67,917
Total expenses	\$ 867,986	\$ 469,419	\$ (9,357)	\$ 1,328,048

See Independent Auditor's Report on the Supplementary Information.

Supporting Services		
General and Administrative	Inter-program Eliminations	Total Expenses
\$ 191,509		\$ 1,032,816
17,056		91,817
33,641		181,134
242,206		1,305,767
		7,953
		8,548
3,483		18,899
3,755		19,850
6,587		32,683
1,690		9,118
4,762		27,726
2,762	\$ (1,905)	4,522
2,709		14,201
3,534		18,646
1,136	(902)	1,231
7,114		44,937
		22,981
13,988		81,905
\$ 293,726	\$ (2,807)	\$ 1,618,967

NORTHEAST IOWA MENTAL HEALTH CENTER
 STATEMENT OF FUNCTIONAL EXPENSES INFORMATION (Continued)
 Year Ended June 30, 2008

	Program Services			Support Services General and Administrative	Total Expenses
	Mental Health Program	Alcohol and Related Problems Program	Total Program Services		
OTHER EXPENSES					
Heat, light, water and cable	\$ 14,153	\$ 9,793	\$ 23,946	\$ 5,600	\$ 29,546
Postage and shipping	4,292	2,956	7,248	1,693	8,941
Insurance/settlements	5,194	4,031	9,225	2,185	11,410
Conferences and conventions	8,158	492	8,650	1,682	10,332
Organization dues	1,016	1,335	2,351		2,351
Advertising	2,743	1,572	4,315	989	5,304
Board meeting expense				484	484
Computer support	1,619	1,104	2,723	636	3,359
Moving/recruitment	1,417	947	2,364		2,364
Miscellaneous	1,769	1,145	2,914	675	3,589
Subscriptions	106	80	186	44	230
Emergency Answer Plus	3,995		3,995		3,995
Total other expenses	\$ 44,462	\$ 23,455	\$ 67,917	\$ 13,988	\$ 81,905

See Independent Auditor's Report on the Supplementary Information.

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NORTHEAST IOWA MENTAL HEALTH CENTER
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year Ended June 30, 2008

Grantor/Program Title	Federal CFDA Number
Indirect	
U.S. Department of Justice, Office of Juvenile Justice and Delinquency Prevention	
Iowa Department of Human Services/HAWC Partnerships for Children	
Juvenile Justice and Delinquency Prevention	16.540
Enforcing Underage Drinking Laws Program	16.727
Subtotal Department of Justice	
U.S. Department of Health and Human Services	
Iowa Department of Public Health	
Division of Health Promotion, Prevention and Addictive Behaviors	
Block Grant for Prevention and Treatment of Substance Abuse (1)	93.959
Iowa Department of Human Services	
Division of Behavioral, Developmental and Protective Services for Families, Adults and Children	
Block Grants for Community Mental Health Service	
Education Request for Proposal (Adult)	93.958
Education Request for Proposal (Juvenile)	93.958
Subtotal Department of Health and Human Services	
U.S. Department of Education	
Safe and Drug-Free Schools and Communities	
Safe Schools/Healthy Students Initiative	
Community Connections Safe Schools Healthy Students Consortium	
Allamakee Community School District	84.184

(1) Administered by MBC of Iowa

See Independent Auditor's Report on the Supplementary Information.

Contract Number	Program Expenditures
Contract #CJJP-07-D1-003	\$ 10,907
Contract #CJJP-07-D1-003	4,766
	<u>15,673</u>
	 <u>120,891</u>
Contract #08-0324-401-6470-2349-26	21,834
Contract #08-0324-401-6470-2349-26	23,350
	<u>45,184</u>
	<u>166,075</u>
	 <u>26,250</u>
	<u><u>\$ 207,998</u></u>

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

To the Board of Directors
Northeast Iowa Mental Health Center
Decorah, Iowa

We have audited the financial statements of Northeast Iowa Mental Health Center (a nonprofit corporation) as of and for the year ended June 30, 2008, and have issued our report thereon dated October 10, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Northeast Iowa Mental Health Center's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Northeast Iowa Mental Health Center's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Center's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the Center's financial statements that is more than inconsequential will not be prevented or detected by the Center's internal control. We consider the deficiencies described below to be significant deficiencies in internal control over financial reporting.

1. Segregation of Duties

During our review of internal controls, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of Northeast Iowa Mental Health Center's financial statements. The financial and grant reporting is primarily the responsibility of one person. As a result, interruption of some accounting functions could occur if they were unable to perform their duties.

1. Segregation of Duties (Continued)

Recommendation

We realize that with a limited number of office employees, segregation of duties is difficult. However, the Center should review the operating procedures to obtain the maximum internal control possible under the circumstances. The Center should also consider the potential consequence of reliance on one person for financial and grant reporting.

Response and Corrective Action Planned

This issue is reviewed annually through the audit review with the Board of Directors. The size of the agency prevents further segregation of duties.

Conclusion

Recommendation stands.

2. Financial Reporting

Reporting financial data reliably in accordance with generally accepted accounting principles requires management to possess sufficient knowledge and expertise to select and apply accounting principles and prepare year-end financial statements, including footnote disclosures. Management presently is able to prepare financial statements, but lacks the knowledge and training to appropriately fulfill the responsibilities of applying all accounting principles and preparing footnote disclosures, which is a common situation in small entities.

Recommendation

We understand that the Center has a limited number of office employees, amount of staff time and budget that can be dedicated to education. We recommend management obtain additional generally accepted accounting principles knowledge through reading relevant accounting literature and attending local professional education courses. This should help management significantly improve in their ability to prepare and take responsibility for reliable generally accepted accounting principles financial statements.

Response and Corrective Action Planned

The Center agrees that accounting staff should take advantage of training and readings that advance their understanding of generally accepted accounting principles when it is conveniently available and doesn't interfere with required day-to-day responsibilities.

Conclusion

Response accepted.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Center's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Northeast Iowa Mental Health Center'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*.

Northeast Iowa Mental Health Center's responses to the findings identified in our audit are described previously. We did not audit Northeast Iowa Mental Health Center's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Hacker, Nelson & Co., P.C.

Decorah, Iowa
October 10, 2008