

**NORTHEAST IOWA MENTAL
HEALTH CENTER**

FINANCIAL STATEMENTS

JUNE 30, 2009

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NORTHEAST IOWA MENTAL HEALTH CENTER
BOARD OF DIRECTORS AND STAFF MEMBERS

June 30, 2009

President:
Vice President:
Secretary:
Treasurer:

Becky Cleveland (Gundersen Lutheran)
Stuart Johnston (Winneshiek)
Bill Nixon (Winneshiek)
Bill Nixon (Winneshiek)

Diann Cline, Fayette
Don Burnikel, Howard
John Lacewell, Allamakee
Mark Smith, Fayette

Randy Keehner, Clayton
Steve Bouska, Winneshiek
Susan Ney, Howard

STAFF MEMBERS

Management

Stephanie Cannon, BS, Assistant MIS Director
Diane Decker, BA, Support/Transcriptionist
Jan Jauert, Support/Administrative Assistant
Bonnie Johnson, BA, 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, CADC, Cert. Substance Abuse Counselor
*Kim Gamm, CADA, Cert. Substance Abuse Counselor
*Jamie Lanus, LISW, Behavioral Health Therapist
Ginger O'Connell, LBSW, ACADC, Substance Abuse Counselor

Clinical Staff - Decorah

Jennifer Benda, BS, Community Support Specialist
Brenda Burke, LMSW, Behavioral Health Therapist
Stacia Danielson, LMSW, Behavioral Health Therapist
Susan Doll, LISW, ACADC, Behavioral Health Therapist
Stephanie Garcia-Prats, LMSW, 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, LISW, Behavioral Health Therapist

*Terminated prior to or on June 30, 2009

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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, 2009 and 2008, 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, 2009 and 2008, 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 September 11, 2009, 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 should be considered in assessing the results of our audit.

Hacker, Nelson & Co., P.C.

Decorah, Iowa
September 11, 2009

NORTHEAST IOWA MENTAL HEALTH CENTER
 STATEMENTS OF FINANCIAL POSITION
 June 30, 2009 and 2008

ASSETS

	2009	2008
CURRENT ASSETS		
Cash and cash equivalents	\$ 106,339	\$ 176,908
Accounts receivable, less allowance for adjustments of 2009 \$58,123; 2008 \$82,485	220,940	236,870
Prepaid expenses	22,176	23,236
Total current assets	349,455	437,014
PROPERTY AND EQUIPMENT, net	944,933	938,567
ASSETS WHOSE USE IS LIMITED		
Investments, at fair value	446,395	430,533
Accrued interest receivable	1,097	2,540
Noncurrent assets whose use is limited	447,492	433,073
	\$ 1,741,880	\$ 1,808,654

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 25,956	\$ 30,102
Accrued expenses	6,340	6,726
Deferred revenue		15,811
Accrued salary and vacation pay	69,640	66,801
Total current liabilities	101,936	119,440
NET ASSETS		
Unrestricted net assets		
Designated for specified purposes	612,331	604,962
Undesignated	1,027,613	1,084,252
Total net assets	1,639,944	1,689,214
	\$ 1,741,880	\$ 1,808,654

See Notes to Financial Statements.

NORTHEAST IOWA MENTAL HEALTH CENTER
 STATEMENTS OF ACTIVITIES
 June 30, 2009 and 2008

	2009	2008
SUPPORT AND REVENUE		
Support		
Grants and contracts	\$ 614,457	\$ 540,904
Revenue and gains		
County fees	167,287	193,841
Other		
Fees	917,376	803,935
Other services	6,018	6,884
Interest	13,305	21,384
Dividends	661	774
Gifts	300	300
Unrealized gain on investments	903	446
In-kind contributions	35,431	3,000
Miscellaneous	3,892	5,646
Total revenue and gains	1,145,173	1,036,210
Total support and revenue	1,759,630	1,577,114
EXPENSES		
Program services		
Mental Health program	970,112	867,986
Alcohol and Related Problems program	521,849	460,062
Total program services	1,491,961	1,328,048
Support services		
General and administrative	316,939	290,919
Total expenses	1,808,900	1,618,967
Change in unrestricted net assets	(49,270)	(41,853)
NET ASSETS, beginning	1,689,214	1,731,067
NET ASSETS, ending	\$ 1,639,944	\$ 1,689,214

See Notes to Financial Statements.

NORTHEAST IOWA MENTAL HEALTH CENTER
 STATEMENTS OF CASH FLOWS
 June 30, 2009 and 2008

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (49,270)	\$ (41,853)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities		
Depreciation	48,001	44,937
Provision for adjustments	24,362	28,028
Unrealized gain on investments	(903)	(446)
Changes in:		
Accounts receivable	(8,432)	(38,289)
Accrued interest	1,443	1,307
Prepaid expenses	1,060	(3,303)
Accounts payable and accrued expenses	(4,146)	9,263
Accrued expenses	(386)	1,209
Deferred revenue	(15,811)	15,811
Accrued salaries and benefits	2,839	8,380
	(1,243)	25,044
Net cash (used in) provided by operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment, furniture and fixtures	(54,367)	(13,035)
Purchase of investments	(14,959)	(21,692)
	(69,326)	(34,727)
Net cash used in investing activities		
Net decrease in cash	(70,569)	(9,683)
CASH AND CASH EQUIVALENTS		
Beginning of year	176,908	186,591
End of year	\$ 106,339	\$ 176,908

See Notes to Financial Statements.

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NORTHEAST IOWA MENTAL HEALTH CENTER
 STATEMENTS OF FUNCTIONAL EXPENSES
 Years Ended June 30, 2009 and 2008

	2009			
	Program Services		Supporting Services	Total
	Mental Health Program	Alcohol and Related Problems Program	General and Administrative	
Salaries	\$ 601,309	\$ 337,482	\$ 209,715	\$ 1,148,506
Payroll taxes	53,793	30,388	18,819	103,000
Employee benefits	108,800	61,481	38,068	208,349
Total personnel	763,902	429,351	266,602	1,459,855
Psychiatric consultation	7,594			7,594
Independent contractors	7,411	389		7,800
Professional fees	10,122	5,157	3,377	18,656
Building repair and maintenance	7,593	5,290	2,949	15,832
Office supplies and expense	15,184	9,895	5,698	30,777
Telephone	4,174	2,482	1,497	8,153
Mileage and travel	28,349	4,047	6,412	38,808
Rent	3,686	2,498	1,411	7,595
Janitorial services	8,002	5,559	3,104	16,665
Equipment repair and maintenance	8,195	5,645	3,164	17,004
Equipment rental	442	298	169	909
Depreciation and amortization	40,529		7,472	48,001
Bad debts	15,230	25,947		41,177
Other expenses	49,699	25,291	15,084	90,074
Total expenses	\$ 970,112	\$ 521,849	\$ 316,939	\$ 1,808,900

See Notes to Financial Statements.

2008

Program Services		Supporting Services		Total
Mental Health Program	Alcohol and Related Problems Program	General and Administrative		
\$ 543,912	\$ 297,395	\$ 191,509	\$ 1,032,816	
47,989	26,772	17,056	91,817	
94,760	52,733	33,641	181,134	
686,661	376,900	242,206	1,305,767	
7,953			7,953	
4,744	3,804		8,548	
10,202	5,214	3,483	18,899	
9,588	6,507	3,755	19,850	
11,089	15,007	6,587	32,683	
4,811	2,617	1,690	9,118	
19,008	3,956	4,762	27,726	
2,169	1,496	857	4,522	
6,602	4,890	2,709	14,201	
8,928	6,184	3,534	18,646	
575	422	234	1,231	
37,823		7,114	44,937	
13,371	9,610		22,981	
44,462	23,455	13,988	81,905	
\$ 867,986	\$ 460,062	\$ 290,919	\$ 1,618,967	

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 \$58,123 and \$82,485 at June 30, 2009 and 2008, 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.

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 2009.

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.

NOTES TO FINANCIAL STATEMENTS

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

k. Pension Plan (Continued)

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.

Cash balances fluctuate during the year and at various times may exceed the FDIC 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, 2009 and 2008 are carried at fair value and are composed of the following:

	2009		2008	
	Cost	Fair Value	Cost	Fair Value
Investments whose use is limited				
Mutual funds	\$ 19,026	\$ 20,517	\$ 18,365	\$ 19,195
Certificates of deposit	425,709	425,878	411,411	411,338
	\$ 444,735	\$ 446,395	\$ 429,776	\$ 430,533

Fair value of assets measured on a recurring basis at June 30, 2009 and 2008 consist of the mutual funds shown above. Fair value for short-term investments is determined by level 1 inputs by reference to quoted market prices in active markets for identical assets and other relevant information generated by market transactions.

The following schedule summarizes the investment return for the years ended June 30, 2009 and 2008:

	2009	2008
Investment income	\$ 13,966	\$ 22,158
Unrealized gain	903	446
	\$ 14,869	\$ 22,604

NOTES TO FINANCIAL STATEMENTS

2. Investments (Continued)

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	\$ 429,776	\$ 430,533	\$ 757
Increase in unrealized gain on investments			903
Balance, end of year	\$ 444,735	\$ 446,395	\$ 1,660

The Center incurred no direct investment expenses during the years ended June 30, 2009 and 2008.

3. Property and Equipment

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

	2009	2008
Buildings	\$ 1,350,065	\$ 1,350,065
Office furniture and equipment	490,098	435,731
	1,840,163	1,785,796
Accumulated depreciation	895,230	847,229
	\$ 944,933	\$ 938,567

The total depreciation expense for the Center for the years ended June 30, 2009 and 2008 was \$48,001 and \$44,937, respectively.

4. Assets Whose Use is Limited

Assets of \$447,492 (\$433,073 in 2008) have been designated by the Board of Directors for the improvement, replacement, and expansion of property and equipment. Of this total, \$366,246 is designated for operating reserve, \$1,189 for a Medicaid claiming reserve and \$80,057 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, 2010. 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 and Equipment

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, 2009 and 2008, respectively.

Contributed equipment is recorded as support at estimated fair value in the statements of activities. This amount equaled \$32,431 and \$None for the years ended June 30, 2009 and 2008, respectively.

6. Fund-Raising Expense

The Center incurred no fund-raising expenses for the years ended June 30, 2009 and 2008.

7. Pension Plan

The total pension expense for the Center for the years ended June 30, 2009 and 2008 was \$102,137 and \$89,419, respectively.

8. Interest Expense

For the years ended June 30, 2009 and 2008, 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 \$7,596 and \$4,522 charged to expense for the years ended June 30, 2009 and 2008, respectively.

The Center also rents equipment under various month to month leases which totaled \$909 and \$1,231 for the years ended June 30, 2009 and 2008, 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, 2009 is \$164,838 (\$171,888 at June 30, 2008). 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.

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.

Under this new program, the Center will do a cost report that will be due September 30th following fiscal year end. Management estimated reimbursement of \$30,000 for the 2008 fiscal year. Based on the report submitted for the year ended June 30, 2008, the Center was reimbursed \$95,665. This amount was subsequently received in June, 2009. The Center's management estimates that the final reimbursement to be received for fiscal year 2009 will be \$40,000. 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 2010.

13. Fair Value of Financial Instruments

SFAS No. 157 "Fair Value Measurements" defines fair value, establishes a framework for measuring fair value with generally accepted accounting principles and expands required disclosures about fair value measurements. Implementation of SFAS No. 157 for financial assets was adopted by the Center as of July 1, 2008, see Note 2. FASB provided a one year deferral for the implementation of SFAS No. 157 for nonfinancial assets and liabilities. The Center does not anticipate a material impact to its financial condition, results of operations or cash flows when adopting SFAS No. 157 for nonfinancial assets effective July 1, 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, 2009 and 2008 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 13 through 19 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
September 11, 2009**

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NORTHEAST IOWA MENTAL HEALTH CENTER
STATEMENT OF FINANCIAL POSITION INFORMATION
June 30, 2009

	Mental Health Program	Alcohol and Related Problems Program
CURRENT ASSETS		
Cash and cash equivalents	\$ 106,339	
Accounts receivable, net of allowance for adjustments	156,321	\$ 64,619
Due from Mental Health Program		819,916
Prepaid expenses	22,176	
Total current assets	284,836	884,535
PROPERTY AND EQUIPMENT		
Buildings	1,350,065	
Equipment	490,098	
	1,840,163	
Less accumulated depreciation	(895,230)	
Total property and equipment	944,933	
ASSETS WHOSE USE IS LIMITED		
Investments, at fair market value	446,395	
Accrued interest receivable	1,097	
Noncurrent assets whose use is limited	447,492	
	\$ 1,677,261	\$ 884,535
CURRENT LIABILITIES		
Account payable	\$ 25,956	
Due to Alcohol and Related Problems Program	819,916	
Accrued expenses	6,340	
Accrued salary and vacation pay	37,762	\$ 31,878
Total current liabilities	889,974	31,878
NET ASSETS		
Unrestricted net assets		
Designated for specified purposes	612,331	
Undesignated	174,956	852,657
Total unrestricted net assets	787,287	852,657
	\$ 1,677,261	\$ 884,535

See Independent Auditor's Report on the Supplementary Information.

<u>Inter-program Eliminations</u>	<u>Total all Programs</u>
	\$ 106,339
	220,940
\$ (819,916)	None
	22,176
<u>(819,916)</u>	<u>349,455</u>
	1,350,065
	<u>490,098</u>
	1,840,163
	<u>(895,230)</u>
	<u>944,933</u>
	446,395
	<u>1,097</u>
	<u>447,492</u>
<u>\$ (819,916)</u>	<u>\$ 1,741,880</u>
	\$ 25,956
\$ (819,916)	None
	6,340
	69,640
<u>(819,916)</u>	<u>101,936</u>
	612,331
	<u>1,027,613</u>
	<u>1,639,944</u>
<u>\$ (819,916)</u>	<u>\$ 1,741,880</u>

NORTHEAST IOWA MENTAL HEALTH CENTER
 STATEMENT OF FINANCIAL POSITION INFORMATION (Continued)
 June 30, 2009

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		\$ 20,517
Money Market			
Farmers and Merchants Savings Bank	1.98%		79,825
Certificate of Deposits			
Edward D. Jones & Company American National			
Banco Popular Puerto Rico	3.50%	September 30, 2009	20,212
GE Capital	2.30%	May 2, 2011	80,057
			100,269
Bank of the West	2.23%	April 9, 2010	82,605
Viking State Bank & Trust	2.35%	May 10, 2010	45,837
Decorah Bank & Trust	3.05%	July 22, 2010	116,153
Decorah Bank & Trust	4.00%	September 10, 2009	1,189
			346,053
Accrued interest			1,097
Total assets whose use is limited			\$ 447,492

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, 2009

	Mental Health Program	Alcohol and Related Problems Program	Inter-program Eliminations	Total All Programs
Total support and revenue	\$ 971,260	\$ 800,800	\$ (12,430)	\$ 1,759,630
Total expenses	1,142,188	679,142	(12,430)	1,808,900
Change in net assets	(170,928)	121,658	None	(49,270)
NET ASSETS, beginning	958,215	730,999	None	1,689,214
NET ASSETS, ending	\$ 787,287	\$ 852,657	\$ None	\$ 1,639,944

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, 2009

	Mental Health Program	Alcohol and Related Problems Program
SUPPORT AND REVENUE		
Support		
County block grants	\$ 22,000	
Division of Health, Promotion, Prevention and Addictive Behaviors contract		\$ 446,420
Iowa Department of Corrections		18,448
Magellan Grant	15,811	
Star-Si Grant	7,000	
Project Recovery Iowa	28,625	
Access to Recovery	21,053	
Division of Behavioral, Developmental and Protective Services for Families, Adults and Children		
Mental Health Adult Grant	28,121	
Mental Health Child Grant	26,979	
	<hr/>	<hr/>
Total support	149,589	464,868
	<hr/>	<hr/>
Revenue and Gains		
County		
Outpatient fees	151,145	
Community support services	16,142	
	<hr/>	
	167,287	
	<hr/>	
Other Revenue		
Fees		
Medicaid		140,679
Medicare	194,363	11,742
Patient fees	314,710	677,697
Contracted third party payors	229,383	
HPSA payments	4,476	
Community support services - MBC	90,825	
OWI education		30,615
Less adjustments	148	(447,340)
Insurance write-offs	(251,594)	(78,328)
	<hr/>	<hr/>
Total other revenue fees	582,311	335,065
	<hr/>	<hr/>
Other		
Psychological services	6,018	
Rent	12,430	
Interest	13,304	1
Dividends	661	
Gifts		300
Unrealized gain on investments	903	
In-kind contributions	35,431	
Miscellaneous	3,326	566
	<hr/>	<hr/>
Total other revenue other	72,073	867
	<hr/>	<hr/>
Total other revenue	654,384	335,932
	<hr/>	<hr/>
Total revenue and gains	821,671	335,932
	<hr/>	<hr/>
Total support and revenue	\$ 971,260	\$ 800,800
	<hr/> <hr/>	<hr/> <hr/>

See Independent Auditor's Report on the Supplementary Information.

<u>Inter-program Eliminations</u>	<u>Total All Programs</u>
	\$ 22,000
	446,420
	18,448
	15,811
	7,000
	28,625
	21,053
	28,121
	<u>26,979</u>
	<u>614,457</u>
	151,145
	<u>16,142</u>
	<u>167,287</u>
	140,679
	206,105
	992,407
	229,383
	4,476
	90,825
	30,615
	(447,192)
	<u>(329,922)</u>
	<u>917,376</u>
\$ (12,430)	6,018
	None
	13,305
	661
	300
	903
	35,431
	3,892
	<u>60,510</u>
<u>(12,430)</u>	<u>977,886</u>
<u>(12,430)</u>	<u>1,145,173</u>
<u>\$ (12,430)</u>	<u>\$ 1,759,630</u>

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NORTHEAST IOWA MENTAL HEALTH CENTER
STATEMENT OF FUNCTIONAL EXPENSES INFORMATION
Year Ended June 30, 2009

	Program Services			Total Program Services
	Mental Health Program	Alcohol and Related Problems Program	Inter-program Eliminations	
Salaries	\$ 601,309	\$ 337,482		\$ 938,791
Payroll taxes	53,793	30,388		84,181
Employee benefits	108,800	61,481		170,281
Total personnel	763,902	429,351		1,193,253
Psychiatric consultation	7,594			7,594
Independent contractors	7,411	389		7,800
Professional fees	10,122	5,157		15,279
Building repair and maintenance	7,593	5,290		12,883
Office supplies and expense	15,184	9,895		25,079
Telephone	4,174	2,482		6,656
Mileage and travel	28,349	4,047		32,396
Rent	3,686	9,011	\$ (6,513)	6,184
Janitorial services	8,002	5,559		13,561
Equipment repair and maintenance	8,195	5,645		13,840
Equipment rental	442	3,399	(3,101)	740
Depreciation and amortization	40,529			40,529
Bad debts	15,230	25,947		41,177
Other expenses	49,699	25,291		74,990
Total expenses	\$ 970,112	\$ 531,463	\$ (9,614)	\$ 1,491,961

See Independent Auditor's Report on the Supplementary Information.

Supporting Services		Total
General and Administrative	Inter-program Eliminations	Expenses
\$ 209,715		\$ 1,148,506
18,819		103,000
38,068		208,349
266,602		1,459,855
		7,594
		7,800
3,377		18,656
2,949		15,832
5,698		30,777
1,497		8,153
6,412		38,808
3,319	\$ (1,908)	7,595
3,104		16,665
3,164		17,004
1,077	(908)	909
7,472		48,001
		41,177
15,084		90,074
\$ 319,755	\$ (2,816)	\$ 1,808,900

NORTHEAST IOWA MENTAL HEALTH CENTER
 STATEMENT OF FUNCTIONAL EXPENSES INFORMATION (Continued)
 Year Ended June 30, 2009

	Program Services			Support Services	Total Expenses
	Mental Health Program	Alcohol and Related Problems Program	Total Program Services		
OTHER EXPENSES					
Heat, light, water and cable	\$ 14,969	\$ 10,336	\$ 25,305	\$ 5,788	\$ 31,093
Postage and shipping	3,962	2,708	6,670	1,523	8,193
Insurance/settlements	4,598	3,231	7,829	1,795	9,624
Conferences and conventions	6,630	517	7,147	1,373	8,520
Organization dues	1,956	1,547	3,503		3,503
Advertising	4,472	3,383	7,855	1,815	9,670
Board meeting expense				388	388
Computer support	1,724	1,180	2,904	664	3,568
Moving/recruitment	2,020		2,020		2,020
Miscellaneous	5,611	2,381	7,992	1,728	9,720
Subscriptions	45	8	53	10	63
Emergency Answer Plus	3,712		3,712		3,712
Total other expenses	\$ 49,699	\$ 25,291	\$ 74,990	\$ 15,084	\$ 90,074

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, 2009

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 Behavioral Health	
Block Grant for Prevention and Treatment of Substance Abuse (1)	93.959
Block Grant for Strengthening Treatment Access & Retention (1)	93.243
Block Grant for Access to Recovery	93.275
Iowa Department of Human Services	
Division of Mental Health and Disability Services	
Block Grants for Community Mental Health Service	
Education Request for Proposal (Adult)	93.958
Education Request for Proposal (Juvenile)	93.958
Block Grant for Project Recovery Iowa	93.982
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
CJJP-07-D1-003	\$ 252
CJJP-07-D1-003	2,283
	<u>2,535</u>
	121,180
	7,000
Cooperative Agreement	<u>21,053</u>
	<u>149,233</u>
	28,121
BDPS 07-115	26,979
BDPS 07-115	<u>28,625</u>
	<u>83,725</u>
	<u>232,958</u>
	17,125
2008-0003	<u>17,125</u>
	<u>\$ 252,618</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, 2009, and have issued our report thereon dated September 11, 2009. 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
September 11, 2009