

**NORTHEAST IOWA MENTAL
HEALTH CENTER**

FINANCIAL STATEMENTS

JUNE 30, 2010

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NORTHEAST IOWA MENTAL HEALTH CENTER
BOARD OF DIRECTORS AND STAFF MEMBERS

June 30, 2010

President:
Vice President:
Secretary:
Treasurer:

Stuart Johnston (Winneshiek)
Mark Smith (Fayette)
Bill Nixon (Winneshiek)
Bill Nixon (Winneshiek)

John Lacewell, Allamakee
Cloy Kuhse, Allamakee
Randy Keehner, Clayton
Diann Cline, Fayette
Becky Cleveland, Gundersen Lutheran

Susan Ney, Howard
Don Burnikel, Howard
Steve Bouska, Winneshiek
Dalen Wanless, Winneshiek

STAFF MEMBERS

Management

Stephanie Cannon, BS, Assistant to MIS Director
Diane Decker, BA, Support/Transcription
Sara Graves, Support
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
*Patrick Smith, M. Ed., Executive Director
Jaynece Tekippe, Patient Account Specialist
Bob Thacker, MA, ACADC, Executive Director
Kathy Villa, Support/Oelwein Office Manager

Clinical Staff - Decorah

Jennifer Benda, BS, Community Support Specialist
Stacia Danielson, LISW, CADC, Behavioral Health Therapist
Susan Doll, LISW, ACADC, Behavioral Health Therapist
Stephanie Garcia-Prats, LMSW, Behavioral Health Therapist
Rebecca Loven, LMHC, Behavioral Health Therapist
Theresa O'Connell, LISW, Behavioral Health Therapist
Ann Pahlas, LBSW, Community Support Specialist
Cynthia Peterson, LISW, Behavioral Health Therapist
Connie Popenhagen, LISW, IADC, Behavioral Health Therapist
Erin Powers-Daley, MA, CADC, Behavioral Health Therapist
David Prochaska, MS, Community Support Specialist
Karen Tenneson, LISW, Behavioral Health Therapist

Medical Staff

Bhasker 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, Substance Abuse Counselor
Ginger O'Connell, LBSW, ACADC, Substance Abuse Counselor
Karla Wolfs, LISW, Behavioral Health Therapist

*Terminated prior to or on June 30, 2010

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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, 2010 and 2009, 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, 2010 and 2009, 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 23, 2010, 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 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 23, 2010

NORTHEAST IOWA MENTAL HEALTH CENTER
 STATEMENTS OF FINANCIAL POSITION
 June 30, 2010 and 2009

ASSETS

	2010	2009
CURRENT ASSETS		
Cash and cash equivalents	\$ 158,753	\$ 106,339
Accounts receivable, less allowance for adjustments of 2010 \$57,051; 2009 \$58,123	238,881	220,940
Prepaid expenses	27,391	22,176
Total current assets	425,025	349,455
PROPERTY AND EQUIPMENT, net	892,656	944,933
ASSETS WHOSE USE IS LIMITED		
Investments, at fair value	433,624	446,395
Accrued interest receivable	720	1,097
Noncurrent assets whose use is limited	434,344	447,492
	\$ 1,752,025	\$ 1,741,880
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 19,863	\$ 25,956
Accrued expenses	9,254	6,340
Accrued salary and vacation pay	77,328	69,640
Total current liabilities	106,445	101,936
NET ASSETS		
Unrestricted net assets		
Designated for specified purposes	612,981	612,331
Undesignated	1,032,599	1,027,613
Total net assets	1,645,580	1,639,944
	\$ 1,752,025	\$ 1,741,880

See Notes to Financial Statements.

NORTHEAST IOWA MENTAL HEALTH CENTER
 STATEMENTS OF ACTIVITIES
 June 30, 2010 and 2009

	2010	2009
SUPPORT AND REVENUE		
Support		
Grants and contracts	\$ 601,568	\$ 614,457
Revenue and gains		
County fees	174,722	167,287
Other		
Fees	979,329	917,376
Other services	5,379	6,018
Interest	8,969	13,305
Dividends	670	661
Gifts	400	300
Unrealized gain on investments	1,705	903
In-kind contributions	3,300	35,431
Miscellaneous	6,051	3,892
Total revenue and gains	1,180,525	1,145,173
Total support and revenue	1,782,093	1,759,630
EXPENSES		
Program services		
Mental Health program	960,430	970,112
Alcohol and Related Problems program	513,628	521,849
Total program services	1,474,058	1,491,961
Support services		
General and administrative	302,399	316,939
Total expenses	1,776,457	1,808,900
Change in unrestricted net assets	5,636	(49,270)
NET ASSETS, beginning	1,639,944	1,689,214
NET ASSETS, ending	\$ 1,645,580	\$ 1,639,944

See Notes to Financial Statements.

NORTHEAST IOWA MENTAL HEALTH CENTER
 STATEMENTS OF CASH FLOWS
 June 30, 2010 and 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 5,636	\$ (49,270)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	57,318	48,001
Provision for adjustments	1,072	24,362
Unrealized gain on investments	(1,705)	(903)
Changes in:		
Accounts receivable	(19,013)	(8,432)
Accrued interest	377	1,443
Prepaid expenses	(5,215)	1,060
Accounts payable	(6,093)	(4,146)
Accrued expenses	2,914	(386)
Deferred revenue		(15,811)
Accrued salaries and benefits	7,688	2,839
	42,979	(1,243)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment, furniture and fixtures	(5,041)	(54,367)
Proceeds from investments	108,105	
Purchase of investments	(93,629)	(14,959)
	9,435	(69,326)
Net increase (decrease) in cash	52,414	(70,569)
CASH AND CASH EQUIVALENTS		
Beginning of year	106,339	176,908
End of year	\$ 158,753	\$ 106,339

See Notes to Financial Statements.

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NORTHEAST IOWA MENTAL HEALTH CENTER
 STATEMENTS OF FUNCTIONAL EXPENSES
 Years Ended June 30, 2010 and 2009

	2010			
	Program Services		Supporting Services	Total
	Mental Health Program	Alcohol and Related Problems Program	General and Administrative	
Salaries	\$ 591,254	\$ 329,838	\$ 196,695	\$ 1,117,787
Payroll taxes	54,642	30,616	18,216	103,474
Employee benefits	113,048	63,621	37,765	214,434
Total personnel	758,944	424,075	252,676	1,435,695
Psychiatric consultation	5,631			5,631
Independent contractors		488		488
Professional fees	8,438	3,812	2,554	14,804
Disaster relief	6,483			6,483
Building repair and maintenance	10,124	6,826	3,701	20,651
Office supplies and expense	16,264	15,644	7,268	39,176
Telephone	4,103	2,380	1,391	7,874
Mileage and travel	23,822	5,329	5,675	34,826
Rent	3,606	2,442	1,322	7,370
Janitorial services	5,973	4,093	2,202	12,268
Equipment repair and maintenance	10,929	7,310	3,979	22,218
Equipment rental	603	392	216	1,211
Depreciation and amortization	48,782		8,536	57,318
Bad debts	13,673	15,129		28,802
Other expenses	43,055	25,708	12,879	81,642
Total expenses	\$ 960,430	\$ 513,628	\$ 302,399	\$ 1,776,457

See Notes to Financial Statements.

2009

Program Services		Supporting Services		Total
Mental Health Program	Alcohol and Related Problems Program	General and Administrative		
\$ 601,309	\$ 337,482	\$ 209,715	\$ 1,148,506	
53,793	30,388	18,819	103,000	
108,800	61,481	38,068	208,349	
763,902	429,351	266,602	1,459,855	
7,594			7,594	
7,411	389		7,800	
10,122	5,157	3,377	18,656	
7,593	5,290	2,949	15,832	
15,184	9,895	5,698	30,777	
4,174	2,482	1,497	8,153	
28,349	4,047	6,412	38,808	
3,686	2,498	1,411	7,595	
8,002	5,559	3,104	16,665	
8,195	5,645	3,164	17,004	
442	298	169	909	
40,529		7,472	48,001	
15,230	25,947		41,177	
49,699	25,291	15,084	90,074	
\$ 970,112	\$ 521,849	\$ 316,939	\$ 1,808,900	

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 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 standard, the Center has prepared its external financial statements to present the three classes of net assets required. The Center has no temporarily or permanently restricted net assets.

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 \$57,051 and \$58,123 at June 30, 2010 and 2009, respectively.

f. Investments

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 2010. The Center adopted the provisions of *Accounting for Uncertainty in Income Taxes*, on July 1, 2009. Management of the Center believes it has no material uncertain tax positions and, accordingly it will not recognize any liability for unrecognized tax benefits.

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, 2010 and 2009 are carried at fair value and are composed of the following:

	2010		2009	
	Cost	Fair Value	Cost	Fair Value
Investments whose use is limited				
Mutual funds	\$ 19,697	\$ 21,998	\$ 19,026	\$ 20,517
Certificates of deposit	410,562	411,626	425,709	425,878
	\$ 430,259	\$ 433,624	\$ 444,735	\$ 446,395

Fair value of assets measured on a recurring basis at June 30, 2010 and 2009 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, 2010 and 2009:

	2010		2009	
Investment income	\$ 9,639	\$ 13,966		
Unrealized gain	1,705	903		
	\$ 11,344	\$ 14,869		

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	\$ 444,735	\$ 446,395	\$ 1,660
Increase in unrealized gain on investments			1,705
Balance, end of year	\$ 430,259	\$ 433,624	\$ 3,365

The Center incurred no direct investment expenses during the years ended June 30, 2010 and 2009.

3. Property and Equipment

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

	2010	2009
Buildings	\$ 1,350,065	\$ 1,350,065
Office furniture and equipment	495,139	490,098
	1,845,204	1,840,163
Accumulated depreciation	952,548	895,230
	\$ 892,656	\$ 944,933

The total depreciation expense for the Center for the years ended June 30, 2010 and 2009 was \$57,318 and \$48,001, respectively.

4. Assets Whose Use is Limited

Assets of \$434,344 (\$447,492 in 2009) have been designated by the Board of Directors for the improvement, replacement, and expansion of property and equipment. Of this total, \$353,477 is designated for operating reserve and \$80,867 is for equipment replacement. Management expects a portion of the board-designated funds may be required for operations in the fiscal year ended June 30, 2011. 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 \$3,300 and \$3,000 for the years ended June 30, 2010 and 2009, respectively.

Contributed equipment is recorded as support at estimated fair value in the statements of activities. This amount equaled \$None and \$32,431 for the years ended June 30, 2010 and 2009, respectively.

6. Fund-Raising Expense

The Center incurred no fund-raising expenses for the years ended June 30, 2010 and 2009.

7. Pension Plan

The total pension expense for the Center for the years ended June 30, 2010 and 2009 was \$107,588 and \$102,137, respectively.

8. Interest Expense

For the years ended June 30, 2010 and 2009, 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 \$6,048 and \$7,596 charged to expense for the years ended June 30, 2010 and 2009, respectively.

The Center also rents equipment under various month to month leases which totaled \$995 and \$909 for the years ended June 30, 2010 and 2009, 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, 2010 is \$178,637 (\$164,838 at June 30, 2009). 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 \$40,000 for the 2009 fiscal year. Based on the report submitted for the year ended June 30, 2009, the Center was reimbursed \$115,197. This amount was subsequently received in June, 2010. The Center's management estimates that the final reimbursement to be received for fiscal year 2010 will be \$60,000. 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 2011.

13. Subsequent Events

Subsequent events were evaluated through September 23, 2010, which is the date the financial statements were available to be issued.

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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, 2010 and 2009 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 18 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 23, 2010**

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NORTHEAST IOWA MENTAL HEALTH CENTER
STATEMENT OF FINANCIAL POSITION INFORMATION
June 30, 2010

	Mental Health Program	Alcohol and Related Problems Program
CURRENT ASSETS		
Cash and cash equivalents	\$ 158,753	
Accounts receivable, net of allowance for adjustments	150,514	\$ 88,367
Due from Mental Health Program		949,683
Prepaid expenses	27,391	
Total current assets	336,658	1,038,050
PROPERTY AND EQUIPMENT		
Buildings	1,350,065	
Equipment	495,139	
	1,845,204	
Less accumulated depreciation	(952,548)	
Total property and equipment	892,656	
ASSETS WHOSE USE IS LIMITED		
Investments, at fair market value	433,624	
Accrued interest receivable	720	
Noncurrent assets whose use is limited	434,344	
	\$ 1,663,658	\$ 1,038,050
CURRENT LIABILITIES		
Account payable	\$ 19,863	
Due to Alcohol and Related Problems Program	949,683	
Accrued expenses	9,254	
Accrued salary and vacation pay	43,595	\$ 33,733
Total current liabilities	1,022,395	33,733
NET ASSETS		
Unrestricted net assets		
Designated for specified purposes	612,981	
Undesignated	28,282	1,004,317
Total unrestricted net assets	641,263	1,004,317
	\$ 1,663,658	\$ 1,038,050

See Independent Auditor's Report on the Supplementary Information.

<u>Inter-program Eliminations</u>	<u>Total all Programs</u>
	\$ 158,753
	238,881
\$ (949,683)	None
	27,391
<u>(949,683)</u>	<u>425,025</u>
	1,350,065
	<u>495,139</u>
	1,845,204
	<u>(952,548)</u>
	<u>892,656</u>
	433,624
	720
	<u>434,344</u>
<u>\$ (949,683)</u>	<u>\$ 1,752,025</u>
	\$ 19,863
\$ (949,683)	None
	9,254
	77,328
<u>(949,683)</u>	<u>106,445</u>
	612,981
	<u>1,032,599</u>
	1,645,580
<u>\$ (949,683)</u>	<u>\$ 1,752,025</u>

NORTHEAST IOWA MENTAL HEALTH CENTER
 STATEMENT OF FINANCIAL POSITION INFORMATION (Continued)
 June 30, 2010

ASSETS WHOSE USE IS LIMITED

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount</u>
<u>Mental Health Program</u>			
Mutual Fund			
U.S. Government Securities Fund			
American Funds Service Company	Variable		\$ 21,998
Money Market			
Farmers and Merchants Savings Bank	1.74%		142,307
Certificate of Deposits			
Edward D. Jones & Company American National			
Security Federal Bank	2.00%	April 9, 2012	20,198
GE Capital	2.30%	May 2, 2011	80,867
Cash			2,838
			<u>103,903</u>
Viking State Bank & Trust	1.85%	May 10, 2011	46,920
Decorah Bank & Trust	1.95%	July 22, 2010	118,496
			<u>269,319</u>
Accrued interest			<u>720</u>
Total assets whose use is limited			<u>\$ 434,344</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, 2010

	Mental Health Program	Alcohol and Related Problems Program	Inter-program Eliminations	Total All Programs
Total support and revenue	\$ 976,554	\$ 822,233	\$ (16,694)	\$ 1,782,093
Total expenses	1,122,578	670,573	(16,694)	1,776,457
Change in net assets	(146,024)	151,660	None	5,636
NET ASSETS, beginning	787,287	852,657	None	1,639,944
NET ASSETS, ending	\$ 641,263	\$ 1,004,317	\$ None	\$ 1,645,580

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, 2010

	Mental Health Program	Alcohol and Related Problems Program
SUPPORT AND REVENUE		
Support		
Division of Health, Promotion, Prevention and Addictive Behaviors contract		\$ 458,599
Iowa Department of Corrections		10,761
Domestic Violence	\$ 3,716	
Star-Si Grant	5,274	
Disaster Relief Services	64,831	
Access to Recovery	9,477	
Division of Behavioral, Developmental and Protective Services for Families, Adults and Children		
Mental Health Adult Grant	29,717	
Mental Health Child Grant	18,490	
Mini Block Grant	703	
Total support	132,208	469,360
Revenue and Gains		
County		
Outpatient fees	162,572	
Community support services	12,150	
	174,722	
Other Revenue		
Fees		
Medicaid		150,835
Medicare	219,966	17,699
Patient fees	314,508	647,966
Contracted third party payors	224,260	
HPSA payments	1,799	
Community support services - MBC	110,775	
OWI education		27,045
Less adjustments	435	(404,035)
Insurance write-offs	(244,577)	(87,347)
Total other revenue fees	627,166	352,163
Other		
Psychological services	5,379	
Rent	16,694	
Interest	8,968	1
Dividends	670	
Gifts		400
Unrealized gain on investments	1,705	
In-kind contributions	3,300	
Miscellaneous	5,742	309
Total other revenue other	42,458	710
Total other revenue	669,624	352,873
Total revenue and gains	844,346	352,873
Total support and revenue	\$ 976,554	\$ 822,233

See Independent Auditor's Report on the Supplementary Information.

<u>Inter-program Eliminations</u>	<u>Total All Programs</u>
	\$ 458,599
	10,761
	3,716
	5,274
	64,831
	9,477
	29,717
	18,490
	703
	<u>601,568</u>
	162,572
	<u>12,150</u>
	<u>174,722</u>
	150,835
	237,665
	962,474
	224,260
	1,799
	110,775
	27,045
	(403,600)
	<u>(331,924)</u>
	<u>979,329</u>
\$ (16,694)	5,379
	None
	8,969
	670
	400
	1,705
	3,300
	6,051
	<u>26,474</u>
<u>(16,694)</u>	<u>1,005,803</u>
<u>(16,694)</u>	<u>1,180,525</u>
<u>\$ (16,694)</u>	<u>\$ 1,782,093</u>

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NORTHEAST IOWA MENTAL HEALTH CENTER
STATEMENT OF FUNCTIONAL EXPENSES INFORMATION
Year Ended June 30, 2010

	Program Services			Total Program Services
	Mental Health Program	Alcohol and Related Problems Program	Inter-program Eliminations	
Salaries	\$ 591,254	\$ 329,838		\$ 921,092
Payroll taxes	54,642	30,616		85,258
Employee benefits	113,048	63,621		176,669
Total personnel	758,944	424,075		1,183,019
Psychiatric consultation	5,631			5,631
Independent contractors		488		488
Professional fees	8,438	3,812		12,250
Disaster relief	6,483			6,483
Building repair and maintenance	10,124	6,826		16,950
Office supplies and expense	16,264	15,644		31,908
Telephone	4,103	2,380		6,483
Mileage and travel	23,822	5,329		29,151
Rent	3,606	9,008	\$ (6,566)	6,048
Janitorial services	5,973	4,093		10,066
Equipment repair and maintenance	10,929	7,310		18,239
Equipment rental	603	6,841	(6,449)	995
Depreciation and amortization	48,782			48,782
Bad debts	13,673	15,129		28,802
Other expenses	43,055	25,708		68,763
Total expenses	\$ 960,430	\$ 526,643	\$ (13,015)	\$ 1,474,058

See Independent Auditor's Report on the Supplementary Information.

Supporting Services		
General and Administrative	Inter-program Eliminations	Total Expenses
\$ 196,695		\$ 1,117,787
18,216		103,474
37,765		214,434
<u>252,676</u>		<u>1,435,695</u>
		5,631
		488
2,554		14,804
		6,483
3,701		20,651
7,268		39,176
1,391		7,874
5,675		34,826
3,178	\$ (1,856)	7,370
2,202		12,268
3,979		22,218
2,039	(1,823)	1,211
8,536		57,318
		28,802
<u>12,879</u>		<u>81,642</u>
<u>\$ 306,078</u>	<u>\$ (3,679)</u>	<u>\$ 1,776,457</u>

NORTHEAST IOWA MENTAL HEALTH CENTER
 STATEMENT OF FUNCTIONAL EXPENSES INFORMATION (Continued)
 Year Ended June 30, 2010

	Program Services				Support		Total
	Mental Health Program	Alcohol and Related Problems Program	Total Program Services		Services General and Administrative		
OTHER EXPENSES							
Heat, light, water and cable	\$ 14,325	\$ 9,803	\$ 24,128	\$	5,278	\$	29,406
Postage and shipping	4,312	2,980	7,292	\$	1,598	\$	8,890
Insurance/settlements	5,071	3,790	8,861	\$	1,958	\$	10,819
Conferences and conventions	1,254	491	1,745	\$	358	\$	2,103
Organization dues	3,397	200	3,597	\$	1,492	\$	3,597
Advertising	4,191	2,686	6,877	\$	448	\$	8,369
Board meeting expense	1,718	1,164	2,882	\$	630	\$	448
Computer support	3,230	2,367	5,597	\$	1,117	\$	3,512
Moving/recruitment	2,795	2,227	5,022	\$	1,117	\$	5,597
Miscellaneous	2,762	2,227	5,022	\$	1,117	\$	6,139
Emergency Answer Plus	2,762	2,227	2,762	\$	1,117	\$	2,762
Total other expenses	\$ 43,055	\$ 25,708	\$ 68,763	\$	12,879	\$	81,642

See Independent Auditor's Report on the Supplementary Information.

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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, 2010, and have issued our report thereon dated September 23, 2010. 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.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described below, that we consider to be significant deficiencies in internal control over financial reporting. 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.

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.

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.