

**NORTHEAST IOWA MENTAL
HEALTH CENTER**

FINANCIAL STATEMENTS

JUNE 30, 2011

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NORTHEAST IOWA MENTAL HEALTH CENTER
BOARD OF DIRECTORS AND STAFF MEMBERS

June 30, 2011

President:
Vice President:
Secretary:
Treasurer:

Don Burnikel (Howard)
Steve Bouska (Winneshiek)
*Susan Ney (Howard)
*Susan Ney (Howard)

*Cloy Kuhse, Allamakee
Ron McCartney, Clayton
Diann Cline, Fayette
Doug Bryce, Winneshiek

Peggy Hart, Winneshiek
Stuart Johnston, Winneshiek
Dalen Wanless, Winneshiek
Trudy Belay, Gundersen Lutheran Representative

STAFF MEMBERS

Management

Stephanie Cannon, BS, Assistant MIS Director
Diane Decker, BA, Support/Transcriptionist
Sara Graves, Oelwein Support Staff
Jan Jauert, Support/Administrative Assistant
Bonnie Johnson, BA, MIS Director
Dawn Levenhagen, Support/Reception
Sharla Leider, Support/Insurance
Susan Looney, Support/Clinical Data Coordinator
Marcia Oltrogge, MA, CADC, Associate Director
Jaynece Tekippe, Client Account Specialist
Robert Thacker, MA, ACADC, Executive Director
Kathy Villa, Support/Oelwein Office Manager

Clinical Staff - Decorah

Jennifer Benda, BS, Community Support Specialist
William Deutsch, LMSW, Behavioral Health Therapist
Susan Doll, LISW, ACADC, Behavioral Health Therapist
Theresa Fullhart, LISW, Behavioral Health Therapist
Stephanie Garcia-Prats, LMSW, Behavioral Health Therapist
Carol Hemesath, LMHC, Behavioral Health Therapist
Rebecca Loven, M. Ed., LMHC, Behavioral Health Therapist
Ann Pahlas, LBSW, Community Support Specialist
Cynthia Peterson, MA, LISW, Behavioral Health Therapist
Erin Powers-Daley, LMFT, CADC, Behavioral Health Therapist
David Prochaska, MS, Community Support Specialist
Karen Tenneson, LISW, Behavioral Health Therapist
Alexia Thompson, LMHC, CADC, Behavioral Health Therapist

Medical Staff

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

Peer Support Staff - Decorah

Connie Bourassa, Peer Support Specialist
Victoria Oestmann, MA, Peer Support Specialist
Larry Sells, BA, Peer Support Specialist
Tara Talbert, MS, Peer Support Coordinator
Loula Tesfai, BA, Peer Support Specialist

Clinical Staff - Oelwein

Stacia Danielson, LISW, ACADC, Behavioral Health Therapist
Lynda Elgers, MA, IADC, Cert. Substance Abuse Counselor
Ginger O'Connell, LBSW, IADC, Substance Abuse Counselor
Diann Pape, IADC, Substance Abuse Counselor
Connie Popenhagen, LISW, IADC Behavioral Health Therapist
Karla Wolfs, LISW, Behavioral Health Therapist

*Terminated prior to or on June 30, 2011

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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, 2011 and 2010, 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, 2011 and 2010, 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 27, 2011, 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
October 27, 2011

NORTHEAST IOWA MENTAL HEALTH CENTER
 STATEMENTS OF FINANCIAL POSITION
 June 30, 2011 and 2010

ASSETS

	2011	2010
CURRENT ASSETS		
Cash and cash equivalents	\$ 190,917	\$ 158,753
Accounts receivable, less allowance for adjustments of 2011 \$53,453; 2010 \$57,051	290,772	238,881
Prepaid expenses	55,493	27,391
Total current assets	537,182	425,025
PROPERTY AND EQUIPMENT, net	866,794	892,656
ASSETS WHOSE USE IS LIMITED		
Investments, at fair value	440,359	433,624
Accrued interest receivable	486	720
Noncurrent assets whose use is limited	440,845	434,344
	\$ 1,844,821	\$ 1,752,025

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 19,767	\$ 19,863
Accrued expenses	7,252	9,254
Deferred revenue	146,991	
Accrued salary and vacation pay	90,931	77,328
Total current liabilities	264,941	106,445
NET ASSETS		
Unrestricted net assets		
Designated for specified purposes	624,228	612,981
Undesignated	955,652	1,032,599
Total net assets	1,579,880	1,645,580
	\$ 1,844,821	\$ 1,752,025

See Notes to Financial Statements.

NORTHEAST IOWA MENTAL HEALTH CENTER
 STATEMENTS OF ACTIVITIES
 June 30, 2011 and 2010

	2011	2010
SUPPORT AND REVENUE		
Support		
Grants and contracts	\$ 699,494	\$ 601,568
Revenue and gains		
County fees	203,908	174,722
Other		
Fees	1,046,770	979,329
Other services	5,381	5,379
Interest	8,191	8,969
Dividends	3,431	670
Gifts	495	400
Unrealized (loss) gain on investments	(1,604)	1,705
In-kind contributions	3,300	3,300
Miscellaneous	1,501	6,051
Total revenue and gains	1,271,373	1,180,525
Total support and revenue	1,970,867	1,782,093
EXPENSES		
Program services		
Mental Health program	1,198,175	960,430
Alcohol and Related Problems program	533,316	513,628
Total program services	1,731,491	1,474,058
Support services		
General and administrative	305,076	302,399
Total expenses	2,036,567	1,776,457
Change in unrestricted net assets	(65,700)	5,636
NET ASSETS, beginning	1,645,580	1,639,944
NET ASSETS, ending	\$ 1,579,880	\$ 1,645,580

See Notes to Financial Statements.

NORTHEAST IOWA MENTAL HEALTH CENTER
 STATEMENTS OF CASH FLOWS
 June 30, 2011 and 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (65,700)	\$ 5,636
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	56,998	57,318
Provision for adjustments	3,598	1,072
Unrealized loss (gain) on investments	1,604	(1,705)
Changes in:		
Accounts receivable	(55,489)	(19,013)
Accrued interest	234	377
Prepaid expenses	(28,102)	(5,215)
Accounts payable	(96)	(6,093)
Accrued expenses	(2,001)	2,914
Deferred revenue	146,991	
Accrued salaries and benefits	13,603	7,688
	71,640	42,979
Net cash provided by operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment, furniture and fixtures	(31,135)	(5,041)
Proceeds from investments	85,088	108,105
Purchase of investments	(93,429)	(93,629)
	(39,476)	9,435
Net cash (used in) provided by investing activities		
Net increase in cash	32,164	52,414
CASH AND CASH EQUIVALENTS		
Beginning of year	158,753	106,339
End of year	\$ 190,917	\$ 158,753

See Notes to Financial Statements.

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NORTHEAST IOWA MENTAL HEALTH CENTER
 STATEMENTS OF FUNCTIONAL EXPENSES
 Years Ended June 30, 2011 and 2010

	2011			
	Program Services		Supporting Services	Total
	Mental Health Program	Alcohol and Related Problems Program		
	\$	\$	\$	\$
Salaries	741,253	341,655	197,231	1,280,139
Payroll taxes	61,641	30,211	16,878	108,730
Employee benefits	142,418	69,740	38,980	251,138
Total personnel	945,312	441,606	253,089	1,640,007
Psychiatric consultation	5,923			5,923
Contracted consultation	740			740
Professional fees	11,334	4,800	2,903	19,037
Drop in center	6,968			6,968
Disaster relief				
Building repair and maintenance	13,106	7,030	3,749	23,885
Office supplies and expense	29,815	15,425	8,379	53,619
Telephone	6,445	2,613	1,620	10,678
Mileage and travel	31,553	6,874	6,363	44,790
Rent	3,081	1,717	898	5,696
Janitorial services	8,592	4,682	2,478	15,752
Equipment repair and maintenance	9,182	5,051	2,660	16,893
Equipment rental	841	437	237	1,515
Depreciation and amortization	49,826		7,172	56,998
Bad debts	5,676	12,275		17,951
Other expenses	69,781	30,806	15,528	116,115
Total expenses	\$ 1,198,175	\$ 533,316	\$ 305,076	\$ 2,036,567

See Notes to Financial Statements.

2010

Program Services		Supporting Services		Total
Mental Health Program	Alcohol and Related Problems Program	General and Administrative		
\$ 591,254	\$ 329,838	\$ 196,695	\$ 1,117,787	
54,642	30,616	18,216	103,474	
113,048	63,621	37,765	214,434	
758,944	424,075	252,676	1,435,695	
5,631			5,631	
	488		488	
8,438	3,812	2,554	14,804	
6,483			6,483	
10,124	6,826	3,701	20,651	
16,264	15,644	7,268	39,176	
4,103	2,380	1,391	7,874	
23,822	5,329	5,675	34,826	
3,606	2,442	1,322	7,370	
5,973	4,093	2,202	12,268	
10,929	7,310	3,979	22,218	
603	392	216	1,211	
48,782		8,536	57,318	
13,673	15,129		28,802	
43,055	25,708	12,879	81,642	
\$ 960,430	\$ 513,628	\$ 302,399	\$ 1,776,457	

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 \$53,453 and \$57,051 at June 30, 2011 and 2010, 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 2011. 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.

The Center's federal income tax returns for 2009, 2010, and 2011 are open to examination by the IRS, generally for three years after they were filed.

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 and Roth IRA's. The Center does not contribute to the employee's tax sheltered annuities or Roth IRA's.

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's \$250,000 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, 2011 and 2010 are carried at fair value and are composed of the following:

	2011		2010	
	Cost	Fair Value (Level 1)	Cost	Fair Value (Level 1)
Investments whose use is limited				
Mutual funds	\$ 20,922	\$ 22,520	\$ 19,697	\$ 21,998
Certificates of deposit	417,676	417,839	410,562	411,626
	\$ 438,598	\$ 440,359	\$ 430,259	\$ 433,624

Fair value of assets measured on a recurring basis at June 30, 2011 and 2010 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.

NOTES TO FINANCIAL STATEMENTS

2. Investments (Continued)

The following schedule summarizes the investment return for the years ended June 30, 2011 and 2010:

	2011	2010
Investment income	\$ 8,309	\$ 9,639
Unrealized (loss) gain	(1,604)	1,705
	\$ 6,705	\$ 11,344

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	\$ 430,259	\$ 433,624	\$ 3,365
Decrease in unrealized gain on investments			(1,604)
Balance, end of year	\$ 438,598	\$ 440,359	\$ 1,761

The Center incurred no direct investment expenses during the years ended June 30, 2011 and 2010.

3. Property and Equipment

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

	2011	2010
Buildings	\$ 1,350,065	\$ 1,350,065
Office furniture and equipment	526,275	495,139
	1,876,340	1,845,204
Accumulated depreciation	1,009,546	952,548
	\$ 866,794	\$ 892,656

The total depreciation expense for the Center for the years ended June 30, 2011 and 2010 was \$56,998 and \$57,318 respectively.

4. Assets Whose Use is Limited

Assets of \$440,845 (\$434,344 in 2010) have been designated by the Board of Directors for the improvement, replacement, and expansion of property and equipment. Management expects a portion of the board-designated funds may be required for operations in the fiscal year ended June 30, 2012. 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 \$3,300 for the years ended June 30, 2011 and 2010, respectively.

6. Fund-Raising Expense

The Center incurred no fund-raising expenses for the years ended June 30, 2011 and 2010.

7. Pension Plan

The total pension expense for the Center for the years ended June 30, 2011 and 2010 was \$103,014 and \$107,588, respectively.

8. Interest Expense

For the years ended June 30, 2011 and 2010, 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 \$5,694 and \$7,370 charged to expense for the years ended June 30, 2011 and 2010, respectively.

The Center also rents equipment under various month to month leases which totaled \$1,515 and \$1,211 for the years ended June 30, 2011 and 2010, 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, 2011 is \$183,383 (\$178,637 at June 30, 2010). 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.

The Center is contracted to purchase electronic health records software from Defran Systems. The Center made a \$25,000 payment in June, 2011. This payment is reflected in prepaid expenses on the statements of financial position. A second \$25,000 was due July, 2011, and then monthly payments of \$4,685 will be due for twenty three months, starting August, 2011.

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 \$60,000 for the 2010 fiscal year. Based on the report submitted for the year ended June 30, 2010, the Center was reimbursed \$101,618. This amount was subsequently received in May, 2011. The Center's management estimates that the final reimbursement to be received for fiscal year 2011 will be \$66,000. 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 2012.

13. Subsequent Events

Subsequent events were evaluated through October 27, 2011, 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**

We have audited the financial statements of Northeast Iowa Mental Health Center (a nonprofit corporation) as of and for the years ended June 30, 2011 and 2010, and have issued our report thereon dated October 27, 2011, which contained an unqualified opinion on those financial statements. Our audits were performed for the purpose of forming an opinion on the financial statements 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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Hacker, Nelson & Co., P.C.

Decorah, Iowa
October 27, 2011

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NORTHEAST IOWA MENTAL HEALTH CENTER
STATEMENT OF FINANCIAL POSITION INFORMATION
June 30, 2011

	Mental Health Program	Alcohol and Related Problems Program
CURRENT ASSETS		
Cash and cash equivalents	\$ 190,917	
Accounts receivable, net of allowance for adjustments Due from Mental Health Program	197,161	\$ 93,611
Prepaid expenses	55,493	1,086,640
Total current assets	443,571	1,180,251
PROPERTY AND EQUIPMENT		
Buildings	1,350,065	
Equipment	526,275	
	1,876,340	
Less accumulated depreciation	(1,009,546)	
Total property and equipment	866,794	
ASSETS WHOSE USE IS LIMITED		
Investments, at fair market value	440,359	
Accrued interest receivable	486	
Noncurrent assets whose use is limited	440,845	
	\$ 1,751,210	\$ 1,180,251
CURRENT LIABILITIES		
Account payable	\$ 19,767	
Due to Alcohol and Related Problems Program	1,086,640	
Accrued expenses	7,252	
Deferred revenue	146,991	
Accrued salary and vacation pay	60,012	\$ 30,919
Total current liabilities	1,320,662	30,919
NET ASSETS		
Unrestricted net assets		
Designated for specified purposes	624,228	
Undesignated (deficit)	(193,680)	1,149,332
Total unrestricted net assets	430,548	1,149,332
	\$ 1,751,210	\$ 1,180,251

See Independent Auditor's Report on the Supplementary Information.

<u>Inter-program Eliminations</u>	<u>Total all Programs</u>
	\$ 190,917
	290,772
\$ (1,086,640)	None
	55,493
<u>(1,086,640)</u>	<u>537,182</u>
	1,350,065
	<u>526,275</u>
	1,876,340
	<u>(1,009,546)</u>
	<u>866,794</u>
	440,359
	<u>486</u>
	<u>440,845</u>
<u>\$ (1,086,640)</u>	<u>\$ 1,844,821</u>
	\$ 19,767
\$ (1,086,640)	None
	7,252
	146,991
	90,931
<u>(1,086,640)</u>	<u>264,941</u>
	624,228
	<u>955,652</u>
	<u>1,579,880</u>
<u>\$ (1,086,640)</u>	<u>\$ 1,844,821</u>

NORTHEAST IOWA MENTAL HEALTH CENTER
STATEMENT OF FINANCIAL POSITION INFORMATION (Continued)
June 30, 2011

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		\$	22,520
Money Market				
Farmers and Merchants Savings Bank	1.14%			144,433
Certificate of Deposits				
Edward D. Jones & Company American National				
Security Federal Bank	2.00%	April 9, 2012		20,164
Farmers and Merchants Savings Bank	1.25%	May 23, 2012		33,088
Viking State Bank & Trust	1.25%	May 10, 2012		99,792
Decorah Bank & Trust	1.54%	July 22, 2011		120,362
				<u>273,406</u>
Accrued interest				486
Total assets whose use is limited			\$	<u>440,845</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, 2011

	Mental Health Program	Alcohol and Related Problems Program	Inter-program Eliminations	Total All Programs
Total support and revenue	\$ 1,155,255	\$ 831,251	\$ (15,639)	\$ 1,970,867
Total expenses	1,365,970	686,236	(15,639)	2,036,567
Change in net assets	(210,715)	145,015	None	(65,700)
NET ASSETS, beginning	641,263	1,004,317	None	1,645,580
NET ASSETS, ending	\$ 430,548	\$ 1,149,332	\$ None	\$ 1,579,880

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, 2011

	Mental Health Program	Alcohol and Related Problems Program
SUPPORT AND REVENUE		
Support		
Division of Health, Promotion, Prevention and Addictive Behaviors contract		\$ 459,424
Iowa Department of Corrections		17,500
Domestic Violence	\$ 28,386	
Crisis Stabilization	89,459	
Disaster Relief Services	8,580	
Access to Recovery	6,704	
Division of Behavioral, Developmental and Protective Services for Families, Adults and Children		
Mental Health Adult Grant	48,818	
Mental Health Child Grant	27,706	
Mini Block Grant	12,917	
	222,570	476,924
Revenue and Gains		
County		
Outpatient fees	184,633	
Drop in center	10,500	
Community support services	8,775	
	203,908	
Other Revenue		
Fees		
Medicaid		187,744
Medicare	274,131	21,204
Patient fees	390,673	629,671
Contracted third party payors	253,319	
HPSA payments	4,581	
Community support services - MBC	95,475	
OWI education		24,180
Less adjustments	(8,838)	(403,091)
Insurance write-offs	(315,390)	(106,889)
	693,951	352,819
Other		
Psychological services	5,381	
Rent	15,639	
Interest and dividends	8,190	1
Medical information	3,123	308
Gifts	295	200
Unrealized loss on investments	(1,604)	
In-kind contributions	3,300	
Miscellaneous	502	999
	34,826	1,508
Total other revenue other	34,826	1,508
Total other revenue	728,777	354,327
Total revenue and gains	932,685	354,327
Total support and revenue	\$ 1,155,255	\$ 831,251

See Independent Auditor's Report on the Supplementary Information.

<u>Inter-program Eliminations</u>	<u>Total All Programs</u>
	\$ 459,424
	17,500
	28,386
	89,459
	8,580
	6,704
	48,818
	27,706
	<u>12,917</u>
	<u>699,494</u>
	184,633
	10,500
	<u>8,775</u>
	<u>203,908</u>
	187,744
	295,335
	1,020,344
	253,319
	4,581
	95,475
	24,180
	(411,929)
	<u>(422,279)</u>
	<u>1,046,770</u>
\$ (15,639)	5,381
	None
	8,191
	3,431
	495
	(1,604)
	3,300
	<u>1,501</u>
<u>(15,639)</u>	<u>20,695</u>
<u>(15,639)</u>	<u>1,067,465</u>
<u>(15,639)</u>	<u>1,271,373</u>
<u>\$ (15,639)</u>	<u>\$ 1,970,867</u>

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NORTHEAST IOWA MENTAL HEALTH CENTER
STATEMENT OF FUNCTIONAL EXPENSES INFORMATION
Year Ended June 30, 2011

	Program Services			Total Program Services
	Mental Health Program	Alcohol and Related Problems Program	Inter-program Eliminations	
Salaries	\$ 741,253	\$ 341,655		\$ 1,082,908
Payroll taxes	61,641	30,211		91,852
Employee benefits	142,418	69,740		212,158
Total personnel	945,312	441,606		1,386,918
Psychiatric consultation	5,923			5,923
Contracted consultation	740			740
Professional fees	11,334	4,800		16,134
Drop in center	6,968			6,968
Building repair and maintenance	13,106	7,030		20,136
Office supplies and expense	29,815	15,425		45,240
Telephone	6,445	2,613		9,058
Mileage and travel	31,553	6,874		38,427
Rent	3,081	8,342	\$ (6,625)	4,798
Janitorial services	8,592	4,682		13,274
Equipment repair and maintenance	9,182	5,051		14,233
Equipment rental	841	6,175	(5,738)	1,278
Depreciation and amortization	49,826			49,826
Bad debts	5,676	12,275		17,951
Other expenses	69,781	30,806		100,587
Total expenses	\$ 1,198,175	\$ 545,679	\$ (12,363)	\$ 1,731,491

See Independent Auditor's Report on the Supplementary Information.

Supporting Services		
General and Administrative	Inter-program Eliminations	Total Expenses
\$ 197,231		\$ 1,280,139
16,878		108,730
38,980		251,138
<u>253,089</u>		<u>1,640,007</u>
		5,923
		740
2,903		19,037
		6,968
3,749		23,885
8,379		53,619
1,620		10,678
6,363		44,790
2,654	\$ (1,756)	5,696
2,478		15,752
2,660		16,893
1,757	(1,520)	1,515
7,172		56,998
		17,951
<u>15,528</u>		<u>116,115</u>
<u>\$ 308,352</u>	<u>\$ (3,276)</u>	<u>\$ 2,036,567</u>

NORTHEAST IOWA MENTAL HEALTH CENTER
 STATEMENT OF FUNCTIONAL EXPENSES INFORMATION (Continued)
 Year Ended June 30, 2011

	Program Services			Support Services	Total Expenses
	Mental Health Program	Alcohol and Related Problems Program	Total Program Services		
OTHER EXPENSES					
Heat, light, water and cable	\$ 17,921	\$ 9,687	\$ 27,608	\$ 5,146	\$ 32,754
Postage and shipping	5,337	3,040	8,377	1,573	9,950
Insurance/settlements	6,411	4,047	10,458	1,996	12,454
Conferences and conventions	7,646	2,437	10,083	1,747	11,830
Organization dues	5,722	290	6,012		6,012
Advertising	9,194	4,163	13,357	2,426	15,783
Board meeting expense				521	521
Computer support	1,950	1,052	3,002	560	3,562
Moving/recruitment	5,812	3,464	9,276		9,276
Miscellaneous	5,891	2,528	8,419	1,517	9,936
Subscriptions	108	98	206	42	248
Emergency Answer Plus	3,789		3,789		3,789
Total other expenses	\$ 69,781	\$ 30,806	\$ 100,587	\$ 15,528	\$ 116,115

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, 2011, and have issued our report thereon dated October 27, 2011. 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

Response accepted.

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.

Decorah, Iowa
October 27, 2011

Hacker, Nelson & Co., P.C.