

**NORTHEAST IOWA MENTAL
HEALTH CENTER**

FINANCIAL STATEMENTS

JUNE 30, 2012

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NORTHEAST IOWA MENTAL HEALTH CENTER
BOARD OF DIRECTORS AND STAFF MEMBERS
June 30, 2012

BOARD OF DIRECTORS

President
Vice President
Secretary/Treasurer
Lennie Burke
Ron McCartney
Diann Cline
Kathy Grinhaus
Doug Bryce
Dalen Wanless

Don Burnikel (Howard)
Steve Bouska (Winneshiek)
Trudy Belay, Gundersen Lutheran Representative
Allamakee County
Clayton County
Fayette County
Howard County
Winneshiek County
Winneshiek County

MANAGEMENT STAFF

Stephanie Cannon, BS
Diane Decker, BA
Sara Graves
Jan Jauert
Bonnie Johnson, BA
Brenda Kriener
Dawn Levenhagen
Sharla Lieder
Susan Looney
Marcia Oltrogge, MA, IAADC
Jaynece Tekippe
Kathy Villa

Assistant to MIS Director
Support/Transcription
Support
Support/Administrative Assistant
MIS Director
Patient Account Specialist
Support/Reception
Support/Insurance
Support/Clinical Data Coordinator
Executive Director
Patient Account Specialist
Support/Oelwein Office Manager

MEDICAL STAFF

Bhasker J. Dave, M.D.
Neelu Gill, M.D.
Vithalji Modha, M.D.

Consulting Psychiatrist
Medical Director
Consulting Psychiatrist

CLINICAL STAFF – DECORAH

Carrie Christensen, BA, IADC
William Deutsch, LISW
Susan Doll, LISW, IADC
Theresa Fullhart, LISW
Stephanie Garcia-Prats, LMSW, CADC
Carol Hemesath, LMHC
Rebecca Loven, LMHC
Ann Pahlas, LBSW
Cynthia Peterson, LISW
Erin Powers-Daley, LMFT, CADC
Dave Prochaska, MS
Karen Tenneson, LISW
Alexia Thompson, LMHC, CADC

Substance Abuse Counselor
Behavioral Health Therapist
Clinical Director/Behavioral Health Therapist
Community Support Specialist
Behavioral Health Therapist
Behavioral Health Therapist
Community Support Specialist
Behavioral Health Therapist
Behavioral Health Therapist

PEER SUPPORT STAFF

Connie Bourassa
Victoria Oestmann, MA
Larry Sells
Tara Talbert, MS
Loula Tesfaii, BA

Peer Support Specialist
Peer Support Specialist
Peer Support Specialist
Peer Support Coordinator
Peer Support Specialist

CLINICAL STAFF - OELWEIN

Stacia Danielson, LISW, ACADC
Lynda Elgers, MA, IADC
Ginger O'Connell, LBSW, IADC
Kimberly O'Day, LMSW
Diann Pape, IADC
Connie Popenhagen, LISW, IADC
Karla Wolfs, LISW

Behavioral Health Therapist
Community Support Specialist/Substance Abuse Counselor
Substance Abuse Counselor
Behavioral Health Therapist
Substance Abuse Counselor
Behavioral Health Therapist
Behavioral Health Therapist

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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, 2012 and 2011, and the related statements of activities, cash flows, and functional expenses 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, 2012 and 2011, 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 19, 2012, 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 19, 2012

NORTHEAST IOWA MENTAL HEALTH CENTER
 STATEMENTS OF FINANCIAL POSITION
 June 30, 2012 and 2011

ASSETS

	2012	2011
CURRENT ASSETS		
Cash and cash equivalents	\$ 149,534	\$ 190,917
Accounts receivable, less allowance for adjustments of 2012 \$91,789; 2011 \$53,453	272,141	290,772
Prepaid expenses	147,306	55,493
Total current assets	568,981	537,182
PROPERTY AND EQUIPMENT, net	835,728	866,794
ASSETS WHOSE USE IS LIMITED		
Investments, at fair value	24,147	22,683
Investments, other	300,777	417,676
Accrued interest receivable	159	486
Noncurrent assets whose use is limited	325,083	440,845
	\$ 1,729,792	\$ 1,844,821

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 28,559	\$ 19,767
Accrued expenses	1,169	7,252
Deferred revenue	109,930	146,991
Accrued salary and vacation pay	112,151	90,931
Total current liabilities	251,809	264,941
NET ASSETS		
Unrestricted net assets		
Designated for specified purposes	522,248	624,228
Undesignated	955,735	955,652
Total net assets	1,477,983	1,579,880
	\$ 1,729,792	\$ 1,844,821

See Notes to Financial Statements.

NORTHEAST IOWA MENTAL HEALTH CENTER
 STATEMENTS OF ACTIVITIES
 June 30, 2012 and 2011

	2012	2011
SUPPORT AND REVENUE		
Support		
Grants and contracts	\$ 757,632	\$ 699,494
Revenue and gains		
County fees	241,196	203,908
Other		
Fees	1,158,143	1,046,770
Other services	5,119	5,381
Interest	4,199	8,191
Dividends	2,781	3,431
Gifts	600	495
Unrealized gain (loss) on investments	631	(1,604)
In-kind contributions		3,300
Miscellaneous	7,203	1,501
Total revenue and gains	1,419,872	1,271,373
Total support and revenue	2,177,504	1,970,867
EXPENSES		
Program services		
Mental Health program	1,432,677	1,198,175
Alcohol and Related Problems program	622,668	533,316
Total program services	2,055,345	1,731,491
Support services		
General and administrative	224,056	305,076
Total expenses	2,279,401	2,036,567
Change in unrestricted net assets	(101,897)	(65,700)
NET ASSETS, beginning	1,579,880	1,645,580
NET ASSETS, ending	\$ 1,477,983	\$ 1,579,880

See Notes to Financial Statements.

NORTHEAST IOWA MENTAL HEALTH CENTER
 STATEMENTS OF CASH FLOWS
 June 30, 2012 and 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (101,897)	\$ (65,700)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities		
Depreciation	57,794	56,998
Provision for adjustments	(38,336)	3,598
Unrealized (gain) loss on investments	(629)	1,604
Changes in:		
Accounts receivable	56,967	(55,489)
Accrued interest	327	234
Prepaid expenses	(91,813)	(28,102)
Accounts payable	8,792	(96)
Accrued expenses	(6,085)	(2,001)
Deferred revenue	(37,061)	146,991
Accrued salaries and benefits	21,220	13,603
	(130,721)	71,640
Net cash (used in) provided by operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment, furniture and fixtures	(26,728)	(31,135)
Proceeds from investments	140,464	85,088
Purchase of investments	(24,398)	(93,429)
	89,338	(39,476)
Net cash provided by (used in) investing activities		
Net (decrease) increase in cash	(41,383)	32,164
CASH AND CASH EQUIVALENTS		
Beginning of year	190,917	158,753
End of year	\$ 149,534	\$ 190,917

See Notes to Financial Statements.

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NORTHEAST IOWA MENTAL HEALTH CENTER
 STATEMENTS OF FUNCTIONAL EXPENSES
 Years Ended June 30, 2012 and 2011

	2012			
	Program Services		Supporting Services	Total
	Mental Health Program	Alcohol and Related Problems Program	General and Administrative	
Salaries	\$ 910,217	\$ 411,699	\$ 148,774	\$ 1,470,690
Payroll taxes	68,446	31,028	11,198	110,672
Employee benefits	194,054	87,832	31,727	313,613
Total personnel	1,172,717	530,559	191,699	1,894,975
Psychiatric consultation	5,313			5,313
Contracted consultation				
Crisis telehealth consultation	14,081			14,081
Professional fees	13,084	6,662	2,251	21,997
Drop in center	884			884
Building repair and maintenance	10,920	5,550	1,878	18,348
Office supplies and expense	24,497	15,173	4,625	44,295
Telephone	6,578	2,314	975	9,867
Mileage and travel	31,937	5,151	3,810	40,898
Rent	4,037	2,045	693	6,775
Janitorial services	6,669	3,374	1,144	11,187
Equipment repair and maintenance	11,030	5,601	1,896	18,527
Equipment rental	745	371	127	1,243
Depreciation and amortization	52,788		5,006	57,794
Bad debts	10,355	15,864		26,219
Other expenses	67,042	30,004	9,952	106,998
Total expenses	\$ 1,432,677	\$ 622,668	\$ 224,056	\$ 2,279,401

See Notes to Financial Statements.

2011

Program Services		Supporting Services		Total
Mental Health Program	Alcohol and Related Problems Program	General and Administrative		
\$ 741,253	\$ 341,655	\$ 197,231	\$ 1,280,139	
61,641	30,211	16,878	108,730	
142,418	69,740	38,980	251,138	
945,312	441,606	253,089	1,640,007	
5,923			5,923	
740			740	
11,334	4,800	2,903	19,037	
6,968			6,968	
13,106	7,030	3,749	23,885	
29,815	15,425	8,379	53,619	
6,445	2,613	1,620	10,678	
31,553	6,874	6,363	44,790	
3,081	1,717	898	5,696	
8,592	4,682	2,478	15,752	
9,182	5,051	2,660	16,893	
841	437	237	1,515	
49,826		7,172	56,998	
5,676	12,275		17,951	
69,781	30,806	15,528	116,115	
\$ 1,198,175	\$ 533,316	\$ 305,076	\$ 2,036,567	

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 five counties of Allamakee, Clayton, Fayette, Howard, and Winneshiek. In addition, substance abuse services are provided to the previously mentioned counties. 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 four county Boards of Supervisors (Allamakee, Clayton, Howard and Winneshiek), 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 \$91,789 and \$53,453 at June 30, 2012 and 2011, 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. Land with a cost of \$171,065 is not included in the statements of financial position since title remains with Winneshiek County. 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 2012. 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 fiscal year 2010, 2011, and 2012 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 Federal Deposit Insurance Corporation \$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, 2012 and 2011 are carried at fair value and are composed of the following:

	2012		2011	
	Cost	Fair Value (Level 1)	Cost	Fair Value (Level 1)
Investments whose use is limited				
Mutual funds	\$ 21,755	\$ 24,147	\$ 20,922	\$ 22,683

Fair value of assets measured on a recurring basis at June 30, 2012 and 2011 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 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	\$ 20,922	\$ 22,683	\$ 1,761
Increase in unrealized gain on investments			631
Balance, end of year	\$ 21,755	\$ 24,147	\$ 2,392

Other investments at June 30, 2012 and 2011 are carried at cost and are composed of the following:

	2012	2011
Certificates of deposit	\$ 134,550	\$ 273,243
Money market and cash	166,227	144,433
	\$ 300,777	\$ 417,676

The Center incurred no direct investment expenses during the years ended June 30, 2012 and 2011.

3. **Property and Equipment**

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

	2012	2011
Buildings	\$ 1,368,560	\$ 1,350,065
Office furniture and equipment	534,508	526,275
	1,903,068	1,876,340
Accumulated depreciation	1,067,340	1,009,546
	\$ 835,728	\$ 866,794

The total depreciation expense for the Center for the years ended June 30, 2012 and 2011 was \$57,794 and \$56,998 respectively.

4. **Assets Whose Use is Limited**

Assets of \$325,083 (\$440,845 in 2011) 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, 2013. 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 \$None and \$3,300 for the years ended June 30, 2012 and 2011, respectively.

6. **Fund-Raising Expense**

The Center incurred no fund-raising expenses for the years ended June 30, 2012 and 2011.

7. **Pension Plan**

The total pension expense for the Center for the years ended June 30, 2012 and 2011 was \$122,264 and \$103,014, respectively.

8. Interest Expense

For the years ended June 30, 2012 and 2011, 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 \$6,775 and \$5,696 charged to expense for the years ended June 30, 2012 and 2011, respectively.

The Center also rents equipment under various month to month leases which totaled \$1,243 and \$1,515 for the years ended June 30, 2012 and 2011, 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, 2012 is \$197,166 (\$183,383 at June 30, 2011). 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 \$25,000 payments in June and July, 2011. These payments are reflected in prepaid expenses on the statements of financial position. Starting in August 2011, monthly payments of \$4,685 were due for twenty three months and are also reflected in prepaid expenses since the system was not operational as of June 30, 2012. The Center received \$21,250 from the Medicaid EHR Incentive Program to help towards the purchase of the electronic health records software. These funds went towards offsetting the payments the Center has made on the electronic health records software through June 30, 2012.

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 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 program, the Center will do a cost report that will be due September 30th following fiscal year end. Management estimated reimbursement of \$66,000 for the 2011 fiscal year. Based on the report submitted for the year ended June 30, 2011, the Center was reimbursed \$117,912. This amount was subsequently received in June 2012. The Center's management estimates that the final reimbursement to be received for fiscal year 2012 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 2013.

13. Subsequent Events

Subsequent events were evaluated through October 19, 2012, 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, 2012 and 2011, and have issued our report thereon dated October 19, 2012, 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 as of and for the year ended June 30, 2012 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 19, 2012**

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NORTHEAST IOWA MENTAL HEALTH CENTER
STATEMENT OF FINANCIAL POSITION INFORMATION
June 30, 2012

	Mental Health Program	Alcohol and Related Problems Program
CURRENT ASSETS		
Cash and cash equivalents	\$ 149,534	
Accounts receivable, net of allowance for adjustments	199,353	\$ 72,788
Due from Mental Health Program		1,208,881
Prepaid expenses	147,306	
	496,193	1,281,669
Total current assets	496,193	1,281,669
PROPERTY AND EQUIPMENT		
Buildings	1,368,560	
Equipment	534,508	
	1,903,068	
Less accumulated depreciation	(1,067,340)	
	835,728	
Total property and equipment	835,728	
ASSETS WHOSE USE IS LIMITED		
Investments, at fair market value	24,147	
Investments, other	300,777	
Accrued interest receivable	159	
	325,083	
Noncurrent assets whose use is limited	325,083	
	\$ 1,657,004	\$ 1,281,669
CURRENT LIABILITIES		
Account payable	\$ 28,559	
Due to Alcohol and Related Problems Program	1,208,881	
Accrued expenses	1,169	
Deferred revenue	109,930	
Accrued salary and vacation pay	73,510	\$ 38,641
	1,422,049	38,641
Total current liabilities	1,422,049	38,641
NET ASSETS		
Unrestricted net assets		
Designated for specified purposes	522,248	
Undesignated (deficit)	(287,293)	1,243,028
	234,955	1,243,028
Total unrestricted net assets	234,955	1,243,028
	\$ 1,657,004	\$ 1,281,669

See Independent Auditor's Report on the Supplementary Information.

<u>Inter-program Eliminations</u>	<u>Total all Programs</u>
	\$ 149,534
	272,141
\$ (1,208,881)	None
	147,306
<u>(1,208,881)</u>	<u>568,981</u>
	1,368,560
	<u>534,508</u>
	1,903,068
	<u>(1,067,340)</u>
	<u>835,728</u>
	24,147
	300,777
	159
	<u>325,083</u>
<u>\$ (1,208,881)</u>	<u>\$ 1,729,792</u>
	\$ 28,559
\$ (1,208,881)	None
	1,169
	109,930
	112,151
<u>(1,208,881)</u>	<u>251,809</u>
	522,248
	<u>955,735</u>
	<u>1,477,983</u>
<u>\$ (1,208,881)</u>	<u>\$ 1,729,792</u>

NORTHEAST IOWA MENTAL HEALTH CENTER
 STATEMENT OF FINANCIAL POSITION INFORMATION (Continued)
 June 30, 2012

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		\$	24,147
Money Market and Cash				
Farmers and Merchants Savings Bank	1.00%			145,823
Edward D Jones & Company	Variable			20,404
				<u>166,227</u>
Certificate of Deposits				
Farmers and Merchants Savings Bank	0.90%	May 23, 2013		33,504
Viking State Bank & Trust	1.00%	May 10, 2013		101,046
				<u>134,550</u>
Accrued interest				<u>159</u>
Total assets whose use is limited			\$	<u>325,083</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, 2012

	Mental Health Program	Alcohol and Related Problems Program	Inter-program Eliminations	Total All Programs
Total support and revenue	\$ 1,369,013	\$ 823,801	\$ (15,310)	\$ 2,177,504
Total expenses	1,564,606	730,105	(15,310)	2,279,401
Change in net assets	(195,593)	93,696	None	(101,897)
NET ASSETS, beginning	430,548	1,149,332	None	1,579,880
NET ASSETS, ending	\$ 234,955	\$ 1,243,028	\$ None	\$ 1,477,983

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, 2012

	Mental Health Program	Alcohol and Related Problems Program
SUPPORT AND REVENUE		
Support		
Division of Health, Promotion, Prevention and Addictive Behaviors contract		\$ 453,313
Iowa Department of Corrections		17,500
Domestic Violence	\$ 862	
Crisis Stabilization	248,943	
Access to Recovery	4,461	
Division of Behavioral, Developmental and Protective Services for Families, Adults and Children		
Mental Health Adult Grant	9,984	
Mental Health Child Grant	22,569	
	286,819	470,813
Revenue and Gains		
County		
Outpatient fees	233,561	
Community support services	7,635	
	241,196	
Other Revenue		
Fees		
Medicaid		282,915
Medicare	358,525	22,960
Patient fees	528,984	671,565
Contracted third party payors	357,181	
HPSA payments	2,987	
Community support services - MBC	122,555	
OWI education		19,385
Less adjustments	(30,032)	(452,859)
Insurance write-offs	(534,010)	(192,013)
	806,190	351,953
Other		
Psychological services	5,119	
Rent	15,310	
Interest and dividends	4,199	
Medical information	2,227	554
Gifts	400	200
Unrealized gain on investments	631	
Miscellaneous	6,922	281
	34,808	1,035
Total other revenue other	34,808	1,035
Total other revenue	840,998	352,988
Total revenue and gains	1,082,194	352,988
Total support and revenue	\$ 1,369,013	\$ 823,801

See Independent Auditor's Report on the Supplementary Information.

<u>Inter-program Eliminations</u>	<u>Total All Programs</u>
	\$ 453,313
	17,500
	862
	248,943
	4,461
	9,984
	<u>22,569</u>
	757,632
	233,561
	<u>7,635</u>
	<u>241,196</u>
	282,915
	381,485
	1,200,549
	357,181
	2,987
	122,555
	19,385
	(482,891)
	<u>(726,023)</u>
	<u>1,158,143</u>
\$ (15,310)	5,119
	None
	4,199
	2,781
	600
	631
	<u>7,203</u>
<u>(15,310)</u>	<u>20,533</u>
<u>(15,310)</u>	<u>1,178,676</u>
<u>(15,310)</u>	<u>1,419,872</u>
<u>\$ (15,310)</u>	<u>\$ 2,177,504</u>

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NORTHEAST IOWA MENTAL HEALTH CENTER
STATEMENT OF FUNCTIONAL EXPENSES INFORMATION
Year Ended June 30, 2012

	Program Services			Total Program Services
	Mental Health Program	Alcohol and Related Problems Program	Inter-program Eliminations	
Salaries	\$ 910,217	\$ 411,699		\$ 1,321,916
Payroll taxes	68,446	31,028		99,474
Employee benefits	194,054	87,832		281,886
Total personnel	1,172,717	530,559		1,703,276
Psychiatric consultation	5,313			5,313
Crisis telehealth consultation	14,081			14,081
Professional fees	13,084	6,662		19,746
Drop in center	884			884
Building repair and maintenance	10,920	5,550		16,470
Office supplies and expense	24,497	15,173		39,670
Telephone	6,578	2,314		8,892
Mileage and travel	31,937	5,151		37,088
Rent	4,037	9,295	\$ (7,250)	6,082
Janitorial services	6,669	3,374		10,043
Equipment repair and maintenance	11,030	5,601		16,631
Equipment rental	745	6,414	(6,043)	1,116
Depreciation and amortization	52,788			52,788
Bad debts	10,355	15,864		26,219
Other expenses	67,042	30,004		97,046
Total expenses	\$ 1,432,677	\$ 635,961	\$ (13,293)	\$ 2,055,345

See Independent Auditor's Report on the Supplementary Information.

Supporting Services		
General and Administrative	Inter-program Eliminations	Total Expenses
\$ 148,774		\$ 1,470,690
11,198		110,672
31,727		313,613
191,699		1,894,975
		5,313
		14,081
2,251		21,997
		884
1,878		18,348
4,625		44,295
975		9,867
3,810		40,898
1,793	\$ (1,100)	6,775
1,144		11,187
1,896		18,527
1,044	(917)	1,243
5,006		57,794
		26,219
9,952		106,998
\$ 226,073	\$ (2,017)	\$ 2,279,401

NORTHEAST IOWA MENTAL HEALTH CENTER
 STATEMENT OF FUNCTIONAL EXPENSES INFORMATION (Continued)
 Year Ended June 30, 2012

	Program Services			Support Services	Total Expenses
	Mental Health Program	Alcohol and Related Problems Program	Total Program Services		
OTHER EXPENSES					
Heat, light, water and cable	\$ 18,623	\$ 9,484	\$ 28,107	\$ 3,205	\$ 31,312
Postage and shipping	5,267	2,727	7,994	913	8,907
Insurance/settlements	11,922	7,115	19,037	2,210	21,247
Conferences and conventions	3,959	1,313	5,272	575	5,847
Organization dues	9,809	225	10,034		10,034
Advertising	6,595	3,293	9,888	1,125	11,013
Board meeting expense				342	342
Computer support	1,696	860	2,556	292	2,848
Miscellaneous	5,316	4,699	10,015	1,217	11,232
Subscriptions	303	288	591	73	664
Emergency Answer Plus	3,552		3,552		3,552
Total other expenses	\$ 67,042	\$ 30,004	\$ 97,046	\$ 9,952	\$ 106,998

See Independent Auditor's Report on the Supplementary Information.

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, 2012, and have issued our report thereon dated October 19, 2012. 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

Management of Northeast Iowa Mental Health Center is responsible for establishing and maintaining effective 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 above. 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 of Directors, 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 19, 2012

Hacker, Nelson & Co., P.C.