

**NORTHEAST IOWA MENTAL
HEALTH CENTER**

FINANCIAL STATEMENTS

JUNE 30, 2013

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NORTHEAST IOWA MENTAL HEALTH CENTER
BOARD OF DIRECTORS AND STAFF MEMBERS
June 30, 2013

BOARD OF DIRECTORS

President
Vice President
Secretary/Treasurer
Dennis Koenig
Ron McCartney
Mike Tschirgi
Kathy Grinhaus
Floyd Ashbacher
Sue Viste

Doug Bryce (Winneshiak)
Don Burnikel (Howard)
Trudy Belay, Gundersen Lutheran Representative
Allamakee County
Clayton County
Clayton County
Howard County
Winneshiak County
Winneshiak County

MANAGEMENT STAFF

*Stephanie Cannon, BS
Diane Decker, BA
Sara Graves
Jan Jauert
Bonnie Johnson, BA
Brenda Kriener
Dawn Levenhagen
Sharla Lieder
Susan Looney
Rebecca Loven, M.Ed., LMHC
Marcia Oltrogge, MA, IAADC
Denise Reinhardt
Jaynece Tekippe
Kathy Villa

Assistant MIS Director
Support/Transcriptionist
Oelwein Support Staff
Support/Administrative Assistant
MIS Director
Client Account Specialist
Support/Reception
Support/Insurance
Support/Clinical Data Coordinator
Clinical Director
Executive Director
Assistant MIS Director
Client Account Specialist
Support/Oelwein Office Manager

MEDICAL STAFF

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

Consulting Psychiatrist
Medical Director
Consulting Psychiatrist

CLINICAL STAFF – DECORAH

Tara Bruening, LMHC
Carrie Christensen, IADC
William Deutsch, LMSW
Susan Doll, LISW, IADC
*Theresa Fullhart, LISW
Stephanie Garcia-Prats, LMSW, CADC
Carol Hemesath, LMHC
Joelle Nielsen, LMHC
Ann Pahlas, LBSW
Diann Pape, IADC
*Cynthia Peterson, MA, LISW
*Erin Powers-Daley, LMFT, CADC
Dave Prochaska, MS
Karen Tenneson, LISW
Alexia Thompson, LMHC, CADC

Behavioral Health Therapist
Substance Abuse Counselor
Behavioral Health Therapist
Behavioral Health Therapist
Behavioral Health Therapist
Substance Abuse Counselor
Behavioral Health Therapist
Behavioral Health Therapist
Community Support Specialist
Substance Abuse Counselor
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, BA
*Loula Tesfai, BA

Peer Support Specialist
Peer Support Specialist
Peer Support Specialist
Peer Support Specialist

CLINICAL STAFF - OELWEIN

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

Behavioral Health Therapist
Certified Substance Abuse Counselor
Behavioral Health Therapist
Substance Abuse Counselor
Behavioral Health Therapist
Behavioral Health Therapist
Behavioral Health Therapist

*Terminated prior to or on June 30, 2013

INDEPENDENT AUDITOR'S REPORT
ON THE FINANCIAL STATEMENTS

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

Report on the Financial Statements

We have audited the accompanying financial statements of Northeast Iowa Mental Health Center (a nonprofit organization), which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2013, 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* in considering Northeast Iowa Mental Health Center's internal control over financial reporting and compliance.

Hacker, Nelson & Co., P.C.

Decorah, Iowa
October 23, 2013

NORTHEAST IOWA MENTAL HEALTH CENTER
 STATEMENTS OF FINANCIAL POSITION
 June 30, 2013 and 2012

ASSETS

	2013	2012
CURRENT ASSETS		
Cash and cash equivalents	\$ 9,857	\$ 149,534
Accounts receivable, less allowance for adjustments of 2013 \$86,490; 2012 \$91,789	295,473	272,141
Prepaid expenses	198,938	147,306
Total current assets	504,268	568,981
PROPERTY AND EQUIPMENT, net	786,173	835,728
ASSETS WHOSE USE IS LIMITED		
Investments, at fair value	23,683	24,147
Investments, other	302,942	300,777
Accrued interest receivable	206	159
Noncurrent assets whose use is limited	326,831	325,083
	\$ 1,617,272	\$ 1,729,792

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 21,062	\$ 28,559
Accrued expenses	5,941	1,169
Deferred revenue		109,930
Accrued salary and vacation pay	105,874	112,151
Total current liabilities	132,877	251,809
NET ASSETS		
Unrestricted net assets		
Designated for specified purposes	535,657	522,248
Undesignated	948,738	955,735
Total net assets	1,484,395	1,477,983
	\$ 1,617,272	\$ 1,729,792

See Notes to Financial Statements.

NORTHEAST IOWA MENTAL HEALTH CENTER
 STATEMENTS OF ACTIVITIES
 June 30, 2013 and 2012

	2013	2012
SUPPORT AND REVENUE		
Support		
Grants and contracts	\$ 657,895	\$ 757,632
Revenue and gains		
County fees	196,381	241,196
Other		
Fees	1,235,371	1,158,143
Other services	7,369	5,119
Interest	3,029	4,199
Dividends	2,792	2,781
Gifts	800	600
Unrealized (loss) gain on investments	(1,257)	631
Miscellaneous	(4,629)	7,203
Total revenue and gains	1,439,856	1,419,872
Total support and revenue	2,097,751	2,177,504
EXPENSES		
Program services		
Mental Health program	1,290,147	1,432,677
Alcohol and Related Problems program	602,305	622,668
Total program services	1,892,452	2,055,345
Support services		
General and administrative	198,887	224,056
Total expenses	2,091,339	2,279,401
Change in unrestricted net assets	6,412	(101,897)
NET ASSETS, beginning	1,477,983	1,579,880
NET ASSETS, ending	\$ 1,484,395	\$ 1,477,983

See Notes to Financial Statements.

NORTHEAST IOWA MENTAL HEALTH CENTER
 STATEMENTS OF CASH FLOWS
 June 30, 2013 and 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 6,412	\$ (101,897)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	49,555	57,794
Provision for adjustments	5,299	(38,336)
Unrealized loss (gain) on investments	1,257	(629)
Changes in:		
Accounts receivable	(28,631)	56,967
Accrued interest	(47)	327
Prepaid expenses	(51,632)	(91,813)
Accounts payable	(7,497)	8,792
Accrued expenses	4,776	(6,085)
Deferred revenue	(109,930)	(37,061)
Accrued salaries and benefits	(6,277)	21,220
	(136,715)	(130,721)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment, furniture and fixtures		(26,728)
Proceeds from investments	20,000	140,464
Purchase of investments	(22,962)	(24,398)
	(2,962)	89,338
Net cash (used in) provided by investing activities	(2,962)	89,338
Net decrease in cash	(139,677)	(41,383)
CASH AND CASH EQUIVALENTS		
Beginning of year	149,534	190,917
End of year	\$ 9,857	\$ 149,534

See Notes to Financial Statements.

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NORTHEAST IOWA MENTAL HEALTH CENTER
 STATEMENTS OF FUNCTIONAL EXPENSES
 Years Ended June 30, 2013 and 2012

	2013			
	Program Services		Supporting Services	
	Mental Health Program	Alcohol and Related Problems Program	General and Administrative	Total
Salaries	\$ 800,368	\$ 384,291	\$ 129,422	\$ 1,314,081
Payroll taxes	58,338	27,648	9,381	95,367
Employee benefits	177,494	84,684	28,623	290,801
Total personnel	1,036,200	496,623	167,426	1,700,249
Psychiatric consultation	5,972			5,972
Crisis telehealth consultation				
Professional fees	9,216	5,661	1,670	16,547
Drop in center	223			223
Building repair and maintenance	11,291	7,091	2,069	20,451
Office supplies and expense	21,285	14,850	4,116	40,251
Telephone	6,189	2,925	994	10,108
Mileage and travel	23,209	7,360	3,202	33,771
Rent	5,848	3,339	1,023	10,210
Janitorial services	6,778	4,022	1,208	12,008
Equipment repair and maintenance	4,805	2,601	820	8,226
Equipment rental	772	454	137	1,363
Depreciation and amortization	45,387		4,168	49,555
Bad debts	17,781	25,294		43,075
Other expenses	95,191	32,085	12,054	139,330
Total expenses	\$ 1,290,147	\$ 602,305	\$ 198,887	\$ 2,091,339

See Notes to Financial Statements.

2012

Program Services		Supporting Services	
Mental Health Program	Alcohol and Related Problems Program	General and Administrative	Total
\$ 910,217	\$ 411,699	\$ 148,774	\$ 1,470,690
68,446	31,028	11,198	110,672
194,054	87,832	31,727	313,613
1,172,717	530,559	191,699	1,894,975
5,313			5,313
14,081			14,081
13,084	6,662	2,251	21,997
884			884
10,920	5,550	1,878	18,348
24,497	15,173	4,625	44,295
6,578	2,314	975	9,867
31,937	5,151	3,810	40,898
4,037	2,045	693	6,775
6,669	3,374	1,144	11,187
11,030	5,601	1,896	18,527
745	371	127	1,243
52,788		5,006	57,794
10,355	15,864		26,219
67,042	30,004	9,952	106,998
\$ 1,432,677	\$ 622,668	\$ 224,056	\$ 2,279,401

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 \$86,490 and \$91,789 at June 30, 2013 and 2012, 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 return for fiscal years 2011, 2012, and 2013 are open to examination by the IRS, generally for three years after they were filed.

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 total pension expense for the Center for the years ended June 30, 2013 and 2012 was \$119,751 and \$122,264, respectively.

The pension plan is administered by Mutual of America, Milwaukee, Wisconsin. Employees of the Center are eligible to participate and electively defer salary into 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, 2013 and 2012 are carried at fair value and are composed of the following:

	2013		2012	
	Cost	Fair Value (Level 1)	Cost	Fair Value (Level 1)
Investments whose use is limited				
Mutual funds	\$ 22,548	\$ 23,683	\$ 21,755	\$ 24,147

Fair value of assets measured on a recurring basis at June 30, 2013 and 2012 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	\$ 21,755	\$ 24,147	\$ 2,392
Decrease in unrealized gain on investments			(1,257)
Balance, end of year	\$ 22,548	\$ 23,683	\$ 1,135

Other investments at June 30, 2013 and 2012 are carried at cost and are composed of the following:

	2013	2012
Certificates of deposit	\$ 155,897	\$ 134,550
Money market and cash	147,045	166,227
	\$ 302,942	\$ 300,777

The Center incurred no direct investment expenses during the years ended June 30, 2013 and 2012.

3. Property and Equipment

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

	2013	2012
Buildings	\$ 1,368,560	\$ 1,368,560
Office furniture and equipment	534,508	534,508
	1,903,068	1,903,068
Accumulated depreciation	1,116,895	1,067,340
	\$ 786,173	\$ 835,728

The total depreciation expense for the Center for the years ended June 30, 2013 and 2012 was \$49,555 and \$57,794 respectively.

4. Assets Whose Use is Limited

Assets of \$326,831 (\$325,083 in 2012) 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. Fund-Raising Expense

The Center incurred no fund-raising expenses for the years ended June 30, 2013 and 2012.

6. Interest Expense

For the years ended June 30, 2013 and 2012, the Center incurred no interest cost, and accordingly, no interest expense was capitalized during these periods.

7. Lease Obligations

The Center leases office space for its satellite offices under various month to month leases with \$10,210 and \$6,775 charged to expense for the years ended June 30, 2013 and 2012, respectively.

The Center also rents equipment under various month to month leases which totaled \$1,363 and \$1,243 for the years ended June 30, 2013 and 2012, respectively.

8. 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, 2013 is \$208,826 (\$197,166 at June 30, 2012). 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 contracted to purchase electronic health records software from Defran Systems. The Center made \$25,000 payments in June and July, 2011. Starting in August 2011, monthly payments of \$4,685 were due for twenty three months. All payments are reflected in prepaid expenses since the system was not operational as of June 30, 2013 and 2012. Travel expenses for training done by Defran System's employees are also included in prepaid expenses. In fiscal year 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. As of June 30, 2013, monthly payments of \$4,685 were completed. Total prepaid expenses reflected in the statements of financial position in relation to the electronic health records system totaled \$146,689 and \$85,466 as of June 30, 2013 and 2012, respectively.

9. 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.

10. 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 \$60,000 for the 2012 fiscal year. Based on the report submitted for the year ended June 30, 2012, the Center was reimbursed \$118,465. This amount was subsequently received in May 2013. The Center's management estimates that the final reimbursement to be received for fiscal year 2013 will be \$65,000. 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 2014.

11. Subsequent Events

Subsequent events were evaluated through October 23, 2013, which is the date the financial statements were available to be issued.

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NORTHEAST IOWA MENTAL HEALTH CENTER
STATEMENT OF FINANCIAL POSITION INFORMATION
June 30, 2013

	Mental Health Program	Alcohol and Related Problems Program
CURRENT ASSETS		
Cash and cash equivalents	\$ 9,857	
Accounts receivable, net of allowance for adjustments	224,351	\$ 71,122
Due from Mental Health Program		1,369,123
Prepaid expenses	198,938	
Total current assets	433,146	1,440,245
PROPERTY AND EQUIPMENT		
Buildings	1,368,560	
Equipment	534,508	
	1,903,068	
Less accumulated depreciation	(1,116,895)	
Total property and equipment	786,173	
ASSETS WHOSE USE IS LIMITED		
Investments, at fair market value	23,683	
Investments, other	302,942	
Accrued interest receivable	206	
Noncurrent assets whose use is limited	326,831	
	\$ 1,546,150	\$ 1,440,245
CURRENT LIABILITIES		
Account payable	\$ 21,062	
Due to Alcohol and Related Problems Program	1,369,123	
Accrued expenses	5,941	
Accrued salary and vacation pay	69,738	\$ 36,136
Total current liabilities	1,465,864	36,136
NET ASSETS		
Unrestricted net assets		
Designated for specified purposes	535,657	
Undesignated (deficit)	(455,371)	1,404,109
Total unrestricted net assets	80,286	1,404,109
	\$ 1,546,150	\$ 1,440,245

See Independent Auditor's Report.

<u>Inter-program Eliminations</u>	<u>Total all Programs</u>
	\$ 9,857
	295,473
\$ (1,369,123)	None
	198,938
<u>(1,369,123)</u>	<u>504,268</u>
	1,368,560
	<u>534,508</u>
	1,903,068
	<u>(1,116,895)</u>
	<u>786,173</u>
	23,683
	302,942
	206
	<u>326,831</u>
<u>\$ (1,369,123)</u>	<u>\$ 1,617,272</u>
	\$ 21,062
\$ (1,369,123)	None
	5,941
	105,874
<u>(1,369,123)</u>	<u>132,877</u>
	535,657
	<u>948,738</u>
	<u>1,484,395</u>
<u>\$ (1,369,123)</u>	<u>\$ 1,617,272</u>

NORTHEAST IOWA MENTAL HEALTH CENTER
 STATEMENT OF FINANCIAL POSITION INFORMATION (Continued)
 June 30, 2013

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		\$ 23,683
Money Market and Cash			
Farmers and Merchants Savings Bank	0.70%		146,645
Edward D Jones & Company	Variable		20,400
			167,045
Certificate of Deposits			
Farmers and Merchants Savings Bank	1.00%	May 23, 2014	33,840
Viking State Bank & Trust (2)	0.70%	Various	102,057
			135,897
Accrued interest			206
Total assets whose use is limited			\$ 326,831

See Independent Auditor's Report.

NORTHEAST IOWA MENTAL HEALTH CENTER
 STATEMENT OF CHANGES IN NET ASSETS (By Program)
 Year Ended June 30, 2013

	Mental Health Program	Alcohol and Related Problems Program	Inter-program Eliminations	Total all Programs
Total support and revenue	\$ 1,250,406	\$ 860,198	\$ (12,853)	\$ 2,097,751
Total expenses	1,405,075	699,117	(12,853)	2,091,339
Change in net assets	(154,669)	161,081	None	6,412
NET ASSETS, beginning	234,955	1,243,028	None	1,477,983
NET ASSETS, ending	\$ 80,286	\$ 1,404,109	\$ None	\$ 1,484,395

See Independent Auditor's Report.

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NORTHEAST IOWA MENTAL HEALTH CENTER
STATEMENT OF ACTIVITIES INFORMATION
Year Ended June 30, 2013

	Mental Health Program	Alcohol and Related Problems Program
SUPPORT AND REVENUE		
Support		
Division of Health, Promotion, Prevention and Addictive Behaviors contract		\$ 461,095
Iowa Department of Corrections		14,000
Crisis Stabilization	\$ 109,930	
Access to Recovery	538	
Division of Behavioral, Developmental and Protective Services for Families, Adults and Children		
Mental Health Adult Grant	66,776	
Mental Health Child Grant	5,556	
	<u>182,800</u>	<u>475,095</u>
Total support		
Revenue and Gains		
County		
Outpatient fees	186,861	
Community support services	7,125	
Peer support and consultation	2,395	
	<u>196,381</u>	
Other Revenue		
Fees		
Medicaid		238,285
Medicare	374,925	29,185
Patient fees	536,564	690,498
Contracted third party payors	391,260	
HPSA payments	3,346	
Community support services - MBC	120,585	
Peer support - MBC	1,031	
OWI education		18,995
Less adjustments	(11,689)	(436,126)
Insurance write-offs	(564,178)	(157,310)
	<u>851,844</u>	<u>383,527</u>
Total other revenue fees		
Other		
Psychological services	7,369	
Rent	12,853	
Interest and dividends	3,029	
Medical information	2,508	284
Gifts	400	400
Unrealized loss on investments	(1,257)	
Miscellaneous	(5,521)	892
	<u>19,381</u>	<u>1,576</u>
Total other revenue other		
Total other revenue		
	<u>871,225</u>	<u>385,103</u>
Total revenue and gains		
	<u>1,067,606</u>	<u>385,103</u>
Total support and revenue		
	<u>\$ 1,250,406</u>	<u>\$ 860,198</u>

See Independent Auditor's Report.

<u>Inter-program Eliminations</u>	<u>Total all Programs</u>
	\$ 461,095
	14,000
	109,930
	538
	66,776
	<u>5,556</u>
	<u>657,895</u>
	186,861
	7,125
	<u>2,395</u>
	<u>196,381</u>
	238,285
	404,110
	1,227,062
	391,260
	3,346
	120,585
	1,031
	18,995
	(447,815)
	<u>(721,488)</u>
	<u>1,235,371</u>
	7,369
\$ (12,853)	None
	3,029
	2,792
	800
	(1,257)
	<u>(4,629)</u>
<u>(12,853)</u>	<u>8,104</u>
<u>(12,853)</u>	<u>1,243,475</u>
<u>(12,853)</u>	<u>1,439,856</u>
<u>\$ (12,853)</u>	<u>\$ 2,097,751</u>

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NORTHEAST IOWA MENTAL HEALTH CENTER
STATEMENT OF FUNCTIONAL EXPENSES INFORMATION
Year Ended June 30, 2013

	Program Services			Total Program Services
	Mental Health Program	Alcohol and Related Problems Program	Inter-program Eliminations	
Salaries	\$ 800,368	\$ 384,291		\$ 1,184,659
Payroll taxes	58,338	27,648		85,986
Employee benefits	177,494	84,684		262,178
Total personnel	1,036,200	496,623		1,532,823
Psychiatric consultation	5,972			5,972
Professional fees	9,216	5,661		14,877
Drop in center	223			223
Building repair and maintenance	11,291	7,091		18,382
Office supplies and expense	21,285	14,850		36,135
Telephone	6,189	2,925		9,114
Mileage and travel	23,209	7,360		30,569
Rent	5,848	10,699	\$ (7,360)	9,187
Janitorial services	6,778	4,022		10,800
Equipment repair and maintenance	4,805	2,601		7,406
Equipment rental	772	4,313	(3,859)	1,226
Depreciation and amortization	45,387			45,387
Bad debts	17,781	25,294		43,075
Other expenses	95,191	32,085		127,276
Total expenses	\$ 1,290,147	\$ 613,524	\$ (11,219)	\$ 1,892,452

See Independent Auditor's Report.

Supporting Services		
General and Administrative	Inter-program Eliminations	Total Expenses
\$ 129,422		\$ 1,314,081
9,381		95,367
28,623		290,801
167,426		1,700,249
		5,972
1,670		16,547
		223
2,069		20,451
4,116		40,251
994		10,108
3,202		33,771
2,094	\$ (1,071)	10,210
1,208		12,008
820		8,226
699	(562)	1,363
4,168		49,555
		43,075
12,054		139,330
\$ 200,520	\$ (1,633)	\$ 2,091,339

NORTHEAST IOWA MENTAL HEALTH CENTER
 STATEMENT OF FUNCTIONAL EXPENSES INFORMATION (Continued)
 Year Ended June 30, 2013

	Program Services			Support Services	Total Expenses
	Mental Health Program	Alcohol and Related Problems Program	Total Program Services		
OTHER EXPENSES					
Heat, light, water and cable	\$ 17,410	\$ 10,231	\$ 27,641	\$ 3,087	\$ 30,728
Postage and shipping	4,744	2,997	7,741	871	8,612
Insurance/settlements	13,860	9,264	23,124	2,621	25,745
Conferences and conventions	29,010	404	29,414	2,723	32,137
Organization dues	10,679	125	10,804		10,804
Advertising	3,580	345	3,925	379	4,304
Computer support	5,372	2,958	8,330	925	9,255
Miscellaneous	3,245	4,092	7,337	894	8,231
Subscriptions	3,389	1,669	5,058	554	5,612
Emergency Answer Plus	3,902		3,902		3,902
Total other expenses	\$ 95,191	\$ 32,085	\$ 127,276	\$ 12,054	\$ 139,330

See Independent Auditor's Report.

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, in accordance with the 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, the financial statements of Northeast Iowa Mental Health Center (a nonprofit corporation), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 23, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Northeast Iowa Mental Health Center's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control.

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. 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.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described below, that we consider to be significant deficiencies.

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 Center 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 from 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 Findings

Northeast Iowa Mental Health Center's responses to the findings identified in our audit are described above. Northeast Iowa Mental Health Center's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Center's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hacker, Nelson & Co., P.C.

Decorah, Iowa
October 23, 2013