

**NORTHEAST IOWA MENTAL
HEALTH CENTER**

FINANCIAL STATEMENTS

JUNE 30, 2014

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NORTHEAST IOWA MENTAL HEALTH CENTER
BOARD OF DIRECTORS AND STAFF MEMBERS

June 30, 2014

BOARD OF DIRECTORS

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

Doug Bryce (Winneshiek)
Don Burnikel (Howard)
Tonya Tysland, Gundersen Lutheran Representative
Allamakee County
Clayton County
Clayton County
Fayette County
Howard County
Winneshiek County
Winneshiek County

MANAGEMENT STAFF

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

Support/Transcriptionist
Support Staff
Support/Administrative Assistant
MIS Director
Patient Account Specialist
Support Staff
Support
Support/Insurance
Support
Clinical Director
Executive Director
Assistant MIS Director
Client Account Specialist
Support Staff
IHH Director

MEDICAL STAFF

B. J. Dave, M.D.
*Neelu Gill, M.D.
Vithalji Modha, M.D.
Farrah Hassebroek, ARNP

Consulting Psychiatrist
Medical Director
Consulting Psychiatrist
Telehealth ARNP

CLINICAL STAFF – DECORAH

Tara Bruening, MS, LMHC
Carrie Christensen, IADC
William Deutsch, LISW
Susan Doll, LISW, IADC
*Stephanie Garcia-Prats, CADC
Carol Hemesath, LMHC
Deanne Hosek, LMHC
Rebecca Loven, M.Ed., LMHC
Joelle Nielsen, LMHC
Ann Pahlas, LBSW
Diann Pape, IADC
Dave Prochaska, MS
Karen Tenneson, LISW
Alexia Thompson, LMHC, CADC
Sonja Wessels, RN

Behavioral Health Therapist
Substance Abuse Counselor
Behavioral Health Therapist
Behavioral Health Therapist
Substance Abuse Counselor
Behavioral Health Therapist
Behavioral Health Therapist
Behavioral Health Therapist
Behavioral Health Therapist
Community Support Specialist
Substance Abuse Counselor
Community Support Specialist
Behavioral Health Therapist
Behavioral Health Therapist
IHH Registered Nurse

CLINICAL STAFF - OELWEIN

Stacia Danielson, LISW, IADC
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, 2014

**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, 2014 and 2013, 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, 2014 and 2013, 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 14 through 19 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, 2014, 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, 2014

NORTHEAST IOWA MENTAL HEALTH CENTER
STATEMENTS OF FINANCIAL POSITION
June 30, 2014 and 2013

ASSETS

	2014	2013
CURRENT ASSETS		
Cash and cash equivalents	\$ 36,648	\$ 9,857
Accounts receivable, less allowance for adjustments of 2014 \$86,725; 2013 \$86,490	320,378	295,473
Prepaid expenses	16,879	198,938
Total current assets	373,905	504,268
PROPERTY AND EQUIPMENT, net	903,059	786,173
ASSETS WHOSE USE IS LIMITED		
Investments, at fair value	24,413	23,683
Investments, other	304,289	302,942
Investment, Iowa Behavioral Health Network	20,000	
Accrued interest receivable	162	206
Noncurrent assets whose use is limited	348,864	326,831
	\$ 1,625,828	\$ 1,617,272
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 24,723	\$ 21,062
Accrued expenses	8,482	5,941
Accrued salary and vacation pay	116,186	105,874
Total current liabilities	149,391	132,877
NET ASSETS		
Unrestricted net assets		
Designated for specified purposes	497,398	535,657
Undesignated	979,039	948,738
Total net assets	1,476,437	1,484,395
	\$ 1,625,828	\$ 1,617,272

See Notes to Financial Statements.

NORTHEAST IOWA MENTAL HEALTH CENTER
STATEMENTS OF ACTIVITIES
Years Ended June 30, 2014 and 2013

	2014	2013
SUPPORT AND REVENUE		
Support		
Grants and contracts	\$ 583,140	\$ 657,895
Revenue and gains		
County fees	264,975	196,381
Other		
Fees	1,230,742	1,235,371
Other services	5,163	7,369
Interest	2,267	3,029
Dividends	3,478	2,792
Gifts	940	800
Unrealized gain (loss) on investments	270	(1,257)
Miscellaneous	8,202	(4,629)
Total revenue and gains	1,516,037	1,439,856
Total support and revenue	2,099,177	2,097,751
EXPENSES		
Program services		
Mental Health program	1,254,160	1,290,147
Alcohol and Related Problems program	596,543	602,305
Total program services	1,850,703	1,892,452
Support services		
General and administrative	256,432	198,887
Total expenses	2,107,135	2,091,339
Change in unrestricted net assets	(7,958)	6,412
NET ASSETS, beginning	1,484,395	1,477,983
NET ASSETS, ending	\$ 1,476,437	\$ 1,484,395

See Notes to Financial Statements.

NORTHEAST IOWA MENTAL HEALTH CENTER
 STATEMENTS OF CASH FLOWS
 Years Ended June 30, 2014 and 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (7,958)	\$ 6,412
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	51,142	49,555
Provision for adjustments	(235)	5,299
Unrealized (gain) loss on investments	(270)	1,257
Changes in:		
Accounts receivable	(24,670)	(28,631)
Accrued interest	44	(47)
Prepaid expenses	182,059	(51,632)
Accounts payable	3,661	(7,497)
Accrued expenses	2,538	4,776
Deferred revenue		(109,930)
Accrued salaries and benefits	10,312	(6,277)
	216,623	(136,715)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment, furniture and fixtures	(168,027)	
Proceeds from investments	92,496	20,000
Purchase of investments	(114,301)	(22,962)
	(189,832)	(2,962)
Net cash used in investing activities		
	26,791	(139,677)
CASH AND CASH EQUIVALENTS		
Beginning of year	9,857	149,534
	\$ 36,648	\$ 9,857
End of year	\$ 36,648	\$ 9,857

See Notes to Financial Statements.

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NORTHEAST IOWA MENTAL HEALTH CENTER
 STATEMENTS OF FUNCTIONAL EXPENSES
 Years Ended June 30, 2014 and 2013

	2014			
	Program Services		Supporting Services	
	Mental Health Program	Alcohol and Related Problems Program	General and Administrative	Total
Salaries	\$ 761,920	\$ 390,797	\$ 169,497	\$ 1,322,214
Payroll taxes	58,460	30,025	13,013	101,498
Employee benefits	143,339	73,332	31,851	248,522
Total personnel	963,719	494,154	214,361	1,672,234
Psychiatric consultation	25,281			25,281
Contracted consultation	43,922	450		44,372
Professional fees	9,142	5,932	2,276	17,350
Drop in center				
Building repair and maintenance	11,475	6,788	2,729	20,992
Office supplies and expense	23,284	14,781	5,734	43,799
Telephone	5,722	3,670	1,417	10,809
Mileage and travel	17,300	6,507	3,387	27,194
Rent	5,611	3,496	1,369	10,476
Janitorial services	6,687	2,318	1,270	10,275
Equipment repair and maintenance	16,816	9,165	3,846	29,827
Equipment rental	665	189	119	973
Depreciation and amortization	45,568		5,574	51,142
Bad debts	3,444	13,740		17,184
Other expenses	75,524	35,353	14,350	125,227
Total expenses	\$ 1,254,160	\$ 596,543	\$ 256,432	\$ 2,107,135

See Notes to Financial Statements.

2013

Program Services		Supporting Services		Total
Mental Health Program	Alcohol and Related Problems Program	General and Administrative		
\$ 800,368	\$ 384,291	\$ 129,422	\$ 1,314,081	
58,338	27,648	9,381	95,367	
177,494	84,684	28,623	290,801	
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1,036,200	496,623	167,426	1,700,249	
5,972			5,972	
9,216	5,661	1,670	16,547	
223			223	
11,291	7,091	2,069	20,451	
21,285	14,850	4,116	40,251	
6,189	2,925	994	10,108	
23,209	7,360	3,202	33,771	
5,848	3,339	1,023	10,210	
6,778	4,022	1,208	12,008	
4,805	2,601	820	8,226	
772	454	137	1,363	
45,387		4,168	49,555	
17,781	25,294		43,075	
95,191	32,085	12,054	139,330	
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\$ 1,290,147	\$ 602,305	\$ 198,887	\$ 2,091,339	
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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, Guttenberg 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, a contract with County Social Services, 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 \$86,725 and \$86,490 at June 30, 2014 and 2013, 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 2014. 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 is subject to routine audits by taxing jurisdictions, however, there are currently no audits for any tax periods in progress. The Center's federal income tax return for fiscal years 2012, 2013, and 2014 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 had a defined contribution pension plan through January 14, 2014 for employees who had 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. The Center contributed 10% of the eligible employee's salary into the pension plan. The employee was 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, 2014 and 2013 was \$59,877 and \$119,751, respectively. The pension plan was administered by Mutual of America, Milwaukee, Wisconsin.

Employees of the Center were eligible to participate and electively defer salary into tax sheltered annuities and Roth IRA's. The Center did not contribute to the employee's tax sheltered annuities or Roth IRA's. This option ended as of December 31, 2013.

On January 15, 2014, the Center adopted a defined contribution pension plan covering all 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 and have obtained the age of 21. The Center makes monthly contributions to the plan equal to 10% of the eligible employees' compensation. Employees are able to make pre-tax elective deferrals in addition to Roth elective deferrals, subject to statutory contribution limits. Vesting occurs at the rate of 33 1/3% per year. The total pension expense for the Center for the year ended June 30, 2014 was \$58,045. The pension plan is administered by Mutual of Omaha.

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, 2014 and 2013 are carried at fair value and are composed of the following:

	2014		2013	
	Cost	Fair Value (Level 1)	Cost	Fair Value (Level 1)
Investments whose use is limited				
Mutual funds	\$ 23,008	\$ 24,413	\$ 22,548	\$ 23,683

NOTES TO FINANCIAL STATEMENTS

2. Investments (Continued)

Fair value of assets measured on a recurring basis at June 30, 2014 and 2013 consist of the mutual funds shown above. Fair value for short-term investments is determined by level 1 inputs by reference to quoted market prices in active markets for identical assets and other relevant information generated by market transactions.

The following 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	\$ 22,548	\$ 23,683	\$ 1,135
Increase in unrealized gain on investments			270
Balance, end of year	\$ 23,008	\$ 24,413	\$ 1,405

Other investments at June 30, 2014 and 2013 are carried at cost and are composed of the following:

	2014	2013
Certificates of deposit	\$ 156,846	\$ 155,897
Money market and cash	147,443	147,045
	\$ 304,289	\$ 302,942

The Center invested \$20,000 into the Integrated Behavioral Health Network (IBHN) in May 2014 and is considered one of the founding members of the IBHN. This new network of substance abuse providers and community mental health centers will provide insurance billing, behavioral health contracts with several insurance companies, electronic health record software and credentialing. In July 2014, the founding members of the IBHN voted to move forward with the project. The Center will receive four shares in the network, based on each share being worth \$5,000. The Center may receive future dividends from the IBHN based on operational results.

The Center incurred no direct investment expenses during the years ended June 30, 2014 and 2013.

3. Property and Equipment

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

	2014	2013
Buildings	\$ 1,378,188	\$ 1,368,560
Office furniture and equipment	613,987	534,508
	1,992,175	1,903,068
Accumulated depreciation	1,089,116	1,116,895
	\$ 903,059	\$ 786,173

The total depreciation expense for the Center for the years ended June 30, 2014 and 2013 was \$51,142 and \$49,555, respectively.

4. Assets Whose Use is Limited

Assets of \$348,864 (\$326,831 in 2013) have been designated by the Board of Directors for the improvement, replacement, and expansion of property and equipment. For the year ended June 30, 2014, the investment in the IBHN of \$20,000 (see note 2) is included in total assets whose use is limited. Management expects a portion of the board-designated funds may be required for operations in the fiscal year ended June 30, 2014. 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, 2014 and 2013.

6. Interest Expense

For the years ended June 30, 2014 and 2013, 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 \$10,476 and \$10,210 charged to expense for the years ended June 30, 2014 and 2013, respectively.

The Center also rents equipment under various month to month leases which totaled \$973 and \$1,363 for the years ended June 30, 2014 and 2013, 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, 2014 is \$168,534 (\$208,826 at June 30, 2013). 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. 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 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 as of June 30, 2013.

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 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 \$65,000 for the 2013 fiscal year. Based on the report submitted for the year ended June 30, 2013, the Center was reimbursed \$68,615. This amount was subsequently received in May 2014. The Center's management estimates that the final reimbursement to be received for fiscal year 2014 will be \$166,084. 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 2015.

11. Subsequent Events

Subsequent events were evaluated through October 23, 2014, which is the date the financial statements were available to be issued.

Supplementary Information

NORTHEAST IOWA MENTAL HEALTH CENTER
STATEMENT OF FINANCIAL POSITION INFORMATION
June 30, 2014

	Mental Health Program	Alcohol and Related Problems Program	Inter-program Eliminations	Total all Programs
CURRENT ASSETS				
Cash and cash equivalents	\$ 36,648			\$ 36,648
Accounts receivable, net of allowance for adjustments	227,579	\$ 92,799		320,378
Due from Mental Health Program		1,489,680	\$ (1,489,680)	None
Prepaid expenses	16,879			16,879
Total current assets	281,106	1,582,479	(1,489,680)	373,905
PROPERTY AND EQUIPMENT				
Buildings	1,378,188			1,378,188
Equipment	613,987			613,987
	1,992,175			1,992,175
Less accumulated depreciation	(1,089,116)			(1,089,116)
Total property and equipment	903,059			903,059
ASSETS WHOSE USE IS LIMITED				
Investments, at fair market value	24,413			24,413
Investments, other	304,289			304,289
Investment, Iowa Behavioral Health Network	20,000			20,000
Accrued interest receivable	162			162
Noncurrent assets whose use is limited	348,864			348,864
	\$ 1,533,029	\$ 1,582,479	\$ (1,489,680)	\$ 1,625,828
CURRENT LIABILITIES				
Accounts payable	\$ 24,723			\$ 24,723
Due to Alcohol and Related Problems Program	1,489,680		\$ (1,489,680)	None
Accrued expenses	8,482			8,482
Accrued salary and vacation pay	73,272	\$ 42,914		116,186
Total current liabilities	1,596,157	42,914	(1,489,680)	149,391
NET ASSETS				
Unrestricted net assets				
Designated for specified purposes	497,398			497,398
Undesignated (deficit)	(560,526)	1,539,565		979,039
Total unrestricted net assets	(63,128)	1,539,565		1,476,437
	\$ 1,533,029	\$ 1,582,479	\$ (1,489,680)	\$ 1,625,828

See Independent Auditor's Report.

NORTHEAST IOWA MENTAL HEALTH CENTER
 STATEMENT OF FINANCIAL POSITION INFORMATION (Continued)
 June 30, 2014

ASSETS WHOSE USE IS LIMITED			
	Interest Rate	Maturity Date	Amount
<u>Mental Health Program</u>			
Mutual Fund			
U.S. Government Securities Fund			
American Funds Service Company	Variable		\$ 24,413
Money Market and Cash			
Farmers and Merchants Savings Bank	0.50%		147,443
Edward D Jones & Company	Variable		19,996
			167,439
Certificate of Deposits			
Farmers and Merchants Savings Bank	0.50%	May 23, 2015	34,078
Viking State Bank & Trust (2)	0.50%	Various	102,772
			136,850
Iowa Behavioral Health Network			
			20,000
Accrued interest			
			162
Total assets whose use is limited			\$ 348,864

See Independent Auditor's Report.

NORTHEAST IOWA MENTAL HEALTH CENTER
 STATEMENT OF CHANGES IN NET ASSETS (By Program)
 Year Ended June 30, 2014

	Mental Health Program	Alcohol and Related Problems Program	Inter-program Eliminations	Total all Programs
Total support and revenue	\$ 1,253,539	\$ 858,970	\$ (13,332)	\$ 2,099,177
Total expenses	1,396,953	723,514	(13,332)	2,107,135
Change in net assets	(143,414)	135,456	None	(7,958)
NET ASSETS, beginning	80,286	1,404,109	None	1,484,395
NET ASSETS, ending	\$ (63,128)	\$ 1,539,565	\$ None	\$ 1,476,437

See Independent Auditor's Report.

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NORTHEAST IOWA MENTAL HEALTH CENTER
STATEMENT OF ACTIVITIES INFORMATION
Year Ended June 30, 2014

	Mental Health Program	Alcohol and Related Problems Program
SUPPORT AND REVENUE		
Support		
Division of Health, Promotion, Prevention and Addictive Behaviors Contract		\$ 480,624
Iowa Department of Corrections		14,425
Iowa Recovery Health Information Technology Project	\$ 21,578	
Integrated Health Home	22,119	
Youth Suicide Prevention	6,000	
Division of Behavioral, Developmental and Protective Services for Families, Adults and Children		
Mental Health Adult Grant	38,394	
	<u>88,091</u>	<u>495,049</u>
Total support		
Revenue and Gains		
County		
Outpatient fees	244,467	
Community support services	4,560	
Education	1,313	
Miscellaneous	12,385	
Peer support and consultation	2,250	
	<u>264,975</u>	
Other Revenue		
Fees		
Medicaid		215,755
Medicare	372,515	17,905
Patient fees	501,817	675,865
Contracted third party payors	509,191	
HPSA payments	3,808	
Community support services - MBC	122,520	
OWI education		18,490
Less adjustments	(6,525)	(391,014)
Insurance write-offs	(636,400)	(173,185)
	<u>866,926</u>	<u>363,816</u>
Total other revenue fees		
Other		
Psychological services	5,163	
Rent	13,332	
Interest and dividends	2,267	
Medical information	3,138	340
Gifts	940	
Unrealized gain on investments	270	
Miscellaneous	8,437	(235)
	<u>33,547</u>	<u>105</u>
Total other revenue other		
Total other revenue		
	<u>900,473</u>	<u>363,921</u>
Total revenue and gains		
	<u>1,165,448</u>	<u>363,921</u>
Total support and revenue		
	<u>\$ 1,253,539</u>	<u>\$ 858,970</u>

See Independent Auditor's Report.

<u>Inter-program Eliminations</u>	<u>Total all Programs</u>
	\$ 480,624
	14,425
	21,578
	22,119
	6,000
	<u>38,394</u>
	<u>583,140</u>
	244,467
	4,560
	1,313
	12,385
	<u>2,250</u>
	<u>264,975</u>
	215,755
	390,420
	1,177,682
	509,191
	3,808
	122,520
	18,490
	(397,539)
	<u>(809,585)</u>
	<u>1,230,742</u>
	5,163
\$ (13,332)	None
	2,267
	3,478
	940
	270
	<u>8,202</u>
	<u>20,320</u>
	<u>1,251,062</u>
	<u>1,516,037</u>
<u>\$ (13,332)</u>	<u>\$ 2,099,177</u>

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NORTHEAST IOWA MENTAL HEALTH CENTER
STATEMENT OF FUNCTIONAL EXPENSES INFORMATION
Year Ended June 30, 2014

	Program Services			Total Program Services
	Mental Health Program	Alcohol and Related Problems Program	Inter-program Eliminations	
Salaries	\$ 761,920	\$ 390,797		\$ 1,152,717
Payroll taxes	58,460	30,025		88,485
Employee benefits	143,339	73,332		216,671
Total personnel	963,719	494,154		1,457,873
Psychiatric consultation	25,281			25,281
Contracted consultation	43,922	450		44,372
Professional fees	9,142	5,932		15,074
Building repair and maintenance	11,475	6,788		18,263
Office supplies and expense	23,284	14,781		38,065
Telephone	5,722	3,670		9,392
Mileage and travel	17,300	6,507		23,807
Rent	5,611	9,649	\$ (6,153)	9,107
Janitorial services	6,687	2,318		9,005
Equipment repair and maintenance	16,816	9,165		25,981
Equipment rental	665	5,190	(5,001)	854
Depreciation and amortization	45,568			45,568
Bad debts	3,444	13,740		17,184
Other expenses	75,524	35,353		110,877
Total expenses	\$ 1,254,160	\$ 607,697	\$ (11,154)	\$ 1,850,703

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Supporting Services

<u>General and Administrative</u>	<u>Inter-program Eliminations</u>	<u>Total Expenses</u>
\$ 169,497		\$ 1,322,214
13,013		101,498
<u>31,851</u>		<u>248,522</u>
214,361		1,672,234
		25,281
		44,372
2,276		17,350
2,729		20,992
5,734		43,799
1,417		10,809
3,387		27,194
2,570	\$ (1,201)	10,476
1,270		10,275
3,846		29,827
1,095	(976)	973
5,574		51,142
		17,184
<u>14,350</u>		<u>125,227</u>
<u>\$ 258,609</u>	<u>\$ (2,177)</u>	<u>\$ 2,107,135</u>

NORTHEAST IOWA MENTAL HEALTH CENTER
 STATEMENT OF FUNCTIONAL EXPENSES INFORMATION (Continued)
 Year Ended June 30, 2014

	Program Services			Support Services General and Administrative	Total Expenses
	Mental Health Program	Alcohol and Related Problems Program	Total Program Services		
OTHER EXPENSES					
Heat, light, water and cable	\$ 20,260	\$ 12,926	\$ 33,186	\$ 5,002	\$ 38,188
Postage and shipping	3,612	2,912	6,524	1,010	7,534
Insurance/settlements	13,985	9,873	23,858	3,638	27,496
Conferences and conventions	9,566	1,588	11,154	1,481	12,635
Organization dues	9,666	338	10,004		10,004
Advertising	368	136	504	71	575
Computer support	1,823	882	2,705	396	3,101
Moving/recruitment	3,589		3,589	439	4,028
Miscellaneous	4,614	6,535	11,149	1,840	12,989
Subscriptions	3,608	163	3,771	473	4,244
Emergency Answer Plus	4,433		4,433		4,433
Total other expenses	\$ 75,524	\$ 35,353	\$ 110,877	\$ 14,350	\$ 125,227

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, 2014, 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, 2014.

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 Northeast Iowa Mental Health 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 a certain deficiency in internal control, described below, that we consider to be a significant deficiency.

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.

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.

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 Response to Finding

Northeast Iowa Mental Health Center's response to the finding identified in our audit is described above. Northeast Iowa Mental Health Center's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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, 2014