

**NORTHEAST IOWA MENTAL
HEALTH CENTER**

FINANCIAL STATEMENTS

JUNE 30, 2015

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NORTHEAST IOWA MENTAL HEALTH CENTER
BOARD OF DIRECTORS AND STAFF MEMBERS
June 30, 2015

BOARD OF DIRECTORS

President
Vice President
Secretary/Treasurer

Tanya Tysland, Gundersen Lutheran Representative
Doug Bryce (Winneshiek)
Kathy Grinhaug (Howard)

Dennis Koenig
Ron McCartney
Mike Tschirgi
Darrel Dolf
Jan McGovern
Floyd Ashbacher

Allamakee County
Clayton County
Clayton County
Fayette County
Howard County
Winneshiek County

STAFF MEMBERS

Administration

Diane Decker, BA
Jan Jauert
Bonnie Johnson, BA
Brenda Kriener
Brenda Kuennen
Dawn Levenhagen
Sharla Lieder
Susan Looney
Rebecca Loven, LMHC
Marcia Oltrogge, MA, IAADC
Denise Reinhardt, AAS
Jaynece Tekippe
Kathy Villa

Support
Administrative Assistant
MIS Director
Client Account Specialist
Support
Support
Support
Support
Clinical Director
Executive Director
Assistant MIS Director
Client Account Specialist
Support

Medical Staff

Kovilparambil Antony, M.D.
B. J. Dave, M.D.
Vithalji Modha, M.D.
Deborah Bahe, ARNP
Dawnelle Gordon, ARNP
*Farrah Hassebroek, ARNP
Chitchawal Sahatevasukont, ARNP
Mary Oyloe, RN

Medical Director
Consulting Psychiatrist
Consulting Psychiatrist
Oelwein Office
Telehealth
Telehealth
Telehealth
Telehealth Registered Nurse

IHH Staff

Tori Reicherts, BA
Sheila Corcoran, BSW
Mary Brown, BS
Melissa Fuhrmann, BSN
Judy Holthaus, CNA
Mallory Horsfall, BA
*Marilyn Zweibahmer
*Sonja Wessels, RN
*Stacey Voshell

IHH Director
IHH Supervisor
IHH Care Coordinator
IHH Registered Nurse
IHH Peer Support
IHH Care Coordinator
IHH Director
IHH Registered Nurse
IHH Care Coordinator

NORTHEAST IOWA MENTAL HEALTH CENTER
BOARD OF DIRECTORS AND STAFF MEMBERS (Continued)
June 30, 2015

STAFF MEMBERS (Continued)

Clinical Staff - Decorah

Tara Bruening, LMHC
Carrie Christensen, IADC
William Deutsch, LISW
Susan Doll, LISW, IADC
Carol Hemesath, LMHC
Deanne Hosek, LMHC
Rebecca Loven, LMHC
Joelle Nielsen, LMHC
Ann Pahlas, LBSW
Diann Pape, IADC
Dave Prochaska, MS
Karen Tenneson, LISW
Alexia Thompson, LMHC, CADC

Behavioral Health Therapist
Substance Abuse Counselor
Behavioral Health Therapist
IHH & Community Support Specialist
Substance Abuse Counselor
IHH & Community Support Specialist
Behavioral Health Therapist
Behavioral Health Therapist

Clinical Staff - Oelwein

Diane Baumgartner, LMSW
Stacia Danielson, BSN, LISW, IADC
Lynda Elgers, MA, IADC, CSS
Jeannie Hamilton, LMSW
Ginger O'Connell, LBSW, IADC
*Kimberly O'Day, LISW
Karla Wolfs, LISW

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

*Terminated prior to or on June 30, 2015

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 corporation), which comprise the statements of financial position as of June 30, 2015 and 2014, 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, 2015 and 2014, 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 15 through 20 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 5, 2015, 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 5, 2015

NORTHEAST IOWA MENTAL HEALTH CENTER
 STATEMENTS OF FINANCIAL POSITION
 June 30, 2015 and 2014

ASSETS	2015	2014
CURRENT ASSETS		
Cash and cash equivalents	\$ 121,242	\$ 36,648
Accounts receivable, less allowance for adjustments of 2015 \$79,819; 2014 \$86,725	224,072	320,378
Prepaid expenses	88,648	16,879
Total current assets	433,962	373,905
PROPERTY AND EQUIPMENT, net	861,223	903,059
ASSETS WHOSE USE IS LIMITED		
Investments, at fair value	94,143	24,413
Investments, other	446,371	304,289
Investment, Iowa Behavioral Health Network	20,000	20,000
Accrued interest receivable	288	162
Noncurrent assets whose use is limited	560,802	348,864
	\$ 1,855,987	\$ 1,625,828
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 66,864	\$ 24,723
Accrued expenses	7,180	8,482
Accrued salary and vacation pay	118,706	116,186
Total current liabilities	192,750	149,391
NET ASSETS		
Unrestricted net assets		
Designated for specified purposes	736,886	497,398
Undesignated	926,351	979,039
Total net assets	1,663,237	1,476,437
	\$ 1,855,987	\$ 1,625,828

See Notes to Financial Statements.

NORTHEAST IOWA MENTAL HEALTH CENTER
STATEMENTS OF ACTIVITIES
Years Ended June 30, 2015 and 2014

	2015	2014
SUPPORT AND REVENUE		
Support		
Grants and contracts	\$ 873,686	\$ 583,140
Revenue and gains		
County fees	146,895	264,975
Other		
Fees	1,438,990	1,230,742
Other services	5,400	5,163
Interest	2,544	2,267
Dividends	3,851	3,478
Gifts	1,070	940
Unrealized (loss) gain on investments	(517)	270
Miscellaneous	7,772	8,202
Total revenue and gains	1,606,005	1,516,037
Total support and revenue	2,479,691	2,099,177
EXPENSES		
Program services		
Mental Health program	1,538,863	1,254,160
Alcohol and Related Problems program	498,206	596,543
Total program services	2,037,069	1,850,703
Support services		
General and administrative	255,822	256,432
Total expenses	2,292,891	2,107,135
Change in unrestricted net assets	186,800	(7,958)
NET ASSETS, beginning	1,476,437	1,484,395
NET ASSETS, ending	\$ 1,663,237	\$ 1,476,437

See Notes to Financial Statements.

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NORTHEAST IOWA MENTAL HEALTH CENTER
 STATEMENTS OF FUNCTIONAL EXPENSES
 Years Ended June 30, 2015 and 2014

	2015			
	Program Services		Supporting Services	Total
	Mental Health Program	Alcohol and Related Problems Program	General and Administrative	
Salaries	\$ 854,039	\$ 337,450	\$ 167,808	\$ 1,359,297
Payroll taxes	67,896	27,466	13,467	108,829
Employee benefits	150,213	60,037	29,651	239,901
Total personnel	1,072,148	424,953	210,926	1,708,027
Psychiatric consultation	192,570			192,570
Contracted consultation		450		450
Professional fees	11,336	4,513	2,234	18,083
Building repair and maintenance	12,874	4,793	2,471	20,138
Office supplies and expense	44,568	16,135	8,464	69,167
Telephone	10,111	3,058	1,801	14,970
Mileage and travel	24,032	7,748	4,375	36,155
Rent	9,000	3,592	1,776	14,368
Janitorial services	8,424	1,061	1,205	10,690
Equipment repair and maintenance	16,070	6,069	3,102	25,241
Equipment rental	926	373	184	1,483
Depreciation and amortization	52,295		6,174	58,469
Bad debts	6,732	245		6,977
Other expenses	77,777	25,216	13,110	116,103
Total expenses	\$ 1,538,863	\$ 498,206	\$ 255,822	\$ 2,292,891

See Notes to Financial Statements.

2014

Program Services		Supporting Services	
Mental Health Program	Alcohol and Related Problems Program	General and Administrative	Total
\$ 761,920	\$ 390,797	\$ 169,497	\$ 1,322,214
58,460	30,025	13,013	101,498
143,339	73,332	31,851	248,522
963,719	494,154	214,361	1,672,234
25,281			25,281
43,922	450		44,372
9,142	5,932	2,276	17,350
11,475	6,788	2,729	20,992
23,284	14,781	5,734	43,799
5,722	3,670	1,417	10,809
17,300	6,507	3,387	27,194
5,611	3,496	1,369	10,476
6,687	2,318	1,270	10,275
16,816	9,165	3,846	29,827
665	189	119	973
45,568		5,574	51,142
3,444	13,740		17,184
75,524	35,353	14,350	125,227
\$ 1,254,160	\$ 596,543	\$ 256,432	\$ 2,107,135

NORTHEAST IOWA MENTAL HEALTH CENTER
 STATEMENTS OF CASH FLOWS
 Years Ended June 30, 2015 and 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 186,800	\$ (7,958)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	58,469	51,142
Provision for adjustments	6,906	(235)
Unrealized loss (gain) on investments	514	(270)
Changes in:		
Accounts receivable	89,400	(24,670)
Accrued interest	(126)	44
Prepaid expenses	(71,769)	182,059
Accounts payable	42,142	3,661
Accrued expenses	(1,302)	2,538
Accrued salaries and benefits	2,520	10,312
Net cash provided by operating activities	<u>313,554</u>	<u>216,623</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment, furniture and fixtures	(16,633)	(168,027)
Proceeds from investments	120,080	92,496
Purchase of investments	(332,407)	(114,301)
Net cash used in investing activities	<u>(228,960)</u>	<u>(189,832)</u>
Net increase in cash	84,594	26,791
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>36,648</u>	<u>9,857</u>
End of year	<u>\$ 121,242</u>	<u>\$ 36,648</u>

See Notes to Financial Statements.

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 (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 and Iowa Substance Abuse Supervisors Association.

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 \$79,819 and \$86,725 at June 30, 2015 and 2014, respectively.

f. Prepaid Expenses

The Center entered into an agreement with Netsmart to host the Center's electronic health care records on their servers in June 2015. The Center included \$21,400 in the prepaid expense balance reflected in the statements of financial position related to this agreement as of June 30, 2015. This maintenance agreement runs through June 2022.

g. 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.

h. 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.

i. 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.

j. 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.

1. Organization and Function and Significant Accounting Policies (Continued)

k. 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 2015 and 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 2013, 2014, and 2015 are open to examination by the IRS, generally for three years after they were filed.

l. 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 occurred at the rate of 33 1/3% per year. The total pension expense for the Center for the years ended June 30, 2015 and 2014 was \$None and \$59,877, 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 employee's 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 years ended June 30, 2015 and 2014 was \$121,627 and \$58,045, respectively. The pension plan is administered by Mutual of Omaha.

m. 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.

n. 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.

NOTES TO FINANCIAL STATEMENTS

1. Organization and Function and Significant Accounting Policies (Continued)

o. 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, 2015 and 2014 are carried at fair value and are composed of the following:

	2015		2014	
	Cost	Fair Value (Level 1)	Cost	Fair Value (Level 1)
Investments whose use is limited				
Certificates of deposit	\$ 70,000	\$ 69,343		
Mutual funds	23,255	24,800	\$ 23,008	\$ 24,413
	\$ 93,255	\$ 94,143	\$ 23,008	\$ 24,413

Fair value of assets measured on a recurring basis at June 30, 2015 and 2014 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	\$ 23,008	\$ 24,413	\$ 1,405
Decrease in unrealized gain on investments			(517)
Balance, end of year	\$ 93,255	\$ 94,143	\$ 888

Other investments at June 30, 2015 and 2014 are carried at cost and are composed of the following:

	2015	2014
Certificates of deposit	\$ 167,535	\$ 156,846
Money market and cash	278,836	147,443
	\$ 446,371	\$ 304,289

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, 2015 and 2014.

NOTES TO FINANCIAL STATEMENTS

3. Property and Equipment

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

	2015	2014
Buildings	\$ 1,394,821	\$ 1,378,188
Office furniture and equipment	562,654	613,987
	1,957,475	1,992,175
Accumulated depreciation	1,096,252	1,089,116
	\$ 861,223	\$ 903,059

The total depreciation expense for the Center for the years ended June 30, 2015 and 2014 was \$58,469 and \$51,142, respectively.

4. Assets Whose Use is Limited

Assets of \$560,802 (\$348,864 in 2014) have been designated by the Board of Directors for the improvement, replacement, and expansion of property and equipment. For the year ended June 30, 2015, 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, 2015. This designation is subject to change at the discretion of the Board and is not a legal restriction on use of the assets.

5. Interest Expense

For the years ended June 30, 2015 and 2014, the Center incurred no interest cost, and accordingly, no interest expense was capitalized during these periods.

6. Lease Obligations

The Center leases office space for its satellite offices under various month-to-month leases with \$14,368 and \$10,476 charged to expense for the years ended June 30, 2015 and 2014, respectively.

The Center also rents equipment under various month-to-month leases, which totaled \$1,483 and \$973 for the years ended June 30, 2015 and 2014, respectively.

7. 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, 2015 is \$176,084 (\$168,534 at June 30, 2014). 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.

8. 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.

9. 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 submitted a cost report due September 30 following fiscal year end. Management estimated reimbursement of \$166,084 for the 2014 fiscal year, which was 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. Based on the report submitted for the year ended June 30, 2014, the Center was reimbursed \$168,326. This amount was subsequently received in November 2014. The amount above the estimated reimbursement was recognized in fiscal year 2015. The Medicaid cost reporting and reimbursement under this program ended with the 2014 fiscal year.

10. Subsequent Events

Subsequent events were evaluated through October 5, 2015, 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, 2015

	Mental Health Program	Alcohol and Related Problems Program	Inter-program Eliminations	Total all Programs
CURRENT ASSETS				
Cash and cash equivalents	\$ 121,242			\$ 121,242
Accounts receivable, net of allowance for adjustments	194,285	\$ 29,787		224,072
Due from Mental Health Program		1,764,999	\$ (1,764,999)	None
Prepaid expenses	88,648			88,648
Total current assets	404,175	1,794,786	(1,764,999)	433,962
PROPERTY AND EQUIPMENT				
Buildings	1,394,821			1,394,821
Equipment	562,654			562,654
	1,957,475			1,957,475
Less accumulated depreciation	(1,096,252)			(1,096,252)
Total property and equipment	861,223			861,223
ASSETS WHOSE USE IS LIMITED				
Investments, at fair market value	94,143			94,143
Investments, other	446,371			446,371
Investment, Iowa Behavioral Health Network	20,000			20,000
Accrued interest receivable	288			288
Noncurrent assets whose use is limited	560,802			560,802
	\$ 1,826,200	\$ 1,794,786	\$ (1,764,999)	\$ 1,855,987
CURRENT LIABILITIES				
Accounts payable	\$ 66,864			\$ 66,864
Due to Alcohol and Related Problems Program	1,764,999		\$ (1,764,999)	None
Accrued expenses	7,180			7,180
Accrued salary and vacation pay	84,407	\$ 34,299		118,706
Total current liabilities	1,923,450	34,299	(1,764,999)	192,750
NET ASSETS				
Unrestricted net assets				
Designated for specified purposes	736,886			736,886
Undesignated (deficit)	(834,136)	1,760,487		926,351
Total unrestricted net assets	(97,250)	1,760,487		1,663,237
	\$ 1,826,200	\$ 1,794,786	\$ (1,764,999)	\$ 1,855,987

See Independent Auditor's Report.

NORTHEAST IOWA MENTAL HEALTH CENTER
STATEMENT OF FINANCIAL POSITION INFORMATION (Continued)
June 30, 2015

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		\$ 24,800
Money Market and Cash			
Farmers and Merchants Savings Bank	0.50%		148,182
Viking State Bank & Trust	0.60%		130,360
Edward D Jones & Company	Variable		294
			278,836
Certificates of Deposit			
Edward D Jones & Company (2)	Various	Various	69,343
Farmers and Merchants Savings Bank	0.50%	May 23, 2015	34,248
Viking State Bank & Trust (2)	0.50%	Various	103,287
Luana Savings Bank	1.00%	June 10, 2016	30,000
			236,878
Iowa Behavioral Health Network			20,000
Accrued interest			288
Total assets whose use is limited			\$ 560,802

See Independent Auditor's Report.

NORTHEAST IOWA MENTAL HEALTH CENTER
 STATEMENT OF CHANGES IN NET ASSETS (By Program)
 Year Ended June 30, 2015

	<u>Mental Health Program</u>	<u>Alcohol and Related Problems Program</u>	<u>Inter-program Eliminations</u>	<u>Total all Programs</u>
Total support and revenue	\$ 1,661,816	\$ 831,332	\$ (13,457)	\$ 2,479,691
Total expenses	<u>1,695,938</u>	<u>610,410</u>	<u>(13,457)</u>	<u>2,292,891</u>
Change in net assets	(34,122)	220,922	None	186,800
NET ASSETS, beginning	<u>(63,128)</u>	<u>1,539,565</u>	None	<u>1,476,437</u>
NET ASSETS, ending	<u>\$ (97,250)</u>	<u>\$ 1,760,487</u>	<u>\$ None</u>	<u>\$ 1,663,237</u>

See Independent Auditor's Report.

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NORTHEAST IOWA MENTAL HEALTH CENTER
STATEMENT OF ACTIVITIES INFORMATION
Year Ended June 30, 2015

	Mental Health Program	Alcohol and Related Problems Program
SUPPORT AND REVENUE		
Support		
Division of Health, Promotion, Prevention and Addictive Behaviors Contract		\$ 469,260
Iowa Department of Corrections		16,538
Iowa Recovery Health Information Technology Project	\$ 6,812	
Integrated Health Home, less adjustments	297,382	
Youth Suicide Prevention	15,000	
Access to Recovery	1,000	
Division of Behavioral, Developmental and Protective Services for Families, Adults and Children		
Mental Health Adult Grant	43,046	
Mental Health Child Grant	24,648	
	<u>387,888</u>	<u>485,798</u>
Revenue and Gains		
County		
Outpatient fees	89,925	
Community support services	7,665	
Miscellaneous	49,305	
	<u>146,895</u>	
Other Revenue		
Fees		
Medicaid		234,645
Medicare	362,340	6,135
Patient fees	612,929	448,612
Contracted third-party payors	726,111	
HPSA payments	1,917	
Community support services - MBC	112,885	
OWI education		15,280
Less adjustments	(6,850)	(184,997)
Insurance write-offs	(714,642)	(175,375)
	<u>1,094,690</u>	<u>344,300</u>
Total other revenue fees		
Other		
Psychological services	5,400	
Rent	13,457	
Interest and dividends	2,522	22
Medical information	3,568	283
Gifts	25	1,045
Unrealized loss on investments	(517)	
Miscellaneous	7,888	(116)
	<u>32,343</u>	<u>1,234</u>
Total other revenue other		
	<u>1,127,033</u>	<u>345,534</u>
Total other revenue		
	<u>1,273,928</u>	<u>345,534</u>
Total revenue and gains		
	<u>\$ 1,661,816</u>	<u>\$ 831,332</u>
Total support and revenue		

See Independent Auditor's Report.

<u>Inter-program Eliminations</u>	<u>Total all Programs</u>
	\$ 469,260
	16,538
	6,812
	297,382
	15,000
	1,000
	43,046
	<u>24,648</u>
	<u>873,686</u>
	89,925
	7,665
	<u>49,305</u>
	<u>146,895</u>
	234,645
	368,475
	1,061,541
	726,111
	1,917
	112,885
	15,280
	(191,847)
	<u>(890,017)</u>
	<u>1,438,990</u>
\$ (13,457)	5,400
	None
	2,544
	3,851
	1,070
	(517)
	<u>7,772</u>
<u>(13,457)</u>	<u>20,120</u>
<u>(13,457)</u>	<u>1,459,110</u>
<u>(13,457)</u>	<u>1,606,005</u>
<u>\$ (13,457)</u>	<u>\$ 2,479,691</u>

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NORTHEAST IOWA MENTAL HEALTH CENTER
 STATEMENT OF FUNCTIONAL EXPENSES INFORMATION
 Year Ended June 30, 2015

	Program Services			Total Program Services
	Mental Health Program	Alcohol and Related Problems Program	Inter-program Eliminations	
Salaries	\$ 854,039	\$ 337,450		\$ 1,191,489
Payroll taxes	67,896	27,466		95,362
Employee benefits	150,213	60,037		210,250
Total personnel	1,072,148	424,953		1,497,101
Psychiatric consultation	192,570			192,570
Contracted consultation		450		450
Professional fees	11,336	4,513		15,849
Building repair and maintenance	12,874	4,793		17,667
Office supplies and expense	44,568	16,135		60,703
Telephone	10,111	3,058		13,169
Mileage and travel	24,032	7,748		31,780
Rent	9,000	9,357	\$ (5,765)	12,592
Janitorial services	8,424	1,061		9,485
Equipment repair and maintenance	16,070	6,069		22,139
Equipment rental	926	5,837	(5,464)	1,299
Depreciation and amortization	52,295			52,295
Bad debts	6,732	245		6,977
Other expenses	77,777	25,216		102,993
Total expenses	\$ 1,538,863	\$ 509,435	\$ (11,229)	\$ 2,037,069

See Independent Auditor's Report.

Supporting Services

General and Administrative	Inter-program Eliminations	Total Expenses
\$ 167,808		\$ 1,359,297
13,467		108,829
29,651		239,901
<hr/>		
210,926		1,708,027
		192,570
		450
2,234		18,083
2,471		20,138
8,464		69,167
1,801		14,970
4,375		36,155
2,920	\$ (1,144)	14,368
1,205		10,690
3,102		25,241
1,268	(1,084)	1,483
6,174		58,469
		6,977
13,110		116,103
<hr/>		
\$ 258,050	\$ (2,228)	\$ 2,292,891
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NORTHEAST IOWA MENTAL HEALTH CENTER
STATEMENT OF FUNCTIONAL EXPENSES INFORMATION (Continued)
Year Ended June 30, 2015

	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	\$ 22,484	\$ 8,948	\$ 31,432	\$ 4,430	\$ 35,862
Postage and shipping	4,769	1,332	6,101	827	6,928
Insurance/settlements	15,876	8,230	24,106	3,508	27,614
Conferences and conventions	5,198		5,198	614	5,812
Organization dues	5,946	148	6,094		6,094
Advertising	308	107	415	57	472
Board meeting expense				103	103
Computer support	3,522	1,488	5,010	711	5,721
Moving/recruitment	2,522		2,522	298	2,820
Miscellaneous	6,741	4,213	10,954	1,632	12,586
Subscriptions	6,618	750	7,368	930	8,298
Emergency Answer Plus	3,793		3,793		3,793
Total other expenses	\$ 77,777	\$ 25,216	\$ 102,993	\$ 13,110	\$ 116,103

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, 2015, 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 5, 2015.

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. 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. We have also enclosed a listing of steps that you should consider implementing to strengthen controls. This list is not all inclusive. You should review all aspects of your operations and implement appropriate controls as deemed necessary.

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 5, 2015