

**NORTHEAST IOWA MENTAL
HEALTH CENTER**

FINANCIAL STATEMENTS

JUNE 30, 2016

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NORTHEAST IOWA MENTAL HEALTH CENTER
BOARD OF DIRECTORS AND STAFF MEMBERS
June 30, 2016

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
Don Burnikel

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

STAFF MEMBERS

Administration

Diane Decker, BA
Renee Hill
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
Insurance Specialist
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
Chitchawal Sahatevasukont, ARNP
Mary Oylo, RN
Roberta O'Loughlin, RN

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

IHH Staff

Tori Reicherts, BA
Sheila Corcoran, BSW
Mary Brown, BS
Melissa Fuhrmann, BSN
Judy Holthaus, CNA
Mallory Horsfall, BA
Megan Whittle, BA

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

NORTHEAST IOWA MENTAL HEALTH CENTER
BOARD OF DIRECTORS AND STAFF MEMBERS (Continued)
June 30, 2016

STAFF MEMBERS (Continued)

Clinical Staff - Decorah

Tara Bruening, LMHC
*Carrie Christensen, IADC
William Deutsch, LISW
*Susan Doll, LISW, IADC
Linda Frederick, IADC
*Carol Hemesath, LMHC
Deanne Hosek, LMHC
Rebecca Loven, LMHC
Karen Misseldine, 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
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

*Stacia Danielson, BSN, LISW, IADC
Trevor Dismore, LMSW
Lynda Elgers, MA, IADC, CSS
*Jeannie Hamilton, LMSW
Diana Mount, LMSW, IADC
*Ginger O'Connell, LBSW, IADC
Kathryn Sieck, LISW
Karla Wolfs, LISW

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

*Terminated prior to or on June 30, 2016

**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, 2016 and 2015, 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, 2016 and 2015, 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 September 19, 2016, 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
September 19, 2016

NORTHEAST IOWA MENTAL HEALTH CENTER
STATEMENTS OF FINANCIAL POSITION
June 30, 2016 and 2015

ASSETS		2016	2015
CURRENT ASSETS			
Cash and cash equivalents		\$ 182,793	\$ 121,242
Accounts receivable, less allowance for adjustments of 2016 \$92,599; 2015 \$79,819		359,533	224,072
Prepaid expenses		89,239	88,648
Total current assets		631,565	433,962
PROPERTY AND EQUIPMENT, net		810,947	861,223
ASSETS WHOSE USE IS LIMITED			
Investments, at fair value		25,958	24,143
Investments, other		645,441	516,371
Investment, Iowa Behavioral Health Network		20,000	20,000
Accrued interest receivable		383	288
Noncurrent assets whose use is limited		691,782	560,802
		\$ 2,134,294	\$ 1,855,987
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable		\$ 20,183	\$ 66,864
Accrued expenses		9,777	7,180
Deferred revenue		1,220	
Accrued salary and vacation pay		119,939	118,706
Total current liabilities		151,119	192,750
NET ASSETS			
Unrestricted net assets:			
Designated for specified purposes		849,449	736,886
Undesignated		1,133,726	926,351
Total net assets		1,983,175	1,663,237
		\$ 2,134,294	\$ 1,855,987

See Notes to Financial Statements.

NORTHEAST IOWA MENTAL HEALTH CENTER
 STATEMENTS OF ACTIVITIES
 Years Ended June 30, 2016 and 2015

	2016	2015
SUPPORT AND REVENUE		
Support:		
Grants and contracts	\$ 1,021,584	\$ 873,686
Revenue and gains:		
County fees	141,937	146,895
Other:		
Fees	1,502,863	1,438,990
Other services	2,688	5,400
Interest	4,904	2,544
Dividends	5,074	3,851
Gifts	600	1,070
Fundraisers and sponsorships	13,120	
Unrealized gain (loss) on investments	1,454	(517)
Miscellaneous	21,765	7,772
Total revenue and gains	1,694,405	1,606,005
Total support and revenue	2,715,989	2,479,691
EXPENSES		
Program services:		
Mental Health program	1,635,554	1,538,863
Alcohol and Related Problems program	476,264	498,206
Total program services	2,111,818	2,037,069
Support services:		
General and administrative	281,898	255,822
Fundraising	2,335	
Total support services	284,233	255,822
Total expenses	2,396,051	2,292,891
Change in unrestricted net assets	319,938	186,800
NET ASSETS, beginning	1,663,237	1,476,437
NET ASSETS, ending	\$ 1,983,175	\$ 1,663,237

See Notes to Financial Statements.

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NORTHEAST IOWA MENTAL HEALTH CENTER
 STATEMENTS OF FUNCTIONAL EXPENSES
 Years Ended June 30, 2016 and 2015

	2016				
	Program Services		Supporting Services		
	Mental Health Program	Alcohol and Related Problems Program	General and Administrative	Fundraisers	Total
Salaries	\$ 916,805	\$ 325,586	\$ 186,171		\$ 1,428,562
Payroll taxes	76,968	27,842	15,740		120,550
Employee benefits	163,404	57,462	33,058		253,924
Total personnel	1,157,177	410,890	234,969		1,803,036
Psychiatric consultation	203,112				203,112
Contracted consultation		1,800			1,800
Professional fees	13,155	4,324	2,596		20,075
Building repair and maintenance	14,124	4,945	2,853		21,922
Office supplies and expense	20,025	6,971	4,036	\$ 2,335	33,367
Telephone	11,917	3,274	2,211		17,402
Mileage and travel	23,379	6,284	4,308		33,971
Rent	12,521	4,403	2,533		19,457
Janitorial services	8,291	895	1,238		10,424
Equipment repair and maintenance	36,059	12,100	7,169		55,328
Equipment rental	1,168	411	236		1,815
Depreciation and amortization	51,755		6,512		58,267
Bad debts	9,244	(3,622)			5,622
Other expenses	73,627	23,589	13,237		110,453
Total expenses	\$ 1,635,554	\$ 476,264	\$ 281,898	\$ 2,335	\$ 2,396,051

See Notes to Financial Statements.

2015

Program Services		Supporting Services	
Mental Health Program	Alcohol and Related Problems Program	General and Administrative	Total
\$ 854,039	\$ 337,450	\$ 167,808	\$ 1,359,297
67,896	27,466	13,467	108,829
150,213	60,037	29,651	239,901
1,072,148	424,953	210,926	1,708,027
192,570			192,570
	450		450
11,336	4,513	2,234	18,083
12,874	4,793	2,471	20,138
44,568	16,135	8,464	69,167
10,111	3,058	1,801	14,970
24,032	7,748	4,375	36,155
9,000	3,592	1,776	14,368
8,424	1,061	1,205	10,690
16,070	6,069	3,102	25,241
926	373	184	1,483
52,295		6,174	58,469
6,732	245		6,977
77,777	25,216	13,110	116,103
\$ 1,538,863	\$ 498,206	\$ 255,822	\$ 2,292,891

NORTHEAST IOWA MENTAL HEALTH CENTER
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2016 and 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 319,938	\$ 186,800
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	58,267	58,469
Provision for adjustments	(12,780)	6,906
Unrealized (gain) loss on investments	(1,457)	514
Changes in:		
Accounts receivable	(122,681)	89,400
Accrued interest	(95)	(126)
Prepaid expenses	(591)	(71,769)
Accounts payable	(46,681)	42,142
Accrued expenses	2,597	(1,302)
Deferred revenue	1,220	
Accrued salaries and benefits	1,233	2,520
Net cash provided by operating activities	198,970	313,554
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment, furniture and fixtures	(7,991)	(16,633)
Proceeds from investments	214,942	120,080
Purchase of investments	(344,370)	(332,407)
Net cash used in investing activities	(137,419)	(228,960)
Net increase in cash	61,551	84,594
CASH AND CASH EQUIVALENTS		
Beginning of year	121,242	36,648
End of year	\$ 182,793	\$ 121,242

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 Amerihealth Caritas of Iowa, Amerigroup Iowa, Inc., United Healthcare Plan of the River Valley, Inc., 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 \$92,599 and \$79,819 at June 30, 2016 and 2015, 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. As of June 30, 2015, the Center included \$21,400 in the prepaid expense balance reflected in the statements of financial position related to this agreement. 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, an organization the Center had a contract with that ended effective December 31, 2015, in the Alcohol and Related Problems Program. Additional other revenues were received from Amerihealth Caritas of Iowa, Amerigroup Iowa, Inc., and United Healthcare Plan of the River Valley, Inc.

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 2016 and 2015. 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.

l. Pension Plan

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 each 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, 2016 and 2015 was \$112,110 and \$121,627, respectively. Mutual of Omaha administers the pension plan.

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 institutions. 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.

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.

NOTES TO FINANCIAL STATEMENTS

2. Investments

Investments at June 30, 2016 and 2015 are carried at fair value and are composed of the following:

	2016		2015	
	Cost	Fair Value (Level 1)	Cost	Fair Value (Level 1)
Investments whose use is limited:				
Mutual funds	\$ 23,613	\$ 25,958	\$ 23,255	\$ 24,143
	\$ 23,613	\$ 25,958	\$ 23,255	\$ 24,143

Fair value of assets measured on a recurring basis at June 30, 2016 and 2015 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	\$ 23,255	\$ 24,143	\$ 888
Increase in unrealized gain on investments			1,457
Balance, end of year	\$ 23,613	\$ 25,958	\$ 2,345

Other investments at June 30, 2016 and 2015 are carried at cost and are composed of the following:

	2016	2015
Certificates of deposit	\$ 365,133	\$ 237,535
Money market and cash	280,308	278,836
	\$ 645,441	\$ 516,371

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, 2016 and 2015.

NOTES TO FINANCIAL STATEMENTS

3. **Property and Equipment**

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

	2016	2015
Buildings	\$ 1,400,987	\$ 1,394,821
Office furniture and equipment	564,479	562,654
	1,965,466	1,957,475
Accumulated depreciation	1,154,519	1,096,252
	\$ 810,947	\$ 861,223

The total depreciation expense for the Center for the years ended June 30, 2016 and 2015 was \$58,267 and \$58,469, respectively.

4. **Assets Whose Use is Limited**

Assets of \$691,782 (\$560,802 in 2015) have been designated by the Board of Directors for the improvement, replacement, and expansion of property and equipment. For each of the years ended June 30, 2016 and 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, 2017. 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, 2016 and 2015, 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 \$19,457 and \$14,368 charged to expense for the years ended June 30, 2016 and 2015, respectively.

The Center also rents equipment under various month-to-month leases, which totaled \$1,815 and \$1,483 for the years ended June 30, 2016 and 2015, 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, 2016 is \$157,667 (\$176,084 at June 30, 2015). 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.

Effective April 1, 2016, Iowa's Medicaid program changed to a privatized versus state administered program. Three private for-profit insurance companies are running the state's program. They are Amerihealth Caritas of Iowa, Amerigroup Iowa, Inc., and United Healthcare Plan of the River Valley, Inc. The Iowa Department of Human Services selected these companies.

10. Subsequent Events

Subsequent events were evaluated through September 19, 2016, 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, 2016

	Mental Health Program	Alcohol and Related Problems Program	Inter-program Eliminations	Total all Programs
CURRENT ASSETS				
Cash and cash equivalents	\$ 182,793			\$ 182,793
Accounts receivable, net of allowance for adjustments Due from Mental Health Program	282,088	\$ 77,445 1,934,349	\$ (1,934,349)	359,533 None
Prepaid expenses	89,239			89,239
Total current assets	554,120	2,011,794	(1,934,349)	631,565
PROPERTY AND EQUIPMENT				
Buildings	1,400,987			1,400,987
Equipment	564,479			564,479
	1,965,466			1,965,466
Less accumulated depreciation	(1,154,519)			(1,154,519)
Total property and equipment	810,947			810,947
ASSETS WHOSE USE IS LIMITED				
Investments, at fair market value	25,958			25,958
Investments, other	645,441			645,441
Investment, Iowa Behavioral Health Network	20,000			20,000
Accrued interest receivable	383			383
Noncurrent assets whose use is limited	691,782			691,782
	\$ 2,056,849	\$ 2,011,794	\$ (1,934,349)	\$ 2,134,294
CURRENT LIABILITIES				
Accounts payable	\$ 20,183			\$ 20,183
Due to Alcohol and Related Problems Program	1,934,349		\$ (1,934,349)	None
Accrued expenses	9,777			9,777
Deferred revenue	1,220			1,220
Accrued salary and vacation pay	85,853	\$ 34,086		119,939
Total current liabilities	2,051,382	34,086	(1,934,349)	151,119
NET ASSETS				
Unrestricted net assets:				
Designated for specified purposes	849,449			849,449
Undesignated (deficit)	(843,982)	1,977,708		1,133,726
Total unrestricted net assets	5,467	1,977,708		1,983,175
	\$ 2,056,849	\$ 2,011,794	\$ (1,934,349)	\$ 2,134,294

See Independent Auditor's Report.

NORTHEAST IOWA MENTAL HEALTH CENTER
STATEMENT OF FINANCIAL POSITION INFORMATION (Continued)
June 30, 2016

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		\$ 25,958
Money Market and Cash:			
Farmers and Merchants Savings Bank	0.50%		148,927
Viking State Bank & Trust	0.60%		130,254
Edward D Jones & Company	Variable		1,127
			280,308
Certificates of Deposit:			
Edward D Jones & Company (2)	Various	Various	70,148
Farmers and Merchants Savings Bank	0.50%	May 23, 2017	34,420
Viking State Bank & Trust	0.50%	May 10, 2017	49,714
State Bank	1.20%	May 4, 2019	50,000
Luana Savings Bank	1.00%	May 22, 2017	160,851
			365,133
Iowa Behavioral Health Network			20,000
Accrued interest			383
Total assets whose use is limited			\$ 691,782

See Independent Auditor's Report.

NORTHEAST IOWA MENTAL HEALTH CENTER
 STATEMENT OF CHANGES IN NET ASSETS (By Program)
 Year Ended June 30, 2016

	Mental Health Program	Alcohol and Related Problems Program	Inter-program Eliminations	Total all Programs
Total support and revenue	\$ 1,918,532	\$ 811,213	\$ (13,756)	\$ 2,715,989
Total expenses	1,815,815	593,992	(13,756)	2,396,051
Change in net assets	102,717	217,221	None	319,938
NET ASSETS, beginning	(97,250)	1,760,487	None	1,663,237
NET ASSETS, ending	<u>\$ 5,467</u>	<u>\$ 1,977,708</u>	<u>\$ None</u>	<u>\$ 1,983,175</u>

See Independent Auditor's Report.

NORTHEAST IOWA MENTAL HEALTH CENTER
STATEMENT OF ACTIVITIES INFORMATION
Year Ended June 30, 2016

	Mental Health Program	Alcohol and Related Problems Program	Inter-program Eliminations	Total all Programs
SUPPORT AND REVENUE				
Support:				
Division of Health, Promotion, Prevention and Addictive Behaviors Contract		\$ 451,177		\$ 451,177
Iowa Department of Corrections		17,037		17,037
Iowa Recovery Health Information Technology Project	\$ 200			200
Integrated Health Home, less adjustments	484,994			484,994
Suicide Screening Contract	14,200			14,200
Division of Behavioral, Developmental and Protective Services for Families, Adults and Children:				
Mental Health Adult Grant	31,336			31,336
Mental Health Child Grant	22,640			22,640
	<u>553,370</u>	<u>468,214</u>		<u>1,021,584</u>
Revenue and Gains				
County:				
Outpatient fees	56,639			56,639
Community support services	8,835			8,835
Miscellaneous	76,463			76,463
	<u>141,937</u>			<u>141,937</u>
Other Revenue				
Fees:				
Medicaid		275,330		275,330
Medicare	277,833	6,205		284,038
Patient fees	554,440	364,810		919,250
Contracted third-party payors	896,380			896,380
HPSA payments	1,762			1,762
Community support services - MBC	103,910			103,910
OWI education		11,850		11,850
Less adjustments	(18,028)	(142,529)		(160,557)
Insurance write-offs	(655,198)	(173,902)		(829,100)
	<u>1,161,099</u>	<u>341,764</u>		<u>1,502,863</u>
Total other revenue fees				
Other:				
Psychological services	2,688			2,688
Rent	13,756		\$ (13,756)	None
Interest and dividends	4,904			4,904
Medical information	4,724	350		5,074
Gifts	600			600
Fundraisers and sponsorships	13,120			13,120
Unrealized gain on investments	1,454			1,454
Miscellaneous	20,880	885		21,765
	<u>62,126</u>	<u>1,235</u>	<u>(13,756)</u>	<u>49,605</u>
Total other revenue other				
Total other revenue	<u>1,223,225</u>	<u>342,999</u>	<u>(13,756)</u>	<u>1,552,468</u>
Total revenue and gains	<u>1,365,162</u>	<u>342,999</u>	<u>(13,756)</u>	<u>1,694,405</u>
Total support and revenue	<u>\$ 1,918,532</u>	<u>\$ 811,213</u>	<u>\$ (13,756)</u>	<u>\$ 2,715,989</u>

See Independent Auditor's Report.

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NORTHEAST IOWA MENTAL HEALTH CENTER
STATEMENT OF FUNCTIONAL EXPENSES INFORMATION
Year Ended June 30, 2016

	Program Services			Total Program Services
	Mental Health Program	Alcohol and Related Problems Program	Inter-program Eliminations	
Salaries	\$ 916,805	\$ 325,586		\$ 1,242,391
Payroll taxes	76,968	27,842		104,810
Employee benefits	163,404	57,462		220,866
Total personnel	1,157,177	410,890		1,568,067
Psychiatric consultation	203,112			203,112
Contracted consultation		1,800		1,800
Professional fees	13,155	4,324		17,479
Building repair and maintenance	14,124	4,945		19,069
Office supplies and expense	20,025	6,971		26,996
Telephone	11,917	3,274		15,191
Mileage and travel	23,379	6,284		29,663
Rent	12,521	10,876	\$ (6,473)	16,924
Janitorial services	8,291	895		9,186
Equipment repair and maintenance	36,059	12,100		48,159
Equipment rental	1,168	5,236	(4,825)	1,579
Depreciation and amortization	51,755			51,755
Bad debts	9,244	(3,622)		5,622
Other expenses	73,627	23,589		97,216
Total expenses	\$ 1,635,554	\$ 487,562	\$ (11,298)	\$ 2,111,818

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Supporting Services

<u>General and Administrative</u>	<u>Fundraisers</u>	<u>Inter-program Eliminations</u>	<u>Total Expenses</u>
\$ 186,171			\$ 1,428,562
15,740			120,550
33,058			253,924
<hr/>			<hr/>
234,969			1,803,036
			203,112
			1,800
2,596			20,075
2,853			21,922
4,036	\$ 2,335		33,367
2,211			17,402
4,308			33,971
3,941		\$ (1,408)	19,457
1,238			10,424
7,169			55,328
1,286		(1,050)	1,815
6,512			58,267
			5,622
13,237			110,453
<hr/>	<hr/>	<hr/>	<hr/>
\$ 284,356	\$ 2,335	\$ (2,458)	\$ 2,396,051
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NORTHEAST IOWA MENTAL HEALTH CENTER
 STATEMENT OF FUNCTIONAL EXPENSES INFORMATION (Continued)
 Year Ended June 30, 2016

	Program Services			Support Services	Total Expenses
	Mental Health Program	Alcohol and Related Problems Program	Total Program Services		
OTHER EXPENSES					
Heat, light, water and cable	\$ 20,060	\$ 6,980	\$ 27,040	\$ 4,042	\$ 31,082
Postage and shipping	4,055	1,939	5,994	932	6,926
Insurance/settlements	16,274	7,988	24,262	3,785	28,047
Conferences and conventions	9,101	333	9,434	1,217	10,651
Organization dues	6,625	100	6,725		6,725
Advertising	391	134	525	78	603
Computer support	1,618	632	2,250	341	2,591
Miscellaneous	9,316	4,747	14,063	2,204	16,267
Subscriptions	3,803	736	4,539	638	5,177
Emergency Answer Plus	2,384		2,384		2,384
Total other expenses	\$ 73,627	\$ 23,589	\$ 97,216	\$ 13,237	\$ 110,453

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, 2016, 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 September 19, 2016.

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. Under separate cover, 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
September 19, 2016