

NORTHEAST IOWA MENTAL HEALTH CENTER
FINANCIAL STATEMENTS
JUNE 30, 2020

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NORTHEAST IOWA MENTAL HEALTH CENTER
BOARD OF DIRECTORS AND STAFF MEMBERS
June 30, 2020

BOARD OF DIRECTORS

President:
Vice President:
Secretary and Treasurer:

Dennis Koenig, Allamakee County
Floyd Ashbacher, Winneshiek County
Theresa Fullhart, Winneshiek County

Heather Koshatka, Gundersen Lutheran
Mike Tschirgi, Clayton County
Pat Murray, Howard County

Jeanine Tellin, Fayette County
Marsha Ruby, Allamakee County
Sharon Keehner, Clayton County

STAFF MEMBERS

Administration

*Ashley Albertson, Billing
Jan Jauert, Support
Brenda Kuennen, Support
Sharla Lieder, Support
Kara Moore, Insurance Specialist
Denise Reinhardt, AAS, Assistant MIS Director
Kathy Villa, Support

Diane Decker, BA, Support
Bonnie Johnson, BA, MIS Director
Dawn Levenhagen, Support
Rebecca Loven, LMHC, Clinical Director
Marcia Oltrogge, MA, IAADC, Executive Director
Cheryl Riehle, Support
Marilyn Zweibahmer, Support/Billing

Medical Staff

Kovilparambil Antony, M.D., Medical Director
*Vithalji Modha, M.D., Psychiatrist
Mary Oyloe, RN, Telehealth

*B. J. Dave, M.D., Psychiatrist
Chitchawal Sahatevasukont, ARNP
David Eldridge, RN, Telehealth & IHH RN

Clinical Staff - Decorah

Erin Anderson, LMSW
William Deutsch, LISW
*Stephanie Garcia-Prats, LISW
Rebecca Loven, LMHC
Karen Misseldine, LMHC
Diann Pape, IADC
Ann Pahlas, LBSW, CSS
Karla Wolfs, LISW

Nikki Brevig, LMHC
Adam Elwood, LMHC
Nicole Hohenbrink, LMSW
*Linda Frederick, IADC
Marion Niles, LMHC
*Dave Prochaska, MS, IHH & CSS
Alexia Thompson, LMHC, CADC

Clinical Staff - Oelwein

*Giovanni Demezier, LMHC
*Trevor Dismore, LISW

*Melissa Kress, LMHC

IHH Staff

Mallory Askelson, BA, IHH
Sheila Corcoran, BSW, IHH Supervisor
Catherine Forman, BA, IHH Director
Megan Whittle, BA, IHH

Mary Brown, BS, IHH
William Feilbach, BS, IHH
Judy Holthaus, CNA, IHH

*Terminated prior to or on June 30, 2020

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, 2020 and 2019, 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 Center'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 Center'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, 2020 and 2019, 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 supplementary 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 29, 2020, 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 solely 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 the effectiveness of the Northeast Iowa Mental Health Center's 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 29, 2020

NORTHEAST IOWA MENTAL HEALTH CENTER
STATEMENTS OF FINANCIAL POSITION
June 30, 2020 and 2019

ASSETS		
	2020	2019
CURRENT ASSETS		
Cash and cash equivalents	\$ 674,118	\$ 121,048
Accounts receivable, less allowance for adjustments of 2020 \$66,725; 2019 \$69,357	457,458	376,172
Prepaid expenses	58,582	42,651
Total current assets	1,190,158	539,871
PROPERTY AND EQUIPMENT, net	700,113	736,160
NONCURRENT ASSETS WHOSE USE IS LIMITED		
Investments, at fair value	29,472	26,887
Investments, other	1,065,097	1,017,094
Investment, Iowa Behavioral Health Network	20,000	20,000
Accrued interest receivable	728	1,633
Noncurrent assets whose use is limited	1,115,297	1,065,614
	<u>\$ 3,005,568</u>	<u>\$ 2,341,645</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 140,860	\$ 81,311
Accrued expenses	5,161	6,802
Deferred revenue	250	100
Paycheck Protection Program loan	313,903	
Accrued salary and vacation pay	109,765	78,871
Total current liabilities	569,939	167,084
NET ASSETS		
Without donor restrictions:		
Designated	1,295,460	1,230,618
Undesignated	1,140,169	943,943
Total net assets	2,435,629	2,174,561
	<u>\$ 3,005,568</u>	<u>\$ 2,341,645</u>

See Notes to Financial Statements.

NORTHEAST IOWA MENTAL HEALTH CENTER
STATEMENTS OF ACTIVITIES
Years Ended June 30, 2020 and 2019

	2020	2019
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Support and revenue:		
Support:		
Grants and contracts	\$ 632,873	\$ 560,103
Revenue and gains:		
County fees	117,611	109,818
Other:		
Fees	1,909,941	1,624,096
Interest	14,608	21,762
Dividends	3,118	2,788
Gifts	5,551	560
Fundraising and sponsorships	7,319	16,774
Unrealized gain on investments	1,872	1,130
Miscellaneous	147,544	33,771
Total revenue and gains	2,207,564	1,810,699
Total support and revenue	2,840,437	2,370,802
Expenses:		
Program services:		
Mental Health Program	1,713,778	1,679,853
Alcohol and Related Problems Program	568,762	489,840
Total program services	2,282,540	2,169,693
Support services:		
General and administrative	294,591	328,513
Fundraising	2,238	12,068
Total support services	296,829	340,581
Total expenses	2,579,369	2,510,274
Change in net assets without donor restrictions	261,068	(139,472)
NET ASSETS, beginning of year	2,174,561	2,314,033
NET ASSETS, end of year	\$ 2,435,629	\$ 2,174,561

See Notes to Financial Statements.

NORTHEAST IOWA MENTAL HEALTH CENTER
STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended June 30, 2020 and 2019

	2020				
	Program Services		Supporting Services		Total
	Mental Health Program	Alcohol and Related Problems Program	General and Administrative	Fundraising	
Salaries	\$ 941,706	\$ 309,118	\$ 174,067		\$ 1,424,891
Payroll taxes	65,675	21,763	12,188		99,626
Employee benefits	182,185	60,066	33,737		275,988
Total personnel	1,189,566	390,947	219,992	\$ -	1,800,505
Psychiatric consultation	196,499				196,499
Contracted consultation		6,800			6,800
Professional fees	12,759	4,029	2,321		19,109
Building repair and maintenance	16,110	4,792	2,861		23,763
Office supplies and expense	37,968	5,759	5,445	2,238	51,410
Telephone	15,579	3,653	2,537		21,769
Mileage and travel	13,495	3,427	2,259		19,181
Rent	11,062	3,565	2,029		16,656
Janitorial services	7,056	2,254	1,290		10,600
Equipment repair and maintenance	45,005	14,427	8,238		67,670
Equipment rental	806	258	147		1,211
Depreciation and amortization	62,229		6,710		68,939
Bad debts	(1,495)	(4,775)			(6,270)
Other expenses	107,139	133,626	40,762		281,527
Total expenses	\$ 1,713,778	\$ 568,762	\$ 294,591	\$ 2,238	\$ 2,579,369
	2019				
	Program Services		Supporting Services		Total
	Mental Health Program	Alcohol and Related Problems Program	General and Administrative	Fundraising	
Salaries	\$ 874,297	\$ 291,263	\$ 200,269		\$ 1,365,829
Payroll taxes	64,440	21,506	14,771		100,717
Employee benefits	181,801	60,528	41,634		283,963
Total personnel	1,120,538	373,297	256,674	\$ -	1,750,509
Psychiatric consultation	185,585				185,585
Contracted consultation	1,157	6,274			7,431
Professional fees	11,992	3,885	2,718		18,595
Building repair and maintenance	37,044	6,692	6,989		50,725
Office supplies and expense	48,599	6,128	8,466	12,068	75,261
Telephone	15,551	2,862	2,948		21,361
Mileage and travel	20,819	3,666	3,903		28,388
Rent	11,139	3,540	2,506		17,185
Janitorial services	6,847	2,172	1,540		10,559
Equipment repair and maintenance	31,568	10,168	7,139		48,875
Equipment rental	786	250	177		1,213
Depreciation and amortization	59,101		8,320		67,421
Bad debts	2,867	(5,320)			(2,453)
Other expenses	126,260	76,226	27,133		229,619
Total expenses	\$ 1,679,853	\$ 489,840	\$ 328,513	\$ 12,068	\$ 2,510,274

See Notes to Financial Statements.

NORTHEAST IOWA MENTAL HEALTH CENTER
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 261,068	\$ (139,472)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	68,939	67,421
Provision for adjustments	2,632	20,606
Unrealized gain on investments	(1,872)	(1,130)
Changes in:		
Accounts receivable	(83,918)	36,131
Accrued interest	905	(438)
Prepaid expenses	(15,931)	(4,833)
Accounts payable	59,549	(51,743)
Accrued expenses	(1,641)	(3,374)
Deferred revenue	150	100
Accrued salaries and benefits	30,895	(850)
Net cash provided by (used in) operating activities	320,776	(77,582)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment, furniture and fixtures	(32,893)	(17,997)
Proceeds from investments	313,206	
Purchase of investments	(55,439)	(85,278)
Net cash provided by (used in) investing activities	224,874	(103,275)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	313,903	
Net increase (decrease) in cash, cash equivalents and restricted cash	859,553	(180,857)
CASH, CASH EQUIVALENTS AND RESTRICTED CASH		
Beginning of year	499,905	680,762
End of year	\$ 1,359,458	\$ 499,905

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 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 Amerigroup Iowa, Inc., United Healthcare Plan of the River Valley, Inc., Iowa Total Care, 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. Net Assets

Northeast Iowa Mental Health Center reports its information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions: net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Center. These net assets may be used at the discretion of the Center's Board of Directors.

Net assets with donor restrictions: net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Center or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities. Northeast Iowa Mental Health Center had no material net assets with donor restrictions as of June 30, 2020 and 2019.

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

d. Cash, Cash Equivalents and Restricted Cash

Effective July 1, 2019, the Center adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. The new standard provides a better presentation of cash flows to the users of the financial statements. Before the change, restricted cash was not included with cash when reconciling the beginning-of-period and end-of-period total amounts reported on the statements of cash flows.

The Center applied the change on a retrospective basis. The effect of this change was to increase total cash, cash equivalents and restricted cash as of July 1, 2018 in the statements of cash flows by \$374,122 for restricted cash included in assets whose use is limited at the end of fiscal year 2018.

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 \$66,725 and \$69,357 at June 30, 2020 and 2019, 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 office furniture and 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. Third-party payors were Amerigroup Iowa, Inc., United Healthcare Plan of the River Valley, Inc., and Iowa Total Care.

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. Such allocations are determined by management on an equitable basis. Direct program service expenses are allocated based on usage. Payroll expenses and indirect program service expenses are allocated based on time and effort.

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

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 2020 and 2019. 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.

k. 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, 2020 and 2019 was \$118,648 and \$125,205, respectively. Mutual of Omaha administers the pension plan.

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 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.

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.

o. Recent Accounting Pronouncements

In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which requires an organization to recognize revenue for the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. The new standard is effective for the Center's year ending June 30, 2021. The adoption of the new standard is not expected to have a material effect on the Center's financial position, results of operations or cash flows.

NOTES TO FINANCIAL STATEMENTS

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

o. Recent Accounting Pronouncements (Continued)

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*, which requires lease assets and liabilities to be recorded on the statements of financial position. Certain qualitative and quantitative disclosures are required, as well as a retrospective recognition and measurement of impacted leases. The new standard is effective for the Center's year ending June 30, 2023. The Center is currently evaluating the effect that implementation of the new standard will have on its financial statements and disclosures.

p. Subsequent Events

Subsequent events were evaluated through October 29, 2020, which is the date the financial statements were available to be issued. See Note 8 for new electronic health records system placed in service. See Note 13 for funding received under the CARES Act.

2. Cash, Cash Equivalents and Restricted Cash

Cash, cash equivalents and restricted cash as of June 30, 2020 and 2019 consists of the following:

	2020	2019
Cash and cash equivalents	\$ 674,118	\$ 121,048
Restricted cash:		
By Board for capital improvements	685,340	378,857
Cash, cash equivalents and restricted cash shown in the statements of cash flows	<u>\$ 1,359,458</u>	<u>\$ 499,905</u>

Restricted cash represents cash designated by the Board for specific purposes.

3. Investments

Investments at June 30, 2020 and 2019 are carried at fair value and are composed of the following:

	2020		2019	
	Cost	Fair Value (Level 1)	Cost	Fair Value (Level 1)
Investments whose use is limited:				
Mutual funds	<u>\$ 25,635</u>	<u>\$ 29,472</u>	<u>\$ 24,922</u>	<u>\$ 26,887</u>

Fair value of assets measured on a recurring basis at June 30, 2020 and 2019 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	<u>\$ 24,922</u>	<u>\$ 26,887</u>	\$ 1,965
Increase in unrealized gain on investments			<u>1,872</u>
Balance, end of year	<u>\$ 25,635</u>	<u>\$ 29,472</u>	<u>\$ 3,837</u>

NOTES TO FINANCIAL STATEMENTS

3. Investments (Continued)

Other investments at June 30, 2020 and 2019 are carried at cost and are composed of the following:

	2020	2019
Certificates of deposit	\$ 379,757	\$ 638,237
Money market and cash	685,340	378,857
	<u>\$ 1,065,097</u>	<u>\$ 1,017,094</u>

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, 2020 and 2019.

4. Assets Whose Use is Limited

Assets of \$1,115,297 (\$1,065,614 in 2019) 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, 2020 and 2019, the investment in the IBHN of \$20,000 (see Note 3) 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, 2020. This designation is subject to change at the discretion of the Board and is not a legal restriction on use of the assets.

5. Property and Equipment

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

	2020	2019
Buildings	\$ 1,435,009	\$ 1,423,599
Office furniture and equipment	682,928	661,446
	2,117,937	2,085,045
Accumulated depreciation	1,417,824	1,348,885
	<u>\$ 700,113</u>	<u>\$ 736,160</u>

The total depreciation expense for the Center for the years ended June 30, 2020 and 2019 was \$68,939 and \$67,421, respectively.

6. Interest Expense

For the years ended June 30, 2020 and 2019, 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 \$16,656 and \$17,185 charged to expense for the years ended June 30, 2020 and 2019, respectively.

The Center also rents equipment under various month-to-month leases, which totaled \$1,211 and \$1,213 for the years ended June 30, 2020 and 2019, respectively.

NOTES TO FINANCIAL STATEMENTS

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, 2020 is \$180,163 (\$165,004 at June 30, 2019). 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.

As of June 30, 2020, the Center had a purchase commitment of \$76,045 (\$89,720 less payments through June 30, 2020 of \$13,675, included in prepaid expenses) for a new electronic health records system. This system was placed in service August 31, 2020, at which time the related asset and liability were recorded in the financial statements of the Center.

9. Risk Management

The 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-fourth of the Center's support and revenue. A significant reduction in the level of this support would have a significant effect on the Center's programs and activities.

11. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor, board, or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following as of June 30, 2020 and 2019:

	2020	2019
Financial assets at year-end:		
Cash and cash equivalents	\$ 674,118	\$ 121,048
Accounts receivable	457,458	376,172
Total financial assets	<u>1,131,576</u>	<u>497,220</u>
Less amounts unavailable for general expenditures within one year, due to:		
Board designated:		
Accumulated sick leave, see Note 8	<u>180,163</u>	<u>165,004</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 951,413</u>	<u>\$ 332,216</u>

As part of the Center's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, cash in excess of daily requirements, is invested in savings and money market accounts and certificates of deposit, which are designated by the Board, see Note 4.

NOTES TO FINANCIAL STATEMENTS

12. Net Assets

Details of net assets at June 30, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Net assets without donor restrictions:		
Designated, see Notes 4 and 8	\$ 1,295,460	\$ 1,230,618
Undesignated	<u>1,140,169</u>	<u>943,943</u>
Net assets without donor restrictions	<u>2,435,629</u>	<u>2,174,561</u>
Total net assets	<u>\$ 2,435,629</u>	<u>\$ 2,174,561</u>

13. COVID-19

The recent COVID-19 outbreak in the United States has disrupted the Center's operations. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. Accordingly, the Center expects this matter to impact its net assets, however, the related financial impact and duration cannot be reasonably estimated at this time. The Coronavirus Aid, Relief and Economic Security (CARES) Act was enacted in March 2020 in response to the outbreak, which among other things contains numerous tax, emergency funding and other provisions. The Center is currently evaluating the impact of the CARES Act on its operations and cash flows. The Center received \$107,364 on September 26, 2020 under the CARES Act. The funds will be used to mitigate future COVID-19 related issues.

14. Paycheck Protection Program Loan

The Center was approved for a Paycheck Protection Program loan on April 21, 2020 for \$313,903. As of June 30, 2020, the loan has not been forgiven and is shown as a current liability. During fiscal year 2021, when the documentation is provided, the portion that is forgiven will be included as income and the liability reduced.

Supplementary Information

NORTHEAST IOWA MENTAL HEALTH CENTER
STATEMENT OF FINANCIAL POSITION INFORMATION
June 30, 2020

	Mental Health Program	Alcohol and Related Problems Program	Inter-program Eliminations	Total all Programs
CURRENT ASSETS				
Cash and cash equivalents	\$ 674,118			\$ 674,118
Accounts receivable, net of allowance for adjustments	296,780	\$ 160,678		457,458
Due from Mental Health Program		2,592,916	\$ (2,592,916)	-
Prepaid expenses	58,582			58,582
Total current assets	1,029,480	2,753,594	(2,592,916)	1,190,158
PROPERTY AND EQUIPMENT				
Buildings	1,435,009			1,435,009
Equipment	682,928			682,928
	2,117,937	-	-	2,117,937
Less accumulated depreciation	(1,417,824)			(1,417,824)
Total property and equipment	700,113	-	-	700,113
NONCURRENT ASSETS WHOSE USE IS LIMITED				
Investments, at fair value	29,472			29,472
Investments, other	1,065,097			1,065,097
Investment, Iowa Behavioral Health Network	20,000			20,000
Accrued interest receivable	728			728
Noncurrent assets whose use is limited	1,115,297	-	-	1,115,297
	\$ 2,844,890	\$ 2,753,594	\$ (2,592,916)	\$ 3,005,568
CURRENT LIABILITIES				
Accounts payable	\$ 140,860			\$ 140,860
Due to Alcohol and Related Problems Program	2,592,916		\$ (2,592,916)	-
Accrued expenses	5,161			5,161
Deferred revenue	250			250
Payroll Protection Program loan	313,903			313,903
Accrued salary and vacation pay	81,944	\$ 27,821		109,765
Total current liabilities	3,135,034	27,821	(2,592,916)	569,939
NET ASSETS				
Without donor restrictions:				
Designated	1,295,460			1,295,460
Undesignated (deficit)	(1,585,604)	2,725,773		1,140,169
Total net assets without donor restrictions	(290,144)	2,725,773	-	2,435,629
	\$ 2,844,890	\$ 2,753,594	\$ (2,592,916)	\$ 3,005,568

See Independent Auditor's Report.

NORTHEAST IOWA MENTAL HEALTH CENTER
STATEMENT OF FINANCIAL POSITION INFORMATION (Continued)
June 30, 2020

Mental Health Program	Noncurrent Assets Whose Use is Limited		
	Interest Rate	Maturity Date	Amount
Mutual Fund:			
U.S. Government Securities Fund:			
American Funds Service Company	Variable		\$ 29,472
Money Market and Cash:			
Freedom Bank	0.60%		153,119
Viking State Bank & Trust	0.40%		134,393
BNY Mellon ICS	0.80%		123,678
Edward D Jones & Company:			
Cash	Variable		24,150
Money Market	Variable		250,000
			685,340
Certificates of Deposit:			
Edward D Jones & Company:			
Mercantile Bank of Michigan	2.00%	November 24, 2020	50,000
Fidelity Bank & Trust	1.99%	May 4, 2022	53,149
Luana Savings Bank	0.30%	May 22, 2021	171,525
Kerndt Brothers Bank	0.65%	May 22, 2021	52,262
Fidelity Bank	2.15%	October 5, 2020	52,821
			379,757
Iowa Behavioral Health Network			20,000
Accrued interest			728
Total noncurrent assets whose use is limited			\$ 1,115,297

See Independent Auditor's Report.

NORTHEAST IOWA MENTAL HEALTH CENTER
STATEMENT OF CHANGES IN NET ASSETS (By Program)
Year Ended June 30, 2020

	Mental Health Program	Alcohol and Related Problems Program	Inter-program Eliminations	Total all Programs
Total support and revenue	\$ 1,968,695	\$ 887,715	\$ (15,973)	\$ 2,840,437
Total expenses	<u>1,877,631</u>	<u>717,711</u>	<u>(15,973)</u>	<u>2,579,369</u>
Change in net assets	91,064	170,004	-	261,068
NET ASSETS, beginning of year	<u>(381,208)</u>	<u>2,555,769</u>	<u>-</u>	<u>2,174,561</u>
NET ASSETS, end of year	<u><u>\$ (290,144)</u></u>	<u><u>\$ 2,725,773</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,435,629</u></u>

See Independent Auditor's Report.

NORTHEAST IOWA MENTAL HEALTH CENTER
STATEMENT OF ACTIVITIES INFORMATION
Year Ended June 30, 2020

	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		\$ 520,629		\$ 520,629
Iowa Zero Suicide Grant	\$ 9,000			9,000
SOR Grant	41,996			41,996
Division of Behavioral, Developmental and Protective Services for Families, Adults and Children:				
Mental Health Adult Grant	29,874			29,874
Mental Health Child Grant	31,374			31,374
Total support	112,244	520,629	\$ -	632,873
Revenue and gains				
County:				
Outpatient fees	76,191			76,191
Miscellaneous	41,420			41,420
	117,611	-	-	117,611
Other revenue				
Fees:				
Medicaid	773,227	299,719		1,072,946
Medicare	240,095	15,141		255,236
Patient fees	440,714	297,569		738,283
Integrated Health Home	617,521			617,521
HPSA payments	85			85
Community support services - MBC	15,390			15,390
Diversion Program		430		430
OWI education		14,875		14,875
Less adjustments	(46,036)	(149,757)		(195,793)
Insurance write-offs	(459,909)	(149,123)		(609,032)
Total other revenue fees	1,581,087	328,854	-	1,909,941
Other:				
Rent	15,973		(15,973)	-
Interest and dividends	14,587	21		14,608
Medical information	3,018	100		3,118
Gifts	5,551			5,551
Fundraising and sponsorships	7,319			7,319
Unrealized gain on investments	1,872			1,872
Miscellaneous	109,433	38,111		147,544
Total other revenue other	157,753	38,232	(15,973)	180,012
Total other revenue	1,738,840	367,086	(15,973)	2,089,953
Total revenue and gains	1,856,451	367,086	(15,973)	2,207,564
Total support and revenue	\$ 1,968,695	\$ 887,715	\$ (15,973)	\$ 2,840,437

See Independent Auditor's Report.

NORTHEAST IOWA MENTAL HEALTH CENTER
STATEMENT OF FUNCTIONAL EXPENSES INFORMATION
Year Ended June 30, 2020

	Program Services				Supporting Services			
	Mental Health Program	Alcohol and Related Problems Program	Inter-program Eliminations	Total Program Services	General and Administrative	Fundraising	Inter-program Eliminations	Total Expenses
Salaries	\$ 941,706	\$ 309,118		\$ 1,250,824	\$ 174,067			\$ 1,424,891
Payroll taxes	65,675	21,763		87,438	12,188			99,626
Employee benefits	182,185	60,066		242,251	33,737			275,988
Total personnel	1,189,566	390,947	\$ -	1,580,513	219,992	\$ -	\$ -	1,800,505
Psychiatric consultation	196,499			196,499				196,499
Contracted consultation		6,800		6,800				6,800
Professional fees	12,759	4,029		16,788	2,321			19,109
Building repair and maintenance	16,110	4,792		20,902	2,861			23,763
Office supplies and expense	37,968	5,759		43,727	5,445	2,238		51,410
Telephone	15,579	3,653		19,232	2,537			21,769
Mileage and travel	13,495	3,427		16,922	2,259			19,181
Rent	11,062	10,030	(6,465)	14,627	3,546		(1,517)	16,656
Janitorial services	7,056	2,254		9,310	1,290			10,600
Equipment repair and maintenance	45,005	14,427		59,432	8,238			67,670
Equipment rental	806	6,730	(6,472)	1,064	1,666		(1,519)	1,211
Depreciation and amortization	62,229			62,229	6,710			68,939
Bad debts	(1,495)	(4,775)		(6,270)				(6,270)
Other expenses	107,139	133,626		240,765	40,762			281,527
Total expenses	\$ 1,713,778	\$ 581,699	\$ (12,937)	\$ 2,282,540	\$ 297,627	\$ 2,238	\$ (3,036)	\$ 2,579,369

See Independent Auditor's Report.

NORTHEAST IOWA MENTAL HEALTH CENTER
STATEMENT OF FUNCTIONAL EXPENSES INFORMATION (Continued)
Year Ended June 30, 2020

	Program Services			Support Services	Total Expenses
	Mental Health Program	Alcohol and Related Problems Program	Total Program Services	General and Administrative	
OTHER EXPENSES					
Heat, light, water and cable	\$ 24,757	\$ 7,899	\$ 32,656	\$ 4,523	\$ 37,179
Postage and shipping	4,002	1,079	5,081	685	5,766
Insurance/settlements	15,408	8,058	23,466	3,552	27,018
Conferences and conventions	16,468	63	16,531	1,791	18,322
Organization dues	16,397		16,397		16,397
Advertising	1,077	327	1,404	193	1,597
Computer support	4,378	1,407	5,785	802	6,587
Miscellaneous	13,615	5,319	18,934	2,716	21,650
Subscriptions	7,545	2,031	9,576	1,290	10,866
Emergency Answer Plus	3,492		3,492		3,492
Iowa Providers Network Expense		17,240	17,240	4,045	21,285
IPN Helping Services reimbursement		90,203	90,203	21,165	111,368
Total other expenses	<u>\$ 107,139</u>	<u>\$ 133,626</u>	<u>\$ 240,765</u>	<u>\$ 40,762</u>	<u>\$ 281,527</u>

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, 2020, 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 29, 2020.

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 Center'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 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 have not been 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

Condition

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.

Criteria

A properly designed segregation of duties allows entities to initiate, authorize, record, process, and report financial data reliably in accordance with generally accepted accounting principles.

Cause

The concentration of closely related duties and responsibilities such as the recording and processing of cash receipts, preparing grant expenditure reports, preparing financial information for posting and analyzing financial information by a small staff makes it impossible to establish an adequate system of automatic internal checks on the accuracy and reliability of the accounting records.

Effect

This deficiency results in a reasonable possibility that the Center would not be able to detect misstatements that would be material in relation to the financial statements in a timely period by employees in the normal course of performing their assigned functions.

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.

Views of Responsible Officials and Planned Corrective Actions

This issue is reviewed annually through the audit review with the Board of Directors. The size of the Center prevents further segregation of duties.

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.