

**NORTHWEST IOWA MENTAL
HEALTH CENTER
D/B/A SEASONS CENTER FOR
COMMUNITY MENTAL HEALTH**

NORTHWEST IOWA MENTAL HEALTH CENTER D/B/A SEASONS CENTER FOR COMMUNITY MENTAL HEALTH

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**NORTHWEST IOWA MENTAL HEALTH CENTER
D/B/A SEASONS CENTER FOR COMMUNITY MENTAL HEALTH
BOARD OF DIRECTORS**

<u>Name</u>	<u>Title</u>	<u>County Represented</u>
Randy Bosch	President	Lyon
Jake Moermond	Vice-President	O'Brien
Del Brockshus	Secretary-Treasurer	Clay
Linda Swanson	Director	Clay
Marilyn White	Director	Clay
Mardi Allen	Director	Dickinson
David Gottsche	Director	Dickinson
George Morris	Director	Dickinson
Roger Anderson	Director	Emmet
Bev Juhl	Director	Emmet
Ron Smith	Director	Emmet
Steve Michael	Director	Lyon
Tom Farnsworth	Director	O'Brien
Darwin Beltman	Director	Osceola
Phil Bootsma	Director	Osceola
Mary Greene	Director	Palo Alto
Jerry Hofsted	Director	Palo Alto
Keith Wirtz	Director	Palo Alto

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Northwest Iowa Mental Health Center
D/B/A Seasons Center For Community Mental Health
Spencer, Iowa

We have audited the accompanying statements of financial position of **Northwest Iowa Mental Health Center, D/B/A Seasons Center For Community Mental Health** as of June 30, 2009 and 2008, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Northwest Iowa Mental Health Center, D/B/A Seasons Center For Community Mental Health** as of June 30, 2009 and 2008, and the changes in its net assets, and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 1, 2009 on our consideration of **Northwest Iowa Mental Health Center, D/B/A Seasons Center For Community Mental Health**'s internal control over financial reporting and 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 the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Sioux Falls, South Dakota
September 1, 2009

**NORTHWEST IOWA MENTAL HEALTH CENTER
D/B/A SEASONS CENTER FOR COMMUNITY MENTAL HEALTH
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 318,106	\$ 348,839
Receivables		
Patient, net of estimated uncollectibles of \$108,000 in 2009 and \$140,000 in 2008	208,607	269,922
Accounts receivable, counties and other governmental agencies	248,875	192,557
Supplies	16,128	18,557
Prepaid expenses	69,363	42,984
	<hr/>	<hr/>
Total current assets	861,079	872,859
PROPERTY AND EQUIPMENT	584,492	401,051
OTHER ASSETS		
Investment	11,000	11,000
	<hr/>	<hr/>
Total assets	<u>\$ 1,456,571</u>	<u>\$ 1,284,910</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current maturities of long-term debt	\$ 2,500	\$ -
Accounts payable		
Trade	47,732	36,968
Accrued expenses		
Salaries and wages	71,280	63,646
Vacation	112,077	95,036
Payroll taxes and other	11,341	2,484
	<hr/>	<hr/>
Total current liabilities	244,930	198,134
LONG-TERM DEBT, less current maturities	22,500	-
	<hr/>	<hr/>
Total liabilities	267,430	198,134
NET ASSETS		
Unrestricted	1,189,141	1,086,776
	<hr/>	<hr/>
Total liabilities and net assets	<u>\$ 1,456,571</u>	<u>\$ 1,284,910</u>

**NORTHWEST IOWA MENTAL HEALTH CENTER
D/B/A SEASONS CENTER FOR COMMUNITY MENTAL HEALTH
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
PUBLIC SUPPORT AND REVENUES		
Public support		
Counties	\$ 1,357,429	\$ 1,384,197
Federal grants	3,240	85,571
Other grants	125,919	98,258
Contributions	-	300
	<u>1,486,588</u>	<u>1,568,326</u>
Revenues		
Net patient and resident services	2,078,498	1,728,039
Other program and fee income	450,966	404,716
Investment income	20,030	26,233
Miscellaneous income	24,526	29,858
	<u>2,574,020</u>	<u>2,188,846</u>
Total public support and revenues	<u>4,060,608</u>	<u>3,757,172</u>
EXPENSES		
Outpatient care	952,473	815,816
Community support	257,764	254,763
Case management	332,420	350,478
ISP Grant	-	62,634
Psychiatric	706,344	779,190
Administration	673,741	520,007
Oak Haven Care Facility	1,035,500	1,023,772
	<u>3,958,243</u>	<u>3,806,661</u>
REVENUES IN EXCESS OF (LESS THAN) EXPENSES AND INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	102,365	(49,489)
NET ASSETS - BEGINNING OF YEAR	<u>1,086,776</u>	<u>1,136,265</u>
NET ASSETS - END OF YEAR	<u>\$ 1,189,141</u>	<u>\$ 1,086,776</u>

NORTHWEST IOWA MENTAL HEALTH CENTER
D/B/A SEASONS CENTER FOR COMMUNITY MENTAL HEALTH
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2009
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2008

	<u>OUT- PATIENT</u>	<u>COMMUNITY SUPPORT</u>	<u>CASE MANAGEMENT</u>
Salaries and wages	\$ 573,078	\$ 155,712	\$ 196,940
Purchase of services	7,335	1,082	1,151
Payroll and unemployment taxes	57,352	15,193	26,393
Workers compensation	9,831	2,953	2,899
Medical insurance	70,991	19,619	22,545
Retirement	21,046	5,727	6,475
Staff development	7,823	423	4,389
Recruiting and moving	2,998	217	1,903
Malpractice insurance	8,326	2,457	2,503
Psychiatric and medical supplies	-	-	-
Pharmacy and other medical services	-	-	-
Work activities expense	-	-	-
Auto insurance	2,407	710	722
Auto repairs and maintenance	448	2,693	910
Auto gas	2,455	3,204	2,040
Mileage	9,514	4,218	3,666
Other travel expenses	202	12	106
Rent	37,847	11,811	1,324
Insurance	7,346	2,172	2,215
Depreciation	30,419	9,121	9,814
Utilities	9,601	2,247	4,492
Building repairs and maintenance	8,866	2,026	3,428
Professional services	3,925	1,139	1,387
Computer services	4,539	1,259	1,480
Board and administrative expenses	3,216	875	1,096
Dues and subscriptions	2,119	579	679
Advertising and promotion	2,068	507	530
Supplies	5,453	1,195	2,508
Postage	3,742	802	3,047
Printing	1,304	305	501
Telephone	27,421	6,148	7,155
Rentals	22,580	3,040	18,997
Equipment repair and maintenance	7,366	201	982
Interest	15	5	6
Food and provisions	4	-	-
Bank and credit card charges	772	93	110
Bad debt expense	64	20	24
	<u>\$ 952,473</u>	<u>\$ 257,764</u>	<u>\$ 332,420</u>

See Notes to Financial Statements

PSYCHIATRIC	ADMIN	OAK HAVEN	TOTALS	
			2009	2008
\$ 397,205	\$ 546,999	\$ 697,418	\$ 2,567,351	\$ 2,435,498
111,044	8,964	1,014	130,590	120,826
35,221	14,372	48,421	196,953	169,749
2,763	2,897	6,252	27,595	29,700
45,252	16,171	39,345	213,924	201,469
13,510	4,457	15,784	66,999	81,389
1,995	1,091	3,860	19,580	40,539
232	5,391	3,325	14,066	12,328
3,242	2,240	7,069	25,835	25,336
-	-	2,571	2,571	2,330
-	-	920	920	1,695
-	-	8,902	8,902	7,352
829	686	459	5,813	6,788
-	(30)	1,245	5,267	10,349
-	76	2,042	9,818	12,715
6,985	5,750	1,544	31,678	46,030
407	533	83	1,343	2,115
3,945	8,014	1,000	63,942	79,739
2,637	2,039	3,594	20,003	20,990
21,518	6,489	2,037	79,398	70,639
8,445	2,533	46,283	73,601	78,926
6,361	2,484	8,866	32,030	34,892
3,114	2,425	4,747	16,738	8,054
2,894	2,640	3,098	15,910	17,902
1,947	3,628	1,310	12,071	5,521
1,247	693	3,289	8,606	5,114
1,017	1,028	125	5,275	5,258
6,037	8,071	2,819	26,083	25,426
4,174	3,776	1,609	17,150	15,506
1,011	205	150	3,476	6,006
14,893	7,877	6,286	69,780	65,164
6,456	10,406	12,458	73,936	62,489
1,682	373	8,387	18,991	17,513
16	163	12	217	-
-	-	88,919	88,923	78,975
206	1,300	257	2,739	2,339
61	-	-	169	-
<u>\$ 706,344</u>	<u>\$ 673,741</u>	<u>\$ 1,035,500</u>	<u>\$ 3,958,243</u>	<u>\$ 3,806,661</u>

**NORTHWEST IOWA MENTAL HEALTH CENTER
D/B/A SEASONS CENTER FOR COMMUNITY MENTAL HEALTH
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
OPERATING ACTIVITIES		
Change in net assets	\$ 102,365	\$ (49,489)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	79,398	70,639
Changes in assets and liabilities		
Accounts receivable - patients, net	61,315	(17,345)
Accounts receivable - counties and other governmental agencies	(56,318)	(50,839)
Supplies	2,429	(3,481)
Prepaid expenses	(26,379)	13,842
Accounts payable	10,764	(11,935)
Accrued payroll, payroll taxes, and other	16,491	9,603
Accrued vacation pay	17,041	11,024
NET CASH FROM (USED FOR) OPERATING ACTIVITIES	<u>207,106</u>	<u>(27,981)</u>
INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(262,839)</u>	<u>(26,026)</u>
FINANCING ACTIVITIES		
Proceeds from issuance of long-term debt	<u>25,000</u>	<u>-</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	<u>(30,733)</u>	<u>(54,007)</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>348,839</u>	<u>402,845</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 318,106</u>	<u>\$ 348,839</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	<u>\$ 217</u>	<u>\$ -</u>

**NORTHWEST IOWA MENTAL HEALTH CENTER
D/B/A SEASONS CENTER FOR COMMUNITY MENTAL HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization

Northwest Iowa Mental Health Center, D/B/A Seasons Center For Community Mental Health (Center) is a non-profit corporation established to provide a comprehensive community mental health program for the diagnosis and treatment of psychiatric and psychological disorders and to promote the prevention of mental illness. The Center provides these services to individuals in an eight-county area which includes Clay, Dickinson, Emmet, Lyon, O'Brien, Osceola, Palo Alto and Buena Vista counties. In addition, the Center operates the Oak Haven Residential Care Facility in Dickinson County.

The Center is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and a similar section of the Iowa income tax law, which provides tax exemption for corporations organized and operated exclusively for religious, charitable, or educational purposes.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with an original maturity of three months or less.

Patient and Resident Receivables

Patient receivables are uncollateralized patient, resident and third-party payor obligations. Payments of patient receivables are allocated to the specific claims identified on the remittance advice or, if unspecified, are applied to the earliest unpaid claim. The carrying amount of patient and resident receivables is reduced by a valuation allowance that reflects management's best estimate of amounts that will not be collected from patients, residents, and third-party payors. Management reviews patient and resident receivables by payor class and applies percentages to determine estimated amounts that will not be collected from third parties under contractual agreements and amounts that will not be collected from patients and residents due to bad debts. Management considers historical write off and recovery information in determining the estimated bad debt provision. Management also reviews accounts to determine if classification as charity care is appropriate.

Supplies

Supplies are stated at lower of cost (first in, first out) or market.

NOTES TO FINANCIAL STATEMENTS

Property and Equipment

Property and equipment acquisitions in excess of \$2,000 are capitalized and recorded at cost. Depreciation is provided over the estimated useful life of each depreciable asset and is computed using the straight-line method. The estimated useful lives of property and equipment are as follows:

Buildings and improvements	5-50 years
Equipment	5-20 years

Gifts of long-lived assets such as land, buildings, or equipment are reported as additions to unrestricted net assets, and are excluded from excess of revenues over expenses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted net assets. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when donated or when acquired long-lived assets are placed in service.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the Center has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Center in perpetuity. As of June 30, 2009 and 2008, the Center did not have any temporarily or permanently restricted net assets.

Net Patient Service Revenue

The Center has agreements with third-party payors that provide for payments to the Center at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered.

Donor-restricted Gifts

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When donor stipulated time restrictions or purpose restrictions are met or accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of operations as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reflected as unrestricted contributions in the statement of operations.

Accounting for Income Taxes

In July 2006, Financial Interpretation No. 48, Accounting for Uncertainty in Income Taxes, (FIN No. 48) was issued. Subsequent to its original issuance, the effective date of its implementation for nonpublic enterprises has been deferred, and is currently deferred for nonpublic entities until years beginning after December 15, 2008. The Center has elected to defer implementation of FIN No. 48, as allowable.

The Center undergoes an annual analysis of its various tax positions, assessing the likelihood of those positions being upheld upon examination with relevant tax authorities, as defined by FIN No. 48.

NOTES TO FINANCIAL STATEMENTS

Advertising Costs

The Center expenses advertising costs as incurred.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Subsequent Events

The Center has evaluated subsequent events through September 1, 2009, the date which the financial statements were available to be issued.

NOTE 2 - INVESTMENTS

The Center owns 110 shares of Class C stock of Tri-State Behavioral Health Associates, Inc., which represents an 11% ownership in a closely-held corporation. Tri-State is a for-profit consortium of mental health and substance abuse agencies and private psychiatric practitioners. It was formed as a management service organization to coordinate provider and hospital participation in managed care contracting and arrange for the provision and management of quality, cost-effective behavioral health care services. This investment is recorded on the financial statements at cost. There is no ready market for the Class C stock at present.

NOTE 3 - PROPERTY AND EQUIPMENT

A summary of property and equipment at June 30, 2009 and 2008, follows:

	2009		2008	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Buildings and improvement	\$ 840,313	\$ 489,612	\$ 745,735	\$ 457,374
Vehicles	20,750	20,063	38,019	29,332
Furniture and equipment	1,124,127	891,023	953,613	849,610
	<u>\$ 1,985,190</u>	<u>\$ 1,400,698</u>	<u>\$ 1,737,367</u>	<u>\$ 1,336,316</u>
		<u>\$ 584,492</u>		<u>\$ 401,051</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 4 - LEASE COMMITMENTS

On August 13, 1976, the Center entered into a lease with Spencer Municipal Hospital, Spencer, Iowa, for land on the hospital grounds on which to construct the mental health facility. The lease of the Hospital's land provides for a \$1 a month payment from the Center for fifty years. At the expiration of the fifty years, the property will revert back to Spencer Municipal Hospital.

The Center leases office space and equipment under noncancelable long term lease agreement. These leases have been recorded as operating leases. Total lease expense for the years ended June 30, 2009 and 2008, for all operating leases was \$98,461 and \$105,160.

Minimum future lease payments for the operating leases are as follows:

Year Ending June 30:	Operating Leases
2010	\$ 86,437
2011	52,418
2012	35,904
2013	21,998
2014	7,696
Total Minimum Lease payments	<u>\$ 204,453</u>

NOTE 5 - LONG TERM DEBT

Long term debt consists of:

	<u>2009</u>	<u>2008</u>
Mortgage Payable, 6.5% due in yearly installments of \$2,500, plus interest, to November 10, 2018	\$ 25,000	\$ -
Less current maturities	<u>(2,500)</u>	<u>-</u>
	<u>\$ 22,500</u>	<u>\$ -</u>

Long-term debt maturities are as follows:

<u>Years Ending June 30,</u>	<u>Amount</u>
2010	\$ 2,500
2011	2,500
2012	2,500
2013	2,500
2014	2,500
Thereafter	<u>12,500</u>
	<u>\$ 25,000</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6 - CONCENTRATION OF CREDIT RISK

The Center provides counseling to individuals in an eight-county area. The Center grants credit without collateral to its patients, most of whom are insured under third-party payor agreements. The mix of receivables from third-party payors and patients at June 30, 2009 and 2008, was as follows:

	<u>2009</u>	<u>2008</u>
Medicare	24%	12%
Blue Cross	23%	14%
Medicaid	12%	22%
Commercial insurance	12%	11%
Other third-party payors and patients	29%	41%
	<u>100%</u>	<u>100%</u>

The Center's cash balances are maintained in various bank accounts. At various times during the year the balances in these bank accounts were over the FDIC insurance limits.

NOTE 7 - PENSION PLAN

The Center maintains a 401(k) plan administered by The Hartford Company. The plan covers substantially all full time employees. For the years ended June 30, 2009 and 2008, the Center contributed an amount equal to 4% of the annual salary for each employee participating in the plan. The plan also allows employees to make pre-tax contributions if they so desire. Employer contributions credited to individual participants are subject to a five-year vesting schedule. The vested accumulated monies are paid upon a participant's retirement or termination. The Center's retirement expense totaled \$66,999 and \$81,389 for the years ended June 30, 2009 and 2008.

NOTE 8 - FUNCTIONAL EXPENSES

The Center provides health care services to residents within its geographic location. Expenses related to providing these services by functional class for the years ended June 30, 2009 and 2008, are as follows:

	<u>2009</u>	<u>2008</u>
Patient health care services	\$ 3,284,502	\$ 3,286,654
General and administrative	673,741	520,007
	<u>\$ 3,958,243</u>	<u>\$ 3,806,661</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 9 - ECONOMIC DEPENDENCY ON MEMBER COUNTIES AND THIRD-PARTY PAYORS

The Center received \$789,513, or 20% of the Center's total revenues, from the seven member counties during the year ended June 30, 2009, for mental health services. In addition another \$450,966 or 11% of total revenues was received from the counties for case management fees, related to those county residents. Together this represents 31% of the Center's total support and revenue. The Counties also purchased services totaling \$550,257 from Oak Haven for residents living at the facility. This represents 48% of Oak Haven's total support and revenue.

The Center also received a substantial amount of its revenue from third-party payors, such as Medicare, Medicaid and Blue Cross. A significant reduction in reimbursement from any of these parties could have a material impact on the Center's programs and services.

NOTE 10 - COMMITMENT

As part of the Center's project to upgrade their information technology systems, the Center has entered into an agreement to purchase additional computer software modules amounting to \$150,000 by June 2010.

**NORTHWEST IOWA MENTAL HEALTH CENTER
D/B/A SEASONS CENTER FOR COMMUNITY MENTAL HEALTH**

SUPPLEMENTARY INFORMATION

**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**

The Board of Directors
Northwest Iowa Mental Health Center
D/B/A Seasons Center For Community Mental Health
Spencer, Iowa

We have audited the financial statements of Northwest Iowa Mental Health Center d/b/a Seasons Center for Community Mental Health as of and for the year ended June 30, 2009, and have issued our report thereon dated September 1, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Northwest Iowa Mental Health Center d/b/a Seasons Center for Community Mental Health's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control. We consider the deficiencies described in the accompanying Schedule of findings and questioned costs as findings 07-1 and 06-1 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organizations internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe none of the significant deficiencies described above are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Northwest Iowa Mental Health Center d/b/a Seasons Center for Community Mental Health's financial statements are free of 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*.

We also noted certain additional matters that we reported to management of Northwest Iowa Mental Health Center d/b/a Seasons Center for Community Mental Health in a separate letter dated September 1, 2009.

Northwest Iowa Mental Health Center d/b/a Seasons Center for Community Mental Health's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Northwest Iowa Mental Health d/b/a Seasons Center for Community Mental Health's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management and the Board of Directors and others within the entity and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Sioux Falls, South Dakota
September 1, 2009

**NORTHWEST IOWA MENTAL HEALTH CENTER
D/B/A SEASONS CENTER FOR COMMUNITY MENTAL HEALTH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009**

FINDING 07-1 Preparation of Financial Statements

Criteria: A good system of internal control contemplates the ability on the part of management to prepare complete financial statements which includes all footnote disclosures in accordance with generally accepted accounting principles.

Condition: A good system of internal control contemplates the ability on the part of management to prepare complete financial statements which includes all footnote disclosures in accordance with generally accepted accounting principles.

Cause: We realize that obtaining the expertise necessary to prepare the financial statements, including all necessary disclosures, in accordance with generally accepted accounting principles can be considered costly and ineffective.

Effect: The inability to prepare the financial statements in accordance with accounting standards generally accepted in the United States of America, may affect the ability to properly report the Facility's financial position and results of operations.

Recommendations: We recommend that management continue reviewing operating procedures in order to obtain the maximum control possible under the circumstances.

Response: This finding and recommendation is not a result of any change in the Center's procedures, rather it is due to an auditing standard implemented by the American Institute of Certified Public Accountants. Management feels that committing the resources necessary to remain current on GAAP and FASB reporting requirements and corresponding footnote disclosures would lack benefit in relationship to the cost incurred. The center will continue to evaluate this issue for future years.

Conclusion: Response accepted.

FINDING 06-1

Criteria: A good system of internal accounting control contemplates an adequate segregation of duties so that not one individual handles a transaction from its inception to its completion.

Condition: The Facility has a limited number of office personnel performing the record keeping functions of the organization.

Cause: A limited number of office personnel prevent a proper segregation of accounting functions necessary to assure optimal internal control. This is not an unusual condition for organizations of your size.

Effect: Inadequate segregation of duties could adversely affect the Center's ability 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.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS – continued

Recommendation: While we recognize that your office staff may not be large enough to assure optimal internal control, it is important that you are aware of this condition. Under this condition, management's close supervision and review of accounting information is the best means of preventing and detecting errors and irregularities.

Response: Management does not plan to respond to the finding, as management believes that it is not possible to implement a cost effective solution at this time.

Conclusion: Response accepted.

The Board of Directors
Northwest Iowa Mental Health Center
d/b/a Seasons Center For Community Mental Health
Spencer, Iowa

We have audited the financial statements of Northwest Iowa Mental Health Center d/b/a Seasons Center For Community Mental Health (“Center”) for the year ended June 30, 2009, and have issued our report thereon dated September 1, 2009. Professional standards require that we provide you with the following information related to our audit.

OUR RESPONSIBILITY UNDER U.S. GENERALLY ACCEPTED AUDITING STANDARDS AND GOVERNMENT AUDITING STANDARDS

As stated in our engagement letter dated July 10, 2009, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of Northwest Iowa Mental Health Center d/b/a Seasons Center for community Mental Health. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatements, we performed tests of the Center’s compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

PLANNED SCOPE AND TIMING OF THE AUDIT

We performed the audit according to the planned scope and timing discussed with management and in accordance with our engagement letter to you dated July 10, 2009.

SIGNIFICANT AUDIT FINDINGS AND CONSIDERATIONS

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements of Northwest Iowa Mental Health Center d/b/a Seasons Center for Community Mental Health as of and for the year ended June 30, 2009, in accordance with auditing standards generally accepted in the United States of America, we considered the Center’s internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Center’s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Center's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Center's financial statements that is more than inconsequential will not be prevented or detected by the Center's internal control.

We consider the following deficiencies to be significant deficiencies in internal control:

Limited Size of Office Staff

It is desirable, from a standpoint of good internal control, that the functions of execution of transactions, recording of transactions and accountability for assets be performed by different individuals. We realize that, in an organization of your size, complete segregation of duties is not possible; however, we bring this to your attention as a matter of record.

In determining how to mitigate the lack of segregation of duties, management must weigh the costs of any proposed changes against the expected benefits. In lieu of segregation of duties, another effective program to provide control is for management to be involved in the control procedures available. Management involvement through the review of reconciliation procedures is an effective control to ensure these procedures are being properly completed on a timely basis.

Preparation of Financial Statements

As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. Northwest Iowa Mental Health Center d/b/a Seasons Center For Community Mental Health does not have an internal control system over financial reporting designed to provide for the preparation of the financial statements, including the accompanying footnotes as required by generally accepted accounting standards, on a periodic or annual basis. The guidance in *Statement of Auditing Standards No. 112, Communicating Internal Control Related Matters Identified in an Audit*, requires us to communicate this matter to those charged with governance. This circumstance is not unusual in an organization of your size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Center's internal control. We do not believe the deficiency noted above constitutes material weaknesses.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Northwest Iowa Mental Health Center d/b/a Seasons Center for Community Mental Health are described in Note 1 to the financial statements. We noted no transactions entered into by the Center during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Accounts Receivable Allowances

Management's estimates of the allowance for doubtful accounts and allowance for contractual adjustments are based on prior experience and current reimbursement rates. The actual allowances and estimated settlements could differ from these estimates.

Depreciable Lives

The Center records depreciation expense based on the estimated useful lives of individual units of property and equipment, which has been determined based upon prior experience and industry standards. Actual results could differ from these estimates.

We evaluated the key factors and assumptions used to develop the above estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

The disclosures related to the lease commitments for the Center. This disclosure details out the future commitments for the Center and the details of the lease for the Center's land in Spencer, Iowa.

The disclosure for the purchase of additional computer software modules presented in footnote 10 in the audit report.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Adjustments were proposed and recorded as part of the audit. The most significant adjustments proposed and their affect on net income were as follows:

<u>Description</u>	<u>Increase (Decrease) In Net Assets</u>
Decrease depreciation expense	\$ 11,649
To record additional unpaid expenses	(6,372)
Other adjustments	<u>2,562</u>
Income effect of adjustments	<u>\$ 7,839</u>

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing and completing our audit.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 1, 2009.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Center's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Center's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

OTHER MATTERS

1. In our prior year management letter we indicated that the IRS Form 990 (Return of Organizations Exempt from Income Tax) was in the process of being revised. The new form will require more disclosures about the Center resulting in more administrative and preparer time to complete. This new revised form will be required for the Center's June 30, 2009 return.
2. During the audit we noted that the Center's outstanding accounts receivable in the 121 days old and higher aging category were 19% of the total accounts receivable whereas in the prior year it was 31%, a significant decrease in these accounts. This has helped to provide increased cash flow to the Center

This information is intended solely for the information and use of the Board of Directors, management, and others within Northwest Iowa Mental Health Center d/b/a Seasons Center For Community Mental Health and is not intended to be and should not be used by anyone other than these specified parties.

As always, we will be happy to discuss these or any other topics at your convenience. We would like to take this opportunity to express our appreciation to Sonya Nash and your staff for the fine cooperation we received during the course of the audit. We look forward to many years of continued service to the Northwest Iowa Mental Health Center d/b/a Seasons Center For Community Mental Health.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Sioux Falls, South Dakota
September 1, 2009