Financial Statements
June 30, 2010 and 2009

# Floyd Valley Home Medical Equipment, LLC

# FLOYD VALLEY HOME MEDICAL EQUIPMENT, LLC

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# INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Floyd Valley Home Medical Equipment, LLC
Le Mars, Iowa

We have audited the accompanying balance sheets of **Floyd Valley Home Medical Equipment, LLC**, as of June 30, 2010 and 2009, and the related statements of income and members' capital, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. 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, Chapter 11 of the Code of Iowa 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 audits 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 **Floyd Valley Home Medical Equipment, LLC**, as of June 30, 2010 and 2009, and the results of its income and changes in members' capital, 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 January 27, 2011 on our consideration of **Floyd Valley Home Medical Equipment, LLC'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 read in conjunction with this report in considering the results of our audits.

Eide Bailly LLP

Fargo, North Dakota
March 14, 2011



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# FLOYD VALLEY HOME MEDICAL EQUIPMENT, LLC
## BALANCE SHEETS
## JUNE 30, 2010 AND 2009

| | 2010 | 2009 |
|---|---|---|
| **ASSETS** | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | **$ 17,590** | $ 7,850 |
| Receivables | | |
| Trade, less allowance for doubtful accounts and contractual allowances of $17,832 in 2010 and $21,178 in 2009 | **66,691** | 80,050 |
| Related party | **60,545** | 79,654 |
| Inventories | **47,679** | 51,254 |
| Prepaid expenses | **1,076** | 1,064 |
| Total current assets | **193,581** | 219,872 |
| PROPERTY AND EQUIPMENT, net | **24,770** | 43,180 |
| Total assets | **$ 218,351** | $ 263,052 |
| **LIABILITIES AND MEMBERS' CAPITAL** | | |
| CURRENT LIABILITIES | | |
| Accounts payable | | |
| Trade | **$ 2,980** | $ - |
| Related party | **10,582** | 11,391 |
| Accrued expenses | **774** | 251 |
| Total current liabilities | **14,336** | 11,642 |
| MEMBERS' CAPITAL | **204,015** | 251,410 |
| Total liabilities and members' capital | **$ 218,351** | $ 263,052 |

# FLOYD VALLEY HOME MEDICAL EQUIPMENT, LLC
## STATEMENTS OF INCOME AND MEMBERS' CAPITAL
## YEARS ENDED JUNE 30, 2010 AND 2009

| | 2010 | 2009 |
|---|---|---|
| REVENUES | | |
| Retail sales | $ 175,555 | $ 164,261 |
| Rental fees | 348,382 | 306,529 |
| Gross revenues | 523,937 | 470,790 |
| Less: Returns, contractual adjustments, and allowances | 122,729 | 96,544 |
| Net revenues | 401,208 | 374,246 |
| COST OF REVENUES | 124,657 | 118,001 |
| GROSS PROFIT | 276,551 | 256,245 |
| OPERATING EXPENSES | | |
| Contract labor | 148,704 | 138,199 |
| Management fees | 49,786 | 46,155 |
| Rent | 16,106 | 15,860 |
| Advertising | 2,737 | 3,392 |
| Other | 25,288 | 18,596 |
| Insurance | 2,459 | 2,027 |
| Depreciation | 424 | 424 |
| Bad debt (recoveries) expense | (1,881) | 7,563 |
| Total operating expenses | 243,623 | 232,216 |
| OPERATING INCOME | 32,928 | 24,029 |
| OTHER INCOME | | |
| Interest income | 40 | 171 |
| NET INCOME | $ 32,968 | $ 24,200 |
| | | |
| MEMBERS' CAPITAL, BEGINNING OF YEAR | $ 251,410 | $ 326,210 |
| Net income | 32,968 | 24,200 |
| Distributions to members | (80,363) | (99,000) |
| MEMBERS' CAPITAL, END OF YEAR | $ 204,015 | $ 251,410 |

# FLOYD VALLEY HOME MEDICAL EQUIPMENT, LLC
## STATEMENTS OF CASH FLOWS
## YEARS ENDED JUNE 30, 2010 AND 2009

| | **2010** | 2009 |
|---|---|---|
| OPERATING ACTIVITIES | | |
| Cash received from customers | **$ 435,557** | $ 412,086 |
| Cash paid to suppliers | **(336,919)** | (313,224) |
| NET CASH FROM OPERATING ACTIVITIES | **98,638** | 98,862 |
| INVESTING ACTIVITIES | | |
| Interest earned on cash and cash equivalents | **40** | 171 |
| Purchase of property and equipment | **(8,575)** | (13,966) |
| NET CASH USED FOR INVESTING ACTIVITIES | **(8,535)** | (13,795) |
| NET CASH USED FOR FINANCING ACTIVITIES | | |
| Distributions to members | **(80,363)** | (99,000) |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | **9,740** | (13,933) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | **7,850** | 21,783 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | **$ 17,590** | $ 7,850 |
| RECONCILIATION OF NET INCOME TO | | |
| NET CASH FROM (USED FOR) OPERATING ACTIVITIES | | |
| Operating income | **$ 32,928** | $ 24,029 |
| Charges and credits to net income | | |
| not affecting cash | | |
| Depreciation | **22,359** | 25,648 |
| Provisions for losses on accounts receivable | **(3,346)** | (1,502) |
| Loss on disposal of equipment | **4,626** | 5,192 |
| Change in assets and liabilities | | |
| Receivables | **35,814** | 46,905 |
| Inventories | **3,575** | (2,346) |
| Prepaid expenses | **(12)** | (101) |
| Accounts payable | **2,171** | 996 |
| Accrued expenses | **523** | 41 |
| NET CASH FROM OPERATING ACTIVITIES | **$ 98,638** | $ 98,862 |

## NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

*Principal Business Activity*

Floyd Valley Home Medical Equipment, LLC ("Company") sells and rents durable medical equipment and supplies to individuals in the community of Lemars, Iowa and its surrounding area.

As of June 30, 2010, Floyd Valley Home Medical Equipment, a joint venture, dissolved and reorganized as Floyd Valley Home Medical Equipment, LLC. The accompanying financial statements report Floyd Valley Home Medical Equipment, LLC for the year ended June 30, 2010 and Floyd Valley Home Medical Equipment, a joint venture, for the year ended June 30, 2009.

*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 and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

*Cash Equivalents*

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

*Accounts Receivable*

Accounts receivable are uncollateralized customer and third-party payor obligations. Unpaid receivables, excluding amounts due from related parties, with invoice dates over 90 days old have interest assessed at 1 percent per month. These interest charges are recognized as income when charged.

Payments of accounts receivable 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 accounts receivable is reduced by a valuation allowance that reflects management's best estimate of amounts that will not be collected from customers and third-party payors. Management reviews 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.

*Inventories*

Inventories are valued at the lower of cost (first-in, first-out) or market.

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*Property and Equipment*

Property and equipment, excluding rental equipment, in excess of $1,000, are capitalized and recorded at cost. Depreciation is computed using straight-line method over the following estimated useful lives:

| | |
|---|---|
| Equipment | 5 - 15 years |
| Rental equipment | 4 - 5 years |

*Income Taxes*

The limited liability company and the joint venture are not subject to income taxes. Instead, the Company files Form 1065 with the Internal Revenue Service and distributes K-1's to the members, who in turn report their proportionate share of income individually.

The Company evaluates its tax positions on an annual basis. Management has determined that there are no uncertain tax positions at June 30, 2010 and 2009. The Company is no longer subject to examinations by federal and state tax authorities for years before 2007.

*Sales Taxes*

The Company collects sales taxes from its customers and remits the entire amount to the various governmental units. The Company's accounting policy is to exclude the tax collected and remitted from revenue and cost of revenue.

*Advertising Costs*

The Company expenses advertising costs as incurred.

*Subsequent Events*

The Corporation has evaluated subsequent events through January 27, 2011, the date which the financial statements were available to be issued.

**NOTE 2 - PROPERTY AND EQUIPMENT**

A summary of equipment at June 30, 2010 and 2009, is as follows:

| | **2010** | | 2009 | |
|---|---|---|---|---|
| | **Cost** | **Accumulated Depreciation** | Cost | Accumulated Depreciation |
| Equipment | **$ 27,985** | **$ 25,587** | $ 27,985 | $ 25,162 |
| Rental equipment | **179,806** | **157,434** | 185,789 | 145,432 |
| | **$ 207,791** | **$ 183,021** | $ 213,774 | $ 170,594 |
| Net property and equipment | | **$ 24,770** | | $ 43,180 |

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## NOTE 3 - RELATED PARTY TRANSACTIONS

Floyd Valley Home Medical Equipment, LLC is a joint venture between Floyd Valley Hospital and Avera Home Medical Equipment. Transactions between these organizations were as follows for the years ended June 30, 2010 and 2009:

| | **2010** | 2009 |
|---|---|---|
| Contract labor | **$ 148,704** | $ 138,199 |
| Management fees | **49,786** | 46,155 |
| Rent expense | **16,106** | 15,860 |

## NOTE 4 - LEASES

The Company leases building space on a month-to-month basis under an operating lease agreement. In addition to basic monthly rent, the Company is required to pay costs of occupancy such as maintenance and insurance. Total rent expense was $16,106 and $15,860 for the years ended June 30, 2010 and 2009, respectively.

## NOTE 5 - CONCENTRATIONS OF CREDIT RISK

The Company 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, 2010 and 2009, was as follows:

| | **2010** | 2009 |
|---|---|---|
| Medicare | **15%** | 11% |
| Medicaid | **10%** | 14% |
| Blue Cross | **23%** | 25% |
| Commercial insurance | **13%** | 21% |
| Other third-party payors and customers | **39%** | 29% |
| | **100%** | 100% |

The Company's cash balance is maintained in a bank deposit account. At various times during the years ended June 30, 2010 and 2009, the balance of these deposits was in excess of federally insured limits.

# FLOYD VALLEY HOME MEDICAL EQUIPMENT, LLC

***SUPPLEMENTAL REPORT ON INTERNAL CONTROL STRUCTURE AND COMPLIANCE***

# REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Board of Directors
Floyd Valley Home Medical Equipment, LLC
Le Mars, Iowa

We have audited the financial statements of **Floyd Valley Home Medical Equipment, LLC**, as of and for the year ended June 30, 2010, and have issued our report thereon dated March 14, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, Chapter 11 of the Code of Iowa 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 the Company’s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operations that we consider to be significant deficiencies. Significant deficiencies involve matters coming to our attention relating to deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Company’s ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The significant deficiencies are described in the accompanying Schedule of Findings as Finding No. 10-1 and No. 10-2. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be significant deficiencies. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over financial reporting and its operations that we consider to be material weaknesses.



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**Compliance**

As part of obtaining reasonable assurance about whether the Company's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the Board of Directors, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Eide Bailly LLP

Fargo, North Dakota
March 14, 2011

# FLOYD VALLEY HOME MEDICAL EQUIPMENT, LLC
## SCHEDULE OF CURRENT AND PRIOR YEAR FINDINGS AND QUESTIONED COSTS
## YEARS ENDED JUNE 30, 2010 AND 2009

**CURRENT YEAR AUDIT FINDINGS:**

**FINDING NO. 10-1 – Segregation of Duties**

*Condition*: The Company has a limited number of office personnel and, accordingly, does not have adequate internal accounting controls in certain areas because of a lack of segregation of duties.

*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.

*Effect*: Inadequate segregation of duties could adversely affect the Company'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.

*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 will evaluate options to further mitigate the risks inherent in a small company with limited office staff.

**FINDING NO. 10-2 – Inventory Obsolescence Reserve**

*Condition*: The Company has a significant amount of slow moving inventory.

*Criteria*: A good system of internal accounting control evaluates inventory obsolescence so that obsolete items are removed from the inventory balance and slow moving items are properly valued.

*Effect*: If the Company does not monitor their inventory items they may not detect obsolete items that have no value therefore overstating their inventory balance.

*Recommendation*: The Company has policies and procedures in place to address the risks related to slow moving and obsolete items. We recommend management further monitor adherence to these policies.

*Response*: Management believes the policies in place are adequate to ensure that slow moving and obsolete items are identified. Management will consider the implementation of procedures to improve adherence to these policies.

*** * * * ***

**PRIOR YEAR AUDIT FINDING:**

Finding 09-1 "Segregation of Duties" has been repeated for the year ended June 30, 2010.

CPAs & BUSINESS ADVISORS

The Board of Directors
Floyd Valley Home Medical Equipment, LLC
Lemars, Iowa

We have audited the financial statements of **Floyd Valley Home Medical Equipment, LLC** (Company) for the year ended June 30, 2010, and have issued our report thereon dated March 14, 2011. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 6, 2010. Professional standards also require that we communicate to you the following information related to our audit.

## SIGNIFICANT AUDIT FINDINGS

### 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 the Floyd Valley Home Medical Equipment, LLC are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2010. We noted no transactions entered into by the Company 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 relate to the collectability of patient receivables and depreciation expense.

> Allowance for Contractuals and Doubtful Accounts – Management's estimate of the allowance for contractuals and doubtful accounts is based on historical loss levels and an analysis of the collectability of individual accounts.
> Depreciation Expense – Management's estimate of depreciation expense is based on the estimated useful lives assigned using industry recommended averages and historical experience. Depreciation is calculated using the straight-line method.

We evaluated the key factors and assumptions used to develop the estimates related to the collectability of patient receivables and depreciation expense in determining that they are reasonable in relation to the financial statements taken as a whole.

### Difficulties Encountered In Performing The Audit

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



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**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.

None of the misstatements detected as a result of audit procedures were material, either individually or in the aggregate, to the financial statements taken as a whole.

**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 March 14, 2011.

**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 Company'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 Company'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**

**Recent Accounting Pronouncements**

**Accounting for Leases**

On August 17, 2010, the Financial Accounting Standards Board (FASB) issued proposed accounting standards update 1850-100, *Leases*. The FASB is seeking comments regarding this proposal. This proposal has been talked about over the last several years and seeks to change the way in which substantially all leases are reflected in financial statements. Under the guidance in the proposed standard, the lessee would recognize an asset representing its right to use the leased ('underlying') asset for the lease term (the 'right-of-use' asset) and a liability to make lease payments. Substantially all leases currently considered operating leases would now be brought onto the balance sheet. Assets and liabilities recognized by lessees and lessor would be measured on a basis that:

a) Assumes the longest possible lease term that is more likely than not to occur, taking into account the effect of any options to extend or terminate the lease.

b) Uses an expected outcome technique to reflect the lease payments, including contingent rentals and expected payments under term option penalties and residual value guarantees, specified by the lease.

c) Is updated when changes in facts or circumstances indicate that there would be a significant change in those assets or liabilities since the previous reporting period.

We recommend that you review the proposed guidance and consider responding to the questions included in the proposed standard if these changes are of concern.

**Tax Considerations**

*Expanded Form 1099 Reporting*

Under the new Patient Protection and Affordable Care Act of 2010, trade or businesses are required to report a wider range of payments using Form 1099. These rules are effective for payments made after December 31, 2011.

The primary change to the reporting expands the items reported on Form 1099 to include "amounts in consideration for property" in addition to reporting amounts paid for services. This means that if a business makes a purchase of equipment or property in excess of $600 it will be required to file a Form 1099. The second change expands the reporting requirements to all corporations that are not tax exempt.

These rules will require new records to generate the information necessary to file a completed Form 1099. Due to the significance of the efforts that would be required, many attempts are being made by business groups to have these rules modified. Eide Bailly will keep you informed of any changes to these newly enacted rules. In the meantime, you should consider how the new expanded Form 1099 reporting requirements will affect your business operations.

* * * * *

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

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 you 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 Floyd Valley Home Medical Equipment, LLC.

Eide Bailly LLP

Fargo, North Dakota
March 14, 2011

CPAs & BUSINESS ADVISORS

The Board of Directors and Management
Floyd Valley Home Medical Equipment, LLC
Lemars, Iowa

In planning and performing our audit of the financial statements of **Floyd Valley Home Medical Equipment, LLC** (Company) as of and for the year ended June 30, 2010, in accordance with auditing standards generally accepted in the United States of America, we considered the Company'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 Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. However, as discussed below, we noted certain deficiencies in internal control that we consider to be significant deficiencies or material weaknesses.

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 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.

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

Limited Size of Office Staff

It is desirable, from the standpoint of good internal controls, 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 may not be possible; however, we bring this to your attention as a matter of record.

Inventory Obsolescence Reserve

In conjunction with testing procedures performed on inventory, we identified a significant amount of slow moving inventory. Management has policies in place to address the risks related to slow moving and obsolete inventory. We recommend that management monitor compliance with the policy to ensure any obsolete items are identified in a timely manner.


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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 organization's internal control. We do not believe the deficiencies noted above constitutes a material weakness.

*  *  *  *  *

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

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 you 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 Floyd Valley Home Medical Equipment, LLC.

Eide Bailly LLP

Fargo, North Dakota
March 14, 2011