Financial Statements
June 30, 2011 and 2010

Northwest Iowa Mental Health Center D/B/A Seasons Center For Community Mental Health

Name	Title	County Represented
Randy Bosch	President	Lyon
Ron Smith	Vice-President	Emmet
Del Brockshus	Secretary-Treasurer	Clay
Linda Swanson	Director	Clay
Mardi Allen	Director	Dickinson
David Gottsche	Director	Dickinson
George Morris	Director	Dickinson
Bev Juhl	Director	Emmet
Steve Michael	Director	Lyon
Tom Farnsworth	Director	O'Brien
Jim DeBoom	Director	O'Brien
Roger Sixta	Director	Osceola
Phil Bootsma	Director	Osceola
Jerry Hofsted	Director	Palo Alto
Keith Wirtz	Director	Palo Alto

CPAs & BUSINESS ADVISORS

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, 2011 and 2010, and the related statements of activities and changes in net assets, 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 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 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, 2011 and 2010, and the changes in its net assets and its 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 October 24, 2011 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.

Eide Bailly LLP

Sioux Falls, South Dakota
October 24, 2011

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	2011	2010
Assets		
Current Assets		
Cash and cash equivalents	$ 671,052	$ 273,347
Receivables		
Patient, net of estimated uncollectibles of $152,000 in 2011 and $161,000 in 2010	231,128	222,625
Accounts receivable, counties and other governmental agencies	105,289	137,927
Other receivables	-	2,471
Supplies	5,007	9,956
Prepaid expenses	57,000	59,684
Total current assets	1,069,476	706,010
Property and Equipment	580,959	599,731
Other Assets		
Investment	11,000	11,000
	$ 1,661,435	$ 1,316,741
Liabilities and Net Assets		
Current Liabilities		
Notes Payable	$ -	$ 137,155
Current maturities of long-term debt	64,370	2,500
Accounts payable		
Trade	25,025	129,326
Accrued expenses		
Salaries and wages	67,327	55,426
Vacation	84,871	73,806
Payroll taxes and other	42,489	25,057
Total current liabilities	284,082	423,270
Long-Term Debt, Less Current Maturities	295,480	20,000
Total liabilities	579,562	443,270
Net Assets		
Unrestricted	1,081,873	873,471
	$ 1,661,435	$ 1,316,741

	2011	2010
Public Support and Revenues		
Public support		
Counties	$ 843,869	$ 791,688
Other grants	148,197	126,443
Contributions	309,888	129
Total public support	1,301,954	918,260
Revenues		
Net patient service revenue	1,603,128	1,471,959
Other program and fee income	478,232	471,711
Investment income	1,986	82,157
Miscellaneous income	2,812	31,598
Total revenues	2,086,158	2,057,425
Total public support and revenues	3,388,112	2,975,685
Expenses		
Outpatient care	801,714	914,996
Community support	191,206	264,654
Case management	371,869	332,340
ISP Grant	-	2,908
Psychiatric	928,816	699,209
Administration	886,105	934,202
Total expenses	3,179,710	3,148,309
Revenue in Excess of (Less Than) Expenses Before Discontinued Operations	208,402	(172,624)
Discontinued Operations	-	(143,045)
Revenue in Excess of (Less Than) Expenses and Increase (Decrease) in Net Assets	208,402	(315,669)
Net Assets - Beginning of Year	873,471	1,189,140
Net Assets - End of Year	$ 1,081,873	$ 873,471

	Outpatient	Community Support	Case Management
Salaries and Wages	$ 484,992	$ 115,700	$ 245,820
Purchase Services	10,713	395	981
Payroll Taxes	34,901	19,118	16,559
Workers Compensation	5,253	1,132	2,988
Medical Insurance	33,337	8,922	17,169
Retirement	7,021	1,849	3,034
Staff Development	21,295	52	1,680
Recruiting and Moving	4,107	44	455
Malpractice Insurance	5,730	1,201	3,012
Auto Insurance	2,623	593	1,363
Auto Repairs and Maintenance	5	1,468	563
Auto Gas	1,411	4,460	4,019
Mileage	6,274	2,431	3,367
Other Travel Expenses	236	-	1,562
Rent	33,155	5,244	7,933
Insurance	7,894	1,719	4,131
Depreciation	29,873	6,726	16,396
Utilities	8,759	1,617	3,187
Building Repairs and Maintenance	5,304	1,256	2,961
Professional Services	710	155	389
Computer Services	6,741	1,669	3,599
Board and Administrative Expenses	54	12	27
Dues and Subscriptions	798	210	452
Advertising and Promotion	1,853	240	630
Supplies	9,459	976	1,680
Postage	2,786	702	1,689
Printing	97	11	7
Telephone	14,473	3,077	5,006
Rentals	27,056	7,837	12,040
Equipment Repair and Maintenance	539	115	381
Interest	2,717	578	1,452
Food and Provisions	234	227	936
Bank and Credit Card Charges	326	78	178
Bad Debt Expense	30,988	1,392	6,223
	$ 801,714	$ 191,206	$ 371,869

		Totals	
Psychiatric	Admin	2011	2010
$ 570,257	$ 570,719	$ 1,987,488	$ 1,879,622
94,743	14,929	121,761	154,328
59,837	127,527	257,942	198,768
6,736	7,031	23,140	18,508
36,932	33,594	129,954	213,470
6,217	24,718	42,839	59,951
314	158	23,499	20,465
3,644	201	8,451	3,087
21,820	2,906	34,669	23,908
2,526	1,744	8,849	7,128
(18)	107	2,125	5,933
13	1,560	11,463	8,598
(273)	3,912	15,711	33,735
-	308	2,106	2,112
5,648	353	52,333	64,753
6,667	4,175	24,586	21,688
33,273	18,174	104,442	101,983
7,083	6,900	27,546	32,814
5,576	5,904	21,001	23,295
987	10,537	12,778	12,859
8,375	8,212	28,596	50,162
73	-	166	4,224
944	832	3,236	6,798
782	1,486	4,991	6,200
4,953	4,156	21,224	22,611
3,759	2,732	11,668	13,716
14	186	315	492
8,338	15,415	46,309	61,119
5,518	(4,056)	48,395	50,362
888	1,081	3,004	10,489
3,162	2,456	10,365	1,848
36	1,039	2,472	2,525
417	816	1,815	1,909
29,575	16,293	84,471	28,849
$ 928,816	$ 886,105	$ 3,179,710	$ 3,148,309

	2011	2010
Operating Activities		
Change in net assets	$ 208,402	$ (315,669)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	104,442	101,983
Loss on fixed asset disposals	2,743	-
Changes in assets and liabilities		
Accounts receivable - patients, net	(8,503)	(14,018)
Accounts receivable - counties and other governmental agencies	35,109	108,477
Supplies	4,949	6,172
Prepaid expenses	2,684	9,679
Accounts payable	(104,301)	81,594
Accrued payroll, payroll taxes, and other	29,333	(2,139)
Accrued vacation pay	11,065	(38,271)
Net Cash from (used for) Operating Activities	285,923	(62,192)
Investing Activities		
Purchase of property and equipment	(88,413)	(117,222)
Financing Activities		
Payment on (proceeds from) line of credit	(137,155)	137,155
Proceeds from issuance of long-term debt	365,000	-
Repayment of long-term debt	(27,650)	(2,500)
Net Cash from Financing Activities	200,195	134,655
Net Increase (Decrease) in Cash and Cash Equivalents	397,705	(44,759)
Cash and Cash Equivalents, Beginning of Year	273,347	318,106
Cash and Cash Equivalents, End of Year	$ 671,052	$ 273,347
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	$ 10,536	$ 1,848

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 a seven-county area which includes Clay, Dickinson, Emmet, Lyon, O'Brien, Osceola and Palo Alto counties.

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 Receivables

Patient receivables are uncollateralized patient 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 receivables is reduced by a valuation allowance that reflects management's best estimate of amounts that will not be collected from patients and third-party payors. Management reviews patient 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 due to bad debts. Management considers historical write off and recovery information in determining the estimated bad debt provision.

Supplies

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

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 revenues in excess of (less than) 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, 2011 and 2010, 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

The Center is organized as an Iowa non-profit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). The Center is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. The Center is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose.

The Center believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Center would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

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 October 24, 2011, 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 currently in the process of discounting its operations. It was originally formed as a for-profit consortium of mental health and substance abuse agencies and private psychiatric practitioners. It was organized 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. Management believes that the Center will recover its investment as part of the dissolution of the Corporation. 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, 2011 and 2010, follows:

	2011		2010	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Buildings and improvement	$ 911,130	$ 552,181	$ 845,183	$ 520,788
Vehicles	20,750	20,750	20,750	20,750
Furniture and equipment	1,227,767	1,005,757	1,190,710	945,170
Construction in Process	-	-	29,796	-
	$ 2,159,647	$ 1,578,688	$ 2,086,439	$ 1,486,708
		$ 580,959		$ 599,731

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 agreements. These leases have been recorded as operating leases. Total lease expense for the years ended June 30, 2011 and 2010, for all operating leases was $98,276 and $106,228.

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

Years Ending June 30,		
2011	$	61,998
2012		49,437
2013		32,191
2014		20,128
2015		4,882
	$	168,636

Note 5 - Notes Payable and Long Term Debt

Notes payable consists of:	2011	2010
3.25% variable rate line of credit, due on February 12, 2011 Total credit line available under this note is $100,000	$ -	$ 20,155
3.25% variable rate line of credit due on April 30, 2011 Total credit line available under this note is $250,000	-	117,000
	$ -	$ 137,155

	2011	2010
Long-term debt consists of:		
Mortgage payable, 6.5% due in yearly installments of $2,500, plus interest, to November 2018	$ 20,000	$ 22,500
Unsecured, note payable, variable interest rate (3.25% at June 30, 2011) due in monthly installments of $6,000, including interest, to April, 2016	339,850	-
Total long-term debt	359,850	22,500
Less current maturities	(64,370)	(2,500)
	$ 295,480	$ 20,000

Long-term debt maturities are as follows:

Years Ending June 30,	
2012	$ 64,370
2013	66,411
2012	68,519
2012	70,697
2012	82,353
Thereafter	7,500
	$ 359,850

Note 6 - Pension Plan

The Center maintains a 401(k) plan administered by The Hartford Company. The plan covers substantially all full time employees. During the year ended June 30, 2011 the Center suspended its employer contribution to the plan. For the year ended June 30, 2010 and up to the time the employer contributions were suspended, 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 $42,839 and $59,951 for the years ended June 30, 2011 and 2010.

Note 7 - Concentration of Credit Risk

The Center provides counseling to individuals in a seven-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, 2011 and 2010, was as follows:

	2011	2010
Commercial insurance	35%	9%
Private pay	26%	32%
Blue Cross	19%	29%
Medicaid	11%	17%
Medicare	9%	13%
	100%	100%

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 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, 2011 and 2010, are as follows:

	2011	2010
Patient health care services	$ 2,293,605	$ 2,214,107
General and administrative	886,105	934,202
	$ 3,179,710	$ 3,148,309

Note 9 - Economic Dependency on Member Counties and Third-Party Payors

The Center received $843,869 and $774,309, or 25% and 16% of the Center’s total revenues, from the seven member counties during the years ended June 30, 2011 and 2010, respectively, for mental health services. In addition another $476,290 and $469,989 or 14% and 10% of total revenues was received from the counties for case management fees, related to those county residents.

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 - Discontinued Operations

During the year ended June 30, 2010, the Center closed its residential care facility which was operating under the name of Oak Haven. Oak Haven provided supportive and rehabilitative services as well as outpatient services for adults with mental illness and disabilities.

Summary financial statements related to this discontinued operation consist of the following for the year ended June 30, 2010:

Revenues	
Net patient and resident service revenue	$ 655,943
Expenses	
Salaries and wages	495,735
Employee benefits	132,492
Supplies and other expenses	170,761
Total expenses	798,988
Expenses in excess of revenue from discontinued operations	$ (143,045)

Supplementary Information
June 30, 2011 and 2010

Northwest Iowa Mental Health Center D/B/A Seasons Center For Community Mental Health

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 (Center) as of and for the year ended June 30, 2011, and have issued our report thereon dated October 24, 2011. 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 the Center'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.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting, findings 2011-1 and 2011-2. 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.

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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*.

Northwest Iowa Mental Health Center D/B/A Seasons Center For Community Mental Health's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and questioned costs. We did not audit the responses of Northwest Iowa Mental Health Center D/B/A Seasons Center For Community Mental Health and, accordingly, we express no opinion on them.

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

Eide Bailly LLP

Sioux Falls, South Dakota
October 24, 2011

Finding Number 2011-1
Preparation of Financial Statements

Criteria:	A properly designed system of internal control over financial reporting includes the preparation of an entity's financial statements and accompanying notes to the financial statements by internal personnel of the entity. Management is responsible for establishing and maintaining internal controls over financial reporting and procedures related to the fair presentation of the financial statements in accordance with U.S. generally accepted account principles (GAAP).
Condition:	Northwest Iowa Mental Health Center D/B/A Seasons Center For Community Mental Health does not have an internal control system designed to provide for the preparation of the financial statements, including the accompanying footnotes and statement of cash flows, as required by GAAP. As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. The outsourcing of these services is not unusual in an organization of your size.
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 effect of this condition is that the year-end financial reporting is prepared by a party outside of the entity. The outside party does not have the constant contact with ongoing financial transactions that internal staff have. Furthermore, it is possible that new standards may not be adopted and applied timely to the interim financial reporting. 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 consideration.
Recommendation:	We recommend that management continue reviewing operating procedures in order to obtain the maximum internal control over financial reporting possible under the circumstances to enable staff to draft the financial statements internally.
Response:	This finding and recommendation is not a result of any change in the Organization’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 relation to the cost, but will continue evaluating on a going forward basis.

Finding Number 2011-2
Segregation of Duties

Criteria:	One important aspect of internal controls is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible.
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.
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.

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, 2011, and have issued our report thereon dated October 24, 2011. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information relating to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 3, 2011. 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. The significant accounting policies used by the Center 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 2011. We noted no transactions entered into by the Center during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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. Management's estimate of the allowance for contractual adjustments and doubtful accounts is based on historical loss levels and an analysis of the collectability of individual accounts.

Difficulties Encountered in Performing the Audit

We encountered no 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. The following significant misstatements were detected as a result of our audit procedures and have been corrected by management.

Capitalize equipment which was expensed	$ 11,091
Record loss for disposals of equipment	(2,743)
Adjust inventory for outdated items	(4,949)
Record additional allowance for receivables	(13,057)
Other adjustments	100
Net effect of the adjustments was to decrease net assets by	$ (9,558)

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 October 24, 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 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

Operating results

During the year ended June 30, 2010 the Center's expenses exceeded its revenues by $315,669 which includes a net loss from discontinued operations for the closing of Oak Haven of $143,045. As a result of the large loss the audit report contained a notation regarding the Center's going concern.

During the year ended June 30, 2011 the Center was able to make improvements in its financial condition so that the notation was no longer needed. Specifically the Center ended the year with revenues in excess of its expenses of $208,402. This improvement in operations is due to the Center no longer having the $143,045 loss from Oak Haven, generating substantial additional contributions of $309,759 as well as additional revenues of $102,668 with only an additional $31,401 of expenses.

Update on Proposed Accounting Standards for Leases

On August 17, 2010, the Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB) issued Proposed Accounting Standards Update 1850-100, *Leases*. The joint committee received many comments regarding this proposal, and has made several revisions. Due to the changes made, the joint committee has made the decision to re-expose the proposal. The re-exposure draft was announced July 21, 2011, with an estimated release date within the first half of 2012. While changes have been made, the underlying fundamentals of the change to lease accounting remain unchanged. 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 lessors would be measured on a basis that:

- 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.
- 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.
- 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.

Transmission of Electronic Health Information and the Implementation of ICD-10

The International Classification of Diseases (ICD) has gone through its tenth revision (ICD-10). The replacement of ICD-9 is mandated effective October 1, 2013. Where ICD-9 contains more than 17,000 codes, ICD-10 contains more than 141,000 codes and accommodates a significant number of new diagnoses and procedures. The use of ICD-10-CM applies to all "Covered Entities," which includes, in part, hospitals, physicians, nursing homes, home health agencies, health plans, and health care clearinghouses that transmit electronic health information in connection with the HIPAA (Health Insurance and Portability and Accountability Act) transaction standards. ICD-10-PCS applies to all hospital inpatients.

The adoption of ICD-10-CM (Clinical Modifications) and ICD-10-PCS (Procedure Coding System) will enable providers and others to better study the relationship of cost to specific medical conditions. Greater specificity in clinical coding provides an important reference point for improving the understanding of medical treatment and should enable system designers to create new and better health information systems.

In relation to the adoption of ICD-10, further regulation was also issued which calls for an updated version of the current HIPAA electronic transaction standard (Version 5010). The newer version replaces the existing HIPAA transaction standards on January 1, 2012. The newer version (5010) of the electronic standards is necessary in order to distinguish the reporting of the new ICD-10 codes.

The failure to successfully implement ICD-10 could create coding and billing backlogs, cause cash flow delays, increase claims rejections/denials, lead to unintended shifts in payment and place payer contracts and/or market share arrangements at risk due to poor quality rating or high costs. We encourage facilities to plan for the implementation of ICD-10 by:

- Conducting an information systems inventory
- Assessing vendor readiness and support
- Creating staff awareness
- Assessing and planning for staff training needs
- Evaluating health plan contract implications
- Budget planning (system transitions, education, decreased productivity, potential denials)
- Identifying gaps in health record documentation.

Eide Bailly has staff available that can assist your facility in assessment of the above noted areas, such as information technology, coding, education and financial planning for ICD-10. We have a certified ICD10-CM trainer on our Health Care Consulting team who is available to provide education to pertinent personnel in the facility.

This information is intended solely for the use of the Board of Directors and management of Northwest Iowa Mental Health Center and is not intended to be and should not be used by anyone other than these specified parties.

Eide Bailly LLP

Sioux Falls, South Dakota
October 24, 2011