Financial Statements
June 30, 2013 and 2012

Northwest Iowa Mental Health Center d/b/a Seasons Center For Behavioral Health

Name	Title	County Represented
Ron Smith	President	Emmet
Jim DeBoom	Vice-President	O'Brien
Del Brockshus	Secretary-Treasurer	Clay
Burlin Matthews	Director	Clay
Mardi Allen	Director	Dickinson
David Gottsche	Director	Dickinson
George Morris	Director	Dickinson
Bev Juhl	Director	Emmet
Steve Michael	Director	Lyon
Randy Bosch	Director	Lyon
John Steensma	Director	O'Brien
Merlin Sandersfeld	Director	O'Brien
Jerry Hofsted	Director	Palo Alto
Keith Wirtz	Director	Palo Alto
LeRoy DeBoer	Director	Osecola

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Independent Auditor's Report

To the Board of Directors
Northwest Iowa Mental Health Center
d/b/a Seasons Center For Behavioral Health
Spencer, Iowa

Report on the Financial Statements
We have audited the accompanying financial statements of Northwest Iowa Mental Health Center dba Seasons Center For Behavioral Health, which comprise the balance sheets as of June 30, 2013 and 2012, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Northwest Iowa Mental Health Center d/b/a Seasons Center For Behavioral Health as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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In accordance with Government Auditing Standards, we have also issued our report dated October 21, 2013 on our consideration of Northwest Iowa Mental Health Center, d/b/a Seasons Center For Behavioral 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 21, 2013

	2013	2012
Assets		
Current Assets		
Cash and cash equivalents	$ 344,146	$ 1,010,015
Receivables		
Patient, net of estimated uncollectibles of $359,000 in 2013 and $251,000 in 2012	399,399	359,629
Accounts receivable, counties and other governmental agencies	434,256	83,462
Supplies	5,530	-
Prepaid expenses	75,728	58,473
Total current assets	1,259,059	1,511,579
Property and Equipment	881,520	627,721
Total assets	$ 2,140,579	$ 2,139,300
Liabilities and Net Assets		
Current Liabilities		
Current maturities of long-term debt	$ 2,500	$ 66,411
Accounts payable		
Trade	38,412	29,609
Accrued expenses		
Salaries and wages	109,594	93,700
Vacation	145,232	113,567
Payroll taxes and other	14,975	24,983
Total current liabilities	310,713	328,270
Non-Current Liabilities		
Long-Term Debt, Less Current Maturities	62,500	228,378
Total liabilities	373,213	556,648
Net Assets		
Unrestricted	1,767,366	1,582,652
Total liabilities and net assets	$ 2,140,579	$ 2,139,300

	2013	2012
Public Support and Revenues		
Public support		
Counties	$ 697,322	$ 822,497
Grants	473,640	65,463
Contributions	70,342	244
Total public support	1,241,304	888,204
Revenues		
Patient services	2,741,077	2,913,846
Other program and fee income	651,119	609,088
Total revenues	3,392,196	3,522,934
Total public support and revenues	4,633,500	4,411,138
Expenses		
Outpatient care	886,742	773,298
Community support	368,934	202,479
Case management	515,784	433,927
Psychiatric	1,241,497	1,304,564
Psychological testing	25,428	-
Substance abuse	142,459	-
Federal grant	296,068	-
Administration	985,695	1,210,361
Total expenses	4,462,607	3,924,629
Operating Income	170,893	486,509
Other Income (Expense)		
Investment income	13,071	27,941
Miscellaneous income (expense)	750	(13,671)
Other income, net	13,821	14,270
Revenue in Excess of Expenses	159,714	500,779
Contributions restricted for capital	25,000	-
Change in Net Assets	184,714	500,779
Net Assets - Beginning of Year	1,582,652	1,081,873
Net Assets - End of Year	$ 1,767,366	$ 1,582,652

	Outpatient	Community Support	Case Management	Psychiatric
Salaries and Wages	$ 514,524	$ 221,267	$ 323,683	$ 677,227
Purchase Services	8,170	5,287	4,697	54,326
Payroll Taxes	34,959	15,207	22,132	47,990
Workers Compensation	6,321	2,715	4,009	8,701
Medical Insurance	47,092	19,622	30,051	65,994
Retirement	43,296	18,987	27,413	59,372
Staff Development	14,654	1,567	1,451	1,073
Recruiting and Moving	44	7	8	16
Malpractice Insurance	5,190	2,254	3,274	22,867
Auto Insurance	2,036	889	1,286	2,797
Auto Repairs and Maintenance	881	4,020	1,610	1,073
Auto Gas	35	8,266	5,210	44
Mileage	5,907	3,228	4,447	532
Other Travel Expenses	1,341	765	939	-
Rent	21,416	9,486	10,959	14,442
Insurance	5,544	2,395	3,498	7,616
Depreciation	34,378	14,825	21,733	47,283
Utilities	6,730	3,305	5,872	5,437
Building Repairs and Maintenance	7,385	2,315	2,698	11,077
Professional Services	5,747	2,421	3,585	8,937
Computer Services	9,121	4,329	5,681	12,622
Board and Administrative Expenses	-	-	-	-
Dues and Subscriptions	589	166	259	822
Advertising and Promotion	3,067	3,052	1,647	3,913
Supplies	8,449	2,883	3,691	12,693
Postage	3,976	1,724	2,497	5,409
Printing	-	-	-	160
Telephone	13,485	6,531	7,876	19,657
Rentals	17,747	3,852	7,533	10,418
Equipment Repair and Maintenance	12,013	4,272	5,151	12,487
Interest	971	521	605	1,311
Food and Provisions	805	767	686	789
Bank and Credit Card Charges	2,538	980	1,603	3,469
Bad Debt Expense	48,331	1,029	-	120,943
Repayment of Public Contributions	-	-	-	-
	$ 886,742	$ 368,934	$ 515,784	$ 1,241,497

Psychological Testing	Substance Abuse	Federal Grant	Admin	Totals 2013	Totals 2012
$ 16,328	$ 80,293	$ 154,994	$ 632,192	$ 2,620,508	$ 2,275,005
46	624	37,500	11,405	122,055	77,573
870	5,262	10,697	60,352	197,469	174,746
174	964	2,029	7,649	32,562	21,427
1,283	7,026	12,398	50,878	234,344	166,430
1,031	6,424	12,909	52,596	222,028	169,322
-	693	6,459	1,900	27,797	9,959
-	1	-	549	625	270
142	778	-	5,562	40,067	43,721
53	301	-	597	7,959	7,192
34	129	62	994	8,803	6,259
-	-	52	5,752	19,359	18,744
219	390	3,160	4,322	22,205	16,764
-	519	7,724	1,387	12,675	2,368
970	3,980	671	5,165	67,089	56,010
156	837	-	1,924	21,970	18,408
978	5,221	-	16,304	140,722	116,615
121	498	379	10,192	32,534	25,883
434	946	-	18,041	42,896	22,198
139	811	-	6,377	28,017	39,207
66	1,012	-	2,865	35,696	34,513
-	-	-	208	208	346
266	50	-	1,179	3,331	3,511
49	1,717	4,623	23,432	41,500	6,812
117	3,158	26,689	30,118	87,798	21,192
116	572	24	1,388	15,706	13,223
-	-	10	-	170	1,258
165	2,345	-	16,205	66,264	49,126
103	1,041	-	2,238	42,932	39,189
143	2,292	14,506	9,672	60,536	43,442
-	91	-	298	3,797	10,240
33	263	1,182	2,690	7,215	3,721
95	441	-	730	9,856	3,259
1,297	13,780	-	534	185,914	122,696
-	-	-	-	-	304,000
$ 25,428	$ 142,459	$ 296,068	$ 985,695	$ 4,462,607	$ 3,924,629

	2013	2012
Operating Activities		
Change in net assets	$ 184,714	$ 500,779
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	140,722	116,615
Loss on disposal of equipment	-	13,077
Gain on sale of investments	-	(25,855)
Contributions restricted by donors	(25,000)	-
Changes in assets and liabilities		
Accounts receivable - patients, net	(39,770)	(128,501)
Accounts receivable - counties and other governmental agencies	(350,794)	21,827
Supplies	(5,530)	5,007
Prepaid expenses	(17,255)	(1,473)
Accounts payable	8,803	4,584
Accrued payroll, payroll taxes, and other	5,886	8,867
Accrued vacation pay	31,665	28,696
Net Cash (used for) from Operating Activities	(66,559)	543,623
Investing Activities		
Purchase of property and equipment	(394,521)	(176,454)
Proceeds on sale of investments	-	36,855
Net Cash used for Investing Activities	(394,521)	(139,599)
Financing Activities		
Contributions restricted by donors	25,000	-
Proceeds from issuance of long-term debt	50,000	-
Repayment of long-term debt	(279,789)	(65,061)
Net Cash (used for) Financing Activities	(204,789)	(65,061)
Net (Decrease) Increase in Cash and Cash Equivalents	(665,869)	338,963
Cash and Cash Equivalents, Beginning of Year	1,010,015	671,052
Cash and Cash Equivalents, End of Year	$ 344,146	$ 1,010,015
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	$ 3,797	$ 10,536

Note 1 - Organization and Significant Accounting Policies

Organization

Northwest Iowa Mental Health Center, d/b/a Seasons Center For Behavioral 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 nine-county area which includes Buena Vista, Clay, Dickinson, Emmet, Lyon, O'Brien, Osceola, Palo Alto, and Sioux 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. Generally, no interest is charged on outstanding receivables. Payments of patient receivables are allocated to the specific claims identified in the remittance advice or, if unspecified, are applied to the earliest unpaid claim.

Patient accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectability of accounts receivable, the Center analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts.

For receivables associated with services provided to patients who have third party coverage, the Center analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary. For receivables associated with self-pay patients, the Center records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates, if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

The Center's process for calculating the allowance for doubtful accounts for self-pay patients has not significantly changed from June 30, 2012 to June 30, 2013.

Supplies

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

Property and Equipment

Property and equipment acquisitions in excess of $5,000 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
Vehicles	4-5 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 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, 2013 and 2012, 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. The Center's federal form 990 filings are no longer subject to federal tax examinations by tax authorities for years before 2010.

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 21, 2013, the date which the financial statements were available to be issued.

Note 2 - Property and Equipment

A summary of property and equipment at June 30, 2013 and 2012, follows:

	2013		2012	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Buildings and improvement	1,209,086	$ 621,330	918,830	$ 582,673
Vehicles	113,445	45,512	79,375	28,410
Furniture and equipment	1,366,799	1,140,968	1,296,604	1,056,005
	$ 2,689,330	$ 1,807,810	$ 2,294,809	$ 1,667,088
Net property and equipment		$ 881,520		$ 627,721

Note 3 - Lease Commitments

The Center leases land from the Spencer Hospital on which the Center has constructed its main administrative office as well as space for community mental health services. The lease of the Hospital's land provides for a nominal amount of rent from the Center and expires on December 31, 2062. At the expiration of the lease the Center's building and improvements will revert 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, 2013 and 2012, for all operating leases was $157,800 and $127,677.

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

Years Ending June 30,	
2014	$ 100,038
2015	32,101
2016	18,120
2017	13,590
	$ 163,849

Note 4 - Long Term Debt

	2013	2012
Long-term debt consists of:		
Note payable, 0%, due on March 1, 2016. The note my be forgiven if the Center meets certain conditions.	$ 50,000	$ -
Mortgage payable, 0% due in yearly installments of $2,500, plus interest, to November 2018	15,000	17,500
Unsecured, note payable, variable interest rate (3.25% at June 30, 2012) due in monthly installments of $6,000, including interest, to April, 2016	-	277,289
Total long-term debt	65,000	294,789
Less current maturities	(2,500)	(66,411)
	$ 62,500	$ 228,378

Long-term debt maturities are as follows:

Years Ending June 30,		
2014	$	2,500
2015		2,500
2016		52,500
2017		2,500
2018		2,500
Thereafter		2,500
	$	65,000

The Center has a line of credit of $250,000, expiring December 15, 2013, available for short term borrowing at a variable interest rate, as defined in the agreement. There was no balance outstanding as of June 30, 2013.

Note 5 - Pension and Retirement Benefits

The Center contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 5.78% of their annual covered salary, and the Center is required to contribute 8.67% of annual covered payroll for the year ended June 30, 2013. Plan members were required to contribute 5.38% and 4.50% of their annual covered salary, and the Center was required to contribute 8.07% and 6.95% of annual covered payroll for the years ended June 30, 2012 and 2011, respectively. Contribution requirements are established by state statute. The Center’s contributions to IPERS for the years ended June 30, 2013, 2012, and 2011, were $222,028, $169,322, and $-0-, respectively, equal to the required contributions for each year.

Note 6 - Concentration of Credit Risk

The Center provides counseling to individuals in a nine-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, 2013 and 2012, was as follows:

	2013	2012
Medicaid	29%	24%
Private pay	22%	24%
Commercial insurance	21%	29%
Medicare	17%	13%
Blue Cross	11%	10%
	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 7 - 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, 2013 and 2012, are as follows:

	2013	2012
Patient health care services	$ 3,476,912	$ 2,714,268
General and administrative	985,695	1,210,361
	$ 4,462,607	$ 3,924,629

Note 8 - Economic Dependency on Member Counties and Third-Party Payors

The Center received $697,322 and $822,497, or 15% and 19% of the Center’s total revenues, from the seven member counties during the years ended June 30, 2013 and 2012, respectively, for mental health services. In addition another $578,449 and $608,402 or 12% and 14% 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.

Supplementary Information
June 30, 2013 and 2012

Northwest Iowa Mental Health Center d/b/a Seasons Center For Behavioral Health

EideBailly

CPAs & BUSINESS ADVISORS

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors
Northwest Iowa Mental Health Center
d/b/a Seasons Center for Behavioral Health
Spencer, Iowa

We have audited, 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, the financial statements of Northwest Iowa Mental Health Center d/b/a Seasons Center for Behavioral Health as of and for the year ended June 30, 2013, and the related notes to the financial statements, and have issued our report thereon dated October 21, 2013.

Internal Control over Financial Reporting
In planning and performing our audit of the financial statements, we considered Northwest Iowa Mental Health Center's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Northwest Iowa Mental Health Center's internal control. Accordingly, we do not express an opinion on the effectiveness of Northwest Iowa Mental Health Center's internal control.

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

Our consideration of 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 material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not yet been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs, that we consider to be significant deficiencies, findings 2013-A and 2013-B.

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Compliance and Other Matters
As part of obtaining reasonable assurance about whether Northwest Iowa Mental Health Center's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Example Entity's Response to Findings
Northwest Iowa Mental Health Center's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Northwest Iowa Mental Health Center's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eide Bailly LLP

Sioux Falls, South Dakota
October 21, 2013

Finding Number 2013-A
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 Behavioral 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 2013-B
Segregation of Duties

Criteria: An effective system of internal control depends on an adequate segregation of duties with respect to the execution and recording of transactions, as well as the custody of an organization's assets. Accordingly, an effective system of internal control will be designed such that these functions are performed by different employees, so that no one individual handles a transaction from its inception to its completion.

Condition: The Center 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: The lack of segregation of duties increases the risk of fraud related to misappropriation of assets, financial statement misstatement, or both. Limited segregation of duties could result in misstatements that may not be prevented or detected on a timely basis in the normal course of operations.

Recommendation: We realize that with a limited number of office employees, segregation of duties is difficult. We also recognize that in some instances it may not be cost effective to employ additional personnel for the purpose of segregating duties. It is the responsibility of management and those charged with governance to determine whether to accept the degree of risk associated with the condition because of cost or other considerations.

However, the Center should continually review its internal control procedures, other compensating controls and monitoring procedures to obtain the maximum internal control possible under the circumstances. Management involvement through the review of reconciliation procedures can be an effective control to ensure these procedures are being accurately completed on a timely basis. Furthermore, the Center should periodically evaluate its procedures to identify potential areas where the benefits of further segregation of duties or addition of other compensating controls and monitoring procedures exceed the related costs.

Response: Management agrees with the finding and has reviewed the operating procedures of Northwest Iowa Mental Health Center d/b/a Seasons Center for Behavioral Health. Due to the limited number of office employees, management will continue to monitor the Center's operations and procedures. Furthermore, we will continually review the assignment of duties to obtain the maximum internal control possible under the circumstances.

EideBailly
CPAs & BUSINESS ADVISORS

To the Board of Directors
Northwest Iowa Mental Health Center
dba Seasons Center For Behavioral Health
Spencer, Iowa

We have audited the financial statements of Northwest Iowa Mental Health Center dba Seasons Center For Behavioral Health ("Center") for the year ended June 30, 2013, and have issued our report thereon dated October 21, 2013. 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 August 8, 2013. 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 2013. 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 was management's estimate of the allowance for contractual discounts and doubtful accounts. Management's estimate of the allowance for contractual discounts and doubtful accounts is based on historical loss levels and an analysis of the collectability of individual accounts.

We evaluated the key factors and assumptions used to develop the estimate related to the collectability of patient receivables in determining that it is 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.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management.

Management has determined that the following uncorrected adjustment to the financial statements was immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Understatement of current liabilities	$16,965
Understatement of long-term assets	5,031
Understatement of expenses	11,934

The effect of this uncorrected misstatement is an overstatement of revenues in excess of expenses of $11,934 for the year ended June 30, 2013

Disagreements with Management

For purposes of this letter, a disagreement with management is 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 21, 2013.

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

Accounting 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. They have continued to meet periodically and make revisions to the draft. Due to the changes made, the joint committee plans to re-expose the proposal. The re-exposure draft has been announced several times, with a current estimated release date during the first half of 2013. While changes continue to be made, the underlying fundamentals of the accounting for leases 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 for lease terms greater than one year. 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.
- 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.

In addition, the joint committee made the following additional determinations for accounting by a lessee:

- Two approaches to measuring expenses depending on the provisions of the lease:
    - The lease liability will be measured using the effective interest method (interest expense) and the asset will be amortized systematically over its estimated useful life (amortization expense).
    - A single lease expense equal to the straight-line expense recognition.
- The following are included within the scope of the proposed changes – right-of-use asset in a sublease; leases of noncore assets; long-term leases of land; and leased assets treated as inventory, such as non-depreciating spare parts, operating materials, and supplies, and that are associated with the leasing of another underlying asset.
- Required disclosure reconciling the opening and closing balance of lease liabilities.

The FASB maintains a Project Update webpage that tracks the progress of the proposed standard. After the announcement of the new exposure draft, the timeline for an effective date of the final standard is unknown, but speculation is an effective date in 2015 or 2016.

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, 2014. 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 HIPAA (Health Insurance Portability and Accountability Act) transaction standards.

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 our understanding of medical treatment and should enable system designers to create new and better health information systems.

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 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

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 21, 2013