



Financial Statements
June 30, 2015 and 2014

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

Northwest Iowa Mental Health Center

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June 30, 2015 and 2014

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Northwest Iowa Mental Health Center
Board of Directors

<u>Name</u>	<u>Title</u>	<u>County Represented</u>
Jim DeBoom	President	O'Brien
Merlin Sandersfeld	Vice-President	Osceola
Del Brockshus	Treasurer	Clay
Burlin Matthews	Secretary	Clay
David Gottsche	Director	Dickinson
Mardi Allen	Director	Dickinson
John Pluth	Director	Emmet
Jeff Quastad	Director	Emmet
Randy Bosch	Director	Lyon
Steve Michael	Director	Lyon
John Steensma	Director	O'Brien
LeRoy DeBoer	Director	Osceola
Craig Merrill	Director	Palo Alto
Keith Wirtz	Director	Palo Alto



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 d/b/a Seasons Center For Behavioral Health, which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, 2015 and 2014, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2015 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* in considering Northwest Iowa Mental Health Center d/b/a Seasons Center For Behavioral Health's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Sioux Falls, South Dakota
October 15, 2015

Northwest Iowa Mental Health Center
Statements of Financial Position
June 30, 2015 and 2014

	2015	2014
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,014,607	\$ 978,244
Receivables		
Patient, net of estimated uncollectibles of \$517,000 in 2015 and \$453,000 in 2014	752,711	589,339
Accounts receivable, counties and other governmental agencies	264,045	353,885
Promises to give, current portion	160,390	113,442
Prepaid expenses	99,821	80,811
Total current assets	2,291,574	2,115,721
Property and Equipment, net	899,847	922,212
Other Assets		
Promises to give, net	206,981	290,934
Total assets	\$ 3,398,402	\$ 3,328,867
Liabilities and Net Assets		
Current Liabilities		
Current maturities of long-term debt	\$ 102,500	\$ 2,500
Accounts payable	151,379	90,817
Accrued expenses		
Salaries and wages	160,780	135,278
Vacation	182,309	178,319
Payroll taxes and other	32,354	47,274
Total current liabilities	629,322	454,188
Non-Current Liabilities		
Long-Term Debt, Less Current Maturities	7,500	110,000
Total liabilities	636,822	564,188
Net Assets		
Unrestricted	2,039,096	2,174,173
Temporarily restricted	722,484	590,506
Total net assets	2,761,580	2,764,679
Total liabilities and net assets	\$ 3,398,402	\$ 3,328,867

	2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Public Support and Revenues				
Public support				
State and local government	\$ 1,199,814	\$ -	\$ -	\$ 1,199,814
Grants	621,991	-	-	621,991
Contributions	35,842	204,506	-	240,348
Total public support	<u>1,857,647</u>	<u>204,506</u>	<u>-</u>	<u>2,062,153</u>
Revenues				
Patient services	3,825,601	-	-	3,825,601
Other program and fee income	249,965	-	-	249,965
Net assets released from restrictions	72,528	(72,528)	-	-
Total revenues	<u>4,148,094</u>	<u>(72,528)</u>	<u>-</u>	<u>4,075,566</u>
Total public support and revenues	<u>6,005,741</u>	<u>131,978</u>	<u>-</u>	<u>6,137,719</u>
Expenses				
Outpatient care	1,060,366	-	-	1,060,366
Community support	214,247	-	-	214,247
Case management	303,433	-	-	303,433
Psychiatric	1,019,157	-	-	1,019,157
Psychological testing	283,485	-	-	283,485
Substance abuse	373,744	-	-	373,744
Federal grant	491,363	-	-	491,363
IHH	715,904	-	-	715,904
JCSCC	336,402	-	-	336,402
Fundraising	55,624	-	-	55,624
Other	351,840	-	-	351,840
Administration	935,802	-	-	935,802
Total expenses	<u>6,141,367</u>	<u>-</u>	<u>-</u>	<u>6,141,367</u>
Operating (Loss) Income	(135,626)	131,978	-	(3,648)
Other Income				
Investment income	549	-	-	549
Revenue (less than) in Excess of Expenses and Change in Net Assets	(135,077)	131,978	-	(3,099)
Net Assets, Beginning of Year	<u>2,174,173</u>	<u>590,506</u>	<u>-</u>	<u>2,764,679</u>
Net Assets, End of Year	<u>\$ 2,039,096</u>	<u>\$ 722,484</u>	<u>\$ -</u>	<u>\$ 2,761,580</u>

See Notes to Financial Statements

Northwest Iowa Mental Health Center
 Statements of Activities
 Years ended June 30, 2015 and 2014

2014			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 735,882	\$ -	\$ -	\$ 735,882
601,168	-	-	601,168
66,106	666,934	-	733,040
1,403,156	666,934	-	2,070,090
3,646,076	-	-	3,646,076
488,089	-	-	488,089
76,428	(76,428)	-	-
4,210,593	(76,428)	-	4,134,165
5,613,749	590,506	-	6,204,255
1,091,910	-	-	1,091,910
395,962	-	-	395,962
440,576	-	-	440,576
1,194,239	-	-	1,194,239
208,498	-	-	208,498
244,423	-	-	244,423
402,920	-	-	402,920
-	-	-	-
-	-	-	-
-	-	-	-
301,540	-	-	301,540
927,968	-	-	927,968
5,208,036	-	-	5,208,036
405,713	590,506	-	996,219
1,093	-	-	1,093
406,806	590,506	-	997,312
1,767,367	-	-	1,767,367
<u>\$ 2,174,173</u>	<u>\$ 590,506</u>	<u>\$ -</u>	<u>\$ 2,764,679</u>

	Outpatient	Community Support	Case Management	Psychiatric	Psychological Testing	Substance Abuse
Salaries and Wages	\$ 623,094	127,605	195,615	601,682	161,462	189,013
Purchase Services	26,853	4,379	5,637	53,719	2,993	15,180
Payroll Taxes	43,095	8,692	13,700	42,786	10,982	12,942
Workers Compensation	6,148	1,247	2,094	6,785	1,616	2,146
Medical Insurance	74,931	15,106	23,955	74,981	19,051	22,219
Retirement	51,281	10,483	16,576	51,358	12,835	15,447
Staff Development	19,959	277	1,655	3,878	5,049	2,891
Recruiting and Moving	759	92	97	634	937	73
Malpractice Insurance	2,771	628	1,031	20,384	382	723
Auto Insurance	1,315	4,804	1,224	-	277	12
Auto Repairs and Maintenance	1,695	7,203	1,738	51	407	-
Auto Gas	2,183	5,436	1,528	639	396	170
Mileage	7,987	1,604	1,412	4,712	19,348	7,839
Other Travel Expenses	347	1,272	524	165	8,917	368
Rent	25,726	2,803	2,610	15,570	3,506	7,137
Insurance	7,236	1,651	2,302	7,293	1,222	1,551
Depreciation	31,268	6,668	9,860	31,991	3,667	8,287
Utilities	13,778	2,106	2,907	4,234	2,045	2,862
Building Repairs and Maintenance	3,467	269	571	2,023	851	614
Professional Services	7,080	1,499	2,156	6,193	1,509	2,231
Computer Services	9,183	2,256	3,209	9,426	1,602	2,294
Board and Administrative Expenses	-	-	-	-	-	-
Dues and Subscriptions	1,754	336	544	3,656	672	808
Advertising and Promotion	1,406	166	229	876	206	27,228
Supplies	8,825	1,346	2,096	7,781	3,567	17,093
Postage	4,215	1,094	1,434	4,572	833	977
Printing	108	12	23	160	6	149
Telephone	18,320	2,488	4,367	12,951	5,309	5,212
Rentals	8,224	1,726	2,568	7,517	1,256	1,804
Equipment Repair and Maintenance	8,054	680	1,625	4,353	1,324	3,723
Food and Provisions	756	2	146	11	155	586
Bank and Credit Card Charges	1,427	317	-	1,432	238	306
Bad Debt Expense	47,121	-	-	37,344	10,865	21,859
	<u>\$ 1,060,366</u>	<u>\$ 214,247</u>	<u>\$ 303,433</u>	<u>\$ 1,019,157</u>	<u>\$ 283,485</u>	<u>\$ 373,744</u>

See Notes to Financial Statements

Northwest Iowa Mental Health Center
Statement of Functional Expenses
Year Ended June 30, 2015

Federal Grant	IHH	JCSCC	Fund Raising	Other	Admin	Total Program Services
260477	\$ 462,357	\$ 237,568	9834	185,263	624255.73	\$ 3,678,226
74,528	11,279	241	17,441	24,552	16,515	253,317
16,711	30,309	15,966	674	14,901	43,095	253,853
3,340	4,108	3,200	139	2,226	8,551	41,600
26,949	54,622	26,674	1,182	25,617	70,911	436,198
19,861	35,956	18,892	783	17,893	51,023	302,388
12,284	525	75	-	337	570	47,500
6,419	2,202	43	-	256	22,517	34,029
-	1,731	-	-	1,090	4,061	32,801
-	1,020	26	-	447	396	9,521
-	1,291	44	-	688	680	13,797
61	1,765	38	-	752	3,531	16,499
1,891	14,768	28,580	298	3,816	4,044	96,299
18,344	1,550	-	1,837	1,704	871	35,899
-	5,622	-	1,939	5,390	568	70,871
-	5,552	-	-	2,444	-	29,251
-	21,593	68	-	18,283	1,009	132,694
-	5,077	-	63	5,013	12,002	50,087
-	2,383	-	5	1,499	5,803	17,485
-	4,675	-	179	2,309	12,420	40,251
1,600	5,726	-	-	3,279	-	38,575
-	-	-	-	-	1,246	1,246
-	1,425	-	5,099	539	2,483	17,316
7,027	1,844	-	1,967	5,322	3,137	49,408
13,600	4,545	218	10,452	9,031	79	78,633
240	3,244	-	220	1,474	-	18,303
316	463	-	1,413	102	38	2,790
-	11,615	4,760	52	5,145	16,534	86,753
-	4,196	-	-	2,563	-	29,854
24,601	12,939	-	110	8,218	21,603	87,230
3,114	433	9	1,937	638	7,584	15,371
-	1,089	-	-	931	-	5,740
-	-	-	-	118	275	117,582
\$ 491,363	\$ 715,904	\$ 336,402	\$ 55,624	\$ 351,840	\$ 935,802	\$ 6,141,367

	<u>Outpatient</u>	<u>Community Support</u>	<u>Case Management</u>	<u>Psychiatric</u>
Salaries and Wages	\$ 664,944	\$ 229,835	\$ 271,564	\$ 729,034
Purchase Services	9,632	5,223	4,771	58,179
Payroll Taxes	45,373	11,004	19,041	41,458
Workers Compensation	6,470	2,310	2,821	7,038
Medical Insurance	66,909	23,538	28,577	73,218
Retirement	56,416	19,555	23,735	60,943
Staff Development	11,711	2,855	1,022	7,972
Recruiting and Moving	365	83	-	22
Malpractice Insurance	6,404	2,212	2,690	22,441
Auto Insurance	822	4,374	1,631	631
Auto Repairs and Maintenance	599	4,661	2,120	447
Auto Gas	724	8,393	3,462	290
Mileage	8,311	6,231	2,437	2,187
Other Travel Expenses	1,347	1,822	161	240
Rent	22,014	6,830	4,417	16,240
Insurance	7,099	2,452	2,982	7,622
Depreciation	46,344	26,243	23,017	48,987
Utilities	11,496	4,940	8,197	7,005
Building Repairs and Maintenance	8,212	2,988	3,506	6,170
Professional Services	7,156	2,471	3,001	7,689
Computer Services	11,549	4,018	4,937	12,976
Board and Administrative Expenses		-	-	-
Dues and Subscriptions	1,153	330	352	1,664
Advertising and Promotion	7,305	3,088	3,007	7,086
Supplies	8,177	3,059	2,757	8,393
Postage	6,122	2,162	2,547	6,591
Printing	176	60	69	481
Telephone	15,881	5,795	6,286	18,565
Rentals	30,052	5,603	8,200	19,869
Equipment Repair and Maintenance	11,181	2,572	2,037	4,423
Food and Provisions	1,164	721	551	853
Bank and Credit Card Charges	1,536	535	684	1,672
Bad Debt Expense	15,267	-	-	13,854
	<u>\$ 1,091,911</u>	<u>\$ 395,962</u>	<u>\$ 440,576</u>	<u>\$ 1,194,239</u>

See Notes to Financial Statements

Northwest Iowa Mental Health Center
Statement of Functional Expenses
Year Ended June 30, 2014

Psychological Testing	Substance Abuse	Federal Grant	Other	Admin	Total Program Services
\$ 119,466	\$ 139,723	\$ 205,236	161392.08	\$ 573,091	\$ 3,094,285
834	5,776	72,863	14,225	1,245	172,747
7,539	3,761	14,397	29,297	61,474	233,344
1,031	1,538	1,933	1,644	5,843	30,626
11,327	15,761	18,511	16,886	55,931	310,658
9,609	11,456	17,660	14,091	49,650	263,114
313	1,670	8,840	4	1,027	35,413
1,873	1,099	-	453	2,782	6,677
728	1,500	-	1,594	3,315	40,884
324	159	-	98	244	8,283
229	265	-	58	470	8,851
439	383	110	-	3,840	17,641
12,988	5,145	2,518	242	5,369	45,429
2,835	910	11,963	-	5,292	24,570
3,291	6,221	370	2,877	1,589	63,848
807	1,663	-	1,767	1,198	25,590
5,671	11,027	-	9,178	-	170,468
1,584	2,101	60	3,157	11,839	50,378
817	2,340	-	2,274	6,092	32,398
839	1,655	-	1,779	13,293	37,882
1,185	2,457	-	2,695	-	39,818
-	-	-	-	1,651	1,651
1,251	308	-	232	4,087	9,376
1,468	2,121	5,177	2,545	9,943	41,740
4,337	13,328	6,427	16,723	69,303	132,505
1,105	1,280	-	1,534	200	21,542
22	67	553	322	1,512	3,261
3,613	4,067	-	4,437	11,221	69,865
1,225	3,416	-	3,886	110	72,361
1,945	2,352	33,889	3,008	15,887	77,294
44	291	2,413	260	9,282	15,578
174	384	-	387	0	5,372
9,583	200	-	4,494	1,188	44,587
<u>\$ 208,498</u>	<u>\$ 244,423</u>	<u>\$ 402,920</u>	<u>\$ 301,540</u>	<u>\$ 927,968</u>	<u>\$ 5,208,036</u>

Northwest Iowa Mental Health Center
Statements of Cash Flows
Years Ended June 30, 2015 and 2014

	2015	2014
Operating Activities		
Change in net assets	\$ (3,099)	\$ 997,312
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	132,694	170,468
Loss on disposal of equipment	1,061	-
Bad debt expense	117,582	44,586
Contributions restricted by donors	(204,506)	(666,934)
Changes in assets and liabilities		
Accounts receivable - patients	(280,954)	(234,526)
Accounts receivable - counties and other governmental agencies	89,840	80,371
Supplies	-	5,530
Prepaid expenses	(19,010)	(5,083)
Accounts payable	60,562	52,405
Accrued expenses	14,572	91,071
	(91,258)	535,200
Net Cash (used for) from Operating Activities		
Investing Activities		
Purchase of property and equipment	(111,390)	(211,160)
Financing Activities		
Change in promises to give	37,005	(404,376)
Contributions restricted by donors	204,506	666,934
Proceeds from issuance of long-term debt	-	50,000
Repayment of long-term debt	(2,500)	(2,500)
	239,011	310,058
Net Cash from Financing Activities		
Net Increase in Cash and Cash Equivalents	36,363	634,098
Cash and Cash Equivalents, Beginning of Year	978,244	344,146
Cash and Cash Equivalents, End of Year	\$ 1,014,607	\$ 978,244

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.

Fair Value Measurements

The Center has determined the fair value of certain assets in accordance with generally accepted accounting principles, which provides a framework for measuring fair value.

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques should maximize the use of observable inputs and minimize the use of unobservable inputs.

A fair value hierarchy has been established, which prioritizes the valuation inputs into three broad levels. Level 1 inputs consist of quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the related asset or liability. Level 3 inputs are unobservable inputs related to the asset or liability.

Cash and Cash Equivalents

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

Patient Receivables and Credit Policies

Accounts receivable consist primarily of uncollateralized individual and third-party payor obligations. Unpaid accounts receivable are not charged interest on amounts owed. 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 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 clients due to bad debts. Accounts receivable are written off when deemed uncollectible.

Promises to Give

Unconditional promises to give are reported at net realizable value if at the time the promise is made payment is expected to be received in one year or less. Unconditional promises to give, less an allowance for estimated uncollectible amounts, are recorded as contributions receivable and temporarily restricted support in the year the promise is made, unless the donor explicitly states that the gift is to support current activities. Unconditional promises that are expected to be collected in more than one year are reported at fair value initially and in subsequent periods because the Center has elected that measure in accordance with Accounting Standards Codification (ASC) 825-10. Management believes that the use of fair value reduces the cost of measuring unconditional promises to give in periods subsequent to their receipt and provides equal or better information to users of its financial statements than if those promises were measured using present value techniques and historical discount rates.

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 (less than) 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.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets available for use in general operations.

Temporarily Restricted Net Assets – Net assets subject to donor restrictions that may or will be met by expenditures or actions of the Center and/or the passage of time.

The Center reports contributions as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets – Net assets whose use is limited by donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by action of the Center. As of June 30, 2015 and 2014 the Center did not have any permanently restricted net assets

Revenue and Revenue Recognition

Revenue is recognized when earned. Program service fees and payments under contracts or grants received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

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. In addition, 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 has determined that it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990T) with the IRS.

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.

Note 2 - Property and Equipment

A summary of property and equipment at June 30, 2015 and 2014, follows:

	2015		2014	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Buildings and improvement	\$ 1,255,205	\$ 646,966	\$ 1,330,797	\$ 676,122
Furniture and equipment	490,848	406,952	1,379,820	1,238,104
Vehicles	141,346	82,590	113,445	64,052
Construction in progress	148,956	-	76,428	-
	\$ 2,036,355	\$ 1,136,508	\$ 2,900,490	\$ 1,978,278
Net property and equipment		\$ 899,847		\$ 922,212

Construction in progress represents expenditures for a building remodeling project. The project is currently in the planning phase.

Note 3 - Promises to Give

Unconditional promises to give are estimated to be collected as follows as of June 30, 2015 and 2014:

	2015	2014
Within one year	\$ 160,390	\$ 113,442
Within one to five years	299,633	369,738
	460,023	483,180
Less discount to net present value [5%]	(31,652)	(30,804)
Less Allowance for uncollectible promises	(61,000)	(48,000)
Pledges receivable, net	\$ 367,371	\$ 404,376

Note 4 - Fair Value Measurements

Assets measured at fair value on a recurring basis at June 30, 2015 and 2014 are as follows:

	<u>Total</u>	<u>Quoted Prices in Active Markets (Level 1)</u>	<u>Other Observable Inputs (Level 2)</u>	<u>Unobservable Inputs (Level 3)</u>
June 30, 2015				
Assets				
Promises to give	\$ 367,371	\$ -	\$ -	\$ 367,371
June 30, 2014				
Assets				
Promises to give	\$ 404,376	\$ -	\$ -	\$ 404,376

The fair value of the promises to give is determined by using discounted cash flows and an allowance for uncollectable promises.

Following is a reconciliation of activity for the years ended June 30, 2015 and 2014 for assets measured at fair value based upon significant unobservable (non-market) information:

	<u>June 30, 2015 Promises to Give</u>	<u>June 30, 2014 Promises to Give</u>
Balance at beginning of year	\$ 404,376	\$ -
Promises to give	169,025	564,755
Payments received	(192,182)	(81,575)
Adjustments to fair value	(13,848)	(78,804)
	<u>\$ 367,371</u>	<u>\$ 404,376</u>

Note 5 - 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, 2015 and 2014, for all operating leases was \$100,725 and \$136,200.

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

Years Ending June 30,

2016	\$ 34,688
2017	22,836
2018	21,657
2019	13,590
	\$ 92,771
	\$ 92,771

Note 6 - Long Term Debt

	2015	2014
Long-term debt consists of:		
Unsecured note payable, 0%, due on March 1, 2016. The note may be forgiven, at maturity if the Center meets certain conditions	\$ 100,000	\$ 100,000
Note payable, 0% due in yearly installments of \$2,500, plus interest, to November 2018, secured by real estate	10,000	12,500
Total long-term debt	110,000	112,500
Less current maturities	(102,500)	(2,500)
	\$ 7,500	\$ 110,000

Long-term debt maturities are as follows:

Years Ending June 30,

2016	\$ 102,500
2017	2,500
2018	2,500
2019	2,500
	\$ 110,000
	\$ 110,000

The Center has a line of credit of \$500,000, expiring January 23, 2016, available for short term borrowing at a variable interest rate, as defined in the agreement. There was no balance outstanding as of June 30, 2015.

Note 7 - Temporarily Restricted Net Assets

Temporarily restricted net assets are available for use toward a building renovation and remodeling project. The project is currently in the planning phase.

Note 8 - Pension and Retirement Benefits

The Center contributes to the Iowa Public Employees Retirement System (IPERS tax ID No. 42-6150870) 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 5.95% of their annual covered salary, and the Center is required to contribute 8.93% of annual covered payroll for the years ended June 30, 2015 and 2014. Plan members were required to contribute 5.78% of their annual covered salary, and the Center was required to contribute 8.93% and 8.67% of annual covered payroll for the year ended June 30, 2013. Contribution requirements are established by state statute. The Center's contributions to IPERS for the years ended June 30, 2015, 2014, and 2013, were \$305,082, \$263,114, and \$222,028, respectively, equal to the required contributions for each year. The Center contributes less than 5% of the total contributions mad to the plan from all employers.

As of June 30, 2014 IPERS had a plan fiduciary net position of \$28,038,549,893 and a total pension liability of \$32,004,456,088.

Note 9 - 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, 2015 and 2014, was as follows:

	2015	2014
Medicaid	32%	26%
Commercial insurance	28%	32%
Medicare	18%	12%
Blue Cross	13%	15%
Private pay	9%	15%
	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 10 - 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, 2015 and 2014, are as follows:

	2015	2014
Patient health care services	\$ 5,149,941	\$ 4,280,068
General and administrative	935,802	927,968
Fundraising	55,624	-
	\$ 6,141,367	\$ 5,208,036

Note 11 - Economic Dependency on Member Counties and Third-Party Payors

The Center received \$656,640 and \$735,882 or 11% and 13% of the Center's total revenues, from the seven member counties during the years ended June 30, 2015 and 2014, respectively, for mental health services. In addition another \$235,597 and \$463,612 or 4% and 8% 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 12 - Subsequent Events

Subsequent to June 30, 2015, the Center entered into two separate agreements for the purchase of property. Specifically the Center agreed to purchase a building in Sioux Center, Iowa for \$410,000. This purchase will be finance by a \$45,000 down payment and a \$365,000 loan. The loan has an interest rate of 5.5% with monthly payments of 3,200 through June 1, 2020 with a balloon payment due in July 2020. The other purchase was for a building in Spirit Lake, Iowa for \$265,000. The Center will pay for this building with existing cash on hand.

The Center has evaluated subsequent events through October 15, 2015, the date which the financial statements were available to be issued.



Supplementary Information
June 30, 2015 and 2014

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



**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 (Center) which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 15, 2015.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be 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 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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as *Findings 2015-A through 2015-D* to be material weaknesses.

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.

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*.

The Center'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.



Sioux Falls, South Dakota
October 15, 2015

Finding Number 2015-A

Preparation of Financial Statements and Material Audit Adjustments

Criteria:	Proper controls over financial reporting include an adequate system for recording and processing entries material to the financial statements, as well as the ability to prepare financial statements and accompanying notes to the financial statements that are materially correct.
Condition:	The Center does not have an internal control system designed to provide for the preparation of the full financial statements being audited. As auditors, we proposed material audit adjustments and reclassifications to the balance sheet relating to account receivable that would not have been identified as a result of the Center's existing internal controls, and therefore could have resulted in a material misstatement of the balance sheet. We were also requested to draft the financial statements and accompanying notes to the financial statements.
Cause:	The Center has limited staff. They cannot justify incurring the costs necessary for preparing the financial statements with accompanying notes to the financial statements.
Effect:	This deficiency results in a reasonable possibility that the Center would not be able to draft the financial statements and accompanying notes to the financial statements that are materially correct without the assistance of the auditors.
Recommendation:	While we recognize that this condition is not unusual for an organization with limited staffing, it is important that the Center is aware of this condition for financial reporting purposes. Management and the Board should continually be aware of the financial accounting and reporting of the Center and changes in the accounting and reporting requirements.
Response:	Management will review the year-end proposed adjustments. Management and the board of directors will review for propriety the financial statements and footnotes prepared by the auditor. Due to the Center's limited staffing, we will accept the risk associated with this condition based on cost and other considerations. The cost of any further controls would outweigh the related benefits.

Finding Number 2015-B
Limited Size of Office Staff/Segregation of Duties

Criteria:	In order to achieve a high level of internal control, the functions of executing transactions, recording transactions, and maintaining accountability for assets should be performed by different employees or be maintained under dual control.
Condition:	The Center has a limited number of office personnel performing the record keeping functions of the organization.
Cause:	The Center has limited staff and cannot justify staffing the number of positions necessary to have proper segregation of duties across all areas. The remodeling project and related fundraising program resulted in additional time demands on the staff.
Effect:	Inadequate segregation of duties could adversely affect the Center's ability to detect and correct 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 the Center's office staff may not be large enough to assure optimal internal control, it is important that the Center is aware of this condition. Procedures relating to receivables should be reviewed for potential improvements. Under this condition, the Board and management's close supervision and review of accounting information is the best means of preventing and detecting errors and irregularities.
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.

Finding Number 2015-C
Accounts Receivable Billing

Criteria: A system of internal control should provide for the appropriate action on all claims for services provided by the Center.

Condition: As of June 30, 2015 the Center had \$96,218 of charges which were outstanding beyond the time allowed by third party payors for billing.

Cause: The Center did not file timely claims or follow up on claims within the time allowed by third party payors for processing.

Effect: An extra allowance was made in the financial statements to provide for the revenue previously recorded which is not expected to be collected.

Recommendation: We suggest the Center review its policies and procedures for billing to ensure that claims are timely filed and proper follow up is made on open claims. In addition, the Center should make proper entries in the financial statement for any claims that is deemed uncollectible.

Response: Management will review the process involved in submitting and following up on billings in order to arrive at a cost effective outcome for processing and collecting claims.

Finding Number 2015-D
Accounts receivable reconciliation and billing for the Integrated Health Home (IHH) Program

Criteria: A proper system of internal control should allow for the reconciliation of the amount reported in the financial statements for receivables with a detailed listing.

Condition: As of June 30, 2015, the Center had \$121,800 of receivables from the Integrated Health Home program, however the listing of individual accounts totaled \$6,080.

Cause: Most of the difference is caused by the Center recording and billing a charge of \$1 per patient encounter when the actual allowed charge is \$200. In addition there was a portion of the balance that was not supported by adequate documentation. Management has indicated that this portion was attributable to claims that have been denied but are in the process of being rebilled.

Effect: The deficiency results in the possibility that receivables for the Integrated Health Home program are not properly documented or that proper billing and collection procedures are not being performed.

Recommendation: We suggest that the Center review the policies and procedures related to recording and billing for these services so that outstanding receivables are properly supported by adequate documentation and are also properly billed and collected.

Response: The third party payor for this agreement has required us to submit a billing for the \$1 per encounter when submitting an initial billing. If the claim is approved the billing is adjusted and proper payment of \$200 is made. In addition denied claims are electronically removed from the listing which requires follow up work to resolve. Management will review this process during the upcoming year so that improvements can be made.