



**NATIONAL ASSOCIATION OF STATE
MENTAL HEALTH PROGRAM
DIRECTORS**

FINANCIAL STATEMENTS
AND REPORTS ON COMPLIANCE AND
INTERNAL CONTROL

*As of and for the Years Ended September 30, 2014
and 2013*

And Report of Independent Auditor

NATIONAL ASSOCIATION OF STATE MENTAL HEALTH PROGRAM DIRECTORS
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Report of Independent Auditor

To the Board of Directors of the
National Association of State Mental Health Program Directors
Alexandria, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the National Association of State Mental Health Program Directors (a non-profit organization) (the "Association"), which comprise the statements of financial position as of September 30, 2014 and 2013, 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 Association'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 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 the National Association of State Mental Health Program Directors as of September 30, 2014 and 2013, and the changes in net assets, functional expenses and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2014, on our consideration of the National Association of State Mental Health Program Directors' internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Association's internal control over financial reporting and compliance.

Handwritten signature of Cheryl Bekart LLP in cursive script.

Tysons Corner, Virginia
December 17, 2014

NATIONAL ASSOCIATION OF STATE MENTAL HEALTH PROGRAM DIRECTORS
STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,078,208	\$ 658,035
Investments	100,282	99,834
Accounts receivable		
Billed	1,266,736	2,023,296
Unbilled	192,930	28,680
Other receivables	-	453
Prepaid assets	<u>45,125</u>	<u>45,343</u>
Total current assets	2,683,281	2,855,641
Property and equipment, net	24,583	30,516
Other assets		
Security deposits	<u>43,075</u>	<u>43,075</u>
Total assets	<u><u>\$ 2,750,939</u></u>	<u><u>\$ 2,929,232</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 474,636	\$ 1,121,047
Accrued payroll and related liabilities	178,125	161,680
Deferred rent	9,543	-
Deferred revenue	<u>551,440</u>	<u>509,952</u>
Total current liabilities	1,213,744	1,792,679
Long-term liabilities		
Deferred rent	<u>35,206</u>	<u>43,292</u>
Total liabilities	<u>1,248,950</u>	<u>1,835,971</u>
Net assets, unrestricted	<u>1,501,989</u>	<u>1,093,261</u>
Total liabilities and net assets	<u><u>\$ 2,750,939</u></u>	<u><u>\$ 2,929,232</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

NATIONAL ASSOCIATION OF STATE MENTAL HEALTH PROGRAM DIRECTORS
STATEMENTS OF ACTIVITIES

YEARS ENDED SEPTEMBER 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Revenue and support		
Contract revenue	\$ 7,532,496	\$ 8,669,033
Program fees	721,177	734,454
Other income	1,075	2,578
Investment income, net	<u>1,056</u>	<u>1,030</u>
Total unrestricted revenue	<u>8,255,804</u>	<u>9,407,095</u>
Expenses		
Direct program expenses	6,616,359	8,110,235
Allocated indirect costs	<u>1,226,558</u>	<u>1,247,226</u>
Total program expenses	7,842,917	9,357,461
General and administrative expenses	<u>4,159</u>	<u>6,482</u>
Total expenses	<u>7,847,076</u>	<u>9,363,943</u>
Change in unrestricted net assets	408,728	43,152
Net assets, beginning of period	<u>1,093,261</u>	<u>1,050,109</u>
Net assets, end of period	<u><u>\$ 1,501,989</u></u>	<u><u>\$ 1,093,261</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

NATIONAL ASSOCIATION OF STATE MENTAL HEALTH PROGRAM DIRECTORS
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2014

	Children's Social Marketing	State Technical Assistance	Technical Assistance Coalition	Trauma Informed Care	Other Federal	Association Membership
Salaries	\$ 91,181	\$ 202,839	\$ 181,575	\$ 359,625	\$ 102,983	\$ 212,640
Fringe benefits	40,576	90,263	80,801	160,033	45,829	94,680
Consultants	6,694	80,388	140,935	228,203	37,334	48,000
Travel	633	36,663	10,376	151,043	9,491	12,876
Meetings	-	-	-	-	-	77,311
Telephone	2,546	33,488	47,919	48,792	32	5,436
Supplies/other	4,608	2,353	2,040	794	3,450	13,988
Duplication/printing	268	519	9,135	830	59	7,480
Postage/shipping	188	318	515	651	1	3,548
Unallowed direct costs	78	-	-	423	890	-
Subcontractors	1,596,922	-	1,570,562	668,657	69,248	12,500
Office rent	-	-	-	-	-	-
Maintenance/leases	-	-	-	-	-	-
Insurance	-	-	-	-	-	-
Audit/legal/banking	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-
Bids & proposals	-	-	-	-	-	-
Unallowed G&A costs	-	-	-	-	-	-
Subtotal	1,743,694	446,831	2,043,858	1,619,051	269,317	488,459
Overhead application	75,836	172,209	309,590	399,834	78,853	188,252
Total expenses	<u>\$ 1,819,530</u>	<u>\$ 619,040</u>	<u>\$ 2,353,448</u>	<u>\$ 2,018,885</u>	<u>\$ 348,170</u>	<u>\$ 676,711</u>

The accompanying notes to the financial statements are an integral part of this statement.

NATIONAL ASSOCIATION OF STATE MENTAL HEALTH PROGRAM DIRECTORS
STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)

YEAR ENDED SEPTEMBER 30, 2014

	<u>Other</u>	<u>Total Programs</u>	<u>General and Admin.</u>	<u>Total</u>
Salaries	\$ -	\$ 1,150,843	\$ 479,900	\$ 1,630,743
Fringe benefits	-	512,182	216,440	728,622
Consultants	2,650	544,204	-	544,204
Travel	2,499	223,581	-	223,581
Meetings	-	77,311	-	77,311
Telephone	-	138,213	24,467	162,680
Supplies/other	-	27,233	24,320	51,553
Duplication/printing	-	18,291	1,022	19,313
Postage/shipping	-	5,221	2,205	7,426
Unallowed direct costs	-	1,391	-	1,391
Subcontractors	-	3,917,889	-	3,917,889
Office rent	-	-	375,769	375,769
Maintenance/leases	-	-	16,042	16,042
Insurance	-	-	6,494	6,494
Audit/legal/banking	-	-	45,022	45,022
Miscellaneous	-	-	17,612	17,612
Depreciation	-	-	10,343	10,343
Bids & proposals	-	-	6,810	6,810
Unallowed G&A costs	-	-	4,271	4,271
Subtotal	5,149	6,616,359	1,230,717	7,847,076
Overhead application	1,984	1,226,558	(1,226,558)	-
Total expenses	<u>\$ 7,133</u>	<u>\$ 7,842,917</u>	<u>\$ 4,159</u>	<u>\$ 7,847,076</u>

The accompanying notes to the financial statements are an integral part of this statement.

NATIONAL ASSOCIATION OF STATE MENTAL HEALTH PROGRAM DIRECTORS
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2013

	Transformation Transfer Initiative	Children's Social Marketing	Seclusion/ Restraint and Trauma	State Technical Assistance	Other Federal	Association Membership
Salaries	\$ 170,369	\$ 45,994	\$ 335,393	\$ 330,327	\$ 57,568	\$ 217,012
Fringe benefits	77,501	20,923	152,570	150,266	26,187	98,717
Consultants	17,325	15,469	447,441	108,163	7,200	39,540
Travel	113,625	9,767	388,909	72,161	3,947	16,439
Meetings	-	-	1,260	-	-	48,382
Telephone	1,712	6,056	10,861	48,542	55	5,137
Supplies/other	7,179	3,866	13,137	19,688	-	5,468
Duplication/printing	11,261	1,282	2,934	8,870	19	982
Postage/shipping	1,450	355	4,285	4,759	65	585
Unallowed direct costs	135	327	1,403	105	-	-
Subcontractors	2,471,000	1,560,601	828,494	29,500	64,133	10,269
Office rent	-	-	-	-	-	-
Maintenance/leases	-	-	-	-	-	-
Insurance	-	-	-	-	-	-
Audit/legal/banking	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-
Bids & proposals	-	-	-	-	-	-
Unallowed G&A costs	-	-	-	-	-	-
Subtotal	2,871,557	1,664,640	2,186,687	772,381	159,174	442,531
Overhead application	240,081	56,933	495,708	263,153	35,149	151,656
Total expenses	<u>\$ 3,111,638</u>	<u>\$ 1,721,573</u>	<u>\$ 2,682,395</u>	<u>\$ 1,035,534</u>	<u>\$ 194,323</u>	<u>\$ 594,187</u>

The accompanying notes to the financial statements are an integral part of this statement.

NATIONAL ASSOCIATION OF STATE MENTAL HEALTH PROGRAM DIRECTORS
STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)

YEAR ENDED SEPTEMBER 30, 2013

	<u>Other</u>	<u>Total Programs</u>	<u>General and Admin.</u>	<u>Total</u>
Salaries	\$ 7,562	\$ 1,164,225	\$ 480,707	\$ 1,644,932
Fringe benefits	3,433	529,597	225,714	755,311
Consultants	-	635,138	-	635,138
Travel	848	605,696	-	605,696
Meetings	-	49,642	-	49,642
Telephone	-	72,363	23,229	95,592
Supplies/other	241	49,579	7,513	57,092
Duplication/printing	1,173	26,521	1,584	28,105
Postage/shipping	8	11,507	3,289	14,796
Unallowed direct costs	-	1,970	-	1,970
Subcontractors	-	4,963,997	-	4,963,997
Office rent	-	-	372,826	372,826
Maintenance/leases	-	-	12,524	12,524
Insurance	-	-	5,748	5,748
Audit/legal/banking	-	-	62,117	62,117
Miscellaneous	-	-	15,842	15,842
Depreciation	-	-	17,393	17,393
Bids & proposals	-	-	18,753	18,753
Unallowed G&A costs	-	-	6,469	6,469
Subtotal	<u>13,265</u>	<u>8,110,235</u>	<u>1,253,708</u>	<u>9,363,943</u>
Overhead application	<u>4,546</u>	<u>1,247,226</u>	<u>(1,247,226)</u>	<u>-</u>
Total expenses	<u>\$ 17,811</u>	<u>\$ 9,357,461</u>	<u>\$ 6,482</u>	<u>\$ 9,363,943</u>

The accompanying notes to the financial statements are an integral part of this statement.

NATIONAL ASSOCIATION OF STATE MENTAL HEALTH PROGRAM DIRECTORS
STATEMENTS OF CASH FLOWS

YEARS ENDED SEPTEMBER 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities		
Change in net assets	\$ 408,728	\$ 43,152
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	10,343	17,393
Change in assets and liabilities:		
Accounts receivable	592,310	366,407
Other receivables	453	248
Prepaid expenses	218	4,013
Accounts payable and accrued expenses	(646,411)	(1,064,005)
Accrued payroll and related liabilities	16,445	(6,224)
Deferred revenue	41,488	(16,577)
Deferred rent	1,457	9,847
Net cash (used in) provided by operating activities	<u>425,031</u>	<u>(645,746)</u>
Cash flows from investing activities		
Purchase of fixed assets	(4,410)	(22,409)
Purchase of investments	(100,433)	(200,104)
Proceeds from redemption of certificates of deposit/return of principal	99,985	209,815
Net cash used in investing activities	<u>(4,858)</u>	<u>(12,698)</u>
Cash flows from financing activities		
Principal payments on capital lease obligations	-	(7,721)
Net cash used in financing activities	<u>-</u>	<u>(7,721)</u>
Net change in cash and cash equivalents	420,173	(666,165)
Cash and cash equivalents, beginning of period	<u>658,035</u>	<u>1,324,200</u>
Cash and cash equivalents, end of period	<u>\$ 1,078,208</u>	<u>\$ 658,035</u>
Supplemental disclosure of cash flow information		
Reinvested earnings on investments	<u>\$ (433)</u>	<u>\$ (552)</u>

The accompanying notes to the financial statements are an integral part of this statement.

NATIONAL ASSOCIATION OF STATE MENTAL HEALTH PROGRAM DIRECTORS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2014 AND 2013

Note 1—Organization and business

The National Association of State Mental Health Program Directors (the “Association”) is organized as a non-profit corporation under the laws of the District of Columbia. Their mission is to provide for the exchange of views and experience on subjects of general importance to the directors and staff of state public mental health programs, to foster interstate cooperation, to attain greater efficiency in state administration of mental health programs, to facilitate and improve state-local relationships, to foster multi-state activities, and to vigorously represent all interests of the states which relate to public mental health programs.

Note 2—Summary of significant accounting policies

Basis of Accounting – The Association follows the accrual method of accounting. Financial statement presentation follows the recommendations of the Presentation of Financial Statements for Not-For-Profit Entities Topic of the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”). Under this topic, the Association is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

The three classes of net assets represent the following:

Unrestricted net assets are those currently available for operational purposes under the discretion of management, those designated by management for specific use, and those resources invested in property and equipment.

Temporarily restricted net assets are those contributed with donor stipulations for specific operating purposes, those with time restrictions, or those not currently available for use until commitments regarding their use have been fulfilled.

Permanently restricted net assets are those which are contributed with donor restrictions requiring that they be held in perpetuity.

Cash and Cash Equivalents – The Association considers highly liquid investments with original maturities of three months or less to be cash equivalents.

The Association places its cash and cash equivalents on deposit with financial institutions in the United States. The Federal Deposit Insurance Corporation (“FDIC”) covers \$250,000 for substantially all depository accounts. The Association from time to time may have amounts on deposit in excess of the insured limits. As of September 30, 2014 and 2013, the Association’s bank balances exceed these insured amounts by \$1,386,491 and \$205,984, respectively.

Accounts Receivable – Accounts receivable are generated primarily from prime and subcontracting arrangements with U.S. government agencies and various commercial entities. Accounts receivable are stated at cost less an allowance for uncollectible accounts. The Association’s methodology of determining the allowance for uncollectible accounts is based on experience with the specific funder. There was no allowance for doubtful accounts at September 30, 2014 and 2013. Amounts not billed due to contractual terms, approved provisional rate changes, or pending specific events to occur are included in unbilled receivables.

An unbilled indirect rate variance represents the difference between billings at rates using actual allowable and allocable costs incurred versus billings at provisional rates. The actual allowable costs and rates are subject to review by the government on an annual basis. When final approval of the allowable costs and rates has been made, billings may be adjusted. Management does not believe that the accompanying financial statements will be materially affected by any adjustments that may result from government review of actual rates.

NATIONAL ASSOCIATION OF STATE MENTAL HEALTH PROGRAM DIRECTORS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2014 AND 2013

Note 2—Summary of significant accounting policies (continued)

Investments— The Association maintains a brokerage account, which consists of money market funds, certificates of deposit, and marketable securities recorded at fair value. The Association has adopted the *Investments-Debt and Equity Securities for Not-for-Profit Entities Topic of the FASB ASC*. Under this topic, investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statements of financial position. Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included in the statements of activities as increases or decreases in unrestricted net assets unless the income or loss is restricted by donor or law. Realized gains and losses on securities sold during the year and held at the beginning of the year are recognized to the extent sales proceeds exceed the security's fair value at the beginning of the year. Donated securities are recorded at their fair market value on the date of donation.

Property and Equipment— The Association's policy is to capitalize property and equipment with a cost of more than \$2,500 and a useful life of more than one year. Property and equipment are recorded at cost. All equipment acquired under capital lease agreements is recorded on the statements of financial position as assets and long-term obligations. Depreciation is calculated using the straight-line method over estimated useful lives of three to seven years. Depreciation for capitalized lease equipment is calculated over the shorter of the lease term or the useful life of the asset. Leasehold improvements are amortized using the straight-line method over the shorter of the lease term or estimated useful life of the asset.

Deferred Revenue— Deferred revenue is comprised primarily of membership dues received during the current year that apply to the following year. At September 30, 2014 and 2013, deferred revenue totaled \$551,440 and \$509,952 respectively.

Revenue and Support— The Association receives support and funding from a variety of sources. Program funding in the form of contracts and grants is received from the federal government and its agencies. Membership dues from state, the District of Columbia, and U.S. territories mental health agencies are received to support membership services and programs. The Association also receives contributions, sponsorships, and grants from private corporations and other non-profit organizations.

Revenue Recognition— Revenues related to federal contracts consist of cost reimbursable, time and material and fixed price awards. Revenue on cost-reimbursable contracts includes direct costs and allocated indirect costs incurred plus recognized profit. Revenue is recognized as costs are incurred. Revenues on time and materials contracts are recognized on the basis of direct labor hours delivered and reimbursable costs incurred. Revenues on fixed price contracts are calculated using the percentage of completion method, based on costs incurred to date as a percentage of total estimated cost. Because of the inherent uncertainties in estimating costs, it is possible that the Association's estimates of costs will change periodically. Costs can be questioned or disallowed upon audit. Management believes such adjustment, if any, would not have a material effect on net assets.

In accordance with the *Revenue Recognition for Not-For-Profit Entities Topic of the FASB ASC*, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support based on donor designations. Temporarily restricted donations are recorded as temporarily restricted support and reclassified as net assets released from restrictions in the period that donor-imposed restrictions have been satisfied. Contributions, non-federal grants, and unconditional promises to give are recognized as revenue in the period made. Conditional promises to give are not recognized or accrued until the specific conditions have been met. The Association received no conditional promises to give in 2014 or 2013.

Income Taxes— The Association is exempt from federal income taxes under Internal Revenue Code ("IRC") Section 501(c)(3). Income from unrelated business activities as defined by the IRC is taxable to the Association. The Association has been determined by the Internal Revenue Service ("IRS") not to be a "private foundation" within the meaning of Section 509(a) of the IRC.

NATIONAL ASSOCIATION OF STATE MENTAL HEALTH PROGRAM DIRECTORS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2014 AND 2013

Note 2—Summary of significant accounting policies (continued)

Management has evaluated the effect of the guidance provided by U.S. Generally Accepted Accounting Principles on Accounting for Uncertainty in Income Taxes. Management believes that the Association continues to satisfy the requirements of a tax-exempt organization at September 30, 2014.

Management has evaluated all other tax positions that could have a significant effect on the financial statements and determined that the Association had no uncertain income tax positions at September 30, 2014. The Association's tax returns for years after 2010 are subject to examination by the IRS.

Use of Estimates— In preparing the financial statements in accordance with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value Measurement— The Association adopted the provisions of the Fair Value Measurements and Disclosure Topic ("Fair Value Topic") of the FASB ASC. The Fair Value Topic defines fair value, establishes a framework for measuring fair value under current accounting pronouncements that require or permit fair value measurement, and enhances disclosures about fair value measurements. 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 value hierarchy which requires an entity to maximize the use of observable inputs when measuring fair value.

The standard describes three levels of inputs that may be used to measure fair value:

Level 1 – Inputs to the valuation methodology are quoted prices available in active markets for identical investments as of the reporting date;

Level 2 – Inputs to the valuation methodology are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value can be determined through the use of models or other valuation methodologies; and

Level 3 – Inputs to the valuation methodology are unobservable inputs in situations where there is little or no market activity for the asset or liability and the reporting entity makes estimates and assumptions related to the pricing of the asset or liability including assumptions regarding risk.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following is a description of the valuation methodologies used for instruments measured at fair value, including the general classification of such instruments pursuant to the valuation hierarchy.

Money Market Funds – These investments are public investment vehicles valued using \$1 for the Net Asset Value ("NAV"). The money market funds are classified within Level 1 of the valuation hierarchy.

Certificates of Deposit – These investments are public investment vehicles that use a valuation methodology based on significant other observable inputs, particularly dealer market prices for comparable investments. The certificates of deposit are classified within Level 2 of the valuation hierarchy.

NATIONAL ASSOCIATION OF STATE MENTAL HEALTH PROGRAM DIRECTORS
NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2014 AND 2013

Note 3—Line-of-credit

On June 27, 2014, the Association entered into a line-of-credit agreement with a commercial bank for an amount of \$500,000 for general working capital purposes. Borrowings under the line-of-credit are due on July 1, 2015, and bear interest at the prime rate + 1% (4.25% as of September 30, 2014). The line-of-credit is secured by all of the Association's assets. The Association had no outstanding borrowings against the line-of-credit as of September 30, 2014.

Note 4—Investments

	As of September 30, 2014			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Assets:				
Money market funds	\$ 446	\$ -	\$ -	\$ 446
Certificates of deposit	-	99,836	-	99,836
Total	\$ 446	\$ 99,836	\$ -	\$ 100,282

	As of September 30, 2013			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Assets:				
Certificates of deposit	\$ -	\$ 99,834	\$ -	\$ 99,834
Total	\$ -	\$ 99,834	\$ -	\$ 99,834

Investment income earned on the investments for the years ended September 30, 2014 and 2013, is summarized as follows:

	2014	2013
Interest and dividends	\$ 1,056	\$ 1,030

NATIONAL ASSOCIATION OF STATE MENTAL HEALTH PROGRAM DIRECTORS
NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2014 AND 2013

Note 5—Property and equipment

Property and equipment at September 30, 2014 and 2013, consisted of:

	<u>2014</u>	<u>2013</u>
Furniture and fixtures	\$ 67,699	\$ 67,699
Computers – hardware	46,427	42,017
Computers – software	18,280	18,280
Leasehold improvements	<u>32,864</u>	<u>32,864</u>
	165,270	160,860
Less accumulated depreciation and amortization	<u>(140,687)</u>	<u>(130,344)</u>
	<u>\$ 24,583</u>	<u>\$ 30,516</u>

Depreciation and amortization expense was \$10,343 and \$17,393 for the years ended September 30, 2014 and 2013, respectively.

Note 6—Commitments

Operating Lease – The Association has a non-cancelable operating lease agreement for office space that expires in March 2017. The operating lease includes scheduled rent escalations. The aggregate cash payments for the lease with rent escalations are being expensed ratably over the lease term, resulting in the existence of deferred rent. The deferred rent liability represents timing differences between cash payments for rent and rent expense recorded, which is recognized evenly over the term of the lease.

The following schedule summarizes future minimum commitments for the office lease at September 30, 2014:

Year Ending September 30,	
2015	\$ 378,238
2016	389,598
2017	<u>198,651</u>
Total	<u>\$ 966,487</u>

Office rent expense for the years ended September 30, 2014 and 2013, was \$368,695 and \$366,410, respectively.

Note 7—Concentrations

Approximately 88% and 92% of the Association’s revenue in 2014 and 2013 is derived from contracts with agencies of the Federal Government. Approximately 80% and 84% of the Association’s accounts receivable at September 30, 2014 and 2013, respectively, is due from the Federal Government.

NATIONAL ASSOCIATION OF STATE MENTAL HEALTH PROGRAM DIRECTORS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2014 AND 2013

Note 8—Retirement plan

The Association sponsors a tax-deferred savings plan, adopted on July 1, 1992, and amended on January 1, 2001, under which employees may make contributions on a salary deferral basis. The employer contribution amount is decided annually and is comprised of either matching, non-elective, or combination contributions. Participants are eligible for employer contributions after completing one year of service. Participants are immediately 100% vested in elective deferrals, and are 100% vested in employer contributions after completing one year of service. Contributions made by the Association in 2014 and 2013 were \$151,053 and \$161,641, respectively.

The Association adopted a Tax Deferred Annuity Plan (the "Plan") under IRC Section 457 for the Executive Director. The Plan provides for elective deferral amounts subject to IRS limitations. The Plan also allows the Association to make an annual discretionary contribution to the Plan each January. This contribution was \$4,000 for 2014 and 2013, respectively.

Note 9—Description of programs and supporting services

Transformation Transfer Initiative – The purpose of the Transformation Transfer Initiative is to provide funding to States, the District of Columbia, and the territories to identify and adopt transformation initiatives and activities that can be implemented in the State; either through a new initiative or expansion of one already underway.

Children's Social Marketing – The contract provides communities with communications and social marketing assistance in order to develop and sustain systems of care. Also provided is technical assistance and training to help sites develop and implement strategic communication plans.

Seclusion/Restraint and Trauma & Trauma Informed care – The contract provides support and technical assistance across the country in prevention of harmful practices through the implementation of trauma informed care across service systems that struggle with prevention of seclusion and restraint and other coercive interventions.

State Technical Assistance – The purpose of these programs are to promote the adoption and diffusion of evidence-based practices and innovative practices to improve health outcomes of individuals, families, and communities impacted by mental illness, substance abuse, and/or substance use disorders. The Association provides Technical Assistance and funding support to the Substance Abuse Mental Health Service Administration's ("SAMHSA") Block Grant programs, Olmstead Initiative, Mental Health Planning Council, and Uniformed Reporting System.

National Technical Assistance Center – The National Technical Assistance Center supports alternatives to restraint and seclusion by public and not-for-profit community and hospital inpatient and residential programs through on-site and off-site training and technical assistance. It also provides on-site technical assistance and training to state mental health agencies on projects related to transformation and SAMHSA Matrix of Priority Programs and Principles.

State Employment Initiatives – The State Employment Initiatives contract provides project investment, training, and technical assistance to states and territories to aid in planning and implementing activities to foster increased employment opportunities for people with mental health and/or substance abuse disorders. States also use their funding to leverage private and public resources to make current initiatives richer and more effective, and in many cases to provide the tipping point for employment related successes.

Note 10—Subsequent events

The Association has evaluated subsequent events through December 17, 2014, in connection with the preparation of these financial statements, which is the date the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

NATIONAL ASSOCIATION OF STATE MENTAL HEALTH PROGRAM DIRECTORS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED SEPTEMBER 30, 2014

<u>Federal Contractor/Grantor</u>	<u>Federal CFDA Number</u>	<u>Contract/Grant Number</u>	<u>Federal Expenditures</u>
U.S. Department of Health and Human Services:			
*Substance Abuse and Mental Health Services Administration:			
Children's Social Marketing/Technical Assistance	93.xxx	HHSS283200700020I/HHSS280200900002C	\$ 1,819,530
National Technical Assistance Center	93.xxx	HHSS283200700020I/HHSS28342002T	1,675
Trauma Informed Care & Seclusion & Restraint Reduction	93.xxx	HHSS283200700020I/HHSS28342005T	623
State Technical Assistance (S)	93.xxx	02500-SAMHSA-STATETA-NASMHPD	619,040
Suicide Prevention Hotline (S)	93.243	1UR1SMO60319-03	68,500
Technical Assistance Coalition	93.xxx	HHSS283201200021I/HHSS28342001T	2,353,448
National Center for Trauma Informed Care	93.xxx	HHSS283201200021I/HHSS28342002T	2,018,885
Bringing Recovery Supports to Scale (S)	93.xxx	HHSS280201100002C	19,213
Mental Health Financing	93.xxx	HHSSP233201300303P	91,400
CSAT Criminal Justice On-Line Training (S)	93.xxx	HHSS28332007000031/HHSS28300002T	6,226
PREA Resource Center (S)	16.735	2010-RP-BX-K001 PRC-040	27,874
Obesity and Smoking Cessation (S)	93.424	1U58DP004986-01	10,481
Nevada Technical Assistance II	93.958	3B09SM010039-13S3	50,000
Center for Financing Reform (S)	93.xxx	NAS-04-14	3,897
Children, Youth, and Family Division (S)	93.xxx	02929.001.04.03.05	11,137
US Navy Trauma Informed Care Training	93.xxx	HDQMWR-14-M-0090	10,396
Center for Financing Reform (S)	93.xxx	SAMHSA0029I-NASMHPD	1,884
Nevada Technical Assistance III	93.958	3B09SM010039-14	10,000
Children's Social Marketing Technical Assistance	93.xxx	HHSS280201400001C	19,417
State Technical Assistance II (S)	93.xxx	01900-SAMHSA-STATETA2-NASMHPD	15,447
Total			<u>\$ 7,159,073</u>

(*) Major Program

(S) Subcontract/Indirect award

NATIONAL ASSOCIATION OF STATE MENTAL HEALTH PROGRAM DIRECTORS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

SEPTEMBER 30, 2014

Note 1—Basis of presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the National Association of State Mental Health Program Directors (the "Association") and is presented on the accrual basis of accounting.

Note 2—Subrecipients

Of the federal expenditures presented in this schedule, the Association provided federal awards to:

<u>Subrecipient</u>	<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
The National Federation of Families	Children's Social Marketing/Technical Assistance	93.XXX	\$ 87,449
National Empowerment Center	Trauma Informed Care & Seclusion & Restraint Reduction	93.XXX	87,449
NASMHPD Research Institute	Technical Assistance	93.XXX	40,824
NASADAD	Trauma Informed Care & Seclusion & Restraint Reduction	93.XXX	<u>10,530</u>
			<u>\$226,252</u>

Note 3—Relationship to basic financial statements

The Association records award revenues at approved provisional rates. Expenditures are recorded using actual allowable and allocable costs. Billings may be adjusted upon final approval of allowable and allocable costs incurred. Management does not believe that the accompanying financial statements will be materially affected by any adjustments that may result from government review of actual rates.

COMPLIANCE REPORTING



**Report of Independent Auditor 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 of the
National Association of State Mental Health Program Directors
Alexandria, Virginia

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 the National Association of State Mental Health Program Directors (the "Association"), which comprise the statement of financial position as of September 30, 2014, 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 December 17, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Association'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 the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association'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 the attention of 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 that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Association'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*.

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 Association'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 Association's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Handwritten signature in black ink that reads "Cheryl Bekart LLP". The signature is written in a cursive, flowing style.

Tysons Corner, Virginia
December 17, 2014



**Report of Independent Auditor on Compliance for Each Major Federal
Program and on Internal Control over
Compliance in Accordance with OMB Circular A-133**

To the Board of Directors of the
National Association of State Mental Health Program Directors
Alexandria, Virginia

Report on Compliance for Each Major Program

We have audited the National Association of State Mental Health Program Directors' (the "Association") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Association's major federal programs for the year ended September 30, 2014. The Association's major federal programs are identified in the summary of auditor results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Association's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Association's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Association's compliance with those requirements.

Opinion on the Major Federal Program

In our opinion, the Association complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2014.

Report on Internal Control over Compliance

Management of the Association is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Association's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control over compliance.

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

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Handwritten signature in black ink that reads "Cheryl Bekart LLP". The signature is written in a cursive, flowing style.

Tysons Corner, Virginia
December 17, 2014

NATIONAL ASSOCIATION OF STATE MENTAL HEALTH PROGRAM DIRECTORS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SEPTEMBER 30, 2014

A. Summary of auditor's results

Financial Statements

Type of auditors' report issued	Unmodified
Internal control over financial reporting:	
Material weakness identified?	No
Significant deficiency identified not considered to be a material weakness?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over the major programs:	
Material weakness identified?	No
Significant deficiency identified not considered to be a material weakness?	None reported
Type of auditors' report issued on compliance for the major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	None noted

Identification of major programs:

<u>Awarding Agency</u>	<u>CFDA Number</u>
Substance Abuse and Mental Health Services Administration	93.XXX
United States Department of Justice	16.XXX

Dollar threshold used to distinguish between Type A and B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

B. Financial statement findings

The audit disclosed no findings related to the financial statements which are required to be reported in accordance with Generally Accepted Government Auditing Standards.

C. Federal award findings and questioned costs

The audit disclosed no findings or questioned costs that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.

D. Status of prior year findings

There were no prior year findings.