

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

FINANCIAL STATEMENTS AND COMPLIANCE  
REPORTS

*As of and for the Years Ended September 30, 2013  
and 2012*

*And Report of Independent Auditor*

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

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**REPORT OF INDEPENDENT AUDITOR** ..... 1 - 2

**FINANCIAL STATEMENTS**

Statements of Financial Position ..... 3  
Statements of Activities ..... 4  
Statements of Functional Expenses ..... 5 - 8  
Statements of Cash Flows ..... 9  
Notes to Financial Statements ..... 10 - 16

**SUPPLEMENTAL INFORMATION**

Schedule of Expenditures of Federal Awards ..... 17  
Note to Schedule of Expenditures of Federal Awards ..... 18

**GRANT COMPLIANCE**

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* ..... 19 - 20

Report of Independent Auditor on Compliance for Each Major Federal Program and on Internal Control over  
Compliance in Accordance with OMB Circular A-133 ..... 21 - 22

Schedule of Findings and Questioned Costs ..... 23



## **Report of Independent Auditor**

To the Board of Directors of the  
National Association of State Mental Health Program Directors

### **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), which comprise the statements of financial position as of September 30, 2013 and 2012, 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. 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 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, 2013 and 2012, and the changes in net assets 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 4, 2013, 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* and should be considered in assessing the results of our audit.

A handwritten signature in black ink that reads "Cherry Bekoet LLP". The signature is written in a cursive, flowing style.

Tysons Corner, Virginia  
December 4, 2013

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

SEPTEMBER 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 658,035	\$ 1,324,200
Investments	99,834	-
Accounts receivable		
Billed	2,023,296	2,418,383
Unbilled	28,680	-
Other receivables	453	701
Prepaid assets	<u>45,343</u>	<u>49,356</u>
Total current assets	2,855,641	3,792,640
Property and equipment, net	30,516	25,500
Other assets		
Investments	-	109,545
Security deposits	<u>43,075</u>	<u>43,075</u>
<b>Total assets</b>	<u><u>\$ 2,929,232</u></u>	<u><u>\$ 3,970,760</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable and accrued expenses	\$ 1,121,047	\$ 2,185,052
Accrued payroll and related liabilities	161,680	167,904
Capital lease obligations	-	7,721
Deferred revenue	<u>509,952</u>	<u>526,529</u>
Total current liabilities	1,792,679	2,887,206
Long-term liabilities		
Deferred rent	<u>43,292</u>	<u>33,445</u>
<b>Total liabilities</b>	<u>1,835,971</u>	<u>2,920,651</u>
Net assets, unrestricted	<u>1,093,261</u>	<u>1,050,109</u>
<b>Total liabilities and net assets</b>	<u><u>\$ 2,929,232</u></u>	<u><u>\$ 3,970,760</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, 2013 AND 2012*

	<u>2013</u>	<u>2012</u>
<b>Change in unrestricted net assets</b>		
<b>Revenue and support</b>		
Contract revenue	\$ 8,669,033	\$ 11,683,536
Program fees	734,454	728,764
Other income	2,578	6,287
Investment income, net	<u>1,030</u>	<u>1,726</u>
<b>Total unrestricted revenue</b>	<u>9,407,095</u>	<u>12,420,313</u>
<b>Expenses</b>		
Direct program expenses	8,110,235	11,126,981
Allocated indirect costs	<u>1,247,226</u>	<u>1,285,379</u>
<b>Total program expenses</b>	9,357,461	12,412,360
<b>General and administrative expenses</b>	<u>6,482</u>	<u>5,885</u>
<b>Total expenses</b>	<u>9,363,943</u>	<u>12,418,245</u>
<b>Change in unrestricted net assets</b>	43,152	2,068
<b>Net assets, beginning of period</b>	<u>1,050,109</u>	<u>1,048,041</u>
<b>Net assets, end of period</b>	<u>\$ 1,093,261</u>	<u>\$ 1,050,109</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

	<b>Transformation Transfer Initiative</b>	<b>Children's Social Marketing</b>	<b>Seculsion/ Restraint and Trauma</b>	<b>State Technical Assistance</b>	<b>Other Federal</b>	<b>Association Membership</b>
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**  
**STATEMENT OF FUNCTIONAL EXPENSES**

YEAR ENDED SEPTEMBER 30, 2012

	<b>State Profiles</b>	<b>Suicide Prevention Hotline</b>	<b>Transformation Transfer Initiative</b>	<b>National Technical Assistance Center</b>	<b>Children's Social Marketing</b>	<b>State Employment Initiatives</b>
Salaries	\$ 5,023	\$ 30,912	\$ 104,683	\$ 206,415	\$ 56,552	\$ 107,485
Fringe benefits	2,243	13,802	46,741	92,164	25,250	47,992
Consultants	-	-	29,275	243,425	-	3,600
Travel	-	-	76,356	112,228	3,960	11,863
Meetings	-	-	20,106	2,300	-	-
Telephone	-	-	718	3,467	187	952
Supplies/other	-	-	4,640	15,482	795	3,275
Duplication/printing	70	10	14,803	2,542	116	3,413
Postage/shipping	80	19	164	1,442	120	145
Unallowed direct costs	-	-	403	2,603	-	-
Subcontractors	253,621	-	2,588,393	1,591,743	1,647,320	1,009,500
Office rent	-	-	-	-	-	-
Maintenance/leases	-	-	-	-	-	-
Insurance	-	-	-	-	-	-
Audit/legal/banking	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-
Bids & proposals	-	-	-	-	-	-
Unallowed G&A costs	-	-	-	-	-	-
Subtotal	261,037	44,743	2,886,282	2,273,811	1,734,300	1,188,225
Overhead application	9,631	13,293	216,967	264,623	46,496	144,457
Total expenses	<u>\$ 270,668</u>	<u>\$ 58,036</u>	<u>\$ 3,103,249</u>	<u>\$ 2,538,434</u>	<u>\$ 1,780,796</u>	<u>\$ 1,332,682</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, 2012

	<b>Trauma Informed Care</b>	<b>Other Federal</b>	<b>Association Membership</b>	<b>Total Programs</b>	<b>General and Admin.</b>	<b>Total</b>
Salaries	\$ 323,661	\$ 39,976	\$ 283,402	\$ 1,158,109	\$ 488,971	\$ 1,647,080
Fringe benefits	144,515	17,849	126,499	517,055	231,338	748,393
Consultants	362,366	3,838	15,350	657,854	-	657,854
Travel	375,685	1,116	21,574	602,782	-	602,782
Meetings	1,525	-	74,260	98,191	-	98,191
Telephone	20,537	-	3,884	29,745	23,915	53,660
Supplies/other	22,307	-	8,096	54,595	25,728	80,323
Duplication/printing	5,431	22	3,013	29,420	1,937	31,357
Postage/shipping	6,773	22	1,104	9,869	2,478	12,347
Unallowed direct costs	1,164	-	-	4,170	-	4,170
Subcontractors	848,725	4,852	21,037	7,965,191	-	7,965,191
Office rent	-	-	-	-	354,441	354,441
Maintenance/leases	-	-	-	-	19,449	19,449
Insurance	-	-	-	-	5,146	5,146
Audit/legal/banking	-	-	-	-	39,603	39,603
Miscellaneous	-	-	-	-	36,106	36,106
Depreciation	-	-	-	-	22,926	22,926
Bids & proposals	-	-	-	-	33,439	33,439
Unallowed G&A costs	-	-	-	-	5,787	5,787
Subtotal	2,112,689	67,675	558,219	11,126,981	1,291,264	12,418,245
Overhead application	405,399	18,666	165,847	1,285,379	(1,285,379)	-
Total expenses	<u>\$ 2,518,088</u>	<u>\$ 86,341</u>	<u>\$ 724,066</u>	<u>\$ 12,412,360</u>	<u>\$ 5,885</u>	<u>\$ 12,418,245</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**

FOR THE YEARS ENDED SEPTEMBER 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 43,152	\$ 2,068
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	17,393	22,926
Change in assets and liabilities:		
Accounts receivable	366,407	(117,229)
Other receivables	248	(443)
Prepaid expenses	4,013	(4,658)
Security deposits	-	-
Accounts payable and accrued expenses	(1,064,005)	525,697
Accrued payroll and related liabilities	(6,224)	(22,102)
Deferred revenue	(16,577)	(19,020)
Deferred rent	9,847	8,258
Net cash (used in) provided by operating activities	<u>(645,746)</u>	<u>395,497</u>
<b>Cash flows from investing activities</b>		
Purchase of fixed assets	(22,409)	(15,372)
Purchase of investments	(200,104)	(100,081)
Proceeds from redemption of certificates of deposit/return of principal	209,815	199,155
Net cash (used in) provided by investing activities	<u>(12,698)</u>	<u>83,702</u>
<b>Cash flows from financing activities</b>		
Principal payments on capital lease obligations	(7,721)	(17,274)
Net cash used in financing activities	<u>(7,721)</u>	<u>(17,274)</u>
Net change in cash and cash equivalents	(666,165)	461,925
Cash and cash equivalents, beginning of period	<u>1,324,200</u>	<u>862,275</u>
Cash and cash equivalents, end of period	<u>\$ 658,035</u>	<u>\$ 1,324,200</u>
<b>Supplemental disclosure of cash flow information</b>		
Reinvested earnings on investments	<u>\$ (552)</u>	<u>\$ (881)</u>
Cash paid for interest	<u>\$ -</u>	<u>\$ 1,722</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 FINANCIAL STATEMENTS

SEPTEMBER 30, 2013 AND 2012

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### 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. 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:

- a. 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.
- b. 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.
- c. 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, 2013 and 2012, the Association's bank balances exceed these insured amounts by \$205,984 and \$0, 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, 2013 and 2012. 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 FINANCIAL STATEMENTS

SEPTEMBER 30, 2013 AND 2012

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### 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 statement of financial position. Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included in the statement 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 market 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 statement 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.

*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 Accounting Standards Codification, 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 2013 or 2012.

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

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, 2013.

# NATIONAL ASSOCIATION OF STATE MENTAL HEALTH PROGRAM DIRECTORS

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2013 AND 2012

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### **Note 2 – Summary of significant accounting policies (continued)**

Management has evaluated all other tax positions that could have a significant effect on the financial statements and determined that the Institute had no uncertain income tax positions at September 30, 2013. The Association's tax returns for years after 2010 are subject to examination by the Internal Revenue Service.

*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 Accounting Standards Codification. 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 FINANCIAL STATEMENTS**

SEPTEMBER 30, 2013 AND 2012

**Note 3 – Line-of-credit**

On March 25, 2013, 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 April 1, 2014 and bear interest at the prime rate + 1% (4.25% as of September 30, 2013). The line-of-credit is secured by all of the Company's assets. The Company had no outstanding borrowings against the line-of-credit as of September 30, 2013.

**Note 4 – Investments**

	<b>As of September 30, 2013</b>			
	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

	<b>As of September 30, 2012</b>			
	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	\$ 9,819	\$ -	\$ -	\$ 9,819
Certificates of deposit	-	99,726	-	99,726
Total	\$ 9,819	\$ 99,726	\$ -	\$ 109,545

Investment income earned on the investments for the years ended September 30, 2013 and 2012 is summarized as follows:

	<b>2013</b>	<b>2012</b>
Interest and dividends	\$ 1,030	\$ 1,726

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

SEPTEMBER 30, 2013 AND 2012

**Note 5 – Property and equipment**

Property and equipment at September 30, 2013 and 2012 consisted of:

	<u>2013</u>	<u>2012</u>
Furniture and fixtures	\$ 67,699	\$ 48,286
Computers – hardware	42,017	39,022
Computers – software	18,280	18,280
Leasehold improvements	32,864	32,864
Equipment purchased under capital leases	<u>-</u>	<u>74,504</u>
	160,860	212,956
Less accumulated depreciation and amortization	<u>(130,344)</u>	<u>(187,456)</u>
	<u>\$ 30,516</u>	<u>\$ 25,500</u>

Depreciation and amortization expense was \$17,393 and \$22,926 for the years ended September 30, 2013 and 2012, 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, 2013:

Year Ending September 30,	
2014	367,237
2015	378,238
2016	389,598
2017	<u>198,651</u>
Total	<u>\$ 1,333,724</u>

Rent expense for the years ended September 30, 2013 and 2012 was \$366,410 and \$354,441, respectively.

**Note 7 – Concentrations**

Approximately 92% and 94% of the Association's revenue in 2013 and 2012 is derived from contracts with agencies of the Federal Government. Approximately 84% and 88% of the Association's accounts receivable at September 30, 2013 and 2012, respectively, is due from the Federal Government.

# NATIONAL ASSOCIATION OF STATE MENTAL HEALTH PROGRAM DIRECTORS

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2013 AND 2012

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### **Note 8 – Deferred revenue**

Deferred revenue is comprised primarily of membership dues received during the current year that apply to the following year. At September 30, 2013 and 2012, deferred revenue totaled \$509,952 and \$526,529 respectively.

### **Note 9 – 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 2013 and 2012 were \$161,641 and \$166,558, 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 2013 and 2012, respectively.

### **Note 10 – 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* – 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 (SAMHSA)'s Block Grant programs, Olmstead Initiative, Mental Health Planning Council, and Uniformed Reporting System.

*State Profiles* – The purpose of the Profiles contract is to maintain a national database on the operations of state mental health agencies (SMHA) and to produce reports describing characteristics, authorities, operations, and budgets of SMHAs.

*Suicide Prevention Toolkit* – The purpose of this initiative is to develop a comprehensive suicide prevention toolkit for populations at high risk for suicide. The toolkit will have five components, with each targeting a specific population. The toolkit will be used in settings relevant for the targeted populations: schools, veteran service organization, primary care professionals, assisted living facilities, and employee assistance programs throughout the Nation.

# NATIONAL ASSOCIATION OF STATE MENTAL HEALTH PROGRAM DIRECTORS

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2013 AND 2012

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### **Note 10 – Description of programs and supporting services (continued)**

*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 the Substance Abuse and Mental Health Services Administration's (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 11 – Subsequent events**

The Association has evaluated subsequent events through December 4, 2013, 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, 2013

<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:			
Suicide Prevention Assessment Resource Toolkit	93.xxx	HHSS2832007000201/HHSS2800003T	\$ 9,010
Transformation Transfer Initiative	93.xxx	HHSS2832007000201/HHSS2800001T	3,111,638
Technical Assistance and State Mental Health Agencies	93.xxx	HHSS2832007000201/HHSS28342002T	10,333
Children's Social Marketing/Technical Assistance	93.xxx	HHSS2832007000201/HHSS280200900002C	1,721,573
Trauma Informed Care & Seclusion & Restraint Reduction	93.xxx	HHSS2832007000201/HHSS28342005T	2,682,395
Behavioral Health Older Americans Technical Assistance Center (S)	93.xxx	HHSS2832007000031/HHSS28342006T	10,397
State Technical Assistance (S)	93.xxx	HHSS2832012000021/HHSS28342001T	1,035,534
Suicide Prevention Hotline (S)	93.xxx	1SM060778-01	64,232
Bringing Recovery Support to Scale (S)	93.xxx	HHSS280201100002C	28,005
Assessment of Inpatient Care and Discharge Procedures	93.958	3B09SM010039-12S3	50,946
CSAT TA Washington (S)	93.xxx	HHSS2832007000031/HHSS28300002T	7,251
Behavioral Health Technical Assistance (S)	93.243	1UR1SMO60319-03	10,431
Technical Assistance Coalition	93.xxx	HHSS2832012000211/HHSS28342001T	1,313
National Center for Trauma Informed Care	93.xxx	HHSS2832012000211/HHSS28342002T	2,405
<b>Total</b>			<b>\$ 8,745,463</b>

(\*) Major Program

(S) Subcontract/Indirect award

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

SEPTEMBER 30, 2013

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**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:

<b>Subrecipient</b>	<b>Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
The National Federation of Families	Children's Social Marketing/Technical Assistance	93.XXX	\$107,544
National Empowerment Center	Trauma Informed Care & Seclusion & Restraint Reduction	93.XXX	273,815
			<u>\$381,359</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.

## **GRANT COMPLIANCE**



**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

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, 2013, 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 4, 2013.

**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.

Cherry Bekaert LLP

Tysons Corner, Virginia  
December 4, 2013



**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

**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, 2013. 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, 2013.

## 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.

A handwritten signature in black ink that reads "Cherry Bekaert LLP". The signature is written in a cursive, flowing style.

Tysons Corner, Virginia  
December 4, 2013

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

SEPTEMBER 30, 2013

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**A. Summary of auditor's results**

Financial Statements

Type of auditors' report issued	Unqualified
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:	Unqualified
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
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.