

**MENTAL HEALTH ASSOCIATION
OF MIDDLE TENNESSEE**

FINANCIAL STATEMENTS

June 30, 2013 and 2012

MENTAL HEALTH ASSOCIATION OF MIDDLE TENNESSEE

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Mental Health Association of Middle Tennessee
Nashville, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of Mental Health Association of Middle Tennessee (a nonprofit organization), which comprise the statements of financial position as of June 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mental Health Association of Middle Tennessee as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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 and state awards 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 November 15, 2013, on our consideration of Mental Health Association of Middle Tennessee's 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 Mental Health Association of Middle Tennessee's internal control over financial reporting and compliance.

Frasier, Penn & Hard, PLLC

Nashville, Tennessee
November 15, 2013

MENTAL HEALTH ASSOCIATION OF MIDDLE TENNESSEE
STATEMENTS OF FINANCIAL POSITION
June 30, 2013 and 2012

	Assets	
	2013	2012
Current assets:		
Cash and cash equivalents	\$ 390,984	\$ 414,389
Grants receivable (note 2)	169,613	143,675
Other receivables, net	13,429	2,000
Unconditional promises to give, net (note 3)	23,168	8,525
Prepaid expenses and other	7,176	12,938
Investments (note 4)	4,991	4,991
Total current assets	609,361	586,518
Other, net	818	818
Equipment, furniture and improvements	147,644	144,497
Less: accumulated depreciation	(147,421)	(142,408)
Net equipment, furniture and improvements	223	2,089
Total assets	<u>\$ 610,402</u>	<u>\$ 589,425</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 17,175	\$ 19,318
Accrued expenses	40,419	48,831
Deferred revenue (note 5)	523	3,136
Total current liabilities	58,117	71,285
Deferred revenue (note 5)	-	523
Total liabilities	<u>58,117</u>	<u>71,808</u>
Net assets: (note 6)		
Unrestricted:		
Board designated for future periods	-	93,453
Other unrestricted	526,259	415,639
Total unrestricted	526,259	509,092
Temporarily restricted	26,026	8,525
Total net assets	<u>552,285</u>	<u>517,617</u>
Total liabilities and net assets	<u>\$ 610,402</u>	<u>\$ 589,425</u>

See accompanying notes.

MENTAL HEALTH ASSOCIATION OF MIDDLE TENNESSEE
STATEMENT OF ACTIVITIES
For the year ended June 30, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and other support:			
Federal and state contracts and grants	\$ 647,591	\$ -	\$ 647,591
Other grants	167,465	17,298	184,763
Jammin' to Beat the Blues fundraiser	176,225	-	176,225
TSPN Awards Symposium	81,592	-	81,592
In-kind contributions (note 7)	71,788	-	71,788
Other special events	46,286	-	46,286
Contributions	38,850	-	38,850
United Way	8,036	8,728	16,764
Fees and other	11,662	-	11,662
I. C. Hope revenues (note 5)	3,137	-	3,137
Investment income	449	-	449
Net assets released from restrictions	8,525	(8,525)	-
	<u>1,261,606</u>	<u>17,501</u>	<u>1,279,107</u>
Expenses:			
Program services:			
Advocacy services	5,903	-	5,903
Educational services	643,522	-	643,522
Aging services	75,354	-	75,354
Consumer/family issues services	123,433	-	123,433
	<u>848,212</u>	<u>-</u>	<u>848,212</u>
Support services:			
Management and general, including in-kind of \$14,188	130,095	-	130,095
Fundraising, including in-kind of \$57,600	266,132	-	266,132
	<u>396,227</u>	<u>-</u>	<u>396,227</u>
Total expenses	<u>1,244,439</u>	<u>-</u>	<u>1,244,439</u>
Change in net assets	17,167	17,501	34,668
Net assets, beginning of year	<u>509,092</u>	<u>8,525</u>	<u>517,617</u>
Net assets, end of year	<u>\$ 526,259</u>	<u>\$ 26,026</u>	<u>\$ 552,285</u>

See accompanying notes.

MENTAL HEALTH ASSOCIATION OF MIDDLE TENNESSEE
STATEMENT OF ACTIVITIES
For the year ended June 30, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and other support:			
Federal and state contracts and grants	\$ 817,779	\$ -	\$ 817,779
Massey fundraising dinner (note 6)	245,570	-	245,570
Jammin' to Beat the Blues fundraiser	178,838	-	178,838
In-kind contributions (note 7)	64,630	-	64,630
Other grants	59,900	-	59,900
TSPN Awards Symposium	54,859	-	54,859
Contributions	33,452	-	33,452
United Way	16,556	8,525	25,081
Fees and other	23,404	-	23,404
I. C. Hope revenues (note 5)	4,811	-	4,811
Investment income	197	-	197
Net assets released from restrictions	12,000	(12,000)	-
	<u>1,511,996</u>	<u>(3,475)</u>	<u>1,508,521</u>
Total revenue and other support			
	<u>1,511,996</u>	<u>(3,475)</u>	<u>1,508,521</u>
Expenses:			
Program services:			
Advocacy services	3,074	-	3,074
Educational services	765,815	-	765,815
Aging services	90,187	-	90,187
Consumer/family issues services	91,827	-	91,827
	<u>950,903</u>	<u>-</u>	<u>950,903</u>
Total program services			
	<u>950,903</u>	<u>-</u>	<u>950,903</u>
Support services:			
Management and general, including in-kind of \$7,030	104,941	-	104,941
Fundraising, including in-kind of \$57,600	303,492	-	303,492
	<u>408,433</u>	<u>-</u>	<u>408,433</u>
Total support services			
	<u>408,433</u>	<u>-</u>	<u>408,433</u>
Total expenses			
	<u>1,359,336</u>	<u>-</u>	<u>1,359,336</u>
Change in net assets	152,660	(3,475)	149,185
Net assets, beginning of year	356,432	12,000	368,432
Net assets, end of year	<u>\$ 509,092</u>	<u>\$ 8,525</u>	<u>\$ 517,617</u>

See accompanying notes.

MENTAL HEALTH ASSOCIATION OF MIDDLE TENNESSEE
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2013

	Program Services					Support Services			Total
	Advocacy Services	Educational Services	Aging Services	Consumer/ Family Issues Services	TOTAL PROGRAM SERVICES	Management and General	Fundraising	TOTAL SUPPORT SERVICES	All Services
Salaries	\$ -	\$ 319,915	\$ 46,603	\$ 73,758	\$ 440,276	\$ 63,868	\$ 99,985	\$ 163,853	\$ 604,129
Travel	490	86,262	4,357	9,341	100,450	7,956	1,959	9,915	110,365
Employee benefits	-	60,890	6,448	15,222	82,560	10,304	17,312	27,616	110,176
Printing and publications	-	62,521	1,794	1,753	66,068	443	1,596	2,039	68,107
Fundraising expense - events	-	-	-	-	-	3,821	60,272	64,093	64,093
In-kind expense (note 7)	-	-	-	-	-	14,188	57,600	71,788	71,788
Payroll taxes	-	24,863	3,820	5,638	34,321	4,690	7,666	12,356	46,677
Professional fees	1,500	22,055	2,286	7,614	33,455	2,463	3,225	5,688	39,143
Rent	-	19,858	2,514	3,419	25,791	3,278	5,887	9,165	34,956
Equipment rental and maintenance	2	13,484	1,281	2,461	17,228	7,113	2,986	10,099	27,327
Telephone	-	11,041	1,923	2,045	15,009	943	1,771	2,714	17,723
Mental Health University	-	7,464	2,456	-	9,920	-	-	-	9,920
Dues and memberships	400	212	35	410	1,057	6,755	700	7,455	8,512
Insurance	-	4,384	755	1,004	6,143	947	1,139	2,086	8,229
Supplies	-	4,551	441	185	5,177	2,321	113	2,434	7,611
Advocacy	3,500	-	-	229	3,729	82	-	82	3,811
Miscellaneous	11	1	8	-	20	164	2,897	3,061	3,081
Internet fees	-	2,173	88	121	2,382	73	139	212	2,594
Cost of educational materials	-	2,114	-	-	2,114	-	-	-	2,114
Postage	-	617	45	233	895	290	885	1,175	2,070
Depreciation	-	1,117	500	-	1,617	396	-	396	2,013
	\$ 5,903	\$ 643,522	\$ 75,354	\$ 123,433	\$ 848,212	\$ 130,095	\$ 266,132	\$ 396,227	\$ 1,244,439

See accompanying notes.

MENTAL HEALTH ASSOCIATION OF MIDDLE TENNESSEE
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2012

	Program Services					Support Services			Total
	Advocacy Services	Educational Services	Aging Services	Consumer/ Family Issues Services	TOTAL PROGRAM SERVICES	Management and General	Fundraising	TOTAL SUPPORT SERVICES	All Services
Salaries	\$ -	\$ 313,412	\$ 55,149	\$ 59,506	\$ 428,067	\$ 57,644	\$ 80,268	\$ 137,912	\$ 565,979
Printing and publications	-	106,019	6,400	707	113,126	244	3,781	4,025	117,151
Fundraising expense - events	-	-	-	-	-	157	116,984	117,141	117,141
Travel	324	86,025	6,635	1,947	94,931	7,395	1,608	9,003	103,934
Professional fees	2,500	77,828	2,125	2,563	85,016	1,649	6,743	8,392	93,408
Employee benefits	-	50,362	5,186	11,037	66,585	7,908	12,925	20,833	87,418
In-kind expense (note 7)	-	-	-	-	-	7,030	57,600	64,630	64,630
Payroll taxes	-	25,436	4,393	4,474	34,303	4,196	6,016	10,212	44,515
Advertising	-	37,350	-	-	37,350	-	-	-	37,350
Rent	-	22,828	3,089	5,428	31,345	(1,367)	3,880	2,513	33,858
Equipment rental and maintenance	-	9,601	2,250	2,388	14,239	5,037	4,708	9,745	23,984
Telephone	-	10,730	1,966	1,804	14,500	792	1,442	2,234	16,734
Mental Health University	-	10,340	-	-	10,340	6,121	-	6,121	16,461
Supplies	-	6,020	854	398	7,272	675	838	1,513	8,785
Insurance	-	4,326	844	875	6,045	519	960	1,479	7,524
Postage	-	652	365	185	1,202	1,664	2,391	4,055	5,257
Miscellaneous	-	20	4	-	24	2,423	2,383	4,806	4,830
Dues and memberships	250	170	285	370	1,075	1,076	755	1,831	2,906
Depreciation	-	1,132	500	-	1,632	622	-	622	2,254
Cost of educational materials	-	2,467	-	-	2,467	-	-	-	2,467
Internet fees	-	1,097	142	145	1,384	87	160	247	1,631
Awards and gifts	-	-	-	-	-	1,069	50	1,119	1,119
	<u>\$ 3,074</u>	<u>\$ 765,815</u>	<u>\$ 90,187</u>	<u>\$ 91,827</u>	<u>\$ 950,903</u>	<u>\$ 104,941</u>	<u>\$ 303,492</u>	<u>\$ 408,433</u>	<u>\$1,359,336</u>

See accompanying notes.

MENTAL HEALTH ASSOCIATION OF MIDDLE TENNESSEE
STATEMENTS OF CASH FLOWS
For the years ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Change in net assets	\$ 34,668	\$ 149,185
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	2,013	2,254
Changes in operating assets and liabilities:		
Grants receivable	(25,938)	112,449
Other receivables	(11,429)	(875)
Unconditional promises to give	(14,643)	(6,525)
Prepaid expenses and other	5,762	4,556
Accounts payable	(2,143)	(13,774)
Accrued expenses	(8,412)	(8,747)
Deferred revenue	(3,136)	(3,221)
Net cash (used in) provided by operating activities	<u>(23,258)</u>	<u>235,302</u>
Cash flows from investing activities:		
Purchase of equipment, furniture and improvements	<u>(147)</u>	<u>(1,461)</u>
Net cash used in investing activities	<u>(147)</u>	<u>(1,461)</u>
Change in cash and cash equivalents	(23,405)	233,841
Cash and cash equivalents, beginning of year	<u>414,389</u>	<u>180,548</u>
Cash and cash equivalents, end of year	<u><u>\$ 390,984</u></u>	<u><u>\$ 414,389</u></u>

See accompanying notes.

MENTAL HEALTH ASSOCIATION OF MIDDLE TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Mental Health Association of Middle Tennessee (the “Association”) is a nonprofit organization that provides community education about mental health illnesses and advocates for the rights and needs of persons with mental illnesses. The Association is primarily funded by government grants, private grants, and donations.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Financial statement presentation follows the recommendations of Financial Accountings Standards Board Accounting Standards Codification (“FASB ASC”) guidance for not-for-profit entities. Accordingly, net assets of the Association and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Association and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Association. The Association has no permanently restricted net assets at June 30, 2013 and 2012.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates.

MENTAL HEALTH ASSOCIATION OF MIDDLE TENNESSEE
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2013 and 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions

Contributions are recognized when the donor makes a promise to give to the Association that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. The Association uses the allowance method to determine uncollectible unconditional promises to give. Management believes that unconditional promises to give are fully collectible at June 30, 2013 and 2012, respectively. As such, no allowance for uncollectible accounts has been provided.

Allowance for Uncollectible Amounts

Management believes that amounts receivable from grantor agencies and unconditional promises to give are fully collectible for the years ended June 30, 2013 and 2012, respectively. As a result, no allowance for uncollectible amounts has been provided.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets.

Donated Services

Volunteers have donated significant amounts of their time to the Association's program services. These amounts have not been recognized in the accompanying statements of activities because the criteria for recognition of such volunteer effort under generally accepted accounting principles has not been satisfied.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Association considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents include short term investments in money market funds of \$271,006 and \$106,508 at June 30, 2013 and 2012, respectively, within the Association's investment portfolio.

Cash balances are sometimes maintained in excess of Federal Deposit Insurance Corporation insured amounts. The Association has not experienced any losses in such accounts. In management's opinion, risk related to such concentrations is minimal based upon the credit rating of its depositories.

MENTAL HEALTH ASSOCIATION OF MIDDLE TENNESSEE
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2013 and 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Furniture and Equipment

The Association capitalizes assets over \$1,000 and records them at cost or fair market value at the date of gift. Depreciation of equipment and furniture is provided over the estimated useful lives (ranging from three to five years) on a straight-line basis.

Deferred Revenue

Deferred revenue includes I.C. Hope licensing proceeds received. The I.C. Hope licensing agreements are for five-year periods expiring at various times through 2014. Proceeds received for the licensing agreements are being amortized over the five-year period of the agreements. (Note 5).

Advertising

Advertising costs are charged to expense as incurred. Advertising expense totaled \$0 and \$37,350 for the years ended June 30, 2013 and 2012, respectively.

Income Taxes

The Association is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and is not a private foundation as defined in Section 509(a) of the Internal Revenue Code. Accordingly, no provision for income tax has been made.

The Association follows FASB ASC guidance regarding the accounting for uncertainty in income taxes recognized in an entity's financial statements. This guidance prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. The Association has no tax penalties or interest reported in the accompanying financial statements. Tax years that remain open for examination include years ended June 30, 2010 through June 30, 2013.

MENTAL HEALTH ASSOCIATION OF MIDDLE TENNESSEE
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2013 and 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

The Association evaluated subsequent events through November 15, 2013, when these financial statements were available to be issued. The Association is not aware of any significant events that occurred subsequent to the statement of financial condition date but prior to the filing of this report that would have a material impact on the financial statements.

NOTE 2 – GRANTS RECEIVABLE

Funds received from the State of Tennessee Department of Mental Health and Developmental Disabilities are to be used for the general support of the following programs:

Tennessee Suicide Prevention Network (“TSPN”), a statewide program designed to provide resources for the community to identify suicide warning signs.

Tennessee Lives Count (“TLC”), a program designed to educate the public in identifying youth that are considered to be high risk for suicide.

Erasing the Stigma (“ETS”), a program designed to educate the public about mental illness and eliminate the stigma associated with it.

Tennessee Commission on Aging, a program designed to provide information and services to caregivers of persons with dementia.

Funds received from the Greater Nashville Regional Council are to be used for the general support of the In-Home Education program, which provides education to caregivers and families of persons with alzheimer’s disease or related dementia. Grants receivable consist of the following at June 30:

	<u>2013</u>	<u>2012</u>
State of Tennessee – TSPN	\$ 54,094	\$ 46,002
State of Tennessee – TLC	67,850	30,684
State of Tennessee – ETS	31,109	29,251
Tennessee Commission on Aging	16,210	36,338
Greater Nashville Regional Council – In-Home Educational program	<u>350</u>	<u>1,400</u>
	<u><u>\$ 169,613</u></u>	<u><u>\$ 143,675</u></u>

MENTAL HEALTH ASSOCIATION OF MIDDLE TENNESSEE
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2013 and 2012

NOTE 3 – UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give consist of the following at June 30:

	<u>2013</u>	<u>2012</u>
United Way grants, receivables due in less than one year	\$ 8,728	\$ 8,525
Baptist Healing Trust	<u>14,440</u>	<u>-</u>
	<u><u>\$ 23,168</u></u>	<u><u>\$ 8,525</u></u>

NOTE 4 – INVESTMENTS

Investments as of June 30, 2013 and 2012 consist of short-term money market funds. The following schedule summarizes investment return for the years ended June 30:

	<u>2013</u>	<u>2012</u>
Interest and dividends	\$ 449	\$ 197
	<u><u>\$ 449</u></u>	<u><u>\$ 197</u></u>

NOTE 5 – DEFERRED REVENUE

The Association has entered into license agreements with other organizations whereby the I. C. Hope costume, puppet, trademarks and other branded products can be used in exchange for the payment of licensing fees. These license agreements have an initial term of five years. Upon completion of the five year terms and annually on the date of the contracts, the agreements may be extended for one year terms. A portion of the revenue earned under the license agreements is deferred and recognized over the life of the agreement. The remaining proceeds received for the I. C. Hope costume, puppet and educational program related materials are recognized when received. (Additional educational materials may be provided any time throughout the term of the agreement. Proceeds for those materials are also recognized when received.) Licenses and product revenue totaled \$3,137 and \$4,811 for the years ended June 30, 2013 and 2012, respectively. Deferred revenue under these license agreements amounted to \$523 and \$3,659 at June 30, 2013 and 2012, respectively.

NOTE 6 – RESTRICTIONS ON NET ASSETS

Board designated net assets are available for the following purposes or periods at June 30:

	<u>2013</u>	<u>2012</u>
Fundraising dinner proceeds designated for future periods	<u><u>\$ -</u></u>	<u><u>\$ 93,453</u></u>

MENTAL HEALTH ASSOCIATION OF MIDDLE TENNESSEE
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2013 and 2012

NOTE 6 – RESTRICTIONS ON NET ASSETS (Continued)

During fiscal 2012, the Association held its biennial Massey fundraising dinner. The Association budgets for the net proceeds of the dinner to be utilized over two fiscal years. As a result, half of the net proceeds received from the dinner were designated for fiscal year 2013. The following is a summary of fundraising contributions received and expenses incurred during 2012 for the Massey fundraising dinner.

Contributions	\$ 245,570
Expenses	<u>(58,665)</u>
Net proceeds	<u>\$ 186,905</u>

Temporarily restricted net assets are available for the following purposes or periods at June 30:

	<u>2013</u>	<u>2012</u>
Baptist Healing Trust	\$ 14,440	\$ -
United Way grants and designations	8,728	8,525
Frist Technology Grant	<u>2,858</u>	<u>-</u>
	<u>\$ 26,026</u>	<u>\$ 8,525</u>

NOTE 7 – IN-KIND CONTRIBUTIONS

In-kind contributions that are usable for program services, fundraising, support of management and general functions are recorded at their fair values in the period received. In-kind contributions consist of the following at June 30:

	<u>2013</u>	<u>2012</u>
Donated auction items and other	<u>\$ 71,788</u>	<u>\$ 64,630</u>

NOTE 8 – OPERATING LEASE COMMITMENTS

During February 2010, the Association entered into a five-year lease agreement for office space. The lease requires monthly lease payments beginning July 2010 in the amount of \$2,803, increasing 8% annually.

Rent expense under operating leases for the years ended June 30, 2013 and 2012 was \$62,283 and \$57,842, respectively.

MENTAL HEALTH ASSOCIATION OF MIDDLE TENNESSEE
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2013 and 2012

NOTE 8 – OPERATING LEASE COMMITMENTS (Continued)

Future minimum lease payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2013 are as follows:

Year ended <u>June 30,</u>	
2014	\$ 48,708
2015	43,053
2016	-
2017	-
2018	-
Thereafter	<u>-</u>
	<u><u>\$ 91,761</u></u>

NOTE 9 – EMPLOYEE BENEFIT PLAN

The Association has a tax deferred annuity plan covering employees who have reached age 21, have been employed for one year, and work at least thirty hours per week. Total contributions made to the plan were \$19,717 and \$9,053 for the years ended June 30, 2013 and 2012, respectively.

NOTE 10 – CONCENTRATIONS

The Association receives a substantial amount of its support from government grants and contracts. A significant reduction in the level of this support, if this were to occur, could have a negative effect on the Association's programs and activities. In addition, the funding received by the Association from governmental agencies is subject to audit and retroactive adjustment.

SUPPLEMENTAL INFORMATION

MENTAL HEALTH ASSOCIATION OF MIDDLE TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the year ended June 30, 2013

	CFDA No.	Passthrough Grantor's Number	Balance Receivable June 30, 2012	Cash Receipts	Expenditures	Balance Receivable June 30, 2013
Federal Awards:						
U.S. Dept. of Health & Human Services						
Community Mental Health Program						
<i>Pass-through from Tennessee Department of Mental Health and Developmental Disabilities*</i>	93.243	GR-12-36097	\$ 30,684	\$ 30,684	\$ -	\$ -
<i>Pass-through from Tennessee Department of Mental Health and Developmental Disabilities*</i>	93.243	GR-13-39010	-	205,871	273,721	67,850
Total CFDA 93.243			30,684	236,555	273,721	67,850
Prevention and Treatment of Substance Abuse						
<i>Pass-through from Tennessee Department of Mental Health and Substance Abuse Services*</i>	93.959	GR-13-138558	-	60,852	80,000	19,148
Special Programs for the Aging, Title III Part B, Grants for Supportive Services and Senior Centers						
<i>Pass-through from Greater Nashville Regional Council*</i>	93.044	2011-2012	1,400	1,400	-	-
<i>Pass-through from Greater Nashville Regional Council*</i>	93.044	2012-2013	-	3,150	3,500	350
Total CFDA 93.044			1,400	4,550	3,500	350
Total Federal Awards			32,084	301,957	357,221	87,348

MENTAL HEALTH ASSOCIATION OF MIDDLE TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (Continued)
For the year ended June 30, 2013

	CFDA No.	Passthrough Grantor's Number	Balance Receivable June 30, 2012	Cash Receipts	Expenditures	Balance Receivable June 30, 2013
State Awards:						
Tennessee Department of Mental Health and Developmental Disabilities						
<i>Tennessee Suicide Prevention Network (TSPN)</i>	N/A	GR-12-36391	46,002	46,002	-	-
<i>Erase the Stigma (ETS)</i>	N/A	GR-12-36369	29,251	29,251	-	-
<i>Erase the Stigma (ETS)</i>	N/A	33901-12313	-	78,891	110,000	31,109
Tennessee Department of Mental Health and Substance Abuse Services						
<i>Tennessee Suicide Prevention Network (TSPN)#</i>	93.959	GR-13-38558	-	111,054	146,000	34,946
Tennessee Commission on Aging and Disability						
<i>Pass-through from Tennessee Commission on Aging and Disability ^</i>	93.051	GR-12-37015	36,338	36,338	-	-
<i>Pass-through from Tennessee Commission on Aging and Disability ^</i>	93.051	GR-12-37015	-	18,160	34,370	16,210
Total CFDA 93.051			36,338	54,498	34,370	16,210
Total State Awards			111,591	319,696	290,370	82,265
Total Federal and State Awards			\$ 143,675	\$ 621,653	\$ 647,591	\$ 169,613

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

Note 1 - Basis of Accounting - The Supplementary Schedule of Expenditures of Federal and State Awards is prepared on the accrual basis of accounting.

* Grant represents pass-through federal funds

^ The Organization is considered a vendor under this contract.

Represents state's portion of grant



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT
AUDITING STANDARDS***

To the Board of Directors of
Mental Health Association of Middle Tennessee
Nashville, Tennessee

We have audited, in accordance with the 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 Mental Health Association of Middle Tennessee (the "Association") (a nonprofit organization), which comprise the statement of financial position as of June 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 November 15, 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 Organization's internal control.

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

Our consideration of the internal control 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify the following deficiency in internal control, in the following paragraph, in internal control over financial reporting that we consider to be a significant deficiency.

Financial Reporting

The Committee of Sponsoring Organizations framework for effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the audited financial statements. Through our fiscal year 2013 audit procedures, we recorded material adjustments to the Association's internal accounting records in order to present them in accordance with generally accepted accounting principles. This condition is a repeat finding from 2012.

Management response:

We concur with the finding and will have an objective of no audit adjustments for fiscal year 2014.

Compliance and Other Matters

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

The Association's Response to Findings

The Association's response to the finding identified in our audit is described previously. The Association's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

Frasier, Dean & Howard, PLLC

Frasier, Dean & Howard, PLLC

Nashville, Tennessee

November 15, 2013