

**MENTAL HEALTH ASSOCIATION
OF MIDDLE TENNESSEE**

FINANCIAL STATEMENTS

June 30, 2010 and 2009

MENTAL HEALTH ASSOCIATION OF MIDDLE TENNESSEE

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Mental Health Association of Middle Tennessee
Nashville, Tennessee

We have audited the accompanying statements of financial position of Mental Health Association of Middle Tennessee (a nonprofit organization) as of June 30, 2010 and 2009, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Association's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2010 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 the 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.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements of Mental Health Association of Middle Tennessee taken 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Frasier, Dem + Harold PLLC

September 20, 2010

MENTAL HEALTH ASSOCIATION OF MIDDLE TENNESSEE
STATEMENTS OF FINANCIAL POSITION
June 30, 2010 and 2009

Assets			
		2010	2009
Current assets:			
Cash and cash equivalents	\$	287,618	\$ 71,310
Grants receivable (note 2)		82,432	125,442
Other receivables, net		30,359	8,135
Unconditional promises to give, net (note 3)		5,398	7,624
Prepaid expenses and other		29,255	20,737
Investments (note 4)		5,041	5,041
		<u>440,103</u>	<u>238,289</u>
Total current assets			
Other, net		<u>818</u>	<u>818</u>
Equipment, furniture and improvements		219,453	394,658
Less: accumulated depreciation		<u>(215,625)</u>	<u>(384,073)</u>
Net equipment, furniture and improvements		<u>3,828</u>	<u>10,585</u>
Total assets	\$	<u><u>444,749</u></u>	<u><u>\$ 249,692</u></u>

Liabilities and Net Assets

Current liabilities:			
Accounts payable	\$	40,431	\$ 22,395
Accrued expenses		49,880	29,112
Deferred revenue (note 5)		<u>4,220</u>	<u>15,078</u>
Total current liabilities		<u>94,531</u>	<u>66,585</u>
Deferred revenue (note 5)		<u>6,796</u>	<u>6,890</u>
Total liabilities		<u>101,327</u>	<u>73,475</u>
Net assets: (note 6)			
Designated for future periods		91,132	5,000
Other unrestricted		<u>226,892</u>	<u>163,593</u>
Unrestricted		318,024	168,593
Temporarily restricted		<u>25,398</u>	<u>7,624</u>
Total net assets		<u>343,422</u>	<u>176,217</u>
Total liabilities and net assets	\$	<u><u>444,749</u></u>	<u><u>\$ 249,692</u></u>

See accompanying notes.

MENTAL HEALTH ASSOCIATION OF MIDDLE TENNESSEE
STATEMENT OF ACTIVITIES
For the year ended June 30, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and other support:			
Federal and state contracts and grants	\$ 899,999	\$ -	\$ 899,999
Massey fundraising dinner (note 6)	319,036	-	319,036
Jammin' to Beat the Blues fundraiser	173,487	-	173,487
Other grants	141,804	20,000	161,804
In-kind contributions (note 7)	85,629	-	85,629
Contributions	64,051	-	64,051
TSPN Awards Symposium	24,233	-	24,233
United Way	18,358	5,398	23,756
I. C. Hope revenues (note 5)	13,983	-	13,983
Fees and other	5,088	-	5,088
Investment income	1,274	-	1,274
Net assets released from restrictions	7,624	(7,624)	-
	<u>1,754,566</u>	<u>17,774</u>	<u>1,772,340</u>
Total revenue and other support			
Expenses:			
Program services:			
Advocacy services, including in-kind of \$2,000	275,558	-	275,558
Educational services	696,208	-	696,208
Aging services	40,104	-	40,104
Consumer/family issues services	95,835	-	95,835
	<u>1,107,705</u>	<u>-</u>	<u>1,107,705</u>
Total program services			
Support services:			
Management and general, including in-kind of \$349	87,177	-	87,177
Fundraising, including in-kind of \$83,280	410,253	-	410,253
	<u>497,430</u>	<u>-</u>	<u>497,430</u>
Total support services			
	<u>1,605,135</u>	<u>-</u>	<u>1,605,135</u>
Total expenses			
Change in net assets	149,431	17,774	167,205
Net assets, beginning of year	168,593	7,624	176,217
Net assets, end of year	<u>\$ 318,024</u>	<u>\$ 25,398</u>	<u>\$ 343,422</u>

See accompanying notes.

MENTAL HEALTH ASSOCIATION OF MIDDLE TENNESSEE
STATEMENT OF ACTIVITIES
For the year ended June 30, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and other support:			
Federal and state contracts and grants	\$ 1,152,221	\$ -	\$ 1,152,221
Jammin' to Beat the Blues fundraiser	106,047	-	106,047
Other grants	96,557	-	96,557
In-kind contributions (note 7)	78,772	-	78,772
Contributions	52,660	-	52,660
TSPN Awards Symposium	33,795	-	33,795
I. C. Hope revenues (note 5)	27,884	-	27,884
United Way	19,544	7,624	27,168
Fees and other	5,804	-	5,804
Massey fundraising dinner (note 6)	5,000	-	5,000
Investment income	2,846	-	2,846
Net assets released from restrictions	7,624	(7,624)	-
	<u>1,588,754</u>	<u>-</u>	<u>1,588,754</u>
Total revenue and other support			
	<u>1,588,754</u>	<u>-</u>	<u>1,588,754</u>
Expenses:			
Program services:			
Advocacy services	479,982	-	479,982
Educational services	707,487	-	707,487
Aging services, including in-kind of \$3,827	47,784	-	47,784
Consumer/family issues services	92,758	-	92,758
	<u>1,328,011</u>	<u>-</u>	<u>1,328,011</u>
Total program services			
	<u>1,328,011</u>	<u>-</u>	<u>1,328,011</u>
Support services:			
Management and general	197,729	-	197,729
Fundraising, including in-kind of \$74,945	208,139	-	208,139
	<u>405,868</u>	<u>-</u>	<u>405,868</u>
Total support services			
	<u>405,868</u>	<u>-</u>	<u>405,868</u>
Total expenses			
	<u>1,733,879</u>	<u>-</u>	<u>1,733,879</u>
Change in net assets	(145,125)	-	(145,125)
Net assets, beginning of year	<u>313,718</u>	<u>7,624</u>	<u>321,342</u>
Net assets, end of year	<u>\$ 168,593</u>	<u>\$ 7,624</u>	<u>\$ 176,217</u>

See accompanying notes.

**MENTAL HEALTH ASSOCIATION OF MIDDLE TENNESSEE
STATEMENT OF FUNCTIONAL EXPENSES**

For the year ended June 30, 2010

	Program Services					Support Services				Total All Services
	Advocacy Services	Educational Services	Aging Services	Family Issues Services	Consumer/ Services	TOTAL PROGRAM SERVICES	Management and General	Fundraising	SUPPORT SERVICES	
Salaries	\$ 146,833	\$ 322,413	\$ 23,765	\$ 56,304	\$ 549,315	\$ 49,047	\$ 81,994	\$ 131,041	\$ 680,356	
Fundraising expense - events	-	145	-	-	145	-	192,790	192,790	192,935	
Employee benefits	25,020	41,514	2,165	10,453	79,152	6,180	13,021	19,201	98,353	
Travel	1,367	74,507	2,345	3,320	81,539	4,065	456	4,521	86,060	
In-kind expense (note 7)	2,000	-	-	-	2,000	349	83,280	83,629	85,629	
Printing and publications	1,112	75,356	741	385	77,594	172	3,128	3,300	80,894	
Rent	18,072	33,032	2,857	7,065	61,026	7,633	8,118	15,751	76,777	
Payroll taxes	11,884	26,231	1,884	4,215	44,214	3,587	6,241	9,828	54,042	
Equipment rental and maintenance	11,404	23,077	1,294	3,625	39,400	2,113	4,660	6,773	46,173	
Professional fees	20,230	15,029	617	1,590	37,466	5,109	1,754	6,863	44,329	
Telephone	18,010	17,722	1,358	1,930	39,020	863	2,129	2,992	42,012	
Relocation	7,024	14,727	1,210	2,728	25,689	954	3,058	4,012	29,701	
Supplies	2,448	22,194	296	694	25,632	561	1,349	1,910	27,542	
Support to NMHA	3,187	6,029	445	1,018	10,679	422	1,200	1,622	12,301	
Insurance	3,089	5,364	374	812	9,639	467	1,015	1,482	11,121	
Depreciation and amortization	2,075	4,249	45	136	6,505	170	522	692	7,197	
Advertising	1,622	1,717	321	922	4,582	545	841	1,386	5,968	
Consulting and contracts	-	5,000	-	-	5,000	-	-	-	5,000	
Mental Health University	-	4,535	-	-	4,535	-	-	-	4,535	
Miscellaneous	-	-	-	-	-	2,339	1,527	3,866	3,866	
Postage	100	851	376	512	1,839	91	1,435	1,526	3,365	
Dues and memberships	81	933	11	76	1,101	740	315	1,055	2,156	
Licenses and permits	-	600	-	-	600	140	300	440	1,040	
Loss on disposal of asset	-	-	-	-	-	1,123	-	1,123	1,123	
Conferences and meetings	-	-	-	-	-	-	1,120	1,120	1,120	
Cost of goods sold	-	820	-	-	820	-	-	-	820	
Awards and gifts	-	163	-	50	213	390	-	390	603	
Subscriptions	-	-	-	-	-	117	-	117	117	
	\$ 275,558	\$ 696,208	\$ 40,104	\$ 95,835	\$ 1,107,705	\$ 87,177	\$ 410,253	\$ 497,430	\$ 1,605,135	

See accompanying notes.

MENTAL HEALTH ASSOCIATION OF MIDDLE TENNESSEE
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2009

	Program Services				Support Services			
	Advocacy Services	Educational Services	Aging Services	Consumer/ Family Issues Services	TOTAL PROGRAM SERVICES	Management and General	Fundraising	TOTAL SUPPORT SERVICES
Salaries	\$ 284,618	\$ 289,324	\$ 25,799	\$ 58,166	\$ 657,907	\$ 118,997	\$ 31,690	\$ 150,687
Employee benefits	57,465	48,297	3,242	11,699	120,703	17,374	6,999	24,373
Printing and publications	1,459	115,684	643	242	118,028	954	1,179	2,133
In-kind expense (note 7)	-	-	3,827	-	3,827	-	74,945	74,945
Rent	30,245	23,166	2,086	5,209	60,706	9,932	4,131	14,063
Travel	6,203	48,271	4,224	2,837	61,535	1,242	373	1,615
Payroll taxes	21,634	22,361	2,009	4,196	50,200	10,590	2,390	12,980
Fundraising expense - events	-	-	-	-	-	500	57,277	57,777
Equipment rental and maintenance	21,822	17,753	1,394	2,837	43,806	5,356	3,101	8,457
Conferences and meetings	2,258	44,748	486	405	47,897	3,428	268	3,696
Telephone	21,308	16,368	1,425	1,890	40,991	3,731	1,682	5,413
Consulting and contracts	2,624	19,517	181	362	22,684	10,898	9,474	20,372
Professional fees	9,238	9,809	366	925	20,338	5,792	10,104	15,896
Depreciation and amortization	9,551	14,186	127	1,001	24,865	983	1,602	2,585
Supplies	1,585	12,931	253	336	15,105	1,127	818	1,945
Cost of goods sold	-	11,172	-	-	11,172	-	-	-
Insurance	3,928	3,857	223	648	8,656	968	327	1,295
Advertising	3,201	1,264	889	574	5,928	932	292	1,224
Support to NMHA	2,611	2,252	156	395	5,414	517	221	738
Miscellaneous	-	2,712	-	705	3,417	1,708	300	2,008
Postage	232	1,986	413	176	2,807	361	966	1,327
Dues and memberships	-	849	-	55	904	1,129	-	1,129
Awards and gifts	-	295	41	100	436	1,082	-	1,082
Honorarium	-	403	-	-	403	-	-	-
Subscriptions	-	282	-	-	282	128	-	128
	<u>\$ 479,982</u>	<u>\$ 707,487</u>	<u>\$ 47,784</u>	<u>\$ 92,758</u>	<u>\$ 1,328,011</u>	<u>\$ 197,729</u>	<u>\$ 208,139</u>	<u>\$ 405,868</u>
								<u>\$ 1,733,879</u>

See accompanying notes.

MENTAL HEALTH ASSOCIATION OF MIDDLE TENNESSEE
STATEMENTS OF CASH FLOWS
For the years ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Change in net assets	\$ 167,205	\$ (145,125)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	7,197	27,450
Loss on disposal of fixed assets	1,123	-
Realized and unrealized loss on investments	-	(2,170)
Changes in current assets and liabilities:		
Receivable from grantor agencies	43,010	42,227
Other receivables	(22,224)	(2,816)
Unconditional promises to give	2,226	-
Prepaid expenses and other	(8,518)	19,015
Accounts payable	18,036	(23,505)
Accrued expenses	20,768	(3,526)
Deferred revenue	(10,952)	(41,057)
Net cash provided by (used in) operating activities	<u>217,871</u>	<u>(129,507)</u>
Cash flows from investing activities:		
Purchase of fixed assets	(1,563)	(6,861)
Redemption of investments	-	112,500
Purchase of investments	-	(39,891)
Net cash (used in) provided by investing activities	<u>(1,563)</u>	<u>65,748</u>
Change in cash and cash equivalents	216,308	(63,759)
Cash and cash equivalents, beginning of year	<u>71,310</u>	<u>135,069</u>
Cash and cash equivalents, end of year	<u><u>\$ 287,618</u></u>	<u><u>\$ 71,310</u></u>

See accompanying notes.

MENTAL HEALTH ASSOCIATION OF MIDDLE TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009

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.

Accounting Standards Codification

The Financial Accounting Standards Board ("FASB ASC") became the sole authoritative source of generally accepted accounting principles in the United States of America for periods ending after September 15, 2009. The FASB ASC incorporates all authoritative literature previously issued by a standard setter. Adoption of the FASB ASC has no effect on the Association's financial statements.

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 FASB ASC Topic 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 statement 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, 2010 and 2009.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

MENTAL HEALTH ASSOCIATION OF MIDDLE TENNESSEE
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2010 and 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Unconditional Promises to Give

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.

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, 2010 and 2009, 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 statement 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. No amounts have been recognized in the accompanying statement of activities because the criteria for recognition of such volunteer effort under generally accepted accounting principles has not been satisfied. In-kind donations during the years ended June 30, 2010 and 2009 were \$85,629 and \$78,772, respectively.

MENTAL HEALTH ASSOCIATION OF MIDDLE TENNESSEE
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2010 and 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 \$248,706 and \$67,413 at June 30, 2010 and 2009, respectively, within the Association's investment portfolio.

Furniture and Equipment

The Association capitalizes assets over \$1,000 and records them at cost or fair market value at 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 and Baptist Healing Trust grant prepayments. The I.C. Hope licensing agreements are for five-year periods expiring at various times through 2011. Proceeds received for the licensing agreements are being amortized over the five-year period of the agreements. The Baptist Healing Trust grant prepayments were recognized as income during fiscal years 2010 and 2009.

Advertising

Advertising costs are charged to expense as incurred. Advertising expense totaled \$5,968 and \$7,152 for the years ended June 30, 2010 and 2009, 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.

On January 1, 2009 the Association adopted FASB ASC guidance clarifying the accounting for uncertainty in income taxes recognized in an enterprise's financial statements. This interpretation 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

MENTAL HEALTH ASSOCIATION OF MIDDLE TENNESSEE
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2010 and 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued)

of being realized upon ultimate settlement. This guidance must be applied to all existing tax positions upon initial adoption. Adoption of this pronouncement had no impact on the financial position or results of operations. Tax years that remain open for examination include years ended June 30, 2008 through June 30, 2010. There are no tax penalties or interest reported in the accompanying financial statements.

Subsequent Events

The Association evaluated subsequent events through September 20, 2010, when these financial statements were available to be issued. The Association is not aware of any significant events that occurred subsequent to the balance sheet 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 Finance and Administration are to be used for the general support and management of TennCare Partners Advocacy Line (“TPAL”), which is a telephone network designed to provide information and advocacy regarding mental health issues.

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:

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

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

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

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>2010</u>	<u>2009</u>
State of Tennessee – TLC	\$ 33,875	\$ 43,502
State of Tennessee – TPAL	24,271	25,112
State of Tennessee – TSPN	8,461	25,191

MENTAL HEALTH ASSOCIATION OF MIDDLE TENNESSEE
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2010 and 2009

NOTE 2 – GRANTS RECEIVABLE (Continued)

	<u>2010</u>	<u>2009</u>
State of Tennessee – ETS	15,700	30,512
Greater Nashville Regional Council – In-Home Educational program	<u>125</u>	<u>1,125</u>
	<u>\$ 82,432</u>	<u>\$ 125,442</u>

NOTE 3 – UNCONDITIONAL PROMISES TO GIVE

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

	<u>2010</u>	<u>2009</u>
United Way grants, receivables due in less than one year	<u>\$ 5,398</u>	<u>\$ 7,624</u>

NOTE 4 – INVESTMENTS

Investments as of June 30, 2010 and 2009 consist of short-term money market funds. The following schedule summarizes investment return for the years ended June 30:

	<u>2010</u>	<u>2009</u>
Interest and dividends	\$ 1,274	\$ 676
Realized and unrealized gains and losses, net	<u>-</u>	<u>2,170</u>
	<u>\$ 1,274</u>	<u>\$ (2,846)</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 \$13,983 and \$27,884 for the years ended June 30, 2010 and 2009, respectively. Deferred revenue under these license agreements amounted to \$11,016 and \$14,446 at June 30, 2010 and 2009, respectively.

MENTAL HEALTH ASSOCIATION OF MIDDLE TENNESSEE
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2010 and 2009

NOTE 6 – RESTRICTIONS ON NET ASSETS

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

	<u>2010</u>	<u>2009</u>
Fundraising dinner proceeds designated for future periods	\$ <u>91,132</u>	\$ <u>5,000</u>

During fiscal 2010, 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 2011. The following is a summary of fundraising contributions received and expenses incurred during 2010 for the Massey fundraising dinner.

Contributions	\$ 319,036
Expenses	<u>(136,772)</u>
Net proceeds	<u>\$ 182,264</u>

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

	<u>2010</u>	<u>2009</u>
United Way grants and designations	\$ 5,398	\$ 7,624
Hispanic Outreach Program	<u>20,000</u>	<u>-</u>
	<u>\$ 25,398</u>	<u>\$,624</u>

NOTE 7 – IN-KIND CONTRIBUTIONS

In-kind contributions consist of the following at June 30:

	<u>2010</u>	<u>2009</u>
Donated auction items and other	\$ <u>85,629</u>	\$ <u>78,772</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.

MENTAL HEALTH ASSOCIATION OF MIDDLE TENNESSEE
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2010 and 2009

NOTE 8 – OPERATING LEASE COMMITMENTS (Continued)

Rent expense under operating leases for the years ended June 30, 2010 and 2009 was \$76,777 and \$74,769, respectively. 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, 2010 are as follows:

<u>Year ended</u> <u>June 30,</u>	
2011	\$ 54,379
2012	56,505
2013	46,630
2014	43,920
2015	40,260
Thereafter	<u>-</u>
	<u>\$ 241,694</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 \$5,704 and \$22,875 for the years ended June 30, 2010 and 2009, 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.

NOTE 11 – CHARITABLE TRUST

The Association has been named as beneficiary of a trust. Under the terms of the trust agreement, the Association is to receive a charitable contribution annually from the trust for a ten-year period. Each year's contribution will be based on the fair value of the trust as determined annually each December 31. Amounts received and recorded as contribution revenue during the years ended June 30, 2010 and 2009 amounted to \$11,884 and \$18,007, respectively. Contributions from the trust for future periods will be recorded as revenue when received.

SUPPLEMENTAL INFORMATION

**MENTAL HEALTH ASSOCIATION OF MIDDLE TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**

For the year ended June 30, 2010

	CFDA No.	Pass through Grantor's Number	Balance Receivable June 30, 2009	Cash Receipts	Expenditures	Balance Receivable June 30, 2010
Federal Awards:						
U.S. Dept. of Health & Human Services						
Community Mental Health Program						
	93.243	GR-09-27382-00	\$ 39,961	\$ 39,961	\$ -	\$ -
	93.243	GR-09-27382-00	-	310,616	344,491	33,875
	93.243	GR-06-17678-08	3,541	3,541	-	-
Special Programs for the Aging, Title III Part B, Grants for Supportive Services and Senior Centers*						
	93.044	2008-2009	1,125	1,125	-	-
	93.044	2009-2010	-	3,625	3,750	125
Medical Assistance Program *						
	93.778	GR-07-18058-03	12,556	12,556	-	-
	93.778	GR-07-18058-04	-	129,008	141,144	12,136
Total Federal Awards			\$ 57,183	\$ 500,432	\$ 489,385	\$ 46,136

**MENTAL HEALTH ASSOCIATION OF MIDDLE TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (Continued)**

For the year ended June 30, 2010

CFDA No.	Pass through Grantor's Number	Balance Receivable June 30, 2009	Cash		Expenditures	Balance Receivable June 30, 2010
			Receipts	Receipts		
State Awards:						
Tennessee Department of Mental Health and Developmental Disabilities						
	GR-08-24883-00	\$ 25,191	\$ 25,191	\$ -	\$ -	-
	10991-GR1029168	-	132,852	141,312	8,460	8,460
Cultural and Linguistic Cooperative Agreement (CDC)						
	GR-09-24856-00	5,929	5,929	-	-	-
	10990-GR1029167	-	33,437	37,571	4,134	4,134
Erase the Stigma (ETS)						
	GR-09-24835-00	24,583	24,583	-	-	-
Erase the Stigma (ETS)						
	11221-GR1029394	-	79,021	90,587	11,566	11,566
Medical Assistance Program*						
Pass-through from the Tennessee Department of Finance and Administration, Bureau of TennCare #						
	GR-0718058-03	12,556	12,556	-	-	-
Pass-through from the Tennessee Department of Finance and Administration, Bureau of TennCare #						
	GR-0718058-04	-	129,068	141,144	12,136	12,136
Total State Awards						
		68,259	442,637	410,614	36,296	36,296
Total Federal and State Awards						
		\$ 125,442	\$ 943,069	\$ 899,999	\$ 82,432	\$ 82,432

NOTES TO THE SCHEDULE 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.

Represents State's portion of grant.

* Grant represents pass-through federal funds



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**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***

The Board of Directors
Mental Health Association of Middle Tennessee
Nashville, Tennessee

We have audited the financial statements of Mental Health Association of Middle Tennessee (a nonprofit organization) as of and for the year ended June 30, 2010, and have issued our report thereon dated September 20, 2010. We conducted our audit 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Mental Health Association of Middle Tennessee's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Mental Health Association of Middle Tennessee's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mental Health Association of Middle Tennessee'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*.

This report is intended solely for the information and use of the board of directors, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Fraser, Dem & Hamel, PLLC

September 20, 2010