

**MENTAL HEALTH ASSOCIATION
OF MIDDLE TENNESSEE**

FINANCIAL STATEMENTS

June 30, 2009 and 2008

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 ("the Association") (a nonprofit organization) as of June 30, 2009 and 2008, 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, 2009 and 2008, 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 November 11, 2009, 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 audit was 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 as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 Dean & Howard, PLLC

November 11, 2009

MENTAL HEALTH ASSOCIATION OF MIDDLE TENNESSEE
STATEMENTS OF FINANCIAL POSITION
June 30, 2009 and 2008

	Assets	
	2009	2008
Current assets:		
Cash and cash equivalents	\$ 71,310	\$ 135,069
Receivable from grantor agencies, net (note 2)	125,442	167,669
Other receivables, net	8,135	5,319
Unconditional promises to give, net (note 3)	7,624	7,624
Prepaid expenses and other	20,737	39,752
Investments (note 4)	5,041	75,480
Total current assets	<u>238,289</u>	<u>430,913</u>
Other, net	<u>818</u>	<u>818</u>
Equipment, furniture and improvements	394,658	389,002
Less: accumulated depreciation	<u>(384,073)</u>	<u>(357,828)</u>
Net equipment, furniture and improvements	<u>10,585</u>	<u>31,174</u>
Total assets	<u><u>\$ 249,692</u></u>	<u><u>\$ 462,905</u></u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 22,395	\$ 45,900
Accrued expenses	29,112	32,638
Deferred revenue (note 5)	<u>15,078</u>	<u>55,929</u>
Total current liabilities	<u>66,585</u>	<u>134,467</u>
Deferred revenue (note 5)	<u>6,890</u>	<u>7,096</u>
Total liabilities	<u>73,475</u>	<u>141,563</u>
Net assets: (note 6)		
Designated for future periods	5,000	31,959
Other unrestricted	<u>163,593</u>	<u>281,759</u>
Unrestricted	168,593	313,718
Temporarily restricted	<u>7,624</u>	<u>7,624</u>
Total net assets	<u>176,217</u>	<u>321,342</u>
Total liabilities and net assets	<u><u>\$ 249,692</u></u>	<u><u>\$ 462,905</u></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	313,718	7,624	321,342
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 ACTIVITIES
For the year ended June 30, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and other support:			
Federal and state contracts and grants	\$ 1,293,560	\$ -	\$ 1,293,560
Massey fundraising dinner (note 6)	164,728	-	164,728
Contributions	126,165	-	126,165
Other grants	106,289	-	106,289
Jammin' to Beat the Blues fundraiser	97,248	-	97,248
In-kind contributions (note 7)	45,792	-	45,792
Fees and other	15,494	-	15,494
United Way	17,646	7,624	25,270
I. C. Hope revenues (note 5)	20,578	-	20,578
Investment loss	(5,821)	-	(5,821)
Net assets released from restrictions	45,282	(45,282)	-
	<u>1,926,961</u>	<u>(37,658)</u>	<u>1,889,303</u>
Total revenue and other support			
Expenses:			
Program services:			
Advocacy services	593,542	-	593,542
Educational services	694,810	-	694,810
Aging services	35,654	-	35,654
Consumer/family issues services	106,823	-	106,823
	<u>1,430,829</u>	<u>-</u>	<u>1,430,829</u>
Total program services			
Support services:			
Management and general	143,276	-	143,276
Fundraising, including in-kind of \$45,792	373,010	-	373,010
	<u>516,286</u>	<u>-</u>	<u>516,286</u>
Total support services			
Total expenses	<u>1,947,115</u>	<u>-</u>	<u>1,947,115</u>
Change in net assets	(20,154)	(37,658)	(57,812)
Net assets, beginning of year	<u>333,872</u>	<u>45,282</u>	<u>379,154</u>
Net assets, end of year	<u>\$ 313,718</u>	<u>\$ 7,624</u>	<u>\$ 321,342</u>

See accompanying notes.

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

	Program Services				Support Services			Total All Services
	Advocacy Services	Educational Services	Aging Services	Consumer/Family Issues Services	TOTAL PROGRAM SERVICES	Management and General	Fundraising	
Salaries	\$ 284,618	\$ 289,324	\$ 25,799	\$ 58,166	\$ 657,907	\$ 118,997	\$ 31,690	\$ 808,594
Employee benefits	57,465	48,297	3,242	11,699	120,703	17,374	6,999	145,076
Printing and publications	1,459	115,684	643	242	118,028	954	1,179	120,161
In-kind expense (note 7)	-	-	3,827	-	3,827	-	74,945	78,772
Rent	30,245	23,166	2,086	5,209	60,706	9,932	4,131	74,769
Travel	6,203	48,271	4,224	2,837	61,535	1,242	373	63,150
Payroll taxes	21,634	22,361	2,009	4,196	50,200	10,590	2,390	63,180
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	52,263
Conferences and meetings	2,258	44,748	486	405	47,897	3,428	268	51,593
Telephone	21,308	16,368	1,425	1,890	40,991	3,731	1,682	46,404
Consulting and contracts	2,624	19,517	181	362	22,684	10,898	9,474	43,056
Professional fees	9,238	9,809	366	925	20,338	5,792	10,104	36,234
Depreciation and amortization	9,551	14,186	127	1,001	24,865	983	1,602	27,450
Supplies	1,585	12,931	253	336	15,105	1,127	818	17,050
Cost of goods sold	-	11,172	-	-	11,172	-	-	11,172
Insurance	3,928	3,857	223	648	8,656	968	327	9,951
Advertising	3,201	1,264	889	574	5,928	932	292	7,152
Support to NMHA	2,611	2,252	156	395	5,414	517	221	6,152
Miscellaneous	-	2,712	-	705	3,417	1,708	300	5,425
Postage	232	1,986	413	176	2,807	361	966	4,134
Dues and memberships	-	849	-	55	904	1,129	-	2,033
Awards and gifts	-	295	41	100	436	1,082	-	1,518
Honorarium	-	403	-	-	403	-	-	403
Subscriptions	-	282	-	-	282	128	-	410
	<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>\$ 1,733,879</u>

See accompanying notes.

MENTAL HEALTH ASSOCIATION OF MIDDLE TENNESSEE
STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2008

	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	\$ 357,255	\$ 298,959	\$ 18,697	\$ 63,554	\$ 738,465	\$ 80,560	\$ 85,932	\$ 166,492
Fundraising expense - events	-	-	-	-	-	1,592	177,385	178,977
Employee benefits	74,484	56,867	3,116	12,559	147,026	14,369	16,329	30,698
Printing and publications	6,034	107,032	1,764	2,071	116,901	424	2,735	3,159
Travel	10,726	63,441	2,564	1,833	78,564	2,581	178	2,759
Rent	37,384	20,074	2,023	6,199	65,680	4,771	10,657	15,428
Payroll taxes	27,275	23,216	1,423	4,730	56,644	6,793	6,440	13,233
Equipment rental and maintenance	19,704	14,822	1,090	2,856	38,472	3,672	7,766	11,438
In-kind expense (note 7)	-	-	-	-	-	-	45,792	45,792
Telephone	19,261	14,293	961	1,810	36,325	3,818	2,836	6,654
Consulting and contracts	2,349	23,728	133	391	26,601	8,255	677	8,932
Depreciation and amortization	11,251	20,266	540	492	32,549	343	2,480	2,823
Professional fees	7,946	10,433	491	1,417	20,287	5,067	5,532	10,599
Conferences and meetings	2,302	15,644	1,290	5,562	24,798	4,178	1,048	5,226
Supplies	5,308	5,702	302	1,208	12,520	1,142	1,885	3,027
Advertising	2,963	5,571	353	457	9,344	504	792	1,296
Insurance	3,803	3,246	289	638	7,976	748	1,124	1,872
Support to NMHA	3,810	3,207	233	631	7,881	702	1,095	1,797
Postage	821	2,314	166	214	3,515	1,639	1,446	3,085
Dues and memberships	848	1,569	218	201	2,836	529	559	1,088
Miscellaneous	18	1,198	1	-	1,217	877	322	1,199
Cost of goods sold	-	2,063	-	-	2,063	-	-	-
Awards and gifts	-	1,141	-	-	1,141	432	-	432
Subscriptions	-	24	-	-	24	280	-	280
	\$ 593,542	\$ 694,810	\$ 35,654	\$ 106,823	\$1,430,829	\$ 143,276	\$ 373,010	\$ 516,286
								\$1,947,115

See accompanying notes.

MENTAL HEALTH ASSOCIATION OF MIDDLE TENNESSEE
STATEMENTS OF CASH FLOWS
For the years ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Change in net assets	\$ (145,125)	\$ (57,812)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	27,450	35,372
Realized and unrealized (gain) loss on investments	(2,170)	9,125
Non-cash contribution	-	(84,605)
Changes in current assets and liabilities:		
Receivable from grantor agencies	42,227	74,021
Other receivables	(2,816)	13,316
Unconditional promises to give	-	22,658
Prepaid expenses and other	19,015	(3,584)
Other assets	-	(325)
Accounts payable	(23,505)	(16,734)
Accrued expenses	(3,526)	(4,718)
Deferred revenue	(41,057)	26,122
Net cash (used in) provided by operating activities	<u>(129,507)</u>	<u>12,836</u>
Cash flows from investing activities:		
Purchase of fixed assets	(6,861)	(2,524)
Redemption of investments	112,500	25,000
Purchase of investments	(39,891)	-
Net cash provided by investing activities	<u>65,748</u>	<u>22,476</u>
Change in cash and cash equivalents	(63,759)	35,312
Cash and cash equivalents, beginning of year	<u>135,069</u>	<u>99,757</u>
Cash and cash equivalents, end of year	<u>\$ 71,310</u>	<u>\$ 135,069</u>
Supplemental disclosure of non-cash investing and financing activities:		
Donation of stock	<u>\$ -</u>	<u>\$ 84,605</u>

See accompanying notes.

MENTAL HEALTH ASSOCIATION OF MIDDLE TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2009 and 2008

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 the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (“SFAS”) No. 117, *Financial Statements of Not-for-Profit Organizations*. 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, 2009 and 2008.

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, 2009 and 2008

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, 2009 and 2008, respectively. As a result, no allowance for uncollectible amounts has been provided.

Investments

The Association has adopted the provisions of Statement of Financial Accounting Standards ("SFAS") No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. Under SFAS No. 124, 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 Statement of Financial Accounting Standards ("SFAS") No. 116, *Accounting for Contributions Received and Contributions Made*, has not been satisfied. In-kind donations during the years ended June 30, 2009 and 2008 were \$78,772 and \$45,792, respectively.

MENTAL HEALTH ASSOCIATION OF MIDDLE TENNESSEE
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2009 and 2008

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 \$76,351 and \$48,793 at June 30, 2009 and 2008, 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. At June 30, 2008, deferred revenue also included grant prepayments from the State of Tennessee. These prepayments were recognized as revenue during fiscal year 2009. 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 will be recognized as income in the period the services are performed.

Advertising

Advertising costs are charged to expense as incurred. Advertising expense totaled \$7,152 and \$10,640 for the years ended June 30, 2009 and 2008.

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.

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.

MENTAL HEALTH ASSOCIATION OF MIDDLE TENNESSEE
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2009 and 2008

NOTE 2 – GRANTS RECEIVABLE (Continued)

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>2009</u>	<u>2008</u>
State of Tennessee – TLC	\$ 43,502	\$ 58,605
State of Tennessee – TPAL	25,112	56,846
State of Tennessee – TSPN	25,191	25,428
State of Tennessee – ETS	30,512	23,072
Greater Nashville Regional Council – In-Home Educational program	1,125	2,625
Tennessee Commission on Aging	<u>-</u>	<u>1,093</u>
	<u>\$ 125,442</u>	<u>\$ 167,669</u>

NOTE 3 – UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give consist of the following:

	<u>2009</u>	<u>2008</u>
United Way grants, receivables due in less than one year	<u>\$ 7,624</u>	<u>\$ 7,624</u>

MENTAL HEALTH ASSOCIATION OF MIDDLE TENNESSEE
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2009 and 2008

NOTE 4 – INVESTMENTS

Investments as of June 30, 2009 consist of short-term money market funds. Investments as of June 30, 2008 consist of equity investments from a bequest. The following schedule summarizes investment return for the years ended June 30:

	<u>2009</u>	<u>2008</u>
Interest and dividends	\$ 676	\$ 3,304
Realized and unrealized gains and losses, net	<u>2,170</u>	<u>(9,125)</u>
	<u>\$ 2,846</u>	<u>\$ (5,821)</u>

NOTE 5 – LICENSE AGREEMENTS

The Association has entered into license agreements with other organizations whereby the I. C. Hope costume, puppet, trademarks and other branded product 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 \$27,884 and \$20,578 for the years ended June 30, 2009 and 2008, respectively. Deferred revenue under these license agreements amounted to \$14,446 and \$17,380 at June 30, 2009 and 2008, respectively.

NOTE 6 – RESTRICTIONS ON NET ASSETS

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

	<u>2009</u>	<u>2008</u>
Fundraising dinner proceeds designated for future periods	<u>\$ 5,000</u>	<u>\$ 31,959</u>

During fiscal 2008, 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 2009. The following is a summary of fundraising contributions received and expenses incurred during 2008 for the Massey fundraising dinner.

MENTAL HEALTH ASSOCIATION OF MIDDLE TENNESSEE
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2009 and 2008

NOTE 6 – RESTRICTIONS ON NET ASSETS (Continued)

Contributions	\$ 164,728
Expenses	<u>(100,810)</u>
Net proceeds	<u>\$ 63,918</u>

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

	<u>2009</u>	<u>2008</u>
United Way grants and designations	<u>\$ 7,624</u>	<u>\$ 7,624</u>

NOTE 7 – IN-KIND CONTRIBUTIONS

In-kind contributions consist of the following:

	<u>2009</u>	<u>2008</u>
Donated auction items and other	<u>\$ 78,772</u>	<u>\$ 45,792</u>

NOTE 8 – OPERATING LEASE COMMITMENT

The Association is renting its office space under an operating lease agreement. The Association entered into this lease in November 1999 for a 126-month term. Rent expense for the years ended June 30, 2009 and 2008 was \$74,769 and \$81,108, 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, 2009 are as follows:

<u>Year ended</u> <u>June 30</u>	
2010	\$ 81,990
2011	10,560
2012	9,747
2013	-
2014	-
Thereafter	<u>-</u>
	<u>\$ 102,297</u>

MENTAL HEALTH ASSOCIATION OF MIDDLE TENNESSEE
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2009 and 2008

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 \$22,875 and \$40,480 for the years ended June 30, 2009 and 2008, 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, 2009 and 2008 amounted to \$18,007 and \$16,186, 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, 2009

	CFDA No.	Pass through Grantor's Number	Balance Receivable June 30, 2008	Cash Receipts	Expenditures	Balance Receivable June 30, 2009
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>	93.958	GR-09-24883-00	\$ -	\$ 18,000	\$ 18,000	\$ -
<i>Pass-through from Tennessee Department of Mental Health and Developmental Disabilities *</i>	93.958	GR-09-24856-00	-	38,800	38,800	-
<i>Pass-through from Tennessee Department of Mental Health and Developmental Disabilities *</i>	93.243	GR-06-17678-03	58,605	58,605	-	-
<i>Pass-through from Tennessee Department of Mental Health and Developmental Disabilities *</i>	93.243	GR-06-17678-05	-	237,872	241,413	3,541
<i>Pass-through from Tennessee Department of Mental Health and Developmental Disabilities *</i>	93.243	GR-09-27382-00	-	66,742	106,703	39,961
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	2007-08	2,625	2,625	-	-
<i>Pass-through from Greater Nashville Regional Council</i>	93.044	2008-09	-	5,000	6,125	1,125
Administration on Aging						
<i>Pass-through from the Tennessee Commission on Aging and Disability</i>	93.051	GR-08-22363-00	1,093	1,093	-	-
Medical Assistance Program * +						
<i>Pass-through from the Tennessee Department of Finance and Administration, Bureau of TennCare</i>	93.778	GR-07-18058-01	28,423	28,423	-	-
<i>Pass-through from the Tennessee Department of Finance and Administration, Bureau of TennCare</i>	93.778	GR-07-18058-03	-	228,227	240,783	12,556
Total Federal Awards			\$ 90,746	\$ 685,387	\$ 651,824	\$ 57,183

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

For the year ended June 30, 2009

CFDA No.	Pass through Grantor's Number	Balance Receivable June 30, 2008	Cash		Balance Receivable June 30, 2009
			Receipts	Expenditures	
State Awards:					
Community Mental Health Program					

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

+ represents major program



FRASIER, DEAN & HOWARD, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

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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, 2009, and have issued our report thereon dated November 11, 2009. 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 Organization's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the Organization's financial statements that is more than inconsequential will not be prevented or detected by the Organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Organization's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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.

Frazier Deen & Harsh, PLLC

November 11, 2009



FRASIER, DEAN & HOWARD, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

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

Compliance

We have audited the compliance of Mental Health Association of Middle Tennessee (a nonprofit organization) with the types of compliance requirements described in the *U.S. Office of Management and Budget ("OMB") Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. Mental Health Association of Middle Tennessee's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Mental Health Association of Middle Tennessee's management. Our responsibility is to express an opinion on Mental Health Association of Middle Tennessee's compliance based on our audit.

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 Mental Health Association of Middle Tennessee'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. Our audit does not provide a legal determination of Mental Health Association of Middle Tennessee's compliance with those requirements.

In our opinion, Mental Health Association of Middle Tennessee complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of Mental Health Association of Middle Tennessee is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Mental Health Association of Middle Tennessee's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 Mental Health Association of Middle Tennessee's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

This report is intended solely for the information 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.

Frasier Dean & Hand, PLLC

November 11, 2009

MENTAL HEALTH ASSOCIATION OF MIDDLE TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2009

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Mental Health Association of Middle Tennessee
2. No instances of noncompliance material to the financial statements of Mental Health Association of Middle Tennessee were disclosed during the audit.
3. The auditor's report on compliance for the major federal award programs for Mental Health Association of Middle Tennessee expresses an unqualified opinion on all major federal programs.
4. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
5. The programs tested as major programs include:

CFDA Number
93.778

Name of Federal Program or Cluster
Medical Assistance Program (Medicaid: Title XIX)

The threshold for distinguishing Types A and B programs was \$300,000.

6. Mental Health Association of Middle Tennessee qualified as a low-risk auditee.

FINDINGS – FINANCIAL STATEMENTS AUDIT

NONE

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

NONE

MENTAL HEALTH ASSOCIATION OF MIDDLE TENNESSEE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
For the year ended June 30, 2009

NONE