

**MENTAL HEALTH ASSOCIATION
OF MIDDLE TENNESSEE**

FINANCIAL STATEMENTS

June 30, 2015 and 2014

MENTAL HEALTH ASSOCIATION OF MIDDLE TENNESSEE

TABLE OF CONTENTS

Independent Auditor's Report.....	1 – 2
Financial Statements:	
Statements of Financial Position	3
Statements of Activities.....	4 – 5
Statements of Functional Expenses	6 – 7
Statements of Cash Flows	8
Notes to Financial Statements.....	9 – 15
Supplemental Information:	
Schedule of Expenditures of Federal and State Awards.....	16 – 17
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 <i>Government</i> <i>Auditing Standards</i>	18 – 19



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, 2015 and 2014, 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, 2015 and 2014, 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 December 16, 2015, 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, Dan + Hand, PLLC

Nashville, Tennessee
December 16, 2015

MENTAL HEALTH ASSOCIATION OF MIDDLE TENNESSEE
STATEMENTS OF FINANCIAL POSITION
June 30, 2015 and 2014

	Assets	
	2015	2014
Current assets:		
Cash and cash equivalents	\$ 719,108	\$ 568,467
Grants receivable (note 2)	185,666	174,296
Other receivables, net	-	25,800
Unconditional promises to give, net (note 3)	62,000	54,283
Prepaid expenses and other	21,345	7,589
Total current assets	988,119	830,435
Other, net	818	818
Equipment, furniture and improvements	101,235	150,644
Less: accumulated depreciation	(99,385)	(148,194)
Net equipment, furniture and improvements	1,850	2,450
Total assets	<u>\$ 990,787</u>	<u>\$ 833,703</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 37,583	\$ 20,188
Accrued expenses	11,244	24,987
Deferred revenue (note 4)	5,678	2,590
Total current liabilities	54,505	47,765
Deferred revenue (note 4)	2,600	8,288
Total liabilities	<u>57,105</u>	<u>56,053</u>
Net assets: (note 5)		
Unrestricted:		
Board designated for future periods	-	68,697
Other unrestricted	812,824	626,812
Total unrestricted	812,824	695,509
Temporarily restricted	120,858	82,141
Total net assets	<u>933,682</u>	<u>777,650</u>
Total liabilities and net assets	<u>\$ 990,787</u>	<u>\$ 833,703</u>

See accompanying notes.

MENTAL HEALTH ASSOCIATION OF MIDDLE TENNESSEE
STATEMENT OF ACTIVITIES
For the year ended June 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and other support:			
Federal and state contracts and grants	\$ 600,924	\$ -	\$ 600,924
Jammin' to Beat the Blues fundraiser	186,388	-	186,388
Other grants	137,000	25,000	162,000
Contributions	79,177	-	79,177
TSPN Awards Symposium	63,303	-	63,303
In-kind contributions (note 6)	58,520	-	58,520
Fees and other	53,888	-	53,888
United Way	6,322	37,000	43,322
Brunchin' to Beat the Blues fundraiser	34,448		34,448
Massey Dinner fundraiser	-	31,000	31,000
Other special events	12,935	-	12,935
I. C. Hope revenues (note 4)	7,230	-	7,230
Investment income	531	-	531
Net assets released from restrictions	54,283	(54,283)	-
	<u>1,294,949</u>	<u>38,717</u>	<u>1,333,666</u>
Total revenue and other support			
Expenses:			
Program services:			
Educational services	584,315	-	584,315
Consumer/family issues services	127,034	-	127,034
Aging services	80,248	-	80,248
	<u>791,597</u>	<u>-</u>	<u>791,597</u>
Total program services			
Support services:			
Fundraising, including in-kind of \$58,520	228,461	-	228,461
Management and general	157,576	-	157,576
	<u>386,037</u>	<u>-</u>	<u>386,037</u>
Total support services			
Total expenses	<u>1,177,634</u>	<u>-</u>	<u>1,177,634</u>
Change in net assets	117,315	38,717	156,032
Net assets, beginning of year	<u>695,509</u>	<u>82,141</u>	<u>777,650</u>
Net assets, end of year	<u>\$ 812,824</u>	<u>\$ 120,858</u>	<u>\$ 933,682</u>

See accompanying notes.

MENTAL HEALTH ASSOCIATION OF MIDDLE TENNESSEE
STATEMENT OF ACTIVITIES
For the year ended June 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and other support:			
Federal and state contracts and grants	\$ 625,353	\$ -	\$ 625,353
Other grants	215,115	40,000	255,115
Massey Dinner fundraiser	207,320	-	207,320
Jammin' to Beat the Blues fundraiser	198,676	-	198,676
In-kind contributions (note 6)	59,584	-	59,584
TSPN Awards Symposium	59,279	-	59,279
Contributions	30,708	-	30,708
United Way	7,963	39,283	47,246
Fees and other	16,264	-	16,264
Other special events	5,885	-	5,885
I. C. Hope revenues (note 4)	2,705	-	2,705
Investment income	629	-	629
Net assets released from restrictions	23,168	(23,168)	-
	<u>1,452,649</u>	<u>56,115</u>	<u>1,508,764</u>
Total revenue and other support			
Expenses:			
Program services:			
Educational services	657,656	-	657,656
Consumer/family issues services	123,915	-	123,915
Aging services	86,760	-	86,760
	<u>868,331</u>	<u>-</u>	<u>868,331</u>
Total program services			
Support services:			
Fundraising, including in-kind of \$59,584	281,062	-	281,062
Management and general	134,006	-	134,006
	<u>415,068</u>	<u>-</u>	<u>415,068</u>
Total support services			
Total expenses	<u>1,283,399</u>	<u>-</u>	<u>1,283,399</u>
Change in net assets	169,250	56,115	225,365
Net assets, beginning of year	<u>526,259</u>	<u>26,026</u>	<u>552,285</u>
Net assets, end of year	<u>\$ 695,509</u>	<u>\$ 82,141</u>	<u>\$ 777,650</u>

See accompanying notes.

MENTAL HEALTH ASSOCIATION OF MIDDLE TENNESSEE
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2015

	Program Services				Support Services			Total
	Educational Services	Consumer/ Family Issues Services	Aging Services	TOTAL PROGRAM SERVICES	Fundraising	Management and General	TOTAL SUPPORT SERVICES	All Services
Salaries	\$ 280,919	\$ 84,170	\$ 49,701	\$ 414,790	\$ 76,479	\$ 91,010	\$ 167,489	\$ 582,279
Travel	88,626	11,145	9,200	108,971	1,271	9,633	10,904	119,875
Employee benefits	45,759	6,021	8,363	60,143	14,077	11,910	25,987	86,130
In-kind expense (note 6)	-	-	-	-	58,520	-	58,520	58,520
Professional fees	36,100	7,838	1,914	45,852	2,167	9,334	11,501	57,353
Printing and publications	52,763	1,426	62	54,251	1,867	659	2,526	56,777
Fundraising expense - Jammin' to Beat the Blues	-	-	-	-	47,940	-	47,940	47,940
Payroll taxes	21,100	6,233	3,665	30,998	5,431	6,981	12,412	43,410
Rent	21,413	4,893	3,510	29,816	5,232	5,095	10,327	40,143
Equipment rental and maintenance	7,287	1,713	971	9,971	2,142	2,301	4,443	14,414
Mental Health University	12,148	-	-	12,148	-	150	150	12,298
Telephone	6,506	925	1,328	8,759	642	672	1,314	10,073
Advocacy	-	22	-	22	-	6,328	6,328	6,350
Supplies	3,581	248	415	4,244	161	1,819	1,980	6,224
Dues and memberships	220	1,130	250	1,600	305	3,245	3,550	5,150
Internet fees	3,939	279	192	4,410	205	487	692	5,102
Meeting	-	-	77	77	-	4,554	4,554	4,631
Insurance	2,346	678	476	3,500	479	604	1,083	4,583
Fundraising expense - Brunchin' to Beat the Blues	-	-	-	-	4,509	-	4,509	4,509
Miscellaneous	41	11	-	52	2,870	1,474	4,344	4,396
Fundraising expense - Runnin' to Beat the Blues	-	-	-	-	3,341	-	3,341	3,341
Postage	567	302	124	993	823	720	1,543	2,536
Cost of educational materials	1,000	-	-	1,000	-	-	-	1,000
Depreciation	-	-	-	-	-	600	600	600
	<u>\$ 584,315</u>	<u>\$ 127,034</u>	<u>\$ 80,248</u>	<u>\$ 791,597</u>	<u>\$ 228,461</u>	<u>\$ 157,576</u>	<u>\$ 386,037</u>	<u>\$ 1,177,634</u>

See accompanying notes.

MENTAL HEALTH ASSOCIATION OF MIDDLE TENNESSEE
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2014

	Program Services				Support Services			Total
	Educational Services	Consumer/ Family Issues Services	Aging Services	TOTAL PROGRAM SERVICES	Fundraising	Management and General	TOTAL SUPPORT SERVICES	All Services
Salaries	\$ 330,246	\$ 78,920	\$ 53,000	\$ 462,166	\$ 67,196	\$ 78,470	\$ 145,666	\$ 607,832
Travel	93,839	7,158	8,534	109,531	1,248	6,588	7,836	117,367
Employee benefits	59,513	12,160	10,999	82,672	12,128	11,141	23,269	105,941
Fundraising expense -								
Massey Dinner	-	-	-	-	69,926	-	69,926	69,926
In-kind expense (note 6)	-	-	-	-	59,584	-	59,584	59,584
Printing and publications	49,457	604	973	51,034	610	152	762	51,796
Professional fees	31,975	6,205	2,165	40,345	4,458	5,287	9,745	50,090
Fundraising expense -								
Jammin' to Beat the Blues	-	-	-	-	48,070	-	48,070	48,070
Payroll taxes	24,661	5,848	3,938	34,447	4,667	5,662	10,329	44,776
Rent	21,899	4,456	3,319	29,674	4,697	-	4,697	34,371
Equipment rental and maintenance	12,143	1,581	816	14,540	2,892	3,939	6,831	21,371
Mental Health University	13,028	-	-	13,028	-	-	-	13,028
Telephone	7,843	1,255	1,453	10,551	586	650	1,236	11,787
Dues and memberships	1,960	930	35	2,925	305	7,587	7,892	10,817
Insurance	3,782	963	694	5,439	602	577	1,179	6,618
Miscellaneous	-	-	-	-	3,016	2,590	5,606	5,606
Supplies	1,833	472	534	2,839	472	1,459	1,931	4,770
Meeting	-	377	-	377	-	3,984	3,984	4,361
Bad debt	-	-	-	-	-	4,323	4,323	4,323
Internet fees	2,535	169	123	2,827	158	216	374	3,201
Advocacy	-	2,676	-	2,676	-	-	-	2,676
Postage	807	141	177	1,125	447	608	1,055	2,180
Cost of educational materials	2,114	-	-	2,114	-	-	-	2,114
Depreciation	21	-	-	21	-	773	773	794
	<u>\$ 657,656</u>	<u>\$ 123,915</u>	<u>\$ 86,760</u>	<u>\$ 868,331</u>	<u>\$ 281,062</u>	<u>\$ 134,006</u>	<u>\$ 415,068</u>	<u>\$ 1,283,399</u>

See accompanying notes.

MENTAL HEALTH ASSOCIATION OF MIDDLE TENNESSEE
STATEMENTS OF CASH FLOWS
For the years ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Change in net assets	\$ 156,032	\$ 225,365
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	600	794
Changes in operating assets and liabilities:		
Grants receivable	(11,370)	(4,683)
Other receivables	25,800	(12,371)
Unconditional promises to give	(12,717)	(31,115)
Prepaid expenses and other	(8,756)	(413)
Accounts payable	17,395	3,013
Accrued expenses	(13,743)	(15,432)
Deferred revenue	(2,600)	10,355
	<u>150,641</u>	<u>175,513</u>
Net cash provided by operating activities		
Cash flows from investing activities:		
Purchase of equipment, furniture and improvements	-	(3,021)
Sale of investments	-	4,991
	<u>-</u>	<u>1,970</u>
Net cash provided by investing activities		
Change in cash and cash equivalents	150,641	177,483
Cash and cash equivalents, beginning of year	<u>568,467</u>	<u>390,984</u>
Cash and cash equivalents, end of year	<u><u>\$ 719,108</u></u>	<u><u>\$ 568,467</u></u>

See accompanying notes.

MENTAL HEALTH ASSOCIATION OF MIDDLE TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

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, 2015 and 2014.

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 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, 2015 and 2014

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, 2015 and 2014. 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, 2015 and 2014. As a result, no allowance for uncollectible amounts has been provided.

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 accounting principles generally accepted in the United States of America 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 \$615,165 and \$440,456 at June 30, 2015 and 2014, respectively..

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 not significant.

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.

MENTAL HEALTH ASSOCIATION OF MIDDLE TENNESSEE
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2015 and 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Revenue

Deferred revenue includes I.C. Hope licensing proceeds received. The Association currently has one I.C. Hope licensing agreement which is for a term of five-years, expiring in fiscal year 2019. Proceeds received from the licensing agreement are being amortized over the five-year period of the agreement (Note 4).

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, 2012 through June 30, 2015.

Subsequent Events

The Association evaluated subsequent events through December 16, 2015, 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 position 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 Substance Abuse Services 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.

MENTAL HEALTH ASSOCIATION OF MIDDLE TENNESSEE
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2015 and 2014

NOTE 2 – GRANTS RECEIVABLE (Continued)

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.

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>2015</u>	<u>2014</u>
State of Tennessee – TSPN	\$ 129,582	\$ 50,300
State of Tennessee – TLC	30,340	95,978
State of Tennessee – ETS	24,869	27,668
Greater Nashville Regional Council – In-Home Education program	<u>875</u>	<u>350</u>
	<u><u>\$ 185,666</u></u>	<u><u>\$ 174,296</u></u>

NOTE 3 – UNCONDITIONAL PROMISES TO GIVE

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

	<u>2015</u>	<u>2014</u>
United Way grants, receivables due in less than one year	\$ 37,000	\$ 39,283
Contributions	<u>25,000</u>	<u>15,000</u>
	<u><u>\$ 62,000</u></u>	<u><u>\$ 54,283</u></u>

MENTAL HEALTH ASSOCIATION OF MIDDLE TENNESSEE
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2015 and 2014

NOTE 4 – 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 \$7,230 and \$2,705 for the years ended June 30, 2015 and 2014, respectively. Deferred revenue under these license agreements amounted to \$8,278 and \$10,878 at June 30, 2015 and 2014, respectively.

NOTE 5 – RESTRICTIONS ON NET ASSETS

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

	<u>2015</u>	<u>2014</u>
Fundraising dinner proceeds		
designated for future periods	\$ <u>-</u>	\$ <u>68,697</u>

During fiscal 2014, 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 2015. The following is a summary of fundraising contributions received and expenses incurred during 2014 for the Massey fundraising dinner.

Contributions	\$ 207,320
Expenses	<u>(69,926)</u>
Net proceeds	<u>\$ 137,394</u>

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

	<u>2015</u>	<u>2014</u>
United Way grants and designations	\$ 37,000	\$ 39,283
Massey Dinner	31,000	-
Frist Technology Grant	27,858	27,858
Baptist Healing Trust	15,000	15,000
Relocation Grant	<u>10,000</u>	<u>-</u>
	<u>\$ 120,858</u>	<u>\$ 82,141</u>

MENTAL HEALTH ASSOCIATION OF MIDDLE TENNESSEE
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2015 and 2014

NOTE 6 – 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>2015</u>	<u>2014</u>
Donated performance fees, auction items, and other	\$ 58,520	\$ 59,584

NOTE 7 – 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. This lease expired in May 2015. Effective September 30, 2015, the Association entered into a new lease agreement for office space. The lease requires monthly lease payments beginning November 2015 in the amount of \$4,657, increasing approximately 3% annually through expiration. The lease expires during October 2020. The Association also maintains various leases for office equipment.

Rent expense under operating leases for the years ended June 30, 2015 and 2014 was \$54,559 and \$55,743, 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, 2015 are as follows:

Year ended <u>June 30,</u>	
2016	\$ 37,260
2017	57,022
2018	58,719
2019	60,472
2020	62,307
Thereafter	<u>20,976</u>
	<u>\$ 296,756</u>

NOTE 8 – 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 \$15,531 and \$19,273 for the years ended June 30, 2015 and 2014, respectively.

MENTAL HEALTH ASSOCIATION OF MIDDLE TENNESSEE
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2015 and 2014

NOTE 9 – 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, 2015

	CFDA No.	Passthrough Grantor's Number	Balance Receivable June 30, 2014	Cash Receipts	Expenditures	Balance Receivable June 30, 2015
Federal Awards:						
U.S. Dept. of Health & Human Services						
Community Mental Health Program						
<i>Pass-through from Tennessee Department of Mental Health and Substance Abuse Services*</i>	93.243	38447	\$ 95,978	\$ 170,005	\$ 74,027	\$ -
<i>Pass-through from Tennessee Department of Mental Health and Substance Abuse Services*</i>	93.243	44786	-	28,132	58,472	30,340
Total CFDA 93.243			95,978	198,137	132,499	30,340
Prevention and Treatment of Substance Abuse						
<i>Pass-through from Tennessee Department of Mental Health and Substance Abuse Services*</i>	93.959	37849	24,666	24,666	-	-
<i>Pass-through from Tennessee Department of Mental Health and Substance Abuse Services*</i>	93.959	42198	-	58,842	90,000	31,158
Total CFDA 93.959			24,666	83,508	90,000	31,158
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	2013-2014	350	350	-	-
<i>Pass-through from Greater Nashville Regional Council*</i>	93.044	2014-2015	-	2,450	3,325	875
Total CFDA 93.044			350	2,800	3,325	875
Department of Health and Human Services, Cooperative Agreements to Implement the National Strategy for Suicide Prevention						
<i>Pass-through from Cooperative Agreements to Implement the National Strategy for Suicide Prevention*</i>	93.764	TARGET	-	9,321	34,100	24,779
Department of Health and Human Services, PPHF Geriatric Education Centers						
<i>Pass-through from Meharry Medical College*</i>	93.969	HRSA	-	10,000	10,000	-
Total Federal Awards			120,994	303,766	269,924	87,152

MENTAL HEALTH ASSOCIATION OF MIDDLE TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (Continued)
For the year ended June 30, 2015

	CFDA No.	Passthrough Grantor's Number	Balance Receivable June 30, 2014	Cash Receipts	Expenditures	Balance Receivable June 30, 2015
State Awards:						
Tennessee Department of Mental Health and Substance Abuse Services						
<i>Erase the Stigma (ETS)</i>	N/A	38119	\$ 27,668	\$ 27,668	\$ -	\$ -
<i>Erase the Stigma (ETS)</i>	N/A	42324	-	85,131	110,000	24,869
<i>Tennessee Suicide Prevention Network (TSPN)#</i>	N/A	37849	25,634	25,634	-	-
<i>Tennessee Suicide Prevention Network (TSPN)#</i>	N/A	42198	-	147,355	221,000	73,645
			<u>53,302</u>	<u>285,788</u>	<u>331,000</u>	<u>98,514</u>
Total State Awards			<u>53,302</u>	<u>285,788</u>	<u>331,000</u>	<u>98,514</u>
Total Federal and State Awards			<u>\$ 174,296</u>	<u>\$ 589,554</u>	<u>\$ 600,924</u>	<u>\$ 185,666</u>

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, 2015, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 16, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Association's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit 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. We did identify the following deficiency, described 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 ("COSO") framework for effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the Association's audited financial statements. The Association currently relies on its independent auditor to assist in making final adjustments to its internal accounting records and prepare its audited financial statements with full disclosures in accordance with generally accepted accounting principles. This condition is a repeat finding from 2014.

Management response:

We concur with the finding and will have an objective of no audit adjustments for fiscal year 2016.

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 findings 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