

**MENTAL HEALTH ASSOCIATION
OF MIDDLE TENNESSEE**

FINANCIAL STATEMENTS

June 30, 2017 and 2016

MENTAL HEALTH ASSOCIATION OF MIDDLE TENNESSEE

TABLE OF CONTENTS

| | |
|--|---------|
| Roster of Board of Directors and Executive Staff | 1 |
| Independent Auditor’s Report..... | 2 – 3 |
| Financial Statements: | |
| Statements of Financial Position | 4 |
| Statements of Activities..... | 5– 6 |
| Statements of Functional Expenses | 7 – 8 |
| Statements of Cash Flows | 9 |
| Notes to Financial Statements..... | 10 – 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 Auditing Standards</i> | 18 – 19 |
| Schedule of Prior Year Findings and Questioned Costs..... | 20 |

**MENTAL HEALTH ASSOCIATION OF MIDDLE TENNESSEE
ROSTER OF BOARD OF DIRECTORS AND EXECUTIVE STAFF
As of June 30, 2017**

Board of Directors

Mary Harkleroad
Matthew Self
Jill Howard
Michele Wisniewski
Matt Smith
Kathryn Mathes
Andrea Turner
Charlotte Wood

Chair
Chair
Vice-Chair
Secretary
Treasurer
Member At Large
Member At Large
Member At Large

Executive Staff

Tom Starling
Jacqueline Cavnar
Courtney Hatfield
Scott Ridgway

Chief Executive Officer
Chief Operating Officer
Director of Finance
TSPN Executive Director



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, 2017 and 2016, 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, 2017 and 2016, 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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal 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 September 5, 2017, 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.

Frazier, Dun & Hand, PLLC

Nashville, Tennessee
September 5, 2017

MENTAL HEALTH ASSOCIATION OF MIDDLE TENNESSEE
STATEMENTS OF FINANCIAL POSITION
June 30, 2017 and 2016

| | Assets | |
|---|---------------------|---------------------|
| | 2017 | 2016 |
| Current assets: | | |
| Cash and cash equivalents | \$ 814,280 | \$ 937,803 |
| Grants receivable (note 2) | 91,210 | 133,734 |
| Unconditional promises to give (note 3) | 41,488 | 77,082 |
| Prepaid expenses and other | 40,959 | 18,747 |
| Inventory | 8,269 | 13,936 |
| Total current assets | 996,206 | 1,181,302 |
| Other, net | 3,797 | 3,797 |
| Equipment, furniture and improvements | 105,371 | 101,235 |
| Less: accumulated depreciation | (100,692) | (100,035) |
| Net equipment, furniture and improvements | 4,679 | 1,200 |
| Total assets | <u>\$ 1,004,682</u> | <u>\$ 1,186,299</u> |
| Liabilities and Net Assets | | |
| Current liabilities: | | |
| Accounts payable | \$ 59,121 | \$ 35,634 |
| Accrued expenses | 32,751 | 25,445 |
| Deferred revenue | 3,178 | 2,600 |
| Total current liabilities | 95,050 | 63,679 |
| Deferred revenue | - | 3,078 |
| Total liabilities | <u>95,050</u> | <u>66,757</u> |
| Net assets: (note 4) | | |
| Unrestricted | 827,565 | 1,027,668 |
| Temporarily restricted | 82,067 | 91,874 |
| Total net assets | <u>909,632</u> | <u>1,119,542</u> |
| Total liabilities and net assets | <u>\$ 1,004,682</u> | <u>\$ 1,186,299</u> |

See accompanying notes.

MENTAL HEALTH ASSOCIATION OF MIDDLE TENNESSEE
STATEMENT OF ACTIVITIES
For the year ended June 30, 2017

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
|--|--------------------------|-----------------------------------|--------------------------|
| Revenue and other support: | | | |
| Federal and state contracts and grants | \$ 796,515 | \$ - | \$ 796,515 |
| Other grants | 109,691 | 43,918 | 153,609 |
| Jammin' to Beat the Blues fundraiser | 117,148 | 1,000 | 118,148 |
| TSPN Awards Symposium | 95,384 | - | 95,384 |
| Fees and other | 48,269 | - | 48,269 |
| Contributions | 41,323 | - | 41,323 |
| In-kind contributions (note 6) | 24,605 | - | 24,605 |
| United Way | 7,634 | 10,000 | 17,634 |
| Other special events | 4,248 | 5,000 | 9,248 |
| I. C. Hope revenues (note 4) | 3,600 | - | 3,600 |
| Investment income | 689 | - | 689 |
| Net assets released from restrictions | <u>69,725</u> | <u>(69,725)</u> | <u>-</u> |
| Total revenue and other support | <u>1,318,831</u> | <u>(9,807)</u> | <u>1,309,024</u> |
| Expenses: | | | |
| Program services: | | | |
| Educational services | 801,012 | - | 801,012 |
| Consumer/family issues services | 182,174 | - | 182,174 |
| Aging services | <u>92,045</u> | <u>-</u> | <u>92,045</u> |
| Total program services | <u>1,075,231</u> | <u>-</u> | <u>1,075,231</u> |
| Support services: | | | |
| Fundraising, including in-kind of \$24,605 | 193,415 | - | 193,415 |
| Management and general | <u>250,288</u> | <u>-</u> | <u>250,288</u> |
| Total support services | <u>443,703</u> | <u>-</u> | <u>443,703</u> |
| Total expenses | <u>1,518,934</u> | <u>-</u> | <u>1,518,934</u> |
| Change in net assets | (200,103) | (9,807) | (209,910) |
| Net assets, beginning of year | <u>1,027,668</u> | <u>91,874</u> | <u>1,119,542</u> |
| Net assets, end of year | <u><u>\$ 827,565</u></u> | <u><u>\$ 82,067</u></u> | <u><u>\$ 909,632</u></u> |

See accompanying notes.

MENTAL HEALTH ASSOCIATION OF MIDDLE TENNESSEE
STATEMENT OF ACTIVITIES
For the year ended June 30, 2016

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
|--|---------------------|-----------------------------------|---------------------|
| Revenue and other support: | | | |
| Federal and state contracts and grants | \$ 944,240 | \$ - | \$ 944,240 |
| Massey Dinner fundraiser | 297,677 | 18,500 | 316,177 |
| Other grants | 251,995 | 2,500 | 254,495 |
| Jammin' to Beat the Blues fundraiser | 162,106 | 10,725 | 172,831 |
| TSPN Awards Symposium | 86,529 | - | 86,529 |
| Fees and other | 36,490 | - | 36,490 |
| Contributions | 31,272 | - | 31,272 |
| In-kind contributions (note 6) | 30,901 | - | 30,901 |
| United Way | 10,508 | 38,000 | 48,508 |
| Other income | 7,486 | - | 7,486 |
| I. C. Hope revenues (note 4) | 6,444 | - | 6,444 |
| Other special events | 3,849 | - | 3,849 |
| Investment income | 722 | - | 722 |
| Net assets released from restrictions | 98,709 | (98,709) | - |
| | <u>1,968,928</u> | <u>(28,984)</u> | <u>1,939,944</u> |
| Total revenue and other support | | | |
| Expenses: | | | |
| Program services: | | | |
| Educational services | 1,000,822 | - | 1,000,822 |
| Consumer/family issues services | 143,017 | - | 143,017 |
| Aging services | 78,079 | - | 78,079 |
| | <u>1,221,918</u> | <u>-</u> | <u>1,221,918</u> |
| Total program services | | | |
| Support services: | | | |
| Fundraising, including in-kind of \$30,901 | 291,673 | - | 291,673 |
| Management and general | 240,493 | - | 240,493 |
| | <u>532,166</u> | <u>-</u> | <u>532,166</u> |
| Total support services | | | |
| Total expenses | <u>1,754,084</u> | <u>-</u> | <u>1,754,084</u> |
| Change in net assets | 214,844 | (28,984) | 185,860 |
| Net assets, beginning of year | <u>812,824</u> | <u>120,858</u> | <u>933,682</u> |
| Net assets, end of year | <u>\$ 1,027,668</u> | <u>\$ 91,874</u> | <u>\$ 1,119,542</u> |

See accompanying notes.

MENTAL HEALTH ASSOCIATION OF MIDDLE TENNESSEE
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2017

| | Program Services | | | | Support Services | | | Total All Services |
|--|-------------------------|--|-------------------|------------------------------|-------------------|---------------------------|------------------------------|--------------------------|
| | Educational Services | Consumer/ Family Issues Services | Aging Services | TOTAL PROGRAM SERVICES | Fundraising | Management and General | TOTAL SUPPORT SERVICES | |
| Salaries | \$ 334,314 | \$ 104,102 | \$ 47,667 | \$ 486,083 | \$ 78,322 | \$ 150,420 | \$ 228,742 | \$ 714,825 |
| Travel | 178,258 | 22,094 | 6,988 | 207,340 | 1,023 | 10,134 | 11,157 | 218,497 |
| Employee benefits | 64,230 | 12,397 | 9,720 | 86,347 | 7,641 | 17,093 | 24,734 | 111,081 |
| Printing and publications | 90,501 | 1,984 | 1,612 | 94,097 | 1,705 | 899 | 2,604 | 96,701 |
| Rent | 39,786 | 8,357 | 5,337 | 53,480 | 9,922 | 10,399 | 20,321 | 73,801 |
| Professional fees | 11,685 | 12,849 | 13,806 | 38,340 | 1,983 | 15,985 | 17,968 | 56,308 |
| Fundraising expense - Jammin' to Beat the Blues | - | - | - | - | 53,798 | - | 53,798 | 53,798 |
| Payroll taxes | 24,275 | 7,815 | 3,537 | 35,627 | 5,611 | 11,083 | 16,694 | 52,321 |
| Equipment rental and maintenance | 14,108 | 2,528 | 1,257 | 17,893 | 3,084 | 4,670 | 7,754 | 25,647 |
| In-kind expense (note 6) | - | - | - | - | 24,605 | - | 24,605 | 24,605 |
| Mental Health University | 17,102 | 600 | - | 17,702 | - | 3,450 | 3,450 | 21,152 |
| Miscellaneous | - | - | - | - | 28 | 10,363 | 10,391 | 10,391 |
| Telephone | 6,434 | 815 | 1,108 | 8,357 | 675 | 787 | 1,462 | 9,819 |
| Insurance | 4,199 | 889 | 491 | 5,579 | 736 | 1,242 | 1,978 | 7,557 |
| Supplies | 2,932 | 1,384 | 215 | 4,531 | 113 | 2,878 | 2,991 | 7,522 |
| Internet fees | 5,456 | 425 | 141 | 6,022 | 504 | 271 | 775 | 6,797 |
| Cost of educational materials | 5,667 | - | - | 5,667 | - | - | - | 5,667 |
| Dues and memberships | 258 | 2,529 | 146 | 2,933 | 200 | 1,587 | 1,787 | 4,720 |
| Meeting | - | - | - | - | - | 4,452 | 4,452 | 4,452 |
| Advocacy | - | 3,000 | - | 3,000 | - | 610 | 610 | 3,610 |
| Staff appreciation | - | 66 | - | 66 | 164 | 2,695 | 2,859 | 2,925 |
| Postage | 1,052 | 40 | 20 | 1,112 | 1,587 | 160 | 1,747 | 2,859 |
| Bank fees | 155 | - | - | 155 | 911 | 767 | 1,678 | 1,833 |
| Licenses and permits | - | 300 | - | 300 | 803 | 296 | 1,099 | 1,399 |
| Depreciation | 600 | - | - | 600 | - | 47 | 47 | 647 |
| | <u>\$ 801,012</u> | <u>\$ 182,174</u> | <u>\$ 92,045</u> | <u>\$ 1,075,231</u> | <u>\$ 193,415</u> | <u>\$ 250,288</u> | <u>\$ 443,703</u> | <u>\$ 1,518,934</u> |

See accompanying notes.

MENTAL HEALTH ASSOCIATION OF MIDDLE TENNESSEE
STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2016

| | 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 | \$ 323,064 | \$ 86,091 | \$ 41,894 | \$ 451,049 | \$ 70,389 | \$ 112,497 | \$ 182,886 | \$ 633,935 |
| Travel | 288,576 | 21,199 | 4,974 | 314,749 | 1,545 | 18,508 | 20,053 | 334,802 |
| Printing and publications | 207,110 | 1,077 | 150 | 208,337 | 495 | 227 | 722 | 209,059 |
| Fundraising expense - | | | | | | | | |
| Massey Dinner | - | - | - | - | 104,263 | - | 104,263 | 104,263 |
| Employee benefits | 62,525 | 5,952 | 7,110 | 75,587 | 12,726 | 13,678 | 26,404 | 101,991 |
| Rent | 32,405 | 6,360 | 4,168 | 42,933 | 8,254 | 8,684 | 16,938 | 59,871 |
| Professional fees | 18,807 | 3,152 | 14,178 | 36,137 | 4,054 | 15,259 | 19,313 | 55,450 |
| Payroll taxes | 23,915 | 6,421 | 3,068 | 33,404 | 5,074 | 8,154 | 13,228 | 46,632 |
| Fundraising expense - | | | | | | | | |
| Jammin' to Beat the Blues | - | - | - | - | 45,855 | - | 45,855 | 45,855 |
| In-kind expense (note 6) | - | - | - | - | 30,901 | - | 30,901 | 30,901 |
| Relocation | - | - | - | - | - | 30,849 | 30,849 | 30,849 |
| Mental Health University | 11,956 | 3,312 | - | 15,268 | - | 4,073 | 4,073 | 19,341 |
| Equipment rental and maintenance | 11,523 | 978 | 263 | 12,764 | 2,283 | 4,009 | 6,292 | 19,056 |
| Telephone | 8,207 | 1,028 | 1,266 | 10,501 | 777 | 1,008 | 1,785 | 12,286 |
| Advocacy | - | 1,785 | - | 1,785 | - | 7,499 | 7,499 | 9,284 |
| Insurance | 4,158 | 884 | 496 | 5,538 | 715 | 921 | 1,636 | 7,174 |
| Staff appreciation | - | - | - | - | - | 5,212 | 5,212 | 5,212 |
| Supplies | 2,398 | 315 | 49 | 2,762 | 79 | 1,887 | 1,966 | 4,728 |
| Internet fees | 3,664 | 272 | 141 | 4,077 | 201 | 299 | 500 | 4,577 |
| Meeting | - | 3,816 | - | 3,816 | - | - | - | 3,816 |
| Bank fees | 17 | - | - | 17 | 2,149 | 992 | 3,141 | 3,158 |
| Mental Health America dues | - | - | - | - | - | 2,750 | 2,750 | 2,750 |
| Postage | 897 | 125 | 37 | 1,059 | 967 | 612 | 1,579 | 2,638 |
| Dues and memberships | - | 250 | 285 | 535 | 396 | 1,092 | 1,488 | 2,023 |
| Bad debt | - | - | - | - | - | 1,500 | 1,500 | 1,500 |
| Cost of educational materials | 1,000 | - | - | 1,000 | - | - | - | 1,000 |
| Other | - | - | - | - | 325 | 493 | 818 | 818 |
| Depreciation | 600 | - | - | 600 | - | 50 | 50 | 650 |
| Licenses and permits | - | - | - | - | 225 | 240 | 465 | 465 |
| | <u>\$ 1,000,822</u> | <u>\$ 143,017</u> | <u>\$ 78,079</u> | <u>\$ 1,221,918</u> | <u>\$ 291,673</u> | <u>\$ 240,493</u> | <u>\$ 532,166</u> | <u>\$ 1,754,084</u> |

See accompanying notes.

MENTAL HEALTH ASSOCIATION OF MIDDLE TENNESSEE
STATEMENTS OF CASH FLOWS
For the years ended June 30, 2017 and 2016

| | <u>2017</u> | <u>2016</u> |
|--|--------------------------|--------------------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ (209,910) | \$ 185,860 |
| Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities: | | |
| Depreciation | 647 | 650 |
| Changes in operating assets and liabilities: | | |
| Grants receivable | 42,524 | 51,932 |
| Unconditional promises to give | 35,594 | (27,789) |
| Prepaid expenses and other | (22,212) | 14,859 |
| Inventory | 5,667 | (13,490) |
| Other assets | - | (2,979) |
| Accounts payable | 23,487 | (1,949) |
| Accrued expenses | 7,306 | 14,201 |
| Deferred revenue | (2,500) | (2,600) |
| Net cash (used in) provided by operating activities | <u>(119,397)</u> | <u>218,695</u> |
| Cash flows from investing activities: | | |
| Purchase of equipment, furniture, and improvements | <u>(4,126)</u> | <u>-</u> |
| Net cash used in investing activities | <u>(4,126)</u> | <u>-</u> |
| Change in cash and cash equivalents | (123,523) | 218,695 |
| Cash and cash equivalents, beginning of year | <u>937,803</u> | <u>719,108</u> |
| Cash and cash equivalents, end of year | <u><u>\$ 814,280</u></u> | <u><u>\$ 937,803</u></u> |

See accompanying notes.

MENTAL HEALTH ASSOCIATION OF MIDDLE TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

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 Accounting 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, 2017 and 2016.

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, 2017 and 2016

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.

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, 2017 and 2016. 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 \$677,403 and \$760,596 at June 30, 2017 and 2016, 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.

Equipment, Furniture and Improvements

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, 2017 and 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Revenue

Deferred revenue includes I.C. Hope licensing proceeds received. The Association currently has I.C. Hope licensing agreements which vary in duration. Proceeds received from the licensing agreements are being amortized over the term of the agreement.

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.

Subsequent Events

The Association evaluated subsequent events through September 5, 2017 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.

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

MENTAL HEALTH ASSOCIATION OF MIDDLE TENNESSEE
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2017 and 2016

NOTE 2 – GRANTS RECEIVABLE (Continued)

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

Technology Assisted Recovery, Growth, Empowerment, and Treatment (“TARGET”) Zero Suicide, a program designed to serve as a resource for information about suicide and suicide prevention in order reduce the incidence of suicide and suicide attempts.

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. Funds received from the National Institute of Mental Health are to be used for the general support of the Outreach Partnership program, which disseminates information and promotes research study participation in areas related to mental health.

Grants receivable consist of the following at June 30:

| | <u>2017</u> | <u>2016</u> |
|---|------------------|-------------------|
| State of Tennessee – TLC | \$ 31,952 | \$ 25,026 |
| State of Tennessee – TSPN | 30,715 | 63,498 |
| State of Tennessee – ETS | 19,546 | 23,381 |
| State of Tennessee – TARGET | 8,122 | 16,129 |
| Greater Nashville Regional Council – In-Home Education program | 875 | 700 |
| National Institute of Mental Health – Outreach Partnership program | <u>-</u> | <u>5,000</u> |
| | <u>\$ 91,210</u> | <u>\$ 133,734</u> |

NOTE 3 – UNCONDITIONAL PROMISES TO GIVE

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

| | <u>2017</u> | <u>2016</u> |
|---|------------------|------------------|
| United Way grants, receivables due in less than one year | \$ 10,000 | \$ 38,000 |
| Contributions | <u>31,488</u> | <u>39,082</u> |
| | <u>\$ 41,488</u> | <u>\$ 77,082</u> |

MENTAL HEALTH ASSOCIATION OF MIDDLE TENNESSEE
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2017 and 2016

NOTE 4 – RESTRICTIONS ON NET ASSETS

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

| | <u>2017</u> | <u>2016</u> |
|------------------------------------|------------------|------------------|
| Other contributions | \$ 43,918 | \$ 2,500 |
| Frist Technology Grant | 22,149 | 22,149 |
| United Way grants and designations | 10,000 | 38,000 |
| Massey Dinner | 5,000 | 18,500 |
| Jammin' to Beat the Blues | <u>1,000</u> | <u>10,725</u> |
| | <u>\$ 82,067</u> | <u>\$ 91,874</u> |

NOTE 5 – 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>2017</u> | <u>2016</u> |
|--|------------------|------------------|
| Donated performance fees, auction items, and other | <u>\$ 24,605</u> | <u>\$ 30,901</u> |

NOTE 6 – OPERATING LEASE COMMITMENTS

Effective September 30, 2015, the Association entered into a lease agreement for office space. The lease required monthly lease payments beginning November 2015 in the amount of \$4,657, increasing approximately 3% annually through expiration. The lease expires during December 2020. During fiscal year 2016, the Association amended the lease agreement to remove the annual escalation clause. The amended lease agreement requires monthly lease payments of \$4,775 throughout the remainder of the lease and required an additional payment of \$10,854 at the time the lease was amended. The Association also maintains various leases for office equipment.

Rent expense under operating leases for the years ended June 30, 2017 and 2016 was \$73,801 and \$59,871, respectively.

MENTAL HEALTH ASSOCIATION OF MIDDLE TENNESSEE
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2017 and 2016

NOTE 6 – OPERATING LEASE COMMITMENTS (Continued)

Future minimum lease payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2017 are as follows:

| Year ended <u>June 30,</u> | |
|-------------------------------|-------------------|
| 2018 | \$ 57,297 |
| 2019 | 57,297 |
| 2020 | 57,297 |
| 2021 | 28,649 |
| Thereafter | <u>-</u> |
| | <u>\$ 200,540</u> |

NOTE 7 – 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 \$33,493 and \$17,630 for the years ended June 30, 2017 and 2016, respectively.

NOTE 8 – 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 9 – CONTINGENCY

During June 2017, the Association entered into a contract with a Nashville nonprofit organization (the "Organization") related to the proposed sale of property originally purchased by the Association and subsequently conveyed to the Organization with a related sale contingency. According to the terms of the contract, the Association will receive the greater of \$1,800,000 or 20% of the bona fide gross sales price received by the Organization for the sale of the property to a third party buyer, payable in cash at the closing of the sale. Upon the signing of this agreement, the Organization paid \$10,000 in earnest money on behalf of the Association which is held in escrow at June 30, 2017. If the Organization fails to complete the sale of the property by April 30, 2018, the contract becomes null and void, with the Association retaining the earnest money. As of the time of the issuance of these financial statements, a third party purchase agreement has not been finalized.

SUPPLEMENTAL INFORMATION

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

For the year ended June 30, 2017

| | CFDA No. | Passthrough Grantor's Number | Balance Receivable June 30, 2016 | Cash Receipts | Expenditures | Balance Receivable June 30, 2017 |
|---|----------|------------------------------------|--|------------------|--------------|--|
| 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 | 45568 | \$ 25,026 | \$ 139,593 | \$ 114,567 | \$ - |
| <i>Pass-through from Tennessee Department of Mental Health and Substance Abuse Services*</i> | 93.243 | 51386 | - | 118,168 | 150,120 | 31,952 |
| Total CFDA 93.243 | | | 25,026 | 257,761 | 264,687 | 31,952 |
| Prevention and Treatment of Substance Abuse | | | | | | |
| <i>Pass-through from Tennessee Department of Mental Health and Substance Abuse Services*</i> | 93.959 | 46831 | 29,598 | 29,598 | - | - |
| <i>Pass-through from Tennessee Department of Mental Health and Substance Abuse Services*</i> | 93.959 | 50186 | - | 73,523 | 89,998 | 16,475 |
| Total CFDA 93.959 | | | 29,598 | 103,121 | 89,998 | 16,475 |
| 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 | 2015-2016 | 700 | 700 | - | - |
| <i>Pass-through from Greater Nashville Regional Council*</i> | 93.044 | 2016-2017 | - | 1,925 | 2,800 | 875 |
| Total CFDA 93.044 | | | 700 | 2,625 | 2,800 | 875 |
| Department of Health and Human Services, Cooperative Agreements to Implement the National Strategy for Suicide Prevention | | | | | | |
| <i>Pass-through from Tennessee Department of Mental Health and Substance Abuse Services*</i> | 93.764 | 48001 | 16,129 | 45,854 | 29,725 | - |
| <i>Pass-through from Tennessee Department of Mental Health and Substance Abuse Services*</i> | 93.764 | 51517 | - | 62,703 | 70,825 | 8,122 |
| Total CFDA 93.764 | | | 16,129 | 108,557 | 100,550 | 8,122 |
| National Institute of Mental Health Outreach Partnership Program | | | | | | |
| <i>Pass-through from Meharry Medical College*</i> | | HHSN2712015 00266P | 5,000 | 12,500 | 7,500 | - |
| Total Federal Awards | | | 76,453 | 484,564 | 465,535 | 57,424 |

MENTAL HEALTH ASSOCIATION OF MIDDLE TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (Continued)
For the year ended June 30, 2017

| | CFDA No. | Passthrough Grantor's Number | Balance Receivable June 30, 2016 | Cash Receipts | Expenditures | Balance Receivable June 30, 2017 |
|---|-----------------|---|---|--------------------------|---------------------|---|
| State Awards: | | | | | | |
| Tennessee Department of Mental Health and Substance Abuse Services | | | | | | |
| <i>Erase the Stigma (ETS)</i> | N/A | 46840 | 23,381 | 23,381 | - | - |
| <i>Erase the Stigma (ETS)</i> | N/A | 49955 | - | 90,447 | 109,993 | 19,546 |
| <i>Tennessee Suicide Prevention Network (TSPN)#</i> | N/A | 46831 | 33,900 | 33,900 | - | - |
| <i>Tennessee Suicide Prevention Network (TSPN)#</i> | N/A | 50186 | - | 206,747 | 220,987 | 14,240 |
| | | | <u>57,281</u> | <u>354,475</u> | <u>330,980</u> | <u>33,786</u> |
| Total State Awards | | | <u>57,281</u> | <u>354,475</u> | <u>330,980</u> | <u>33,786</u> |
| Total Federal and State Awards | | | <u>\$ 133,734</u> | <u>\$ 839,039</u> | <u>\$ 796,515</u> | <u>\$ 91,210</u> |

* Grant represents pass-through federal funds.

Represents state's portion of grant.

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.

NOTE 2 - INDIRECT COST ALLOCATION

Mental Health Association of Middle Tennessee did not elect to use the 10% de minimus indirect cost rate.



**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, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 5, 2017.

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 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Association's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Association's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Frasier, Dean & Howard, PLLC

Frasier, Dean & Howard, PLLC

Nashville, Tennessee

September 5, 2017

MENTAL HEALTH ASSOCIATION OF MIDDLE TENNESSEE
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2017

There were no prior year findings reported.