

**MENTAL HEALTH ASSOCIATION
OF MIDDLE TENNESSEE**

FINANCIAL STATEMENTS

June 30, 2012 and 2011

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

 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 17 – 18



INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statements of financial position of Mental Health Association of Middle Tennessee (a nonprofit organization) as of June 30, 2012 and 2011, 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, 2012 and 2011, 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 13, 2012 on our consideration of Mental Health Association of Middle Tennessee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of state financial assistance 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.

Frasier, Pen & Hand, PLLC

November 13, 2012

MENTAL HEALTH ASSOCIATION OF MIDDLE TENNESSEE
STATEMENTS OF FINANCIAL POSITION
June 30, 2012 and 2011

Assets	2012	2011
Current assets:		
Cash and cash equivalents	\$ 414,389	\$ 180,548
Grants receivable (note 2)	143,675	256,124
Other receivables, net	2,000	1,125
Unconditional promises to give, net (note 3)	8,525	2,000
Prepaid expenses and other	12,938	17,494
Investments (note 4)	4,991	4,991
Total current assets	586,518	462,282
Other, net	818	818
Equipment, furniture and improvements	144,497	217,796
Less: accumulated depreciation	(142,408)	(214,914)
Net equipment, furniture and improvements	2,089	2,882
Total assets	\$ 589,425	\$ 465,982
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 19,318	\$ 33,092
Accrued expenses	48,831	57,578
Deferred revenue (note 5)	3,136	3,221
Total current liabilities	71,285	93,891
Deferred revenue (note 5)	523	3,659
Total liabilities	71,808	97,550
Net assets: (note 6)		
Designated for future periods	93,453	-
Other unrestricted	415,639	356,432
Unrestricted	509,092	356,432
Temporarily restricted	8,525	12,000
Total net assets	517,617	368,432
Total liabilities and net assets	\$ 589,425	\$ 465,982

See accompanying notes.

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

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

See accompanying notes.

MENTAL HEALTH ASSOCIATION OF MIDDLE TENNESSEE
STATEMENT OF ACTIVITIES
For the year ended June 30, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and other support:			
Federal and state contracts and grants	\$ 833,095	\$ -	\$ 833,095
Jammin' to Beat the Blues fundraiser	228,156	-	228,156
In-kind contributions (note 7)	83,958	-	83,958
Other grants	63,005	-	63,005
Contributions	55,610	-	55,610
TSPN Awards Symposium	43,678	-	43,678
United Way	17,706	2,000	19,706
Fees and other	17,399	-	17,399
Massey fundraising dinner (note 6)	1,010	10,000	11,010
I. C. Hope revenues (note 5)	5,902	-	5,902
Investment income	291	-	291
Net assets released from restrictions	25,398	(25,398)	-
	<u>1,375,208</u>	<u>(13,398)</u>	<u>1,361,810</u>
Total revenue and other support			
Expenses:			
Program services:			
Advocacy services	71,135	-	71,135
Educational services	719,347	-	719,347
Aging services	61,283	-	61,283
Consumer/family issues services	105,051	-	105,051
	<u>956,816</u>	<u>-</u>	<u>956,816</u>
Total program services			
Support services:			
Management and general	122,952	-	122,952
Fundraising, including in-kind of \$83,958	257,032	-	257,032
	<u>379,984</u>	<u>-</u>	<u>379,984</u>
Total support services			
Total expenses	<u>1,336,800</u>	<u>-</u>	<u>1,336,800</u>
Change in net assets	38,408	(13,398)	25,010
Net assets, beginning of year	<u>318,024</u>	<u>25,398</u>	<u>343,422</u>
Net assets, end of year	<u>\$ 356,432</u>	<u>\$ 12,000</u>	<u>\$ 368,432</u>

See accompanying notes.

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

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

See accompanying notes.

MENTAL HEALTH ASSOCIATION OF MIDDLE TENNESSEE
STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2011

	Program Services					Support Services			Total All Services
	Advocacy Services	Educational Services	Aging Services	Consumer/ Family Issues Services	TOTAL PROGRAM SERVICES	Management and General	Fundraising	SUPPORT SERVICES	
Salaries	\$ 42,386	\$ 318,032	\$ 37,153	\$ 67,751	\$ 465,322	\$ 78,507	\$ 68,020	\$ 146,527	\$ 611,849
Travel	2,562	80,129	3,916	2,119	88,726	2,413	4,524	6,937	95,663
Employee benefits	5,716	49,718	3,017	11,578	70,029	9,651	11,398	21,049	91,078
In-kind expense (note 7)	-	-	-	-	-	-	83,958	83,958	83,958
Fundraising expense - events	-	-	-	-	-	-	63,955	63,955	63,955
Professional fees	4,247	44,707	1,177	1,981	52,112	6,449	2,027	8,476	60,588
Printing and publications	84	53,074	1,767	1,262	56,187	549	3,299	3,848	60,035
Advertising	90	57,133	-	187	57,410	31	37	68	57,478
Payroll taxes	3,292	24,746	3,308	5,442	36,788	5,765	5,214	10,979	47,767
Equipment rental and maintenance	3,479	26,405	3,429	4,115	37,428	3,747	5,082	8,829	46,257
Rent	1,548	15,789	1,917	4,216	23,470	5,315	3,068	8,383	31,853
Telephone	2,162	18,133	1,782	3,199	25,276	1,476	1,433	2,909	28,185
Supplies	4,570	11,683	1,645	860	18,758	1,041	861	1,902	20,660
Insurance	607	5,383	572	1,243	7,805	895	1,016	1,911	9,716
Mental Health University	-	6,990	-	-	6,990	-	-	-	6,990
Miscellaneous	18	150	8	4	180	5,216	529	5,745	5,925
Support to NMHA	-	3,699	922	473	5,094	346	710	1,056	6,150
Postage	-	1,900	357	211	2,468	266	1,142	1,408	3,876
Depreciation	374	1,311	208	125	2,018	452	409	861	2,879
Dues and memberships	-	365	105	285	755	576	350	926	1,681
Awards and gifts	-	-	-	-	-	257	-	257	257
	\$ 71,135	\$ 719,347	\$ 61,283	\$ 105,051	\$ 956,816	\$ 122,952	\$ 257,032	\$ 379,984	\$ 1,336,800

See accompanying notes.

MENTAL HEALTH ASSOCIATION OF MIDDLE TENNESSEE
STATEMENTS OF CASH FLOWS
For the years ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Change in net assets	\$ 149,185	\$ 25,010
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	2,254	2,879
Realized and unrealized loss on investments	-	50
Changes in operating assets and liabilities:		
Grants receivable	112,449	(173,692)
Other receivables	(875)	29,234
Unconditional promises to give	(6,525)	3,398
Prepaid expenses and other	4,556	11,761
Accounts payable	(13,774)	(7,339)
Accrued expenses	(8,747)	7,698
Deferred revenue	(3,221)	(4,136)
Net cash provided by (used in) operating activities	<u>235,302</u>	<u>(105,137)</u>
Cash flows from investing activities:		
Purchase of equipment, furniture and improvements	<u>(1,461)</u>	<u>(1,933)</u>
Net cash used in investing activities	<u>(1,461)</u>	<u>(1,933)</u>
Change in cash and cash equivalents	233,841	(107,070)
Cash and cash equivalents, beginning of year	<u>180,548</u>	<u>287,618</u>
Cash and cash equivalents, end of year	<u><u>\$ 414,389</u></u>	<u><u>\$ 180,548</u></u>

See accompanying notes.

MENTAL HEALTH ASSOCIATION OF MIDDLE TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

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 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, 2012 and 2011.

Estimates

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

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

MENTAL HEALTH ASSOCIATION OF MIDDLE TENNESSEE
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2012 and 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions (Continued)

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, 2012 and 2011, respectively. As a result, no allowance for uncollectible amounts has been provided.

Investments

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

Donated Services

Volunteers have donated significant amounts of their time to the Association's program services. These amounts have not been recognized in the accompanying statement of activities because the criteria for recognition of such volunteer effort under generally accepted accounting principles has not been satisfied. In-kind donations during the years ended June 30, 2012 and 2011 were \$64,630 and \$83,958, respectively.

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 \$106,508 and \$106,546 June 30, 2012 and 2011, respectively, within the Association's investment portfolio.

MENTAL HEALTH ASSOCIATION OF MIDDLE TENNESSEE
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2012 and 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Furniture and Equipment

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

Deferred Revenue

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

Advertising

Advertising costs are charged to expense as incurred. Advertising expense totaled \$37,350 and \$57,478 for the years ended June 30, 2012 and 2011, respectively.

Income Taxes

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

The Association follows FASB ASC guidance regarding the accounting for uncertainty in income taxes recognized in an entity's financial statements. This guidance prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. The Association has no tax penalties or interest reported in the accompanying financial statements. Tax years that remain open for examination include years ended June 30, 2009 through June 30, 2012.

Subsequent Events

The Association evaluated subsequent events through November 13, 2012, when these financial statements were available to be issued. The Association is not aware of any significant events that occurred subsequent to the balance sheet date but prior to the filing of this report that would have a material impact on the financial statements.

MENTAL HEALTH ASSOCIATION OF MIDDLE TENNESSEE
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2012 and 2011

NOTE 2 – GRANTS RECEIVABLE

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

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

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

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:

	2012	2011
State of Tennessee – TSPN	\$ 46,002	\$ 42,650
Tennessee Commission on Aging	36,338	16,716
State of Tennessee – TLC	30,684	160,019
State of Tennessee – ETS	29,251	35,164
Greater Nashville Regional Council – In-Home Educational program	1,400	1,575
	\$ 143,675	\$ 256,124

NOTE 3 – UNCONDITIONAL PROMISES TO GIVE

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

	2012	2011
United Way grants, receivables due in less than one year	\$ 8,525	\$ 2,000

MENTAL HEALTH ASSOCIATION OF MIDDLE TENNESSEE
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2012 and 2011

NOTE 4 – INVESTMENTS

Investments as of June 30, 2012 and 2011 consist of short-term money market funds. The following schedule summarizes investment return for the years ended June 30:

	2012	2011
Interest and dividends	\$ 197	\$ 341
Realized and unrealized gains and losses, net	-	(50)
	\$ 197	\$ 291

NOTE 5 – DEFERRED REVENUE

The Association has entered into license agreements with other organizations whereby the I. C. Hope costume, puppet, trademarks and other branded products can be used in exchange for the payment of licensing fees. These license agreements have an initial term of five years. Upon completion of the five year terms and annually on the date of the contracts, the agreements may be extended for one year terms. A portion of the revenue earned under the license agreements is deferred and recognized over the life of the agreement. The remaining proceeds received for the I. C. Hope costume, puppet and educational program related materials are recognized when received. (Additional educational materials may be provided any time throughout the term of the agreement. Proceeds for those materials are also recognized when received.) Licenses and product revenue totaled \$4,811 and \$5,902 for the years ended June 30, 2012 and 2011, respectively. Deferred revenue under these license agreements amounted to \$3,659 and \$6,880 at June 30, 2012 and 2011, respectively.

NOTE 6 – RESTRICTIONS ON NET ASSETS

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

	2012	2011
Fundraising dinner proceeds designated for future periods	\$ 93,453	\$ -

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

Contributions	\$ 245,570
Expenses	(58,665)
Net proceeds	\$ 186,905

MENTAL HEALTH ASSOCIATION OF MIDDLE TENNESSEE
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2012 and 2011

NOTE 6 – RESTRICTIONS ON NET ASSETS (Continued)

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

	2012	2011
United Way grants and designations	\$ 8,525	\$ 2,000
Massey Dinner	-	10,000
	<u>\$ 8,525</u>	<u>\$ 12,000</u>

NOTE 7 – IN-KIND CONTRIBUTIONS

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

	2012	2011
Donated auction items and other	<u>\$ 64,630</u>	<u>\$ 83,958</u>

NOTE 8 – OPERATING LEASE COMMITMENTS

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

Rent expense under operating leases for the years ended June 30, 2012 and 2011 was \$57,842 and \$78,109, 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, 2012 are as follows:

Year ended June 30,		
2013	\$	51,418
2014		48,708
2015		43,053
2016		-
2017		-
Thereafter		-
	<u>\$</u>	<u>143,179</u>

MENTAL HEALTH ASSOCIATION OF MIDDLE TENNESSEE
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2012 and 2011

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 \$9,053 and \$5,091 for the years ended June 30, 2012 and 2011, respectively.

NOTE 10 – CONCENTRATIONS

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

SUPPLEMENTAL INFORMATION

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

For the year ended June 30, 2012

	CFDA No.	Pass through Grantor's Number	Balance Receivable June 30, 2011	Cash Receipts	Expenditures	Balance Receivable June 30, 2012
Federal Awards:						
U.S. Dept. of Health & Human Services						
Community Mental Health Program						
<i>Pass-through from Tennessee Department of Mental Health and Developmental Disabilities*</i>	93.243	GR-11-31329-01	\$ 160,019	\$ 160,019	\$ -	\$ -
<i>Pass-through from Tennessee Department of Mental Health and Developmental Disabilities*</i>	93.243	GR-12-36097	-	367,795	398,479	30,684
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	2010-2011	1,575	1,575	-	-
<i>Pass-through from Greater Nashville Regional Council*</i>	93.044	2011-2012	-	5,775	7,175	1,400
Total Federal Awards			161,594	535,164	405,654	32,084
State Awards:						
Tennessee Department of Mental Health and Developmental Disabilities						
<i>Tennessee Suicide Prevention Network (TSPN)</i>	N/A	GR-11-31255	42,650	42,650	-	-
<i>Tennessee Suicide Prevention Network (TSPN)</i>	N/A	GR-12-36391	-	191,233	237,235	46,002
<i>Erase the Stigma (ETS)</i>	N/A	GR-1131256	35,164	35,164	-	-
<i>Erase the Stigma (ETS)</i>	N/A	GR-12-36369	-	80,750	110,001	29,251
Tennessee Commission on Aging and Disability						
<i>Pass-through from Tennessee Commission on Aging and Disability</i> ^	93.051	GR-11-34320	16,716	16,716	-	-
<i>Pass-through from Tennessee Commission on Aging and Disability</i> ^	93.051	GR-12-37015	-	28,551	64,889	36,338
Total State Awards			94,530	395,064	412,125	111,591
Total Federal and State Awards			\$ 256,124	\$ 930,228	\$ 817,779	\$ 143,675

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.



**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 the financial statements of Mental Health Association of Middle Tennessee (the "Association") (a nonprofit organization) as of and for the year ended June 30, 2012, and have issued our report thereon dated November 13, 2012. 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

Management of the Association is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Association'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 the Association's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

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

Financial Reporting

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

Management response:

We concur with the finding and will have an objective of no audit adjustments for fiscal year 2013.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Association'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*.

We noted certain matters that we reported to management of the Association in a separate letter dated November 13, 2012.

The Association's responses to the findings identified in our audit are described above. We did not audit the Association's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the board of directors, others within the entity, 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 & Howard, PLLC

Frasier, Dean & Howard, PLLC
Nashville, Tennessee
November 13, 2012