

# **MENTAL HEALTH ASSOCIATION OF MIDDLE TENNESSEE**

## **FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION**

***As of and for the Years Ended June 30, 2020 and 2019***

***And Report of Independent Auditor***

**MENTAL HEALTH ASSOCIATION OF MIDDLE TENNESSEE**  
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**MENTAL HEALTH ASSOCIATION OF MIDDLE TENNESSEE**  
**ROSTER OF BOARD OF DIRECTORS AND EXECUTIVE STAFF**

*JUNE 30, 2020*

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**BOARD OF DIRECTORS**

Matt Smith ..... Chair  
Rhonda Ashley-Dixon..... Chair Elect  
Read DuPriest..... Secretary  
Derek Farrell..... Treasurer  
John Bailey ..... Member At Large  
Deborah Hennessee ..... Member At Large  
Dan Surface ..... Member At Large

**EXECUTIVE STAFF**

Tom Starling ..... Chief Executive Officer  
Jacqueline Cavnar..... Chief Operating Officer  
Courtney Hatfield..... Chief Financial Officer

## **Report of Independent Auditor**

To the Board of Directors  
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 (the "Association") (a nonprofit organization), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities and changes in net assets, 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 Association'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 Association'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 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 the Association as of June 30, 2020 and 2019, 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.

## **Emphasis of Matter**

As discussed in Note 11, towards the end of December 2019, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. There have been various mandates and/or requests from federal, state, and local authorities resulting in closures of non-essential businesses, which could negatively impact the Association's operations. Although it is not possible to reasonably estimate the length or severity of this outbreak and hence its financial impact, any significant reduction of revenues and support could negatively impact the Association's operations for an indeterminable time period. Other financial impacts could occur though such potential impacts are unknown at this time. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Other Information*

Our audits were 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 as required by the state of Tennessee Audit Manual for Auditing, Accounting, and Reporting for Local Governmental Units and Other Organizations, 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.

The Roster of Board of Directors and Executive Staff on page 1, which is the responsibility of management, is of a nonaccounting nature and has not been subjected to the auditing procedures applied in the audit of the financial statements. Accordingly, we do not express an opinion or provide any assurance on it.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2020, on our consideration of the Association'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 solely 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 effectiveness of 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.

Handwritten signature of Cheryl Bekant LLP in cursive script.

Nashville, Tennessee  
September 15, 2020

# MENTAL HEALTH ASSOCIATION OF MIDDLE TENNESSEE

## STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2020 AND 2019

	2020	2019
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 3,494,728	\$ 573,237
Grants receivable (Note 3)	201,913	100,750
Unconditional promises to give (Note 4)	7,516	17,919
Other accounts receivable	9,406	20,483
Prepaid expenses and other	9,177	51,632
Inventory	5,429	6,231
Total Current Assets	3,728,169	770,252
Other, net	3,797	3,797
Equipment, furniture, and improvements	142,104	156,458
Less accumulated depreciation	(118,075)	(116,763)
Net Equipment, Furniture, and Improvements	24,029	39,695
<b>Total Assets</b>	<b>\$ 3,755,995</b>	<b>\$ 813,744</b>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities:		
Accounts payable	\$ 95,728	\$ 18,374
Accrued expenses	28,306	86,585
Deferred revenue	8,899	8,161
Deferred grant revenue	125,256	-
<b>Total Liabilities</b>	<b>258,189</b>	<b>113,120</b>
Net Assets: (Note 6)		
Without Donor Restrictions:		
Designated	2,720,000	-
Undesignated	672,173	615,632
Total Without Donor Restrictions	3,392,173	615,632
With Donor Restrictions	105,633	84,992
Total Net Assets	3,497,806	700,624
<b>Total Liabilities and Net Assets</b>	<b>\$ 3,755,995</b>	<b>\$ 813,744</b>

The accompanying notes to the financial statements are an integral part of these statements.

**MENTAL HEALTH ASSOCIATION OF MIDDLE TENNESSEE**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**

*YEAR ENDED JUNE 30, 2020*

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Revenue and Other Support:			
Proceeds from sale of property (Note 5)	\$ 2,720,000	\$ -	\$ 2,720,000
Federal and state contracts and grants	1,625,527	-	1,625,527
Other grants	300,100	-	300,100
Massey Dinner	267,585	-	267,585
Contributions	14,574	92,000	106,574
Paycheck Protection Program grant revenue	84,237	-	84,237
TSPN Awards Symposium	67,324	-	67,324
Fees and other	67,002	-	67,002
Other special events	-	48,109	48,109
Investment income	10,705	-	10,705
United Way	3,108	6,516	9,624
I.C. Hope revenues	2,762	-	2,762
Net assets released from restrictions	125,984	(125,984)	-
Total Revenue and Other Support	5,288,908	20,641	5,309,549
Expenses:			
Program Services:			
Educational services	1,567,111	-	1,567,111
Consumer/family issues services	240,062	-	240,062
Aging services	78,835	-	78,835
Advocacy	79,863	-	79,863
Total Program Services	1,965,871	-	1,965,871
Support Services:			
Fundraising	267,762	-	267,762
Management and general	278,734	-	278,734
Total Support Services	546,496	-	546,496
Total Expenses	2,512,367	-	2,512,367
Change in net assets	2,776,541	20,641	2,797,182
Net assets, beginning of year	615,632	84,992	700,624
Net assets, end of year	\$ 3,392,173	\$ 105,633	\$ 3,497,806

The accompanying notes to the financial statements are an integral part of these statements.

**MENTAL HEALTH ASSOCIATION OF MIDDLE TENNESSEE**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**

*YEAR ENDED JUNE 30, 2019*

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Revenue and Other Support:			
Federal and state contracts and grants	\$ 1,030,890	\$ -	\$ 1,030,890
Other grants	269,259	-	269,259
Fees and other	92,907	-	92,907
Contributions	59,874	21,403	81,277
TSPN Awards Symposium	66,357	-	66,357
Massey Dinner	-	37,000	37,000
United Way	4,634	6,516	11,150
I.C. Hope revenues	5,201	-	5,201
Other special events	1,700	-	1,700
Investment income	1,125	-	1,125
Net assets released from restrictions	42,206	(42,206)	-
Total Revenue and Other Support	<u>1,574,153</u>	<u>22,713</u>	<u>1,596,866</u>
Expenses:			
Program Services:			
Educational services	1,087,140	-	1,087,140
Consumer/family issues services	242,365	-	242,365
Aging services	84,095	-	84,095
Advocacy	48,010	-	48,010
Total Program Services	<u>1,461,610</u>	<u>-</u>	<u>1,461,610</u>
Support Services:			
Fundraising, including in-kind of \$45,932	143,770	-	143,770
Management and general	249,443	-	249,443
Total Support Services	<u>393,213</u>	<u>-</u>	<u>393,213</u>
Total Expenses	<u>1,854,823</u>	<u>-</u>	<u>1,854,823</u>
Change in net assets	(280,670)	22,713	(257,957)
Net assets, beginning of year	896,302	62,279	958,581
Net assets, end of year	<u>\$ 615,632</u>	<u>\$ 84,992</u>	<u>\$ 700,624</u>

The accompanying notes to the financial statements are an integral part of these statements.



# MENTAL HEALTH ASSOCIATION OF MIDDLE TENNESSEE

## STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2020

						Support Services			
	Educational Services	Consumer/ Family Issues Services	Aging Services	Advocacy	Total Program Services	Fundraising	Management and General	Total Support Services	Total All Services
Salaries	\$ 712,151	\$ 125,780	\$ 49,576	\$ 54,923	\$ 942,430	\$ 90,264	\$ 194,229	\$ 284,493	\$ 1,226,923
Printing and publications	267,390	6,262	7,862	35	281,549	4,323	467	4,790	286,339
Travel, conferences, and training	195,397	19,577	4,561	2,692	222,227	543	4,401	4,944	227,171
Employee benefits	104,112	17,522	3,555	7,685	132,874	11,177	15,401	26,578	159,452
Professional fees	34,936	28,386	1,315	1,456	66,093	34,311	26,821	61,132	127,225
Massey fundraising event	-	-	-	-	-	102,346	-	102,346	102,346
Payroll taxes	54,067	10,157	3,950	4,689	72,863	7,715	15,380	23,095	95,958
Rent	50,452	8,714	2,813	2,780	64,759	4,808	8,178	12,986	77,745
Supplies	32,811	3,543	227	25	36,606	3	2,660	2,663	39,269
Equipment rental and maintenance	23,458	3,603	1,625	485	29,171	4,452	2,789	7,241	36,412
Telephone	17,274	1,492	610	479	19,855	731	1,091	1,822	21,677
Loss on asset disposal	19,428	-	-	-	19,428	-	-	-	19,428
Depreciation	14,595	2,014	-	546	17,155	64	1,024	1,088	18,243
Mental Health University	16,459	-	-	-	16,459	-	-	-	16,459
TVAP	12,130	-	-	-	12,130	-	-	-	12,130
Dues and memberships	175	6,925	285	-	7,385	225	340	565	7,950
Insurance	5,412	819	341	274	6,846	419	618	1,037	7,883
Internet fees	4,813	532	199	144	5,688	1,013	329	1,342	7,030
Other	-	-	1,200	-	1,200	3,858	102	3,960	5,160
Public policy	-	845	-	3,650	4,495	-	-	-	4,495
Staff appreciation	-	-	-	-	-	-	3,652	3,652	3,652
Meeting	-	1,969	-	-	1,969	-	38	38	2,007
Bank fees	369	-	-	-	369	1,076	493	1,569	1,938
Public relations	-	1,803	-	-	1,803	-	-	-	1,803
Postage	837	78	241	-	1,156	194	197	391	1,547
Licenses and permits	43	41	475	-	559	240	289	529	1,088
Cost of educational materials	802	-	-	-	802	-	-	-	802
Interest expense	-	-	-	-	-	-	235	235	235
	<u>\$ 1,567,111</u>	<u>\$ 240,062</u>	<u>\$ 78,835</u>	<u>\$ 79,863</u>	<u>\$ 1,965,871</u>	<u>\$ 267,762</u>	<u>\$ 278,734</u>	<u>\$ 546,496</u>	<u>\$ 2,512,367</u>

The accompanying notes to the financial statements are an integral part of these statements.

# MENTAL HEALTH ASSOCIATION OF MIDDLE TENNESSEE

## STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2019

						Support Services			
	Educational Services	Consumer/ Family Issues Services	Aging Services	Advocacy	Total Program Services	Fundraising	Management and General	Total Support Services	Total All Services
Salaries	\$ 525,373	\$ 124,162	\$ 47,065	\$ 25,830	\$ 722,430	\$ 81,444	\$ 163,025	\$ 244,469	\$ 966,899
Travel, conferences, and training	149,133	29,649	16,492	10,474	205,748	4,602	3,483	8,085	213,833
Employee benefits	102,778	18,168	5,947	3,046	129,939	12,202	18,823	31,025	160,964
Printing and publications	131,656	19,805	1,976	623	154,060	-	75	75	154,135
Professional fees	26,307	16,354	2,754	742	46,157	27,105	23,955	51,060	97,217
Rent	45,905	9,143	2,907	1,096	59,051	5,005	8,590	13,595	72,646
Payroll taxes	38,876	9,309	3,534	1,754	53,473	5,890	12,178	18,068	71,541
Equipment rental and maintenance	14,660	4,502	1,385	266	20,813	3,377	3,533	6,910	27,723
Telephone	11,278	1,299	806	96	13,479	630	987	1,617	15,096
Mental Health University	13,148	-	-	-	13,148	-	-	-	13,148
Depreciation	9,118	664	-	364	10,146	-	1,071	1,071	11,217
Dues and memberships	303	4,300	310	-	4,913	15	3,889	3,904	8,817
Supplies	3,850	959	142	112	5,063	86	2,907	2,993	8,056
Internet fees	4,756	1,096	124	23	5,999	1,006	329	1,335	7,334
Insurance	4,581	875	363	69	5,888	450	706	1,156	7,044
Public policy	-	150	-	3,500	3,650	-	-	-	3,650
Meeting	-	-	-	-	-	-	2,679	2,679	2,679
Cost of educational materials	2,434	-	-	-	2,434	-	-	-	2,434
Staff appreciation	-	68	-	-	68	-	2,178	2,178	2,246
Postage	1,620	15	40	-	1,675	166	309	475	2,150
Licenses and permits	20	419	-	15	454	595	566	1,161	1,615
Public relations	-	1,428	-	-	1,428	-	-	-	1,428
Bank fees	545	-	-	-	545	798	60	858	1,403
Reimbursed expenses	-	-	250	-	250	-	-	-	250
TVAP	799	-	-	-	799	-	-	-	799
Other	-	-	-	-	-	399	100	499	499
	<u>\$ 1,087,140</u>	<u>\$ 242,365</u>	<u>\$ 84,095</u>	<u>\$ 48,010</u>	<u>\$ 1,461,610</u>	<u>\$ 143,770</u>	<u>\$ 249,443</u>	<u>\$ 393,213</u>	<u>\$ 1,854,823</u>

The accompanying notes to the financial statements are an integral part of these statements.

# MENTAL HEALTH ASSOCIATION OF MIDDLE TENNESSEE

## STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2020 AND 2019

	<b>2020</b>	<b>2019</b>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 2,797,182	\$ (257,957)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Loss of disposal of fixed assets	19,428	-
Depreciation	18,243	11,217
Gain from sale of property	(2,720,000)	-
Changes in operating assets and liabilities:		
Grants receivable	(101,163)	46,443
Unconditional promises to give	10,403	(2,789)
Other accounts receivable	11,077	(18,549)
Prepaid expenses and other	42,455	(35,395)
Inventory	802	2,434
Accounts payable	77,354	(22,821)
Accrued expenses	(58,279)	26,354
Deferred revenue	738	6,683
Deferred grant revenue	125,256	-
Net cash provided by (used in) operating activities	<u>223,496</u>	<u>(244,380)</u>
<b>Cash flows from investing activities:</b>		
Proceeds from sale of property	2,720,000	-
Purchase of equipment, furniture, and improvements	(22,005)	(21,955)
Net cash provided by (used in) investing activities	<u>2,697,995</u>	<u>(21,955)</u>
Change in cash and cash equivalents	2,921,491	(266,335)
Cash and cash equivalents, beginning of year	573,237	839,572
Cash and cash equivalents, end of year	<u><u>\$ 3,494,728</u></u>	<u><u>\$ 573,237</u></u>

# MENTAL HEALTH ASSOCIATION OF MIDDLE TENNESSEE

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

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### **Note 1—Nature of operations and 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.

*Financial Statement Presentation* – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with standards of accounting and reporting prescribed for not-for-profit organizations. Under these standards, net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Net assets that are not subject to donor-imposed stipulations and may be expended for any purpose in performing the primary objectives of the Association. These net assets may be used at the discretion of the Association’s management and the Board of Directors.

*Net Assets With Donor Restrictions* – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Association or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Net assets with donor restrictions represent unconditional promises to give and amounts available for programs.

*Estimates* – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”) 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 are recognized when the donor makes a promise to give to the Association that is, in substance, unconditional. Contributions with donor restrictions are reported as increases in net assets with donor restrictions based on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

*Allowance for Uncollectible Amounts* – Management believes amounts receivable from grantor agencies and unconditional promises to give are fully collectible for the years ended June 30, 2020 and 2019. 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 U.S. GAAP 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 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. Uninsured balances at June 30, 2020 totaled approximately \$3,066,000.

*Liquidity* – Assets are presented in the accompanying statements of financial position according to their nearness of conversion to cash and cash equivalents and liabilities are presented according to their maturing resulting in use of cash and cash equivalents.

# MENTAL HEALTH ASSOCIATION OF MIDDLE TENNESSEE

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

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### **Note 1—Nature of operations and summary of significant accounting policies (continued)**

*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.

*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.

*Deferred Grant Revenue* – Deferred grant revenue includes proceeds from the Payroll Protection Program loan (“PPP loan”) granted by the Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”). See Note 5 for additional information.

*Allocation of Functional Expenses* – Expenses that can be directly attributed to a particular function are charged to that function. Expenses that relate to more than one function are allocated among applicable functions on the basis of objectively evaluated financial and nonfinancial data or reasonable subjective methods determined by management. Expenses that were allocated consist primarily of salary and related expenses which have been allocated based on time and effort as well as community grants and related expenses which have been allocated based on money spent.

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

*Adoption of New Accounting Pronouncements* – In June 2018, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2018-08, *Not-for-Profit Entities Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The standard provides guidance on determining whether a transaction should be accounted for as a contribution or as an exchange transaction. A primary aspect of this determination is whether the two parties receive and sacrifice commensurate value. The standard also provides guidance on determining whether a contribution is conditional, helping entities better distinguish a donor-imposed condition from a donor-imposed restriction. The Association evaluated the new standard and determined the accounting standard did not require a change to the Association’s practices for recording contributions.

*Accounting Policies for Future Pronouncements* – In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. ASU 2014-09 clarifies the principles for recognizing revenue and develops a common revenue standard under U.S. GAAP under which an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 is effective for the Association for the year ending June 30, 2021. The Association is currently evaluating the effect of the implementation of this new standard.

In February 2016, FASB issued ASU 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right of use asset and lease liability on the statement of financial position at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the statement of activities and changes in net assets. This standard will be effective for the fiscal year ending June 30, 2022. The Association is currently in the process of evaluating the impact of adoption of this ASU on the financial statements. See Note 7 for disclosure regarding the Association’s current operating leases.

# MENTAL HEALTH ASSOCIATION OF MIDDLE TENNESSEE

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

### Note 1—Nature of operations and summary of significant accounting policies (continued)

*Subsequent Events* – The Association evaluated subsequent events through September 15, 2020, when these financial statements were available to be issued. Management 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—Liquidity and availability

The Association regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Association considers all expenditures related to its ongoing activities of connecting the community with specialized mental health and wellness resources and providing services that improve the quality of life, and promote effective services where mental health needs exist, as well as the conduct of services undertaken to support those activities to be general expenditures. Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date, comprise the following at June 30:

	2020	2019
Financial Assets:		
Cash and cash equivalents	\$ 3,494,728	\$ 573,237
Grants receivable	201,913	100,750
Unconditional promises to give	7,516	17,919
Other accounts receivable	9,406	20,483
Total financial assets	3,713,563	712,389
Less amounts not available to be used for general expenditures within one year:		
Net assets with board designations	(2,720,000)	-
Net assets with donor restrictions	(105,633)	(84,992)
Total amounts not available to be used for general expenditures within one year	(2,825,633)	(84,992)
Financial assets available to meet cash needs for general expenditures within one year	\$ 887,930	\$ 627,397

### Note 3—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.

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

# MENTAL HEALTH ASSOCIATION OF MIDDLE TENNESSEE

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

### Note 3—Grants receivable (continued)

The Association also receives funds from the U.S. Committee for Refugees and Immigrants for the following program:

Multicultural Outreach Program (MOP), a program designed to connect unaccompanied minors to health, mental health, financial, and legal resources and to provide monthly support groups for women and teens.

In addition, the Association receives funds from the Department of Health and Human Services for the following program:

Substance Abuse and Mental Health Services Administration ("SAMHSA"), a program designed to provide Mental Health First Aid Trainings to First Responders in Middle and West Tennessee.

The Association also receives funds from the U.S. Department of Justice for the following program:

Project to Reduce Injury and Death Related to Elder Dementia (PRIDE-D), a program designed to aid in the search for missing Alzheimer's disease patients.

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:

	2020	2019
State of Tennessee - TSPN	\$ 163,147	\$ 54,315
MOP - Home Study and Post Release Services for Unaccompanied Children	18,087	13,810
SAMHSA - Equipping Tennessee's First Responders Program	8,760	10,695
State of Tennessee - ETS	7,021	17,150
DOJ - Missing Alzheimer's Disease Patient Assistance Program	3,498	-
Greater Nashville Regional Council - In-Home Education Program	1,400	525
State of Tennessee - TLC	-	4,255
	<u>\$ 201,913</u>	<u>\$ 100,750</u>

### Note 4—Unconditional promises to give

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

	2020	2019
United Way grants, receivables due in less than one year	\$ 6,516	\$ 6,516
Contributions	1,000	11,403
	<u>\$ 7,516</u>	<u>\$ 17,919</u>

# MENTAL HEALTH ASSOCIATION OF MIDDLE TENNESSEE

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

### Note 5—Payroll Protection Program Loan

The Association received a PPP loan in the amount of \$209,493. The PPP loan is granted by the Small Business Administration under the CARES Act. PPP loans are considered conditional contributions under ASC 958-605, *Not-for-Profit Entities – Revenue Recognition*. The loan must be repaid if the Association does not overcome certain barriers within the CARES Act. The barriers under the program include the requirement to maintain employee headcount, spend up to 60% of the loan proceeds on certain payroll and employee benefits, and restricts other loan proceeds to be used for other qualifying expenses such as mortgage interest, rent, and utilities. The Association has recognized \$84,237 in grant revenue during the year ended June 30, 2020 for the portion of grant revenue that conditions for forgiveness have been substantially met. The Association deferred recognition of \$125,256 of grant revenue for the year ended June 30, 2020, because the conditions for forgiveness have not been substantially met.

### Note 6—Restrictions on net assets

Net assets with donor restrictions are available for the following purposes or periods at June 30:

	2020	2019
Jammin' to Beat the Blues	\$ 48,109	\$ -
Other contributions	30,943	21,153
Frist Technology Grant	20,065	20,323
United Way grants and designations	6,516	6,516
Massey Dinner	-	37,000
	<u>\$ 105,633</u>	<u>\$ 84,992</u>

During fiscal year 2020, the Board of Directors of the Association designated \$2,720,000 (representing property sales proceeds) to be used for future projects of the Association.

### Note 7—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. During September 2018, the Association entered into an agreement to lease additional office space for \$600 per month. The lease terminates December 2020. The Association also maintains various leases for office equipment.

Rent expense under operating leases for the years ended June 30, 2020 and 2019 was \$77,745 and \$72,646, respectively.



# MENTAL HEALTH ASSOCIATION OF MIDDLE TENNESSEE

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

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### Note 7—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, 2020 are as follows:

**Year Ending June 30,**

2021

\$ 28,648

\$ 28,648

### 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 30 hours per week. Total contributions made to the plan were \$22,339 and \$41,281 for the years ended June 30, 2020 and 2019, respectively.

### 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.

### Note 10—Proceeds from sale of property

During 2017, the Association had entered into a contract with a Nashville nonprofit organization (the "Organization") related to the 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 would 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. The property was sold on January 15, 2020 for \$13,500,000, therefore 20% of the selling price, \$2,700,000, was received by the Association in 2020. Also included in proceeds from the sale of property is \$20,000 received in September 2019 as consideration for extending the closing date for the sale of the property.

### Note 11—Contingency

Late in December 2019, an outbreak of a novel strain of coronavirus ("COVID-19") emerged globally. As a result of the spread of COVID-19, economic uncertainties have arisen which could potentially impact revenue and other support for an indeterminable time period. Other financial impacts could occur though such potential impacts are unknown at this time. It is not possible to reliably estimate the length or severity of this outbreak and hence its financial impact.

## **SUPPLEMENTAL INFORMATION**

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

YEAR ENDED JUNE 30, 2020

	<b>CFDA No.</b>	<b>Pass-through Grantor's Number</b>	<b>Expenditures</b>
<b>Federal Awards:</b>			
<b>U.S. Dept. of Health &amp; Human Services</b>			
Community Mental Health Program			
<i>Pass-through from Tennessee Department of Mental     Health and Substance Abuse Services*</i>	93.243	60021	\$ 61,819
Community Mental Health Program			
<i>Pass-through from Tennessee Department of Mental     Health and Substance Abuse Services*</i>	93.243	59922	36,851
<i>Pass-through from Tennessee Department of Mental     Health and Substance Abuse Services*</i>	93.243	64143	68,162
Substance Abuse and Mental Health Services Administration (SAMHSA) Projects of Regional and National Significance	93.243	1H79SM081077-02	94,189
Total CFDA 93.243			<u>261,021</u>
Prevention and Treatment of Substance Abuse			
<i>Pass-through from Tennessee Department of Mental     Health and Substance Abuse Services*</i>	93.959	62615	89,996
Total CFDA 93.959			<u>89,996</u>
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	2019-2020	7,875
Total CFDA 93.044			<u>7,875</u>
U.S. Committee for Refugees and Immigrants, Home Study, and Post Release Services for Unaccompanied Children	93.676	90ZU0192-01-00	218,266
			<u>218,266</u>
U.S. Department of Justice, Missing Alzheimer's Disease Patient Assistance Program	16.015	2020-J1-BX-0006	3,498
			<u>3,498</u>
National Institute of Mental Health			
Outreach Partnership Program			
<i>Pass-through from Meharry Medical College*</i>	93.279	HHSN271201500266P	3,750
Total Federal Awards			<u>584,406</u>

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

YEAR ENDED JUNE 30, 2020

	<b>CFDA No.</b>	<b>Pass-through Grantor's Number</b>	<b>Expenditures</b>
<b>State Awards:</b>			
Tennessee Department of Mental Health and Substance Abuse Services			
<i>Erase the Stigma (ETS)</i>	N/A	62616	\$ 127,963
<i>Tennessee Suicide Prevention Network (TSPN)#</i>	N/A	62615	288,162
<i>Tennessee Suicide Prevention Network (TSPN) Expansion#</i>	N/A	62943	624,996
Total State Awards			<u>1,041,121</u>
Total Federal and State Awards			<u>\$ 1,625,527</u>

\* Grant represents pass-through federal funds.

# Represents state's portion of grant.

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

*YEAR ENDED JUNE 30, 2020*

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**Note 1—Basis of accounting**

The accompanying schedule of expenditures of federal and state awards (the "Schedule") summarizes the expenditures of Mental Health Association of Middle Tennessee (the "Association") under programs of the federal and state governments for the year ended June 30, 2020. The Schedule is presented using the accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of the state of Tennessee Audit Manual for Auditing, Accounting, and Reporting for Local Government Units and Other Organizations.

**Note 2—Indirect cost allocation**

The Association did not elect to use the 10% de minimis indirect cost rate.

**Note 3—Contingencies**

These programs are subject to financial and compliance audits by the grantor agencies. The amount, if any, of expenditures that may be disallowed by the grantor agencies cannot be determined at this time, although the Association expects such amounts, if any, to be immaterial.

**Report of Independent Auditor 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  
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, 2020, and the related statements of activities and changes in net assets, 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 15, 2020.

**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.

Cheng Bekeant LLP

Nashville, Tennessee  
September 15, 2020

**MENTAL HEALTH ASSOCIATION OF MIDDLE TENNESSEE**  
**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS**

*YEAR ENDED JUNE 30, 2020*

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There were no prior findings reported.