

MENTAL HEALTH ASSOCIATION OF MIDDLE TENNESSEE

FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

As of and for the Years Ended June 30, 2019 and 2018

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, 2019

BOARD OF DIRECTORS

Matt Smith
Matthew Self
Rhonda Ashley-Dixon
Derek Farrell
Katie Koss
David Tuchman
Anna-Vija McClain
John Bailey

Chair
Past Chair
Chair Elect
Treasurer
Secretary
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
Chief Financial Officer
TSPN Executive Director

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, 2019 and 2018, 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 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 the Association as of June 30, 2019 and 2018, 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.

Changes in Financial Statement Presentation

As discussed in Note 1, Mental Health Association of Middle Tennessee adopted Financial Accounting Standards Board (FASB) Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements for Not-for-Profit Entities*. The ASU has been applied retrospectively to all periods presented with the exception of the disclosure of liquidity and availability of resources, which has been implemented prospectively as allowed under the provisions of ASU 2016-14. Our opinion is not modified with respect to this matter.

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 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2019, 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.



Nashville, Tennessee
September 12, 2019

MENTAL HEALTH ASSOCIATION OF MIDDLE TENNESSEE **STATEMENTS OF FINANCIAL POSITION**

JUNE 30, 2019 AND 2018

	2019	2018
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 573,237	\$ 839,572
Grants receivable (Note 3)	100,750	147,193
Unconditional promises to give (Note 4)	17,919	15,130
Other accounts receivable	20,483	1,934
Prepaid expenses and other	51,632	16,237
Inventory	6,231	8,665
Total Current Assets	<u>770,252</u>	<u>1,028,731</u>
Other, net	<u>3,797</u>	<u>3,797</u>
Equipment, furniture, and improvements	156,458	134,505
Less accumulated depreciation	<u>(116,763)</u>	<u>(105,548)</u>
Net Equipment, Furniture, and Improvements	<u>39,695</u>	<u>28,957</u>
Total Assets	<u><u>\$ 813,744</u></u>	<u><u>\$ 1,061,485</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 18,374	\$ 41,195
Accrued expenses	86,585	60,231
Deferred revenue	<u>8,161</u>	<u>1,478</u>
Total Liabilities	<u>113,120</u>	<u>102,904</u>
Net Assets: (Note 5)		
Without donor restrictions	615,632	896,302
With donor restrictions	<u>84,992</u>	<u>62,279</u>
Total Net Assets	<u>700,624</u>	<u>958,581</u>
Total Liabilities and Net Assets	<u><u>\$ 813,744</u></u>	<u><u>\$ 1,061,485</u></u>

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

	Without Donor Restrictions	With Donor Restrictions	Total
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	1,574,153	22,713	1,596,866
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	1,461,610	-	1,461,610
Support Services:			
Fundraising	143,770	-	143,770
Management and general	249,443	-	249,443
Total Support Services	393,213	-	393,213
Total Expenses	1,854,823	-	1,854,823
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	\$ 615,632	\$ 84,992	\$ 700,624

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, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Other Support:			
Federal and state contracts and grants	\$ 825,587	\$ -	\$ 825,587
Other grants	223,834	29,550	253,384
Jammin' to Beat the Blues fundraiser	253,198	-	253,198
Massey Dinner	205,836	-	205,836
TSPN Awards Symposium	125,260	-	125,260
Fees and other	61,935	-	61,935
Contributions	53,806	-	53,806
In-kind contributions (Note 6)	45,932	-	45,932
United Way	7,450	9,500	16,950
Other special events	1,106	-	1,106
I.C. Hope revenues	3,694	-	3,694
Investment income	766	-	766
Net assets released from restrictions	58,838	(58,838)	-
Total Revenue and Other Support	1,867,242	(19,788)	1,847,454
Expenses:			
Program Services:			
Educational services	852,278	-	852,278
Consumer/family issues services	182,908	-	182,908
Aging services	74,732	-	74,732
Advocacy	45,705	-	45,705
Total Program Services	1,155,623	-	1,155,623
Support Services:			
Fundraising, including in-kind of \$45,932	366,464	-	366,464
Management and general	276,418	-	276,418
Total Support Services	642,882	-	642,882
Total Expenses	1,798,505	-	1,798,505
Change in net assets	68,737	(19,788)	48,949
Net assets, beginning of year	827,565	82,067	909,632
Net assets, end of year	\$ 896,302	\$ 62,279	\$ 958,581

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	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

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2018

						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	\$ 354,839	\$ 96,190	\$ 40,718	\$ 24,300	\$ 516,047	\$ 97,096	\$ 169,326	\$ 266,422	\$ 782,469
Travel	149,169	26,260	7,725	11,261	194,415	1,260	8,899	10,159	204,574
Employee benefits	67,067	15,442	9,870	2,946	95,325	15,919	20,217	36,136	131,461
Printing and publications	119,799	180	1,252	-	121,231	-	488	488	121,719
Fundraising expense - Jammin' to Beat the Blues	-	-	-	-	-	84,101	-	84,101	84,101
Fundraising expense - Massey Dinner	-	-	-	-	-	83,658	-	83,658	83,658
Rent	42,204	9,621	5,584	1,290	58,699	4,970	12,800	17,770	76,469
Professional fees	16,586	5,934	2,580	264	25,364	12,571	32,086	44,657	70,021
Payroll taxes	26,448	7,142	3,012	1,649	38,251	7,190	12,657	19,847	58,098
In-kind expense (Note 6)	-	-	-	-	-	45,932	-	45,932	45,932
Mental Health University	35,601	-	-	-	35,601	-	-	-	35,601
Equipment rental and maintenance	15,955	5,016	1,457	150	22,578	3,489	5,085	8,574	31,152
Telephone	8,942	1,702	1,201	88	11,933	696	1,322	2,018	13,951
Internet fees	5,888	908	144	24	6,964	986	296	1,282	8,246
Insurance	3,919	1,227	439	79	5,664	841	939	1,780	7,444
Supplies	2,014	920	53	4	2,991	302	3,035	3,337	6,328
Public relations	-	5,950	-	-	5,950	-	-	-	5,950
Dues and memberships	-	2,346	310	-	2,656	-	2,850	2,850	5,506
Public policy	-	-	-	3,650	3,650	-	-	-	3,650
Meeting	-	2,980	-	-	2,980	-	-	-	2,980
Bank fees	3	19	-	-	22	2,161	154	2,315	2,337
Depreciation	3,465	583	-	-	4,048	-	817	817	4,865
Bad debt	-	-	-	-	-	4,800	-	4,800	4,800
Reimbursed expenses	-	-	-	-	-	-	2,498	2,498	2,498
Staff appreciation	-	82	-	-	82	-	2,141	2,141	2,223
Licenses and permits	33	225	377	-	635	225	392	617	1,252
Postage	346	162	10	-	518	267	250	517	1,035
Other	-	19	-	-	19	-	166	166	185
	<u>\$ 852,278</u>	<u>\$ 182,908</u>	<u>\$ 74,732</u>	<u>\$ 45,705</u>	<u>\$ 1,155,623</u>	<u>\$ 366,464</u>	<u>\$ 276,418</u>	<u>\$ 642,882</u>	<u>\$ 1,798,505</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, 2019 AND 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ (257,957)	\$ 48,949
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	11,217	4,865
Changes in operating assets and liabilities:		
Grants receivable	46,443	(55,983)
Unconditional promises to give	(2,789)	26,358
Other accounts receivable	(18,549)	(1,934)
Prepaid expenses and other	(35,395)	24,722
Inventory	2,434	(396)
Accounts payable	(22,821)	(17,926)
Accrued expenses	26,354	27,480
Deferred revenue	6,683	(1,700)
Net cash (used in) provided by operating activities	<u>(244,380)</u>	<u>54,435</u>
Cash flows from investing activities:		
Purchase of equipment, furniture, and improvements	<u>(21,955)</u>	<u>(29,143)</u>
Net cash used in investing activities	<u>(21,955)</u>	<u>(29,143)</u>
Change in cash and cash equivalents	(266,335)	25,292
Cash and cash equivalents, beginning of year	839,572	814,280
Cash and cash equivalents, end of year	<u><u>\$ 573,237</u></u>	<u><u>\$ 839,572</u></u>

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

MENTAL HEALTH ASSOCIATION OF MIDDLE TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

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 contributions receivable and amounts available for programs.

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.

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 that amounts receivable from grantor agencies and unconditional promises to give are fully collectible for the years ended June 30, 2019 and 2018. 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 \$440,637 and \$623,807 at June 30, 2019 and 2018, 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.

MENTAL HEALTH ASSOCIATION OF MIDDLE TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

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

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.

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.

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 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.

Change in Accounting Principle – In August 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The ASU has been applied retrospectively to all periods presented with the exception of the disclosure of liquidity and availability of resources, which has been implemented prospectively as allowed under the provisions of ASU 2016-14.

Accounting Policies for Future Pronouncements – In May 2014, the 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 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, 2020. The Association is currently evaluating the effect of the implementation of this new standard.

In June 2018, the FASB issued 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 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 standard will be effective for the year ending June 30, 2020. The Association is currently evaluating the effect of the implementation of this new standard.

MENTAL HEALTH ASSOCIATION OF MIDDLE TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

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

In February 2016, the 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 balance sheet 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 income statement. This standard will be effective for the fiscal year ending June 30, 2021. The Association is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

Subsequent Events – The Association evaluated subsequent events through September 12, 2019, 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—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, 2019:

Financial Assets:

Cash and cash equivalents	\$	573,237
Grants receivable		100,750
Unconditional promises to give		17,919
Other accounts receivable		20,483
Less: net assets with donor restrictions		(84,992)
	\$	<u>712,389</u>

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, 2019 AND 2018

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.

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:

	2019	2018
State of Tennessee - TSPN	\$ 54,315	\$ 83,549
State of Tennessee - ETS	17,150	26,877
State of Tennessee - MOP	13,810	12,177
State of Tennessee - SAMHSA	10,695	-
State of Tennessee - TLC	4,255	24,415
Greater Nashville Regional Council - In-Home Education program	525	175
	<u>\$ 100,750</u>	<u>\$ 147,193</u>

Note 4—Unconditional promises to give

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

	2019	2018
Contributions	\$ 11,403	\$ 5,630
United Way grants, receivables due in less than one year	6,516	9,500
	<u>\$ 17,919</u>	<u>\$ 15,130</u>

MENTAL HEALTH ASSOCIATION OF MIDDLE TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 5—Restrictions on net assets

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

	2019	2018
Massey Dinner	\$ 37,000	\$ -
Other contributions	21,153	26,080
Frist Technology Grant	20,323	22,149
United Way grants and designations	6,516	9,500
Jammin' to Beat the Blues	-	4,550
	<u>\$ 84,992</u>	<u>\$ 62,279</u>

Note 6—In-kind contributions

In-kind contributions that are usable for program services, fundraising, support of management, and general functions are recorded at their fair values in the period received. In-kind contributions consist of the following at June 30:

	2019	2018
Donated performance fees, auction items, and other	<u>\$ -</u>	<u>\$ 45,932</u>

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, 2019 and 2018 was \$72,646 and \$76,469, 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, 2019 are as follows:

Years Ending June 30,

2020	\$ 57,297
2021	28,648
	<u>\$ 85,945</u>

MENTAL HEALTH ASSOCIATION OF MIDDLE TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

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 \$41,281 and \$34,995 for the years ended June 30, 2019 and 2018, 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—Contingency

The Association has 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, 2019 and 2018. The Association has also recorded \$20,000 as consideration related to the extension of the original contract that is not refundable and is not applicable to the purchase price. If the Organization fails to complete the sale of the property by September 30, 2019, 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

YEAR ENDED JUNE 30, 2019

	<u>CFDA No.</u>	<u>Pass-through Grantor's Number</u>	<u>Expenditures</u>
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	60021	\$ 221,562
<i>Pass-through from Tennessee Department of Mental Health and Substance Abuse Services*</i>	93.243	59922	92,468
			<u>314,030</u>
Substance Abuse and Mental Health Services Administration (SAMHSA) Projects of Regional and National Significance	93.243	1H79SM081077-01	94,488
Total CFDA 93.243			<u>408,518</u>
Prevention and Treatment of Substance Abuse			
<i>Pass-through from Tennessee Department of Mental Health and Substance Abuse Services*</i>	93.959	54573	89,994
Total CFDA 93.959			<u>89,994</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	2018-2019	5,250
Total CFDA 93.044			<u>5,250</u>
U.S. Committee for Refugees and Immigrants, Home Study and Post Release Services for Unaccompanied Children	93.676	90ZU0192-01-00	152,270
			<u>152,270</u>
National Institute of Mental Health			
Outreach Partnership Program			
<i>Pass-through from Meharry Medical College*</i>	93.279	HHSN271201500266P	7,500
Total Federal Awards			<u>663,532</u>

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

YEAR ENDED JUNE 30, 2019

	<u>CFDA No.</u>	<u>Pass-through Grantor's Number</u>	<u>Expenditures</u>
State Awards:			
Tennessee Department of Mental Health and Substance Abuse Services			
<i>Erase the Stigma (ETS)</i>	N/A	54832	\$ 128,431
<i>Tennessee Suicide Prevention Network (TSPN)#</i>	N/A	54573	<u>238,927</u>
Total State Awards			<u>367,358</u>
Total Federal and State Awards			<u><u>\$ 1,030,890</u></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, 2019

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, 2019. 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 minimus 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, 2019, 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 12, 2019.

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.

A handwritten signature in blue ink that reads "Cheryl BeKaart LLP". The signature is written in a cursive, flowing style.

Nashville, Tennessee
September 12, 2019

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

YEAR ENDED JUNE 30, 2019

There were no prior findings reported.