

**MENTAL HEALTH ASSOCIATION
OF MIDDLE TENNESSEE**

FINANCIAL STATEMENTS

June 30, 2011 and 2010

MENTAL HEALTH ASSOCIATION OF MIDDLE TENNESSEE

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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, 2011 and 2010, 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, 2011 and 2010, 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 October 11, 2011 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 federal and state awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit 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 basic financial statements and certain additional procedures, including comparing and reconciling such information 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 basic financial statements as a whole.

Frasier, Dean & Howard, PLLC

October 11, 2011

MENTAL HEALTH ASSOCIATION OF MIDDLE TENNESSEE
STATEMENTS OF FINANCIAL POSITION
June 30, 2011 and 2010

	Assets	
	2011	2010
Current assets:		
Cash and cash equivalents	\$ 180,548	\$ 287,618
Grants receivable (note 2)	256,124	82,432
Other receivables, net	1,125	30,359
Unconditional promises to give, net (note 3)	2,000	5,398
Prepaid expenses and other	17,494	29,255
Investments (note 4)	4,991	5,041
Total current assets	462,282	440,103
Other, net	818	818
Equipment, furniture and improvements	217,796	219,453
Less: accumulated depreciation	(214,914)	(215,625)
Net equipment, furniture and improvements	2,882	3,828
Total assets	\$ 465,982	\$ 444,749
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 33,092	\$ 40,431
Accrued expenses	57,578	49,880
Deferred revenue (note 5)	3,221	4,220
Total current liabilities	93,891	94,531
Deferred revenue (note 5)	3,659	6,796
Total liabilities	97,550	101,327
Net assets: (note 6)		
Designated for future periods	-	91,132
Other unrestricted	356,432	226,892
Unrestricted	356,432	318,024
Temporarily restricted	12,000	25,398
Total net assets	368,432	343,422
Total liabilities and net assets	\$ 465,982	\$ 444,749

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>
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>
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 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	318,024	25,398	343,422
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 ACTIVITIES
For the year ended June 30, 2010

	Unrestricted	Temporarily Restricted	Total
Revenue and other support:			
Federal and state contracts and grants	\$ 899,999	\$ -	\$ 899,999
Massey fundraising dinner (note 6)	319,036	-	319,036
Jammin' to Beat the Blues fundraiser	173,487	-	173,487
Other grants	141,804	20,000	161,804
In-kind contributions (note 7)	85,629	-	85,629
Contributions	64,051	-	64,051
TSPN Awards Symposium	24,233	-	24,233
United Way	18,358	5,398	23,756
I. C. Hope revenues (note 5)	13,983	-	13,983
Fees and other	5,088	-	5,088
Investment income	1,274	-	1,274
Net assets released from restrictions	7,624	(7,624)	-
	<u>1,754,566</u>	<u>17,774</u>	<u>1,772,340</u>
Total revenue and other support			
Expenses:			
Program services:			
Advocacy services, including in-kind of \$2,000	275,558	-	275,558
Educational services	696,208	-	696,208
Aging services	40,104	-	40,104
Consumer/family issues services	95,835	-	95,835
	<u>1,107,705</u>	<u>-</u>	<u>1,107,705</u>
Total program services			
Support services:			
Management and general, including in-kind of \$349	87,177	-	87,177
Fundraising, including in-kind of \$83,280	410,253	-	410,253
	<u>497,430</u>	<u>-</u>	<u>497,430</u>
Total support services			
Total expenses	<u>1,605,135</u>	<u>-</u>	<u>1,605,135</u>
Change in net assets	149,431	17,774	167,205
Net assets, beginning of year	<u>168,593</u>	<u>7,624</u>	<u>176,217</u>
Net assets, end of year	<u>\$ 318,024</u>	<u>\$ 25,398</u>	<u>\$ 343,422</u>

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

See accompanying notes.

**MENTAL HEALTH ASSOCIATION OF MIDDLE TENNESSEE
STATEMENT OF FUNCTIONAL EXPENSES**

For the year ended June 30, 2010

	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	\$ 146,833	\$ 322,413	\$ 23,765	\$ 56,304	\$ 549,315	\$ 49,047	\$ 81,994	\$ 131,041	\$ 680,356
Fundraising expense - events	-	145	-	-	145	-	192,790	192,790	192,935
Employee benefits	25,020	41,514	2,165	10,453	79,152	6,180	13,021	19,201	98,353
Travel	1,367	74,507	2,345	3,320	81,539	4,065	456	4,521	86,060
In-kind expense (note 7)	2,000	-	-	-	2,000	349	83,280	83,629	85,629
Printing and publications	1,112	75,356	741	385	77,594	172	3,128	3,300	80,894
Rent	18,072	33,032	2,857	7,065	61,026	7,633	8,118	15,751	76,777
Payroll taxes	11,884	26,231	1,884	4,215	44,214	3,587	6,241	9,828	54,042
Equipment rental and maintenance	11,404	23,077	1,294	3,625	39,400	2,113	4,660	6,773	46,173
Professional fees	20,230	15,029	617	1,590	37,466	5,109	1,754	6,863	44,329
Telephone	18,010	17,722	1,358	1,930	39,020	863	2,129	2,992	42,012
Relocation	7,024	14,727	1,210	2,728	25,689	954	3,058	4,012	29,701
Supplies	2,448	22,194	296	694	25,632	561	1,349	1,910	27,542
Support to NMHA	3,187	6,029	445	1,018	10,679	422	1,200	1,622	12,301
Insurance	3,089	5,364	374	812	9,639	467	1,015	1,482	11,121
Depreciation and amortization	2,075	4,249	45	136	6,505	170	522	692	7,197
Advertising	1,622	1,717	321	922	4,582	545	841	1,386	5,968
Consulting and contracts	-	5,000	-	-	5,000	-	-	-	5,000
Mental Health University	-	4,535	-	-	4,535	-	-	-	4,535
Miscellaneous	-	-	-	-	-	2,339	1,527	3,866	3,866
Postage	100	851	376	512	1,839	91	1,435	1,526	3,365
Dues and memberships	81	933	11	76	1,101	740	315	1,055	2,156
Licenses and permits	-	600	-	-	600	140	300	440	1,040
Loss on disposal of asset	-	-	-	-	-	1,123	-	1,123	1,123
Conferences and meetings	-	-	-	-	-	-	1,120	1,120	1,120
Cost of goods sold	-	820	-	-	820	-	-	-	820
Awards and gifts	-	163	-	50	213	390	-	390	603
Subscriptions	-	-	-	-	-	117	-	117	117
	<u>\$ 275,558</u>	<u>\$ 696,208</u>	<u>\$ 40,104</u>	<u>\$ 95,835</u>	<u>\$ 1,107,705</u>	<u>\$ 87,177</u>	<u>\$ 410,253</u>	<u>\$ 497,430</u>	<u>\$ 1,605,135</u>

See accompanying notes.

MENTAL HEALTH ASSOCIATION OF MIDDLE TENNESSEE
STATEMENTS OF CASH FLOWS
For the years ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Change in net assets	\$ 25,010	\$ 167,205
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	2,879	7,197
Loss on disposal of fixed assets	-	1,123
Realized and unrealized loss on investments	50	-
Changes in current assets and liabilities:		
Grants receivable	(173,692)	43,010
Other receivables	29,234	(22,224)
Unconditional promises to give	3,398	2,226
Prepaid expenses and other	11,761	(8,518)
Accounts payable	(7,339)	18,036
Accrued expenses	7,698	20,768
Deferred revenue	(4,136)	(10,952)
Net cash (used in) provided by operating activities	<u>(105,137)</u>	<u>217,871</u>
Cash flows from investing activities:		
Purchase of fixed assets	<u>(1,933)</u>	<u>(1,563)</u>
Net cash used in investing activities	<u>(1,933)</u>	<u>(1,563)</u>
Change in cash and cash equivalents	(107,070)	216,308
Cash and cash equivalents, beginning of year	<u>287,618</u>	<u>71,310</u>
Cash and cash equivalents, end of year	<u><u>\$ 180,548</u></u>	<u><u>\$ 287,618</u></u>

See accompanying notes.

MENTAL HEALTH ASSOCIATION OF MIDDLE TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Mental Health Association of Middle Tennessee (the “Association”) is a nonprofit organization that provides community education about mental health illnesses and advocates for the rights and needs of persons with mental illnesses. The Association is primarily funded by government grants, private grants, and donations.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Financial statement presentation follows the recommendations of Financial Accounting Standards Board Accounting Standards Codification (“FASB ASC”) Topic 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, 2011 and 2010.

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, 2011 and 2010

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, 2011 and 2010, 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, 2011 and 2010 were \$83,958 and \$85,629, 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 \$106,546 and \$248,706 at June 30, 2011 and 2010, respectively, within the Association's investment portfolio.

MENTAL HEALTH ASSOCIATION OF MIDDLE TENNESSEE
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2011 and 2010

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. (See Note 5).

Advertising

Advertising costs are charged to expense as incurred. Advertising expense totaled \$57,478 and \$5,968 for the years ended June 30, 2011 and 2010, 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 Financial Accounting Standards Board Accounting Standards Codification (“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. This guidance must be applied to all existing tax positions upon initial adoption. 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, 2008 through June 30, 2011.

Subsequent Events

The Association evaluated subsequent events through October 11, 2011, 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, 2011 and 2010

NOTE 2 – GRANTS RECEIVABLE

Funds received from the State of Tennessee Department of Finance and Administration were used for the general support and management of TennCare Partners Advocacy Line (“TPAL”), a telephone network designed to provide information and advocacy regarding mental health issues.

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:

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

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

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.

Funds received from the Greater Nashville Regional Council are to be used for the general support of the In-Home Education program, which provides education to caregivers and families of persons with alzheimer’s disease or related dementia. Grants receivable consist of the following at June 30:

	<u>2011</u>	<u>2010</u>
State of Tennessee – TLC	\$ 160,019	\$ 33,875
State of Tennessee – TPAL	-	24,271
State of Tennessee – TSPN	42,650	8,461
State of Tennessee – ETS	35,164	15,700
Greater Nashville Regional Council – In-Home Educational program	1,575	125
Tennessee Commission on Aging	<u>16,716</u>	<u>-</u>
	<u>\$ 256,124</u>	<u>\$ 82,432</u>

NOTE 3 – UNCONDITIONAL PROMISES TO GIVE

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

	<u>2011</u>	<u>2010</u>
United Way grants, receivables due in less than one year	<u>\$ 2,000</u>	<u>\$ 5,398</u>

MENTAL HEALTH ASSOCIATION OF MIDDLE TENNESSEE
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2011 and 2010

NOTE 4 – INVESTMENTS

Investments as of June 30, 2011 and 2010 consist of short-term money market funds. The following schedule summarizes investment return for the years ended June 30:

	<u>2011</u>	<u>2010</u>
Interest and dividends	\$ 341	\$ 1,274
Realized and unrealized gains and losses, net	<u>(50)</u>	<u>-</u>
	<u>\$ 291</u>	<u>\$ 1,274</u>

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 \$5,902 and \$13,983 for the years ended June 30, 2011 and 2010, respectively. Deferred revenue under these license agreements amounted to \$6,880 and \$11,016 at June 30, 2011 and 2010, respectively.

NOTE 6 – RESTRICTIONS ON NET ASSETS

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

	<u>2011</u>	<u>2010</u>
Fundraising dinner proceeds designated for future periods	<u>\$ -</u>	<u>\$ 91,312</u>

During fiscal 2010, 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 2011. The following is a summary of fundraising contributions received and expenses incurred during 2010 for the Massey fundraising dinner.

Contributions	\$ 319,036
Expenses	<u>(136,772)</u>
Net proceeds	<u>\$ 182,264</u>

MENTAL HEALTH ASSOCIATION OF MIDDLE TENNESSEE
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2011 and 2010

NOTE 6 – RESTRICTIONS ON NET ASSETS (Continued)

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

	<u>2011</u>	<u>2010</u>
United Way grants and designations	\$ 2,000	\$ 5,398
Hispanic Outreach Program	-	20,000
Massey Dinner	<u>10,000</u>	<u>-</u>
	<u>\$ 12,000</u>	<u>\$ 25,938</u>

NOTE 7 – IN-KIND CONTRIBUTIONS

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

	<u>2011</u>	<u>2010</u>
Donated auction items and other	<u>\$ 83,958</u>	<u>\$ 85,629</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, 2011 and 2010 was \$31,853 and \$76,777, 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, 2011 are as follows:

<u>Year ended</u> <u>June 30,</u>	
2012	\$ 56,505
2013	46,630
2014	43,920
2015	40,260
2016	-
Thereafter	<u>-</u>
	<u>\$ 187,315</u>

MENTAL HEALTH ASSOCIATION OF MIDDLE TENNESSEE
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2011 and 2010

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 \$5,091 and \$5,704 for the years ended June 30, 2011 and 2010, 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.

NOTE 11 – CHARITABLE TRUST

The Association has been named as beneficiary of a trust. Under the terms of the trust agreement, the Association is to receive a charitable contribution annually from the trust for a ten-year period. Each year's contribution will be based on the fair value of the trust as determined annually each December 31. Amounts received and recorded as contribution revenue during the years ended June 30, 2011 and 2010 amounted to \$10,490 and \$11,884, respectively. Contributions from the trust for future periods will be recorded as revenue when received.

SUPPLEMENTAL INFORMATION

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

For the year ended June 30, 2011

	CFDA No.	Pass through Grantor's Number	Balance Receivable June 30, 2010	Cash Receipts	Expenditures	Balance Receivable June 30, 2011
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-09-27382-00-6780	\$ 33,875	\$ 33,875	\$ -	\$ -
<i>Pass-through from Tennessee Department of Mental Health and Developmental Disabilities*</i>	93.243	GR-11-31329-01	-	286,804	446,823	160,019
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	2009-2010	125	125	-	-
<i>Pass-through from Greater Nashville Regional Council</i>	93.044	2010-2011	-	4,575	6,150	1,575
Medical Assistance Program *						
<i>Pass-through from the Tennessee Department of Finance and Administration, Bureau of TennCare</i>	93.778	GR-07-18058-04	12,136	12,136	-	-
<i>Pass-through from the Tennessee Department of Finance and Administration, Bureau of TennCare</i>	93.778	GR-07-18058-05	-	37,474	37,474	-
Total Federal Awards			\$ 46,136	\$ 374,989	\$ 490,447	\$ 161,594

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

For the year ended June 30, 2011

		CFDA No.	Pass through Grantor's Number	Balance Receivable June 30, 2010	Cash Receipts	Expenditures	Balance Receivable June 30, 2011
State Awards:							
Tennessee Department of Mental Health and Developmental Disabilities							
Tennessee Suicide Prevention Network (TSPN)		N/A	10991-GR1029168	\$ 8,460	\$ 8,460	\$ -	\$ -
Tennessee Suicide Prevention Network (TSPN)		N/A	GR-11-31255	-	103,350	146,000	42,650
Cultural and Linguistic Cooperative Agreement (CDC)							
		N/A	10990-GR1029167	4,134	4,134	-	-
Erase the Stigma (ETS)		N/A	11221-GR1029394	11,566	11,566	-	-
Erase the Stigma (ETS)		N/A	GR-1131256	-	74,836	110,000	35,164
Tennessee Commission on Aging and Disability							
Pass-through from Tennessee Commission on Aging and Disability ^		93.051	GR-11-34320	-	32,458	49,174	16,716
Medical Assistance Program*							
Pass-through from the Tennessee Department of Finance and Administration, Bureau of TennCare #		N/A	GR-0718058-04	12,136	12,136	-	-
Pass-through from the Tennessee Department of Finance and Administration, Bureau of TennCare #		N/A	GR-0718058-05	-	37,474	37,474	-
Total State Awards				36,296	284,414	342,648	94,530
Total Federal and State Awards				\$ 82,432	\$ 659,403	\$ 833,095	\$ 256,124

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.

Represents State's portion of grant.

* 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, 2011, and have issued our report thereon dated October 11, 2011. 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

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 Organization'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.

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*.

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

October 11, 2011