



MENTAL HEALTH ASSOCIATION OF MIDDLE TENNESSEE

FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

***As of and for the Years Ended June 30, 2018
and 2017***

And Report of Independent Auditor

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

JUNE 30, 2018

BOARD OF DIRECTORS

Matthew Self
Mary Harkleroad
Matt Smith
Derek Farrell
Katie Koss
Kathryn Mathes
Andrea Turner
Krystal Mitchell

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
Director of Finance
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 statement of financial position as of June 30, 2018, 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.

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, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis 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 October 12, 2018, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Mental Health Association of Middle Tennessee's internal control over financial reporting and compliance.

Prior Period Financial Statements

The financial statements as of June 30, 2017 were audited by other auditors whose report dated September 5, 2017 expressed an unmodified opinion on those statements.

Cheng Bekeant LLP

Nashville, Tennessee
October 12, 2018

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

JUNE 30, 2018 AND 2017

	2018	2017
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 839,572	\$ 814,280
Grants receivable (Note 2)	147,193	91,210
Unconditional promises to give (Note 3)	15,130	41,488
Other accounts receivable	1,934	-
Prepaid expenses and other	16,237	40,959
Inventory	8,665	8,269
Total Current Assets	<u>1,028,731</u>	<u>996,206</u>
Other, net	<u>3,797</u>	<u>3,797</u>
Equipment, furniture, and improvements	134,504	105,361
Less accumulated depreciation	<u>(105,547)</u>	<u>(100,682)</u>
Net Equipment, Furniture, and Improvements	<u>28,957</u>	<u>4,679</u>
Total Assets	<u><u>\$ 1,061,485</u></u>	<u><u>\$ 1,004,682</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 41,195	\$ 59,121
Accrued expenses	60,231	32,751
Deferred revenue	<u>1,478</u>	<u>3,178</u>
Total Liabilities	<u>102,904</u>	<u>95,050</u>
Net Assets: (Note 4)		
Unrestricted	896,302	827,565
Temporarily restricted	<u>62,279</u>	<u>82,067</u>
Total Net Assets	<u>958,581</u>	<u>909,632</u>
Total Liabilities and Net Assets	<u><u>\$ 1,061,485</u></u>	<u><u>\$ 1,004,682</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, 2018

	Unrestricted	Temporarily Restricted	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 5)	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 ACTIVITIES AND CHANGES IN NET ASSETS (CONTINUED)

YEAR ENDED JUNE 30, 2017

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

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 5)	-	-	-	-	-	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
STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)

YEAR ENDED JUNE 30, 2017

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

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, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets	\$ 48,949	\$ (209,910)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	4,865	647
Changes in operating assets and liabilities:		
Grants receivable	(55,983)	42,524
Unconditional promises to give	26,358	35,594
Other accounts receivable	(1,934)	
Prepaid expenses and other	24,722	(22,212)
Inventory	(396)	5,667
Accounts payable	(17,926)	23,487
Accrued expenses	27,480	7,306
Deferred revenue	(1,700)	(2,500)
Net cash provided by (used in) operating activities	<u>54,435</u>	<u>(119,397)</u>
Cash flows from investing activities:		
Purchase of equipment, furniture, and improvements	<u>(29,143)</u>	<u>(4,126)</u>
Net cash used in investing activities	<u>(29,143)</u>	<u>(4,126)</u>
Change in cash and cash equivalents	25,292	(123,523)
Cash and cash equivalents, beginning of year	814,280	937,803
Cash and cash equivalents, end of year	<u><u>\$ 839,572</u></u>	<u><u>\$ 814,280</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, 2018 AND 2017

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.

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 (“GAAP”). Financial statement presentation follows the recommendations of Financial Accounting Standards Board Accounting Standards Codification (“FASB ASC”) guidance for not-for-profit entities. Accordingly, net assets of the Association and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Association and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Association. The Association has no permanently restricted net assets at June 30, 2018 and 2017.

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 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, 2018 and 2017. 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 \$623,807 and \$677,403 at June 30, 2018 and 2017, respectively.

MENTAL HEALTH ASSOCIATION OF MIDDLE TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

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

Cash balances are sometimes maintained in excess of Federal Deposit Insurance Corporation insured amounts. The Association has not experienced any losses in such accounts. In management's opinion, risk related to such concentrations is not significant.

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

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

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

The Association follows FASB ASC guidance regarding the accounting for uncertainty in income taxes recognized in an entity's financial statements. This guidance prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement. The Association has no tax penalties or interest reported in the accompanying financial statements.

Accounting Policies for Future Pronouncements – In August of 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities* (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. This standard changes presentation and disclosure requirements of not-for-profit entities. The primary changes are decreases in the number of net asset classes from three to two, reporting of the underwater amounts of donor-restricted endowment funds in net assets with donor restrictions, continues to allow preparers to choose between the direct method and indirect method for presenting operating cash flows, requires disclosures of qualitative information on how the not-for-profit entity manages its liquid available resources and liquidity risks and requires reporting of expenses by function and nature, as well as an analysis of expenses by both function and nature. This standard will be effective for the fiscal year ending June 30, 2019.

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 fiscal year ending June 30, 2020. The Association is currently evaluating the effect of the implementation of this new standard.

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, 2020. The Association is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

MENTAL HEALTH ASSOCIATION OF MIDDLE TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

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

Subsequent Events – The Association evaluated subsequent events through October 12, 2018, when these financial statements were available to be issued. The Association is not aware of any significant events that occurred subsequent to the statement of financial position date but prior to the filing of this report that would have a material impact on the financial statements.

Note 2—Grants receivable

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

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

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

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

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

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.

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.

MENTAL HEALTH ASSOCIATION OF MIDDLE TENNESSEE **NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2018 AND 2017

Note 2—Grants receivable (continued)

Grants receivable consist of the following at June 30:

	2018	2017
State of Tennessee - TSPN	\$ 83,549	\$ 30,715
State of Tennessee - ETS	26,877	19,546
State of Tennessee - TLC	24,415	31,952
State of Tennessee - MOP	12,177	-
Greater Nashville Regional Council - In-Home Education program	175	875
State of Tennessee - TARGET	-	8,122
	<u>\$ 147,193</u>	<u>\$ 91,210</u>

Note 3—Unconditional promises to give

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

	2018	2017
United Way grants, receivables due in less than one year	\$ 9,500	\$ 10,000
Contributions	5,630	31,488
	<u>\$ 15,130</u>	<u>\$ 41,488</u>

Note 4—Restrictions on net assets

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

	2018	2017
Other contributions	\$ 26,080	\$ 43,918
Frist Technology Grant	22,149	22,149
United Way grants and designations	9,500	10,000
Jammin' to Beat the Blues	4,550	1,000
Massey Dinner	-	5,000
	<u>\$ 62,279</u>	<u>\$ 82,067</u>

MENTAL HEALTH ASSOCIATION OF MIDDLE TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

Note 5—In-kind contributions

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

	2018	2017
Donated performance fees, auction items, and other	\$ 45,932	\$ 24,605

Note 6—Operating lease commitments

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

Rent expense under operating leases for the years ended June 30, 2018 and 2017 was \$76,469 and \$73,801, 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, 2018 are as follows:

Years Ending June 30,

2019	\$ 57,297
2020	57,297
2021	28,649
	<u>\$ 143,243</u>

Note 7—Employee benefit plan

The Association has a tax deferred annuity plan covering employees who have reached age 21, have been employed for one year, and work at least 30 hours per week. Total contributions made to the plan were \$34,995 and \$33,493 for the years ended June 30, 2018 and 2017, respectively.

Note 8—Concentrations

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

MENTAL HEALTH ASSOCIATION OF MIDDLE TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

Note 9—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, 2018 and 2017. The Organization 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, 2018

	<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	51386	\$ 77,724
<i>Pass-through from Tennessee Department of Mental Health and Substance Abuse Services*</i>	93.243	903211	145,315
			<u>223,039</u>
Substance Abuse and Mental Health Services Administration (SAMHSA) Projects of Regional and National Significance			
<i>Pass-through from Tennessee Department of Mental Health and Substance Abuse Services*</i>	93.243	56913	67,411
Total CFDA 93.243			<u>290,450</u>
Prevention and Treatment of Substance Abuse			
<i>Pass-through from Tennessee Department of Mental Health and Substance Abuse Services*</i>	93.959	54573	89,915
Total CFDA 93.959			<u>89,915</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	2017-2018	3,150
Total CFDA 93.044			<u>3,150</u>
Department of Health and Human Services, Cooperative Agreements to Implement the National Strategy for Suicide Prevention			
<i>Pass-through from Tennessee Department of Mental Health and Substance Abuse Services*</i>	93.764	51517	49,607
Total CFDA 93.764			<u>49,607</u>
U.S. Committee for Refugees and Immigrants, Home Study and Post Release Services for Unaccompanied Children			
	93.676	90ZU0192-01-00	32,922
			<u>32,922</u>
National Institute of Mental Health Outreach Partnership Program			
<i>Pass-through from Meharry Medical College*</i>		HHSN2712015 00266P	7,500
Total Federal Awards			<u>473,544</u>

See notes to the schedule of expenditures of federal and state awards.

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

YEAR ENDED JUNE 30, 2018

	<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	\$ 117,586
<i>Tennessee Suicide Prevention Network (TSPN)#</i>	N/A	54573	234,457
Total State Awards			<u>352,043</u>
Total Federal and State Awards			<u>\$ 825,587</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

JUNE 30, 2018

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, 2018. 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, 2018, 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 October 12, 2018.

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
October 12, 2018