

**NATIONAL ASSOCIATION OF STATE MENTAL
HEALTH PROGRAM DIRECTORS
REPORT AND FINANCIAL STATEMENTS
SEPTEMBER 30, 2006 AND 2005**

**NATIONAL ASSOCIATION OF STATE MENTAL HEALTH PROGRAM DIRECTORS
SEPTEMBER 30, 2006 AND 2005**

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Report of Independent Certified Public Accountants

Board of Directors

National Association of State Mental Health Program Directors

We have audited the accompanying statements of financial position of National Association of State Mental Health Program Directors (a non-profit organization) as of September 30, 2006 and 2005, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of National Association of State Mental Health Program Directors' 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 audits 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 provides 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 National Association of State Mental Health Program Directors as of September 30, 2006 and 2005, 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 December 14, 2006 on our consideration of National Association of State Mental Health Program Directors' internal control over financial reporting and on our tests of its compliance and 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.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Cherry, Bekaert & Holland, L.L.P.

Vienna, Virginia
December 14, 2006

**NATIONAL ASSOCIATION OF STATE MENTAL HEALTH PROGRAM DIRECTORS
STATEMENTS OF FINANCIAL POSITION**

ASSETS	September 30,	
	2006	2005
Current assets		
Cash and cash equivalents		
Unrestricted	\$ 319,566	\$ 729,682
Restricted	331,196	-
Accounts receivable:		
Billed	1,288,733	1,385,248
Unbilled	19,932	40,589
Other receivables	10,359	-
Prepaid assets	55,604	49,026
Total current assets	2,025,390	2,204,545
Property and equipment, net	112,862	106,788
Other assets		
Investments	599,441	564,493
Total assets	\$ 2,737,693	\$ 2,875,826
LIABILITIES AND NET ASSETS		
Current liabilities		
Capital lease obligations - current portion	\$ 28,104	\$ 25,439
Accounts payable and accrued expenses	615,385	991,120
Accrued payroll and payroll taxes	88,102	93,804
Deferred revenue	523,837	752,587
Due to other organization	331,196	-
Total current liabilities	1,586,624	1,862,950
Long-term liabilities		
Deferred rent	85,118	81,553
Capital lease obligation	34,374	62,478
Total liabilities	1,706,116	2,006,981
Net assets		
Unrestricted	1,031,577	862,042
Temporarily restricted	-	6,803
Total net assets	1,031,577	868,845
Total liabilities and net assets	\$ 2,737,693	\$ 2,875,826

(See accompanying notes to financial statements)

**NATIONAL ASSOCIATION OF STATE MENTAL HEALTH PROGRAM DIRECTORS
STATEMENTS OF ACTIVITIES**

	Year Ended September 30,	
	2006	2005
Change in unrestricted net assets		
Revenue and support		
Grant and contract revenue	\$ 6,940,416	\$ 6,476,828
Program fees	833,573	842,309
Sponsorships	3,500	17,028
Investment income	41,189	30,400
	7,818,678	7,366,565
Net assets released from restrictions	164,437	118,197
	7,983,115	7,484,762
Expenses		
Direct program expenses	7,038,812	6,697,167
Allocated indirect costs	686,520	742,947
	7,725,332	7,440,114
General and administrative expenses	88,248	8,369
	7,813,580	7,448,483
Increase in unrestricted net assets	169,535	36,279
Changes in temporarily restricted net assets		
Contributions received	157,634	125,000
Net assets released from restrictions	(164,437)	(118,197)
	(6,803)	6,803
Change in restricted net assets	(6,803)	6,803
Change in net assets	162,732	43,082
Net assets, beginning of period	868,845	825,763
Net assets, end of period	\$ 1,031,577	\$ 868,845

(See accompanying notes to financial statements)

NATIONAL ASSOCIATION OF STATE MENTAL HEALTH PROGRAM DIRECTORS
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2006

	SDICC	Profiles	TTA	NTAC	Social Marketing	Other Federal
Salaries	\$ 1,609	\$ 1,601	\$ 165,804	\$ 413,863	\$ 41,684	\$ 118,617
Fringe benefits	368	366	37,936	94,692	9,537	27,139
Consultants	-	-	36,750	228,924	-	29,406
Travel	-	-	15,945	198,715	3,649	11,866
Meetings	-	-	2,760	30,818	-	3,142
Telephone	-	-	792	4,599	1	1,563
Supplies/other	-	-	3,113	11,537	605	27
Duplication/printing	-	-	4,282	38,773	97	468
Postage/shipping	-	-	1,089	8,830	233	1,329
Unallowed direct costs	-	-	563	448	-	-
Subcontractors	404,252	190,996	1,604,606	425,712	1,921,237	-
Office rent	-	-	-	-	-	-
Maintenance/leases	-	-	-	-	-	-
Insurance	-	-	-	-	-	-
Audit/legal/banking	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-
Unallowed G&A costs	-	-	-	-	-	-
Subtotal	406,229	192,963	1,873,640	1,456,911	1,977,043	193,557
Overhead application	7,041	514	133,119	275,668	27,615	49,862
Total expenses	\$ 413,270	\$ 193,477	\$ 2,006,759	\$ 1,732,579	\$ 2,004,658	\$ 243,419

(See accompanying notes to financial statements)

NATIONAL ASSOCIATION OF STATE MENTAL HEALTH PROGRAM DIRECTORS
STATEMENT OF FUNCTIONAL EXPENSES (Continued)
YEAR ENDED SEPTEMBER 30, 2006

	Association Membership	National Meetings	Other	Total Programs	General and Administrative	Total
Salaries	\$ 267,298	-	\$ 46,055	\$ 1,056,531	\$ 282,235	\$ 1,338,766
Fringe benefits	61,158	-	10,809	242,005	64,648	306,653
Consultants	-	-	41,103	336,183	-	336,183
Travel	47,626	-	44,781	322,582	-	322,582
Meetings	159,840	-	13,855	210,415	-	210,415
Telephone	3,473	-	1,614	12,042	13,110	25,152
Supplies/other	12,426	-	505	28,213	55,076	83,289
Duplication/printing	21,275	-	720	65,615	4,943	70,558
Postage/shipping	1,876	-	1,663	15,020	4,206	19,226
Unallowed direct costs	-	-	-	1,011	-	1,011
Subcontractors	-	-	202,392	4,749,195	-	4,749,195
Office rent	-	-	-	-	250,602	250,602
Maintenance/leases	-	-	-	-	15,634	15,634
Insurance	-	-	-	-	6,009	6,009
Audit/legal/banking	-	-	-	-	27,949	27,949
Miscellaneous	-	-	-	-	28,983	28,983
Depreciation	-	-	-	-	20,664	20,664
Unallowed G&A costs	-	-	-	-	709	709
Subtotal	574,972	-	363,497	7,038,812	774,768	7,813,580
Overhead application	150,723	-	41,978	686,520	(686,520)	-
Total expenses	\$ 725,695	-	\$ 405,475	\$ 7,725,332	\$ 88,248	\$ 7,813,580

(See accompanying notes to financial statements)

NATIONAL ASSOCIATION OF STATE MENTAL HEALTH PROGRAM DIRECTORS
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2005

	<u>SDICC</u>	<u>Profiles</u>	<u>TTA</u>	<u>NTAC</u>	<u>Social Marketing</u>	<u>Other Federal</u>
Salaries	\$ 1,022	944	\$ 192,519	\$ 324,277	\$ 32,192	\$ 74,823
Fringe benefits	234	216	44,049	74,195	7,366	17,121
Consultants	-	-	36,033	177,263	-	65,960
Travel	-	-	28,155	315,508	2,452	15,555
Meetings	-	-	16,666	39,400	-	4,063
Telephone	-	-	1,994	6,263	10	925
Supplies/other	-	-	4,211	26,074	425	102
Duplication/printing	-	-	4,434	33,676	162	865
Postage/shipping	-	-	1,415	7,809	121	358
Unallowed direct costs	-	-	-	-	-	-
Subcontractors	342,234	193,453	1,662,485	206,529	1,560,564	206,179
Office rent	-	-	-	-	-	-
Maintenance/leases	-	-	-	-	-	-
Insurance	-	-	-	-	-	-
Audit/legal/banking	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-
Unallowed G&A costs	-	-	-	-	-	-
Subtotal	343,490	194,613	1,991,961	1,210,994	1,603,292	385,951
Overhead application	6,853	6,828	154,335	275,216	24,202	59,972
Total expenses	\$ 350,343	\$ 201,441	\$ 2,146,296	\$ 1,486,210	\$ 1,627,494	\$ 445,923

(See accompanying notes to financial statements)

NATIONAL ASSOCIATION OF STATE MENTAL HEALTH PROGRAM DIRECTORS
STATEMENT OF FUNCTIONAL EXPENSES (Continued)
YEAR ENDED SEPTEMBER 30, 2005

	<u>Association Membership</u>	<u>National Meetings</u>	<u>Other</u>	<u>Total Programs</u>	<u>General and Administrative</u>	<u>Total</u>
Salaries	\$ 351,953	\$ 57,346	\$ 3,551	\$ 1,038,627	\$ 280,788	\$ 1,319,415
Fringe benefits	80,527	13,120	813	237,641	64,245	301,886
Consultants	8,250	14,070	2,500	304,076	-	304,076
Travel	30,029	25,441	14,705	431,845	-	431,845
Meetings	113,846	64,101	7,067	245,143	-	245,143
Telephone	5,388	325	-	14,905	10,538	25,443
Supplies/other	9,922	1,612	-	42,346	57,069	99,415
Duplication/printing	14,245	3,864	16	57,262	7,419	64,681
Postage/shipping	3,010	105	18	12,836	3,582	16,418
Unallowed direct costs	-	-	-	-	-	-
Subcontractors	-	-	141,042	4,312,486	-	4,312,486
Office rent	-	-	-	-	225,156	225,156
Maintenance/leases	-	-	-	-	24,151	24,151
Insurance	-	-	-	-	6,560	6,560
Audit/legal/banking	-	-	-	-	30,930	30,930
Miscellaneous	-	-	-	-	15,405	15,405
Depreciation	-	-	-	-	25,473	25,473
Unallowed G&A costs	-	-	-	-	-	-
Subtotal	<u>617,170</u>	<u>179,984</u>	<u>169,712</u>	<u>6,697,167</u>	<u>751,316</u>	<u>7,448,483</u>
Overhead application	<u>161,081</u>	<u>46,976</u>	<u>7,484</u>	<u>742,947</u>	<u>(742,947)</u>	<u>-</u>
Total expenses	<u>\$ 778,251</u>	<u>\$ 226,960</u>	<u>\$ 177,196</u>	<u>\$ 7,440,114</u>	<u>\$ 8,369</u>	<u>\$ 7,448,483</u>

(See accompanying notes to financial statements)

**NATIONAL ASSOCIATION OF STATE MENTAL HEALTH PROGRAM DIRECTORS
STATEMENTS OF CASH FLOWS**

	Year Ended September 30,	
	2006	2005
Cash flows from operating activities		
Change in net assets	\$ 162,732	\$ 43,082
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	45,635	48,895
Unrealized gain on investment	(14,906)	(13,752)
Reinvested earnings on investments	(20,042)	(5,388)
Loss on disposal of fixed assets	-	2,327
Change in assets and liabilities:		
Accounts receivable	117,172	(89,438)
Other receivables	(10,359)	(5,388)
Prepaid expenses	(6,578)	(2,157)
Accounts payable and accrued expenses	(375,735)	387,918
Accrued payroll and payroll taxes	(5,702)	19,955
Deferred revenue	(228,750)	97,679
Deferred rent	3,565	9,359
Due to other organization	331,196	-
Net cash (used) provided by operating activities	(1,772)	493,092
Cash flows from investing activities		
Purchases of property and equipment	(51,709)	(12,534)
Purchase of investments	-	(293,876)
Net cash used in investing activities	(51,709)	(306,410)
Cash flows from financing activities		
Principal payments on capital lease obligations	(25,439)	(21,521)
Net cash used in financing activities	(25,439)	(21,521)
Net change in cash and cash equivalents	(78,920)	165,161
Cash and cash equivalents, beginning of period	729,682	564,521
Cash and cash equivalents, end of period	\$ 650,762	\$ 729,682
Supplemental disclosures:		
Cash paid for:		
Interest	\$ 7,646	\$ 9,465

(See accompanying notes to financial statements)

NATIONAL ASSOCIATION OF STATE MENTAL HEALTH PROGRAM DIRECTORS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006 AND 2005

Note 1 – Organization and business

The National Association of State Mental Health Program Directors (the “Association”) is organized as a non-profit corporation under the laws of the District of Columbia. Their mission is to provide for the exchange of views and experience on subjects of general importance to the directors and staff of state public mental health programs, to foster interstate cooperation, to attain greater efficiency in state administration of mental health programs, to facilitate and improve state-local relationships, to foster multi-state activities, and to vigorously represent all interests of the states which relate to public mental health programs.

Note 2 – Summary of significant accounting policies

Basis of accounting – The Association follows the accrual method of accounting. Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements for Not-for-Profit Organizations*. Under SFAS No. 117, the Association is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

The three classes of net assets represent the following:

- a. Unrestricted net assets are those currently available for operational purposes under the discretion of management, those designated by management for specific use, and those resources invested in property and equipment.
- b. Temporarily restricted net assets are those contributed with donor stipulations for specific operating purposes, those with time restrictions, or those not currently available for use until commitments regarding their use have been fulfilled.
- c. Permanently restricted net assets are those which are contributed with donor restrictions requiring that they be held in perpetuity.

Cash and cash equivalents – The Association considers highly liquid investments with original maturities of three months or less to be cash equivalents.

The Association maintains cash balances at various financial institutions, which at times may exceed federally insured limits. The uninsured cash balances at September 30, 2006 and 2005 were \$753,631 and \$664,452, respectively. The Association has not experienced any losses related to these accounts and does not believe that it is exposed to any significant credit risk with respect to cash and cash equivalents.

Investments – The Association maintains a brokerage account, which consists of money market funds and marketable securities recorded at fair value. Changes in fair value are recognized as investment income in the accompanying statement of activities.

Accounts receivable – The Association’s methodology of determining the allowance for uncollectible accounts is based on experience with the specific funder. The allowance for doubtful accounts was \$0 at September 30, 2006 and 2005, respectively.

NATIONAL ASSOCIATION OF STATE MENTAL HEALTH PROGRAM DIRECTORS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006 AND 2005
(Continued)

Property and equipment – The Association’s policy is to capitalize property and equipment with a cost of more than \$2,500 and a useful life of more than one year. Property and equipment are recorded at cost. All equipment acquired under capital lease agreements are recorded on the statement of financial position as assets and long-term obligations. Depreciation is calculated using the straight-line method over estimated useful lives of three to seven years. Depreciation for capitalized lease equipment is calculated over the shorter of the lease term or the useful life of the asset.

Revenue and support – The Association receives support and funding from a variety of sources. Program funding in the form of contracts and grants is received from the federal government and its agencies. Membership dues from state, the District of Columbia and U.S. territories mental health commissioners are received to support membership services and programs. The Association also receives contributions, sponsorships and grants from private corporations and other non-profit organizations.

Revenues related to federal contracts and grants are received on a cost reimbursement basis, billed as eligible expenses are incurred, and on a fixed-price basis as deliverables are completed. The federal contract and grant expenditures are subject to review by the funding agencies. Costs can be questioned or disallowed upon audit. Management believes such adjustment, if any, would not have a material effect on net assets.

In accordance with the Financial Accounting Standards Board in SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support based on donor designations. Temporarily restricted donations are recorded as temporarily restricted support and reclassified as net assets released from restrictions in the period that donor-imposed restrictions have been satisfied. Contributions, non-federal grants and unconditional promises to give are recognized as revenue in the period made. Conditional promises to give are not recognized or accrued until the specific conditions have been met. The Association received no conditional promises to give in 2006 or 2005.

Income taxes – The Association is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). Income from unrelated business activities as defined by the Internal Revenue Code is taxable to the Association. The Association has been determined by the Internal Revenue Service not to be a “private foundation” within the meaning of Section 509(a) of the Internal Revenue Code.

Use of estimates – In preparing the financial statements in accordance with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications – Certain reclassifications have been made to the 2005 financial statements in order to conform to the 2006 presentation.

NATIONAL ASSOCIATION OF STATE MENTAL HEALTH PROGRAM DIRECTORS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006 AND 2005
(Continued)

Note 3 – Investments

The fair market value of investments at September 30, 2006 and 2005 is as follows:

	<u>2006</u>	<u>2005</u>
Money market funds	\$ 29,503	\$ 12,557
Certificates of deposit	300,274	297,178
Marketable securities	<u>269,664</u>	<u>254,758</u>
 Total	 <u>\$ 599,441</u>	 <u>\$ 564,493</u>

Investment income earned on the investments and certificates of deposit for the years ended September 30, 2006 and 2005 is summarized as follows:

	<u>2006</u>	<u>2005</u>
Interest and dividends	\$ 26,283	\$ 16,648
Net unrealized gains on marketable securities	<u>14,906</u>	<u>13,752</u>
 Total	 <u>\$ 41,189</u>	 <u>\$ 30,400</u>

Note 4 – Property and equipment

Property and equipment at September 30, 2006 and 2005 consisted of:

	<u>2006</u>	<u>2005</u>
Furniture and fixtures	\$ 6,657	\$ 6,657
Computers – hardware	83,625	90,916
Computers – software	23,095	31,015
Leasehold improvements	32,875	9,175
Equipment purchased under capital leases	<u>118,662</u>	<u>118,662</u>
	264,914	256,425
Less accumulated depreciation and amortization	<u>(152,052)</u>	<u>(149,637)</u>
	<u>\$ 112,862</u>	<u>\$ 106,788</u>

Depreciation expense was \$45,635 and \$48,895 for the years ended September 30, 2006 and 2005, respectively. Depreciation expense is allocated to programs from two separate expense pools. The duplication pool received \$24,971 and \$23,422 in depreciation charges and the general and administrative cost pool received \$20,664 and \$25,473 for 2006 and 2005, respectively.

NATIONAL ASSOCIATION OF STATE MENTAL HEALTH PROGRAM DIRECTORS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006 AND 2005
(Continued)

Note 5 – Commitments

Operating lease

The Association entered into a ten-year lease agreement for office space, which was to expire June 30, 2002. In 2001, the organization acquired additional space and extended the term for the original leased space. The amended lease term expires May 1, 2012. The lease provides for annual base rent increases. Effective April 1, 2005, the Association amended the lease agreement to include an additional 2,818 square feet of office space. That agreement is for a period of three years and calls for annual rent increases. The deferred rent liability represents timing differences between cash payments for rent and rent expense, which is recognized evenly over the term of the lease.

The following schedule summarizes future minimum commitments for the office lease at September 30, 2006:

Year Ending September 30,

2007	\$ 390,330
2008	358,152
2009	325,010
2010	334,761
2011 and thereafter	<u>550,887</u>
Total	<u>\$ 1,959,140</u>

Rent expense for the years ended September 30, 2006 and 2005 was \$250,602 and \$225,156, respectively.

Capital leases

The Association leases office equipment under capital lease agreements that expire in 2009. The following is a schedule of future minimum lease payments and imputed interest as of September 30, 2006:

Year Ending September 30,

2007	\$ 33,086
2008	31,586
2009	<u>4,915</u>
Total minimum lease payments	69,587
Less: amount representing interest	<u>(7,109)</u>
Total capital lease obligation	62,478
Current portion	<u>(28,104)</u>
Noncurrent portion	<u>\$ 34,374</u>

NATIONAL ASSOCIATION OF STATE MENTAL HEALTH PROGRAM DIRECTORS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006 AND 2005
(Continued)

Letter of credit

The Association has issued an irrevocable, standby letter of credit in the amount of \$43,075 in lieu of providing a cash deposit to the lessor. The letter of credit expires on January 31, 2007, but provides for automatic one-year renewals until actively cancelled by the Association.

Note 6 – Due to other organization

During 2006 the Association acted as a facilitator for the Campaign for Mental Health Reform (“CMHR”), an independent organization with 501(c) (3) status pending. The Association maintained accounting records and collected and disbursed funds on behalf of CMHR. At September 30, 2006, the Association held \$331,196 for CMHR, which is reflected as a liability and restricted cash on the statement of financial position. During 2006 and 2005, respectively, approximately \$206,688 and \$146,545 of revenue and corresponding expenses have been recorded in the accompanying financial statements relating to the Associations work in assisting CMHR in fulfilling its private grant responsibilities.

Note 7 – Restricted net assets

Temporarily restricted net assets released from restrictions during 2006 and 2005 are as follows:

	<u>2006</u>	<u>2005</u>
Hospital summit	\$ -	\$ 115,000
Mental health campaign	6,803	3,197
Morbidity technical report	42,634	-
Seclusion and restraint video	50,000	-
Regional meetings/symposium	<u>65,000</u>	<u>-</u>
	<u>\$ 164,437</u>	<u>\$ 118,197</u>

Temporarily restricted net assets available for programs at September 30, 2006 and 2005 are as follows:

	<u>2006</u>	<u>2005</u>
Mental health campaign	<u>\$ -</u>	<u>\$ 6,803</u>

Note 8 – Cost sharing agreement

The Association has a cost sharing agreement with another non-profit organization, National Association of State Mental Health Program Directors Research Institute, Inc., under which the Association is reimbursed on a monthly basis for shared costs. These costs include administrative services, rent and other facility expenses. Reimbursement for shared costs for the years ended September 30, 2006 and 2005 was \$378,600 and \$373,984, respectively.

NATIONAL ASSOCIATION OF STATE MENTAL HEALTH PROGRAM DIRECTORS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006 AND 2005
(Continued)

Note 9 – Concentrations

Approximately 83% and 84% of the Association's revenue in 2006 and 2005, respectively, is derived from contracts and grants with agencies of the federal government. Approximately 83% and 88% of the Association's accounts receivable at September 30, 2006 and 2005, respectively, is due from the federal government.

Note 10 – Deferred revenue

Deferred revenue is comprised of membership dues received during the current year that apply to the following year.

Note 11 – Retirement plan

The Association sponsors a tax-deferred savings plan, adopted on July 1, 1992 and amended on January 1, 2001, under which employees may make contributions on a salary deferral basis. The employer contribution amount is decided annually and is comprised of either matching, non-elective or combination contribution. Participants are eligible for employer contributions after completing one year of service. Participants are immediately 100% vested in elective deferrals, and are 100% vested in employer contributions after completing one year of service. Contributions made by the Association in 2006 and 2005 were \$117,177 and \$112,127, respectively.

In January 2005, the Association adopted a Tax Deferred Annuity Plan (the "Plan") under IRC Section 457 for the Executive Director. The Plan provides for elective deferral amounts subject to IRS limitations. The Plan also allows the Association to make an annual discretionary contribution to the Plan each January. This contribution was \$4,000 and \$0 for 2006 and 2005, respectively.

Note 12 – Description of programs and supporting services

SDICC - The State Data Infrastructure Coordinating Center (SDICC) provides technical assistance and support to state mental health agencies for development of the Uniform Reporting System infrastructure through state-of-the-art technical assistance and information dissemination.

Profiles - The purpose of the Profiles contract is to maintain a national database on the operations of state mental health agencies (SMHA) and to produce reports describing characteristics, authorities, operations, and budgets of SMHAs.

TTA - The Targeted Technical Assistance contract provides training and technical assistance for mental health stakeholders in policy formulation and implementation, decision making, leadership development, and strategic planning in accordance with the goals and objectives identified by the President's New Freedom Commission on Mental Health.

NTAC - The National Technical Assistance Center (NTAC) supports alternatives to restraint and seclusion by public and not-for-profit community and hospital inpatient and residential programs through on-site and off-site training and technical assistance. It also provides on-site technical assistance and training to state mental health agencies on projects related to transformation and the Substance Abuse and Mental Health Administration's Matrix

NATIONAL ASSOCIATION OF STATE MENTAL HEALTH PROGRAM DIRECTORS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006 AND 2005
(Continued)

of Priority Programs and Principles.

Social Marketing - The Social Marketing contract provides communities with communications and social marketing assistance in order to develop and sustain systems of care. Also provided is technical assistance and training to help sites develop and implement strategic communication plans.

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**NATIONAL ASSOCIATION OF STATE MENTAL HEALTH PROGRAM DIRECTORS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2006**

<u>Federal Grantor</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Federal Expenditures</u>
U.S. Dept of Health & Human Services:			
*Substance Abuse & Mental Health Authority:			
President's Freedom Commission	93.243	280-03-3201	\$ 2,006,759
Suicide Prevention Resource Center	93.243	6U70SM57392	5,099
Trauma Services for Women	93.243	280-03-2905	15,967
Georgetown University Transformation	93.243	6UR1SM56495	38,890
Youth Violence	93.243	2HR1AM54865-04	179
Medicare Part D Study	93.243	280-03-1601	24,954
Co-occurring Disorders	93.243	04M000222	50,753
National Technical Assistance & Seclusion/Restraint Center	93.243	280-03-3202	1,732,579
Suicide Prevention Grant	93.243	1U79SM56884-01	65,702
Trauma & Violence	93.243	04M000221	2,651
State Date Infrastructure Coordinating Center	93.243	280-03-3204	413,270
Social Marketing	93.243	280-04-0091	2,004,658
Governor's TA	93.243	270-03-1000	18,215
State Profiling Systems	93.243	280-03-3203	193,477
Knowledge Application Plan	93.243	270-03-6005	502
Meeting Logistics Support	93.243	None	2,512
Juvenile Justice Division	93.243	280-03-0020	<u>1,808</u>
Subtotal			<u>6,577,975</u>
Department of Justice:			
Maryland Department of Juvenile Services			
Juvenile Accountability Incentive Block Grant	16.253	JAIB-2003-1028	<u>16,187</u>
Total			<u>\$ 6,594,162</u>

(*) Major program

Note: The Schedule of Expenditures of Federal Awards is prepared on the accrual basis of accounting



**Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of
Financial Statements Performed
in Accordance with *Government Auditing Standards***

To the Board of Directors
National Association of State Mental Health Program Directors

We have audited the financial statements of National Association of State Mental Health Program Directors (the "Association") as of and for the year ended September 30, 2006, and have issued our report thereon dated December 14, 2006. 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.

Compliance – 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 grants, non-compliance 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 non-compliance that are required to be reported under *Government Auditing Standards*.

Internal control over financial reporting – In planning and performing our audit, we considered the Association's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information of the board of directors, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Cherry, Bekaert & Holland, L.L.P.

Vienna, Virginia
December 14, 2006



**Report on Compliance with Requirements Applicable to Each Major Program and Internal Control
over Compliance in Accordance with OMB Circular A-133**

To the Board of Directors
National Association of State Mental Health Program Directors

Compliance – We have audited the compliance of National Association of State Mental Health Program Directors (the “Association”) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended September 30, 2006. The Association’s major federal program is identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Association’s management. Our responsibility is to express an opinion on the Association’s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal programs occurred. An audit includes examining, on a test basis, evidence about the Association’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Association’s compliance with those requirements.

In our opinion, the Association complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended September 30, 2006.

Internal control over compliance – The management of the Association is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Association’s internal control over compliance with requirements that could have a direct and material effect on its major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to the major federal programs being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the board of directors, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Cherry, Bekaert & Holland, LLP.

Vienna, Virginia
December 14, 2006

**NATIONAL ASSOCIATION OF STATE MENTAL HEALTH PROGRAM DIRECTORS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2006**

A. Summary of auditor's results

1. The auditor's report expresses an unqualified opinion on the financial statements of National Association of State Mental Health Program Directors.
2. No reportable conditions relating to the audit of the financial statements are reported in the Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of non-compliance material to the financial statements of National Association of State Mental Health Program Directors were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal award program were reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal program for National Association of State Mental Health Program Directors expresses an unqualified opinion.
6. The Substance Abuse & Mental Health Authority's programs, clustered under CFDA #93.243, were considered the major program.
7. The threshold for distinguishing Types A and B programs was \$300,000.
8. National Association of State Mental Health Program Directors was not determined to be a low-risk auditee as defined in the OMB Circular A-133 Compliance Supplement.
9. The audit disclosed no findings related to the financial statements which are required to be reported in accordance with Generally Accepted Government Auditing Standards.
10. The audit disclosed no findings or questioned costs that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.

B. Financial statement findings

None

C. Federal award findings and questioned costs

None

D. Status of prior year findings

None