

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

REPORT AND FINANCIAL STATEMENTS

SEPTEMBER 30, 2010 AND 2009

**NATIONAL ASSOCIATION OF STATE MENTAL HEALTH PROGRAM DIRECTORS
SEPTEMBER 30, 2010 AND 2009**

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Report of Independent Certified Public Accountants

To the Board of Directors of the
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, 2010 and 2009, 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 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 National Association of State Mental Health Program Directors as of September 30, 2010 and 2009, 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 21, 2010 on our consideration of National Association of State Mental Health Program Directors' 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.

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, LLP

Vienna, Virginia
December 21, 2010

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

	September 30,	
ASSETS	2010	2009
Current assets		
Cash and cash equivalents	\$ 462,401	\$ 616,392
Accounts receivable		
Billed	1,144,763	1,693,040
Unbilled	53,077	92,780
Other receivables	2,196	8,622
Prepaid assets	101,192	74,887
	1,763,629	2,485,721
Property and equipment, net	57,727	79,891
Other assets		
Investments	333,042	327,494
Security deposits	47,028	3,953
	\$ 2,201,426	\$ 2,897,059
	\$ 2,201,426	\$ 2,897,059
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 543,332	\$ 1,014,042
Accrued payroll and related liabilities	140,861	153,870
Capital lease obligations, current	15,637	14,154
Deferred revenue	538,575	561,315
Deferred rent, current	25,397	19,271
	1,263,802	1,762,652
Long-term liabilities		
Capital lease obligations, noncurrent	24,995	40,632
Deferred rent, noncurrent	16,955	42,665
	1,305,752	1,845,949
Net assets, unrestricted	895,674	1,051,110
Total liabilities and net assets	\$ 2,201,426	\$ 2,897,059

(See accompanying notes to financial statements)

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

	Year Ended September 30,	
	2010	2009
Change in unrestricted net assets		
Revenue and support		
Grant and contract revenue	\$ 9,639,053	\$ 9,611,768
Program fees	761,948	867,625
Sponsorships	-	8,900
Investment income, net	6,765	20,120
	10,407,766	10,508,413
Expenses		
Direct program expenses	9,320,969	9,293,174
Allocated indirect costs	1,173,236	1,120,211
	10,494,205	10,413,385
General and administrative expenses	68,997	48,084
	10,563,202	10,461,469
Change in unrestricted net assets	(155,436)	46,944
Net assets, beginning of period	1,051,110	1,004,166
Net assets, end of period	\$ 895,674	\$ 1,051,110

(See accompanying notes to financial statements)

NATIONAL ASSOCIATION OF STATE MENTAL HEALTH PROGRAM DIRECTORS
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2010

	Community Support Resource Center	State Profiles	Targeted Technical Assistance	Suicide Prevention Toolkit	Transformation Transfer Initiative	National Technical Assistance Center	Social Marketing
Salaries	\$ 218,484	\$ 1,473	\$ -	\$ 29,850	\$ 101,097	\$ 241,539	\$ 44,344
Fringe benefits	96,548	651	-	13,191	44,675	106,736	19,596
Consultants	168,854	-	-	-	63,300	272,562	-
Travel	135,326	5,123	-	4,775	74,053	146,706	7,501
Meetings	8,153	645	-	-	6,357	2,581	-
Telephone	2,699	-	-	157	982	3,223	15
Supplies/other	6,266	-	-	645	239	23,535	1,017
Duplication/printing	7,707	-	-	108	6,630	16,396	172
Postage/shipping	4,737	-	-	112	723	3,498	62
Unallowed direct costs	576	-	-	430	393	1,883	-
Subcontractors	188,750	235,670	-	523,240	2,561,450	1,644,997	1,556,393
Office rent	-	-	-	-	-	-	-
Maintenance/leases	-	-	-	-	-	-	-
Insurance	-	-	-	-	-	-	-
Audit/legal/banking	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-
Bids & proposals	-	-	-	-	-	-	-
Unallowed-lobbying	-	-	-	-	-	-	-
Unallowed G&A costs	-	-	-	-	-	-	-
Subtotal	838,100	243,562	-	572,508	2,859,899	2,463,656	1,629,100
Overhead application	238,450	11,631	-	34,961	231,502	359,556	43,389
Total expenses	\$ 1,076,550	\$ 255,193	\$ -	\$ 607,469	\$ 3,091,401	\$ 2,823,212	\$ 1,672,489

(See accompanying notes to financial statements)

NATIONAL ASSOCIATION OF STATE MENTAL HEALTH PROGRAM DIRECTORS
STATEMENT OF FUNCTIONAL EXPENSES (Continued)
YEAR ENDED SEPTEMBER 30, 2010

	Other Federal	Association			Total	
		Membership	Other	Programs	Administrative	Total
Salaries	\$ 56,469	\$ 253,486	-	\$ 946,742	\$ 449,359	\$ 1,396,101
Fringe benefits	24,955	111,984	-	418,336	215,297	633,633
Consultants	52,700	40,765	-	598,181	-	598,181
Travel	22,773	25,530	-	421,787	-	421,787
Meetings	7,885	60,649	-	86,270	-	86,270
Telephone	9,780	4,822	-	21,678	31,022	52,700
Supplies/other	28	7,437	-	39,167	22,422	61,589
Duplication/printing	557	3,719	-	35,289	6,590	41,879
Postage/shipping	110	469	-	9,711	3,529	13,240
Unallowed direct costs	-	-	-	3,282	-	3,282
Subcontractors	15,033	14,993	-	6,740,526	-	6,740,526
Office rent	-	-	-	-	321,716	321,716
Maintenance/leases	-	-	-	-	30,217	30,217
Insurance	-	-	-	-	6,556	6,556
Audit/legal/banking	-	-	-	-	45,375	45,375
Miscellaneous	-	-	-	-	15,325	15,325
Depreciation	-	-	-	-	10,472	10,472
Bids & proposals	-	-	-	-	16,452	16,452
Unallowed-lobbying	-	-	-	-	51,977	51,977
Unallowed G&A costs	-	-	-	-	15,924	15,924
Subtotal	<u>190,290</u>	<u>523,854</u>	<u>-</u>	<u>9,320,969</u>	<u>1,242,233</u>	<u>10,563,202</u>
Overhead application	68,512	185,235	-	1,173,236	(1,173,236)	-
Total expenses	<u>\$ 258,802</u>	<u>\$ 709,089</u>	<u>\$ -</u>	<u>\$ 10,494,205</u>	<u>\$ 68,997</u>	<u>\$ 10,563,202</u>

(See accompanying notes to financial statements)

NATIONAL ASSOCIATION OF STATE MENTAL HEALTH PROGRAM DIRECTORS
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2009

	Community Support Resource Center	State Profiles	Targeted Technical Assistance	Suicide Prevention Toolkit	Transformation Transfer Initiative	National Technical Assistance Center	Social Marketing
Salaries	\$ 161,885	-	\$ -	\$ 30,852	\$ 111,657	\$ 460,176	\$ 21,881
Fringe benefits	65,418	-	-	12,467	45,121	185,957	8,842
Consultants	171,582	-	-	-	48,770	487,323	-
Travel	207,837	-	-	478	65,293	421,079	395
Meetings	19,453	-	-	-	6,783	47,598	-
Telephone	3,278	-	-	274	1,382	8,460	53
Supplies/other	8,659	-	-	-	3,064	41,866	-
Duplication/printing	34,740	-	-	168	2,221	33,675	79
Postage/shipping	4,534	16	6	79	426	7,788	58
Unallowed direct costs	3,016	-	-	-	445	3,974	-
Subcontractors	192,479	326,912	28,085	662,541	2,144,825	1,077,967	1,290,090
Office rent	-	-	-	-	-	-	-
Maintenance/leases	-	-	-	-	-	-	-
Insurance	-	-	-	-	-	-	-
Audit/legal/banking	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-
Bids & proposals	-	-	-	-	-	-	-
Unallowed-lobbying	-	-	-	-	-	-	-
Unallowed G&A costs	-	-	-	-	-	-	-
Subtotal	872,881	326,928	28,091	706,859	2,429,987	2,775,863	1,321,398
Overhead application	202,378	6,861	2	32,728	153,960	474,965	22,303
Total expenses	\$ 1,075,259	\$ 333,789	\$ 28,093	\$ 739,587	\$ 2,583,947	\$ 3,250,828	\$ 1,343,701

(See accompanying notes to financial statements)

NATIONAL ASSOCIATION OF STATE MENTAL HEALTH PROGRAM DIRECTORS
STATEMENT OF FUNCTIONAL EXPENSES (Continued)
YEAR ENDED SEPTEMBER 30, 2009

	Other Federal	Association Membership	Other	Total Programs	Administrative	Total
Salaries	\$ 128,121	\$ 247,985	\$ 22,167	\$ 1,184,724	\$ 417,426	\$ 1,602,150
Fringe benefits	51,775	100,258	8,958	478,796	180,571	659,367
Consultants	-	5,388	3,000	716,063	-	716,063
Travel	730	50,287	12,770	758,869	-	758,869
Meetings	-	119,724	55,239	248,797	-	248,797
Telephone	197	5,123	29	18,796	29,624	48,420
Supplies/other	500	5,343	3,824	63,256	56,672	119,928
Duplication/printing	75	2,392	2,650	76,000	5,184	81,184
Postage/shipping	64	586	482	14,039	3,062	17,101
Unallowed direct costs	-	-	-	7,435	-	7,435
Subcontractors	-	-	3,500	5,726,399	-	5,726,399
Office rent	-	-	-	-	280,261	280,261
Maintenance/leases	-	-	-	-	37,763	37,763
Insurance	-	-	-	-	5,623	5,623
Audit/legal/banking	-	-	-	-	49,886	49,886
Miscellaneous	-	-	-	-	27,183	27,183
Depreciation	-	-	-	-	16,598	16,598
Bids & proposals	-	-	-	-	10,358	10,358
Unallowed-lobbying	-	-	-	-	40,215	40,215
Unallowed G&A costs	-	-	-	-	7,869	7,869
Subtotal	<u>181,462</u>	<u>537,086</u>	<u>112,619</u>	<u>9,293,174</u>	<u>1,168,295</u>	<u>10,461,469</u>
Overhead application	49,773	147,310	29,931	1,120,211	(1,120,211)	-
Total expenses	<u>\$ 231,235</u>	<u>\$ 684,396</u>	<u>\$ 142,550</u>	<u>\$ 10,413,385</u>	<u>\$ 48,084</u>	<u>\$ 10,461,469</u>

(See accompanying notes to financial statements)

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

	Year Ended September 30,	
	2010	2009
Cash flows from operating activities		
Change in net assets	\$ (155,436)	\$ 46,944
Adjustments to reconcile change in net assets to net cash (used in) provided operating activities:		
Depreciation	24,759	31,481
Unrealized gains on investments	(2,426)	(6,408)
Reinvested earnings on investments	(1,678)	(7,907)
Change in assets and liabilities:		
Accounts receivable	587,980	(361,919)
Other receivables	6,426	(8,314)
Prepaid expenses	(26,305)	(9,276)
Security deposits	(43,075)	(3,953)
Accounts payable and accrued expenses	(470,710)	118,941
Accrued payroll and related liabilities	(13,009)	24,730
Deferred revenue	(22,740)	850
Deferred rent	(19,584)	(13,536)
	(135,798)	(188,367)
Net cash used in operating activities		
Cash flows from investing activities		
Purchase of fixed assets	(2,595)	(19,968)
Purchase of investments	(197,231)	(205,894)
Proceeds from redemption of certificates of deposit/return of principal	195,787	599,817
	(4,039)	373,955
Net cash (used in) provided by investing activities		
Cash flows from financing activities		
Principal payments on capital lease obligations	(14,154)	(12,813)
	(14,154)	(12,813)
Net cash used in financing activities		
Net change in cash and cash equivalents	(153,991)	172,775
Cash and cash equivalents, beginning of period	616,392	443,617
Cash and cash equivalents, end of period	\$ 462,401	\$ 616,392
Supplemental disclosure of cash flow information		
Cash paid for interest	\$ 4,842	\$ 6,183

(See accompanying notes to financial statements)

NATIONAL ASSOCIATION OF STATE MENTAL HEALTH PROGRAM DIRECTORS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010 AND 2009

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 Presentation of Financial Statements for Not-For-Profit Entities Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification. Under this topic, 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 places its cash and cash equivalents on deposit with financial institutions in the United States. The Federal Deposit Insurance Corporation (FDIC) covers \$250,000 for substantially all depository accounts and temporarily provides unlimited coverage through December 31, 2012 for certain qualifying and participating non-interest bearing transaction accounts. The Association from time to time may have amounts on deposit in excess of the insured limits. 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, certificates of deposit and marketable securities recorded at fair value. The Association has adopted the Investments-Debt and Equity Securities for Not-for-Profit Entities Topic of the FASB ASC. Under this topic, investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included in the statement of activities as increases or decreases in unrestricted net assets unless the income or loss is restricted by donor or law. Realized gains and losses on securities sold during the year and held at the beginning of the year are recognized to the extent sales proceeds exceed the security's fair market

NATIONAL ASSOCIATION OF STATE MENTAL HEALTH PROGRAM DIRECTORS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010 AND 2009
(Continued)

value at the beginning of the year. Donated securities are recorded at their fair market value on the date of donation.

Accounts receivable – The Association’s methodology of determining the allowance for uncollectible accounts is based on experience with the specific funder. There was no allowance for doubtful accounts at September 30, 2010 and 2009.

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 agencies 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 Revenue Recognition for Not-For-Profit Entities Topic of the FASB Accounting Standards Codification, 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 2010 or 2009.

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.

Management has evaluated the effect of the guidance provided by U.S. Generally Accepted Accounting Principles on Accounting for Uncertainty in Income Taxes that became effective for the year ended September 30, 2010. Management believes that the Association continues to satisfy the requirements of a tax-exempt organization at September 30, 2010. Management has evaluated all other tax positions that could have a significant effect on the financial statements and determined that the Institute had no uncertain income tax positions at September 30, 2010.

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.

NATIONAL ASSOCIATION OF STATE MENTAL HEALTH PROGRAM DIRECTORS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010 AND 2009
(Continued)

Fair value measurement – Effective October 1, 2008, the Association adopted the provisions of the Fair Value Measurements and Disclosure Topic (Fair Value Topic) of the FASB Accounting Standards Codification. The Fair Value Topic defines fair value, establishes a framework for measuring fair value under current accounting pronouncements that require or permit fair value measurement and enhances disclosures about fair value measurements. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction value hierarchy which requires an entity to maximize the use of observable inputs when measuring fair value.

The standard describes three levels of inputs that may be used to measure fair value:

Level 1 – Inputs to the valuation methodology are quoted prices available in active markets for identical investments as of the reporting date;

Level 2 – Inputs to the valuation methodology are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value can be determined through the use of models or other valuation methodologies; and

Level 3 – Inputs to the valuation methodology are unobservable inputs in situations where there is little or no market activity for the asset or liability and the reporting entity makes estimates and assumptions related to the pricing of the asset or liability including assumptions regarding risk.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following is a description of the valuation methodologies used for instruments measured at fair value, including the general classification of such instruments pursuant to the valuation hierarchy.

Money market funds – These investments are public investment vehicles valued using \$1 for the Net Asset Value (NAV). The money market funds are classified within level 1 of the valuation hierarchy.

Certificates of deposit – These investments are public investment vehicles that use a valuation methodology based on significant other observable inputs, particularly dealer market prices for comparable investments. The certificates of deposit are classified within level 2 of the valuation hierarchy.

Mutual funds – These investments are public investment vehicles valued using the NAV provided by the administrator of the fund. The NAV is based on the value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of shares outstanding. The NAV is a quoted price in an active market and classified within level 1 of the valuation hierarchy.

Note 3 – Fair value measurements

See Note 2 above for discussions of the methodologies and assumptions used to determine the fair value of the Association's investments.

NATIONAL ASSOCIATION OF STATE MENTAL HEALTH PROGRAM DIRECTORS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010 AND 2009
(Continued)

Below are the Association's financial instruments carried at fair value on a recurring basis as required by the Fair Value Topic fair value hierarchy levels described in Note 2.

	As of September 30, 2010			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Assets:				
Money market funds	\$ 21,152	\$ -	\$ -	\$ 21,152
Certificates of deposit	-	198,905	-	198,905
Mutual funds	112,985	-	-	112,985
Total	\$ 134,137	\$ 198,905	\$ -	\$ 333,042

	As of September 30, 2009			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Assets:				
Money market funds	\$ 18,383	\$ -	\$ -	\$ 18,383
Certificates of deposit	-	198,805	-	198,805
Mutual funds	110,306	-	-	110,306
Total	\$ 128,689	\$ 198,805	\$ -	\$ 327,494

Note 4 – Investment income

Investment income earned on the investments for the years ended September 30, 2010 and 2009 is summarized as follows:

	2010	2009
Interest and dividends	\$ 4,339	\$ 13,712
Net unrealized gains (losses) on marketable securities	2,426	6,408
Total	\$ 6,765	\$ 20,120

NATIONAL ASSOCIATION OF STATE MENTAL HEALTH PROGRAM DIRECTORS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010 AND 2009
(Continued)

Note 5 – Property and equipment

Property and equipment at September 30, 2010 and 2009 consisted of:

	2010	2009
Furniture and fixtures	\$ 22,974	\$ 22,974
Computers – hardware	76,234	73,638
Computers – software	23,095	23,095
Leasehold improvements	32,875	32,875
Equipment purchased under capital leases	74,504	74,504
	229,682	227,087
Less accumulated depreciation and amortization	(171,955)	(147,196)
	\$ 57,727	\$ 79,891

Depreciation expense was \$24,759 and \$31,481 for the years ended September 30, 2010 and 2009, respectively. Depreciation expense is allocated to programs from two separate expense pools. The duplication pool received \$14,287 and \$14,883 in depreciation charges and the general and administrative cost pool received \$10,472 and \$16,598 for 2010 and 2009, respectively.

Note 6 – Commitments

Operating lease

The Association has non-cancelable operating lease agreements for office space that expire at various dates through April 2012. Some of the operating leases included scheduled rent escalations. The aggregate cash payments for leases with rent escalations are being expensed ratably over the lease term, resulting in the existence of deferred rent. The deferred rent liability represents timing differences between cash payments for rent and rent expense recorded, which is recognized evenly over the term of the lease.

The following schedule summarizes future minimum commitments for the office lease at September 30, 2010:

Year Ending September 30,

2011	\$ 314,001
2012	258,323
Total	\$ 572,324

Future minimum lease payments are shown net of expected sublease revenue of \$424,544. Effective January 1, 2005, the Association entered into a sublease to lease a portion of its office space to National Association of State Mental Health Program Directors Research Institute, Inc. (see Note 7). The sublease commenced April 1, 2005 and expires April 30, 2012.

**NATIONAL ASSOCIATION OF STATE MENTAL HEALTH PROGRAM DIRECTORS
NOTES TO FINANCIAL STATEMENTS
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(Continued)**

Rent expense for the years ended September 30, 2010 and 2009 was \$321,716 and \$280,261, respectively.

Capital lease

The Association leases office equipment under a capital lease agreement that expires in 2013. The following is a schedule of future minimum lease payments and imputed interest as of September 30, 2010:

Year Ending September 30,	
2011	\$ 18,996
2012	18,996
2013	<u>7,915</u>
Total minimum lease payments	45,907
Less: amount representing interest	<u>(5,275)</u>
Total capital lease obligation	40,632
Less: current portion	<u>(15,637)</u>
Noncurrent portion	<u>\$ 24,995</u>

Note 7 – 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, 2010 and 2009 was \$349,715 and \$332,475, respectively.

Note 8 – Concentrations

Approximately 92% and 89% of the Association's revenue in 2010 and 2009, respectively, is derived from contracts and grants with agencies of the federal government. Approximately 69% and 78% of the Association's accounts receivable at September 30, 2010 and 2009, respectively, is due from the federal government.

Note 9 – Deferred revenue

Deferred revenue is comprised primarily of membership dues received during the current year that apply to the following year. At September 30, 2010 and 2009, deferred revenue totaled \$538,575 and \$561,315 respectively.

NATIONAL ASSOCIATION OF STATE MENTAL HEALTH PROGRAM DIRECTORS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010 AND 2009
(Continued)

Note 10 – 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 contributions. 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 2010 and 2009 were \$149,357 and \$130,310, 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 for 2010 and 2009, respectively.

Note 11 – Description of programs and supporting services

Community Support Resource Center – This task order addresses two high priority needs for directed technical assistance (TA) to help develop and implement two emerging program issues that are at the frontier of recovery orientated mental health services delivery for consumers and providers. The first set of program issues involves the education, training, and appropriate implementation of trauma-informed care throughout the field of mental health programs and organizations. The second set of program issues involves the development of evidence-based or best practices in the provision of mental health services to older adults.

State 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.

Targeted Technical Assistance – The Targeted Technical Assistance (TTA) 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.

Suicide Prevention Toolkit – The purpose of this initiative is to develop a comprehensive suicide prevention toolkit for populations at high risk for suicide. The toolkit will have five components, with each targeting a specific population. The toolkit will be used in settings relevant for the targeted populations: schools, veteran service organization, primary care professionals, assisted living facilities, and employee assistance programs throughout the Nation.

Transformation Transfer Initiative – The purpose of the Transformation Transfer Initiative is to provide funding to States, the District of Columbia, and the territories to identify and adopt transformation initiatives and activities that can be implemented in the State—either through a new initiative or expansion of one already underway.

National Technical Assistance Center – The National Technical Assistance Center 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 of Priority Programs and Principles.

NATIONAL ASSOCIATION OF STATE MENTAL HEALTH PROGRAM DIRECTORS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010 AND 2009
(Continued)

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.

Note 12 – Subsequent events

The Institute has evaluated subsequent events through December 21, 2010, in connection with the preparation of these financial statements, which is the date the financial statements were available to be issued.

**NATIONAL ASSOCIATION OF STATE MENTAL HEALTH PROGRAM DIRECTORS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2010**

Federal Contractor/Grantor	Federal CFDA Number	Contract/Grant Number	Federal Expenditures
U.S. Department of Health and Human Services:			
*Substance Abuse and Mental Health Services Administration:			
Targeted Technical Assistance	93.XXX	280-03-3201	\$ (3,464)
Georgetown University Transformation (S)	93.XXX	RX4285-NASMHDP-310	5,257
Consumer Support Resource Center	93.XXX	HHSS283200700020I/HHSS2800002T	1,022,872
State Profiling Systems	93.XXX	280-03-3205	38,615
Suicide Prevention Assessment and Resource Kit	93.XXX	HHSS283200700020I/HHSS2800003T	599,599
Transformation Transfer Initiative	93.XXX	HHSS283200700020I/HHSS2800001T	3,039,287
Suicide Prevention Grant (S)	93.XXX	1 U79 SM56884-01	48,000
National Technical Assistance & Seclusion/Restraint Center	93.XXX	280-03-3202	1,055,846
Youth Violence Prevention (S)	93.XXX	2 HR 1 AM54865	331
Social Marketing	93.XXX	280-04-0091	11,101
Deafness and Trauma Review	93.XXX	HHSP23200900570P	26,399
CSAT Lecture Series on Moving Beyond Coercive Practices	93.XXX	HHSP233200900602P	3,375
Technical Assistance and State Mental Health Agencies	93.XXX	HHSS28342002T	1,686,425
Children's Social Marketing/Technical Assistance	93.XXX	HHSS280200900002C	1,651,621
State Profiles & Expenditure Report 2010 & 2012	93.XXX	HHSS28342001T	213,959
Virtual Leadership Institute	93.XXX	HHSP233200900704P	107,019
Best Practices	93.XXX	HHSSP233201000296P	51,649
Older Adult Models	93.XXX	280-02-0105	4,813
Total			\$ 9,562,704

(*) Major Program

(S) Subcontract/Indirect award

(See accompanying notes to schedule of federal awards)

**NATIONAL ASSOCIATION OF STATE MENTAL HEALTH PROGRAM DIRECTORS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
SEPTEMBER 30, 2010**

Note 1 – Basis of presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the National Association of State Mental Health Program Directors and is presented on the accrual basis of accounting.



**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 the
National Association of State Mental Health Program Directors

We have audited the financial statements of the National Association of State Mental Health Program Directors (the "Organization") as of and for the year ended September 30, 2010, and have issued our report thereon dated December 21, 2010. 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 Organization'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 Organization'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization'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 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 Organization'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.

Cherry, Bekaert & Holland, LLP

Vienna, Virginia
December 21, 2010



**Report on Compliance with Requirements That Could Have
a Direct and Material Effect on Each Major Program and on
Internal Control over Compliance in Accordance with OMB Circular A-133**

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

Compliance

We have audited National Association of State Mental Health Program Directors's (the "Organization") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2010. The Organization'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 Organization's management. Our responsibility is to express an opinion on the Organization'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 applicable to 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 noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization'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 of the Organization's compliance with those requirements.

In our opinion, the National Association of State Mental Health Program Directors 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, 2010.

Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Organization's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a

type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance 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 compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above.

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.

Cherry, Bekacit & Holland, LLP

Vienna, Virginia
December 21, 2010

**NATIONAL ASSOCIATION OF STATE MENTAL HEALTH PROGRAM DIRECTORS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2010**

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 significant deficiencies or material weaknesses relating to the audit of the financial statements are reported in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Bases 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 significant deficiencies relating to the audit of the major federal award program were reported in the Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on 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 and Mental Health Service Administration's programs, clustered under CFDA #93.XXX, 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 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