

**NATIONAL ASSOCIATION OF STATE MENTAL
HEALTH PROGRAM DIRECTORS
REPORT AND FINANCIAL STATEMENTS
SEPTEMBER 30, 2009 AND 2008**

**NATIONAL ASSOCIATION OF STATE MENTAL HEALTH PROGRAM DIRECTORS
SEPTEMBER 30, 2009 AND 2008**

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Report of Independent Certified Public Accountants

To the 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, 2009 and 2008, 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, 2009 and 2008, 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 18, 2009 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 18, 2009

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

	September 30,	
	2009	2008
ASSETS		
Current assets		
Cash and cash equivalents	\$ 616,392	\$ 443,617
Accounts receivable		
Billed	1,693,040	1,419,046
Unbilled	92,780	4,855
Other receivables	8,622	308
Prepaid assets	74,887	65,611
	2,485,721	1,933,437
Property and equipment, net	79,891	91,404
Other assets		
Investments	327,494	707,102
Security deposits	3,953	-
	\$ 2,897,059	\$ 2,731,943
	\$ 2,897,059	\$ 2,731,943
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 1,014,042	\$ 895,101
Accrued payroll and related liabilities	153,870	129,140
Capital lease obligations, current	14,154	12,813
Deferred revenue	561,315	560,465
Deferred rent, current	19,271	13,323
	1,762,652	1,610,842
Long-term liabilities		
Capital lease obligations, noncurrent	40,632	54,786
Deferred rent, noncurrent	42,665	62,149
	1,845,949	1,727,777
Net assets, unrestricted	1,051,110	1,004,166
Total liabilities and net assets	\$ 2,897,059	\$ 2,731,943

(See accompanying notes to financial statements)

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

	Year Ended September 30,	
	2009	2008
Change in unrestricted net assets		
Revenue and support		
Grant and contract revenue	\$ 9,611,768	\$ 7,400,378
Program fees	867,625	832,690
Sponsorships	8,900	-
Investment income (loss), net	20,120	(23,508)
Gain on disposal of asset	-	12,285
	10,508,413	8,221,845
Net assets released from restrictions	-	19,010
	10,508,413	8,240,855
Expenses		
Direct program expenses	9,293,174	7,382,572
Allocated indirect costs	1,120,211	871,033
	10,413,385	8,253,605
General and administrative expenses	48,084	20,036
	10,461,469	8,273,641
Change in unrestricted net assets	46,944	(32,786)
Changes in temporarily restricted net assets		
Contributions received	-	19,010
Net assets released from restrictions	-	(19,010)
	-	-
Change in restricted net assets	-	-
Change in net assets	46,944	(32,786)
Net assets, beginning of period	1,004,166	1,036,952
Net assets, end of period	\$ 1,051,110	\$ 1,004,166

(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

	SDICC	Other		Association Membership	Other	Total Programs	Administrative	Total
		Federal						
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	-	181,462	537,086	112,619	9,293,174	1,168,295	10,461,469	
Overhead application	-	49,773	147,310	29,931	1,120,211	(1,120,211)	-	
Total expenses	\$ -	\$ 231,235	\$ 684,396	\$ 142,550	\$ 10,413,385	\$ 48,084	\$ 10,461,469	

(See accompanying notes to financial statements)

NATIONAL ASSOCIATION OF STATE MENTAL HEALTH PROGRAM DIRECTORS
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2008

	Community Support Resource Center	State Profiles	Targeted Technical Assistance	Suicide Prevention Toolkit	Transformation Transfer Initiative	National Technical Assistance Center	Social Marketing
Salaries	\$ 1,747	-	\$ 8,179	\$ 1,163	-	\$ 574,748	\$ 26,094
Fringe benefits	357	-	1,673	238	-	117,536	5,336
Consultants	-	-	7,500	-	-	518,916	-
Travel	121	-	-	-	-	484,731	729
Meetings	-	-	-	-	-	87,498	-
Telephone	-	-	-	8	-	4,141	52
Supplies/other	-	-	-	-	-	28,568	35,101
Duplication/printing	-	-	37	-	-	38,189	51
Postage/shipping	-	-	44	-	-	3,975	77
Unallowed direct costs	-	-	-	-	-	6,933	26
Subcontractors	-	338,940	184,983	-	-	2,314,082	1,391,220
Office rent	-	-	-	-	-	-	-
Maintenance/leases	-	-	-	-	-	-	-
Insurance	-	-	-	-	-	-	-
Audit/legal/banking	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-
Bids & proposals	-	-	-	-	-	-	-
Unallowed-lobbying	-	-	-	-	-	-	-
Unallowed G&A costs	-	-	-	-	-	-	-
Subtotal	2,225	338,940	202,416	1,409	-	4,179,317	1,458,686
Overhead application	581	6,525	4,550	368	-	576,251	30,659
Total expenses	\$ 2,806	\$ 345,465	\$ 206,966	\$ 1,777	\$ -	\$ 4,755,568	\$ 1,489,345

(See accompanying notes to financial statements)

NATIONAL ASSOCIATION OF STATE MENTAL HEALTH PROGRAM DIRECTORS
STATEMENT OF FUNCTIONAL EXPENSES (Continued)
YEAR ENDED SEPTEMBER 30, 2008

	SDICC	Association			Total		
		Other Federal	Membership	Other	Programs	Administrative	Total
Salaries	\$ -	\$ 121,898	\$ 368,862	\$ -	\$ 1,102,691	\$ 362,172	\$ 1,464,863
Fringe benefits	-	24,928	75,432	2,966	228,466	80,269	308,735
Consultants	-	53,788	2,990	4,000	587,194	-	587,194
Travel	3,386	57,992	56,834	2,760	606,553	-	606,553
Meetings	-	4,411	143,284	-	235,193	-	235,193
Telephone	-	474	4,406	736	9,817	22,929	32,746
Supplies/other	-	1,020	11,427	9,710	85,826	18,115	103,941
Duplication/printing	-	6,006	8,499	40	52,822	4,388	57,210
Postage/shipping	-	601	2,298	50	7,045	3,398	10,443
Unallowed direct costs	-	58	-	-	7,017	-	7,017
Subcontractors	209,723	-	-	21,000	4,459,948	-	4,459,948
Office rent	-	-	-	-	-	245,240	245,240
Maintenance/leases	-	-	-	-	-	20,762	20,762
Insurance	-	-	-	-	-	5,595	5,595
Audit/legal/banking	-	-	-	-	-	36,998	36,998
Miscellaneous	-	-	-	-	-	17,538	17,538
Depreciation	-	-	-	-	-	16,589	16,589
Bids & proposals	-	-	-	-	-	25,215	25,215
Unallowed-lobbying	-	-	-	-	-	30,655	30,655
Unallowed G&A costs	-	-	-	-	-	1,206	1,206
Subtotal	213,109	271,176	674,032	41,262	7,382,572	891,069	8,273,641
Overhead application	884	70,778	175,922	4,515	871,033	(871,033)	-
Total expenses	\$ 213,993	\$ 341,954	\$ 849,954	\$ 45,777	\$ 8,253,605	\$ 20,036	\$ 8,273,641

(See accompanying notes to financial statements)

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

	Year Ended September 30,	
	2009	2008
Cash flows from operating activities		
Change in net assets	\$ 46,944	\$ (32,786)
Adjustments to reconcile change in net assets to net cash (used in) provided operating activities:		
Depreciation	31,481	36,921
Unrealized (gains) losses on investments	(6,408)	44,235
Gain on disposal of property and equipment	-	12,285
Reinvested earnings on investments	(7,907)	(13,580)
Change in assets and liabilities:		
Accounts receivable	(361,919)	(317,233)
Other receivables	(8,314)	1,278
Prepaid expenses	(9,276)	2,082
Security deposits	(3,953)	-
Accounts payable and accrued expenses	118,941	377,587
Accrued payroll and related liabilities	24,730	44,680
Deferred revenue	850	41,342
Deferred rent	(13,536)	(7,672)
	(188,367)	189,139
Cash flows from investing activities		
Purchase of fixed assets	(19,968)	-
Purchase of investments	(205,894)	(587,567)
Proceeds from redemption of certificates of deposit/return of principal	599,817	360,417
	373,955	(227,150)
Cash flows from financing activities		
Principal payments on capital lease obligations	(12,813)	(40,808)
	(12,813)	(40,808)
Net change in cash and cash equivalents	172,775	(78,819)
Cash and cash equivalents, beginning of period	443,617	522,436
Cash and cash equivalents, end of period	\$ 616,392	\$ 443,617
Supplemental disclosure of cash flow information		
Cash paid for interest	\$ 6,183	\$ 5,400
Supplemental disclosure of noncash investing and financing activities		
Acquisition of equipment under capital lease obligations	\$ -	\$ 74,505

(See accompanying notes to financial statements)

NATIONAL ASSOCIATION OF STATE MENTAL HEALTH PROGRAM DIRECTORS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009 AND 2008

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 maintains cash balances at various financial institutions, which at times may exceed federally insured limits. In October and November 2008 the Federal Deposit Insurance Corporation (FDIC) temporarily increased coverage to \$250,000 for substantially all depository accounts and temporarily provided unlimited coverage for certain qualifying and participating non-interest bearing transaction accounts. The temporary unlimited coverage for certain qualifying and participating non-interest bearing transaction accounts expires December 31, 2009. The remaining increased coverage is scheduled to expire on December 31, 2013, at which time it is anticipated amounts insured by the FDIC will return to \$100,000. During the year, the Association from time to time may have had amounts on deposit in excess of the insured limited. There was no uninsured cash balance as of September 30, 2009. The uninsured cash balance at September 30, 2008 was \$431,594. 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

NATIONAL ASSOCIATION OF STATE MENTAL HEALTH PROGRAM DIRECTORS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009 AND 2008
(Continued)

on experience with the specific funder. There was no allowance for doubtful accounts at September 30, 2009 and 2008.

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 2009 or 2008.

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.

Accounting for uncertainty in income taxes – In December 2008, the FASB released FASB Staff Position (FSP) FIN 48-3, *Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises*. FSP 48-3 defers the effective date of FASB Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes* (as required under the Income Taxes Topic of the FASB Accounting Standards Codification), for certain non-public enterprises for fiscal years beginning after December 15, 2008. The Association has elected to defer the application of FIN 48 in accordance with FSP 48-3. During the deferral period of the application of FIN 48, the Association will continue to evaluate uncertain tax positions utilizing the underlying principals of the Contingencies Topic of the FASB Accounting Standards Codification.

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, 2009 AND 2008
(Continued)

Adoption of new accounting standard – 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. Adoption of the provisions under the Fair Value Topic did not have a material impact on the Association’s financial statements. 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.

Reclassifications – Certain reclassifications have been made to the 2008 financial statements to conform with the 2009 presentation.

Note 3 – Fair value measurements

See “Adoption of new accounting standard” in 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, 2009 AND 2008
(Continued)

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

	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
	\$	\$	\$	\$
	18,383	-	-	18,383
Assets:				
Money market funds	\$ 18,383	\$ -	\$ -	\$ 18,383
Certificates of deposit	-	198,805	-	198,805
Mutual funds	<u>110,306</u>	<u>-</u>	<u>-</u>	<u>110,306</u>
 Total assets	 <u>\$ 128,689</u>	 <u>\$ 198,805</u>	 <u>\$ -</u>	 <u>\$ 327,494</u>

	As of September 30, 2008			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
	\$	\$	\$	\$
	11,023	-	-	11,023
Assets:				
Money market funds	\$ 11,023	\$ -	\$ -	\$ 11,023
Certificates of deposit	-	592,821	-	592,821
Mutual funds	<u>103,258</u>	<u>-</u>	<u>-</u>	<u>103,258</u>
 Total assets	 <u>\$ 114,281</u>	 <u>\$ 592,821</u>	 <u>\$ -</u>	 <u>\$ 707,102</u>

Note 4 – Investment income

Investment income earned on the investments and certificates of deposit for the years ended September 30, 2009 and 2008 is summarized as follows:

	2009	2008
Interest and dividends	\$ 13,712	\$ 20,727
Net unrealized gains (losses) on marketable securities	<u>6,408</u>	<u>(44,235)</u>
 Total	 <u>\$ 20,120</u>	 <u>\$ (23,508)</u>

NATIONAL ASSOCIATION OF STATE MENTAL HEALTH PROGRAM DIRECTORS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009 AND 2008
(Continued)

Note 5 – Property and equipment

Property and equipment at September 30, 2009 and 2008 consisted of:

	2009	2008
Furniture and fixtures	\$ 22,974	\$ 6,657
Computers – hardware	73,638	69,988
Computers – software	23,095	23,095
Leasehold improvements	32,875	32,875
Equipment purchased under capital leases	74,505	74,505
	227,087	207,120
Less accumulated depreciation and amortization	(147,196)	(115,716)
	\$ 79,891	\$ 91,404

Depreciation expense was \$31,481 and \$36,921 for the years ended September 30, 2009 and 2008, respectively. Depreciation expense is allocated to programs from two separate expense pools. The duplication pool received \$14,883 and \$20,332 in depreciation charges and the general and administrative cost pool received \$16,598 and \$16,589 for 2009 and 2008, 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, 2009:

Year Ending September 30,	
2010	\$ 321,631
2011	314,001
2012	258,323
Total	\$ 893,955

Future minimum lease payments are shown net of expected sublease revenue of \$518,533. 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 8). The sublease commenced April 1, 2005 and expires April 30, 2012.

NATIONAL ASSOCIATION OF STATE MENTAL HEALTH PROGRAM DIRECTORS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009 AND 2008
(Continued)

Rent expense for the years ended September 30, 2009 and 2008 was \$280,261 and \$245,240, 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, 2009:

Year Ending September 30,	
2010	\$ 18,996
2011	18,996
2012	18,996
2013	<u>7,915</u>
Total minimum lease payments	64,903
Less: amount representing interest	<u>(10,117)</u>
Total capital lease obligation	54,786
Less: current portion	<u>(14,154)</u>
Noncurrent portion	<u>\$ 40,632</u>

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, 2010, but provides for automatic one-year renewals until actively cancelled by the Association.

Note 7 – Restricted net assets

Temporarily restricted net assets released from restrictions during 2009 and 2008 are as follows:

	<u>2009</u>	<u>2008</u>
BPM Clinical Leaders' Meeting	\$ -	\$ 15,000
Forensic Division Meeting	-	4,000
Other	<u>-</u>	<u>10</u>
	<u>\$ -</u>	<u>\$ 19,010</u>

There were no temporarily restricted net assets at September 30, 2009 and 2008.

NATIONAL ASSOCIATION OF STATE MENTAL HEALTH PROGRAM DIRECTORS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009 AND 2008
(Continued)

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, 2009 and 2008 was \$332,475 and \$370,551, respectively.

Note 9 – Concentrations

Approximately 89% and 85% of the Association's revenue in 2009 and 2008, respectively, is derived from contracts and grants with agencies of the federal government. Approximately 78% and 70% of the Association's accounts receivable at September 30, 2009 and 2008, respectively, is due from the federal government.

Note 10 – Deferred revenue

Deferred revenue is comprised primarily of membership dues received during the current year that apply to the following year. At September 30, 2009 and 2008, deferred revenue totaled \$561,315 and \$560,465 respectively.

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 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 2009 and 2008 were \$130,310 and \$125,136, 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 2009 and 2008, respectively.

Note 12 – 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.

NATIONAL ASSOCIATION OF STATE MENTAL HEALTH PROGRAM DIRECTORS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009 AND 2008
(Continued)

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.

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.

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.

**NATIONAL ASSOCIATION OF STATE MENTAL HEALTH PROGRAM DIRECTORS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2009**

<u>Federal Contractor/Grantor</u>	<u>Federal CFDA Number</u>	<u>Contract/Grant Number</u>	<u>Federal Expenditures</u>
U.S. Department of Health and Human Services:			
*Substance Abuse and Mental Health Authority:			
President's Freedom Commission	93.XXX	280-03-3201	\$ 28,093
Deloitte Financing Methods (S)	93.XXX	HHSS283200700017I	137,355
Georgetown University Transformation	93.XXX	6UR1SM56495	21,644
Consumer Support Resource Center	93.XXX	HHSS283200700020I/HHSS2800002T	1,056,814
State Profiling Systems	93.XXX	280-03-3205	333,457
Suicide Prevention Assessment and Resource Kit	93.XXX	HHSS283200700020I/HHSS2800003T	736,636
Transformation Transfer Initiative	93.XXX	HHSS283200700020I/HHSS2800001T	2,571,540
Suicide Prevention Grant	93.XXX	1 U79 SM56884-01	59,214
National Technical Assistance & Seclusion/Restraint Center	93.XXX	280-03-3202	3,191,291
Youth Violence Prevention	93.XXX	2 HR 1 AM54865	4,939
Social Marketing Technical Assistance	93.XXX	280-04-0091	<u>1,341,651</u>
Total			<u>\$ 9,482,634</u>

(*) Major Program

(S) Subcontract

(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, 2009**

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
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, 2009, and have issued our report thereon dated December 18, 2009. 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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the Organization's financial statements that is more than inconsequential will not be prevented or detected by the Organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Organization's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 18, 2009



Report on Compliance with Requirements Applicable to Each Major Program and on 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 the National Association of State Mental Health Program Directors (the "Organization") 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, 2009. 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 major federal program 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, 2009.

Internal Control Over Compliance

The management of the National Association of State Mental Health Program Directors 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 in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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, Bekaert & Holland, LLP

Vienna, Virginia
December 18, 2009

**NATIONAL ASSOCIATION OF STATE MENTAL HEALTH PROGRAM DIRECTORS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2009**

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 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 significant deficiencies 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 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 & Mental Health Authority'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