

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

FINANCIAL STATEMENTS, SUPPLEMENTAL
INFORMATION, AND REPORTING ON
COMPLIANCE AND INTERNAL CONTROL

As of and for the Years Ended September 30, 2020 and 2019

And Report of Independent Auditor

NATIONAL ASSOCIATION OF STATE MENTAL HEALTH PROGRAM DIRECTORS
TABLE OF CONTENTS

REPORT OF INDEPENDENT AUDITOR 1-2

FINANCIAL STATEMENTS

Statements of Financial Position 3
Statements of Activities 4
Statements of Functional Expenses 5-8
Statements of Cash Flows 9
Notes to the Financial Statements 10-18

SUPPLEMENTAL INFORMATION

Schedule of Expenditures of Federal Awards 19
Notes to the Schedule of Expenditures of Federal Awards 20

REPORTING ON COMPLIANCE AND INTERNAL CONTROL

Report of Independent Auditor on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards* 21-22

Report of Independent Auditor on Compliance for Each Major Federal Program and on
Internal Control over Compliance Required by the Uniform Guidance 23-24

Schedule of Findings and Questioned Costs 25

Report of Independent Auditor

To the Board of Directors
National Association of State Mental Health Program Directors
Alexandria, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the National Association of State Mental Health Program Directors (a non-profit organization) (the "Association"), which comprise the statements of financial position as of September 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Association's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association as of September 30, 2020 and 2019, and the changes in net assets, and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2020, on our consideration of the Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Association's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Cherry Baekaert LLP".

Tysons Corner, Virginia
December 18, 2020

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

SEPTEMBER 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 1,835,965	\$ 1,432,729
Investments	666,153	692,331
Contract Receivables:		
Billed	1,771,326	2,064,868
Unbilled	281,639	271,228
Other receivables	973	-
Prepaid assets	49,022	18,265
Total Current Assets	<u>4,605,078</u>	<u>4,479,421</u>
Property and equipment, net	39,907	51,629
Other Assets:		
Security deposits	13,272	13,272
Total Assets	<u><u>\$ 4,658,257</u></u>	<u><u>\$ 4,544,322</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 890,832	\$ 1,089,500
Accrued payroll and related liabilities	322,518	247,309
Deferred rent	14,449	9,719
Deferred program fees revenue	553,596	562,357
Total Current Liabilities	<u>1,781,395</u>	<u>1,908,885</u>
Long-Term Liabilities:		
Deferred rent	65,490	79,939
Total Liabilities	<u>1,846,885</u>	<u>1,988,824</u>
Net Assets Without Donor Restrictions	<u>2,811,372</u>	<u>2,555,498</u>
Total Liabilities and Net Assets	<u><u>\$ 4,658,257</u></u>	<u><u>\$ 4,544,322</u></u>

The accompanying notes to the financial statements are an integral part of these statements.

NATIONAL ASSOCIATION OF STATE MENTAL HEALTH PROGRAM DIRECTORS
STATEMENTS OF ACTIVITIES

YEARS ENDED SEPTEMBER 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Revenue and Support:		
Contract revenue	\$ 7,429,700	\$ 8,351,369
Program fees	738,162	874,778
Contributions	-	200
Other income	32,227	180,879
Interest and investment income (loss), net of fees	<u>(25,631)</u>	<u>26,496</u>
Total Revenue and Support	<u>8,174,458</u>	<u>9,433,722</u>
Expenses:		
Direct program expenses	6,675,552	7,804,593
Allocated indirect costs	<u>1,242,506</u>	<u>1,192,650</u>
Total program expenses	7,918,058	8,997,243
General and administrative expenses	<u>526</u>	<u>343</u>
Total Expenses	<u>7,918,584</u>	<u>8,997,586</u>
Change in net assets	255,874	436,136
Net assets without donor restrictions, beginning of year	<u>2,555,498</u>	<u>2,119,362</u>
Net assets without donor restrictions, end of year	<u><u>\$ 2,811,372</u></u>	<u><u>\$ 2,555,498</u></u>

The accompanying notes to the financial statements are an integral part of these statements.

NATIONAL ASSOCIATION OF STATE MENTAL HEALTH PROGRAM DIRECTORS
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2020

	Technical Assistance Coalition	Victims of Crime	Clinical Support System	Suicide Prevention	Other Federal	Association Membership
Personnel	\$ 1,331,281	\$ 152,226	\$ 75,965	\$ 93,007	\$ 78,893	\$ 507,658
Events and travel	-	458	-	-	1,352	14,800
Contractors	3,916,402	18,000	-	-	-	77,839
Supplies and publications	16,978	128	-	-	365	28,023
Services and fees	88,960	17,717	-	-	-	17,309
Facility costs	-	-	-	-	-	-
Insurance	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Subtotal	5,353,621	188,529	75,965	93,007	80,610	645,629
Overhead application	793,680	65,686	26,467	32,405	28,084	224,943
Total Expenses	<u>\$ 6,147,301</u>	<u>\$ 254,215</u>	<u>\$ 102,432</u>	<u>\$ 125,412</u>	<u>\$ 108,694</u>	<u>\$ 870,572</u>

The accompanying notes to the financial statements are an integral part of these statements.

NATIONAL ASSOCIATION OF STATE MENTAL HEALTH PROGRAM DIRECTORS
STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)

YEAR ENDED SEPTEMBER 30, 2020

	<u>Other</u>	<u>Total Programs</u>	<u>General and Administrative</u>	<u>Total</u>
Personnel	\$ 150,369	\$ 2,389,399	\$ 876,732	\$ 3,266,131
Events and travel	17,976	34,586	-	34,586
Contractors	44,489	4,056,730	431	4,057,161
Supplies and publications	22,787	68,281	32,160	100,441
Services and fees	2,570	126,556	128,585	255,141
Facility costs	-	-	180,472	180,472
Insurance	-	-	5,594	5,594
Depreciation	-	-	11,722	11,722
Miscellaneous	-	-	7,336	7,336
Subtotal	<u>238,191</u>	<u>6,675,552</u>	<u>1,243,032</u>	<u>7,918,584</u>
Overhead application	71,241	1,242,506	(1,242,506)	-
Total Expenses	<u>\$ 309,432</u>	<u>\$ 7,918,058</u>	<u>\$ 526</u>	<u>\$ 7,918,584</u>

The accompanying notes to the financial statements are an integral part of these statements.

NATIONAL ASSOCIATION OF STATE MENTAL HEALTH PROGRAM DIRECTORS
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2019

	Technical Assistance Coalition	Victims of Crime	Clinical Support System	Suicide Prevention	Other Federal	Association Membership
Personnel	\$ 1,436,626	\$ 82,047	\$ 80,350	\$ 62,756	\$ 51,943	\$ 418,230
Events and travel	-	10,869	-	-	1,720	320,405
Contractors	4,645,788	3,200	-	-	9,123	99,340
Supplies and publications	8,251	-	-	-	-	74,647
Services and fees	85,469	146	-	-	-	9,068
Facility costs	-	-	-	-	-	-
Insurance	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Subtotal	6,176,134	96,262	80,350	62,756	62,786	921,690
Overhead application	737,154	27,318	24,337	19,008	16,438	279,164
Total Expenses	<u>\$ 6,913,288</u>	<u>\$ 123,580</u>	<u>\$ 104,687</u>	<u>\$ 81,764</u>	<u>\$ 79,224</u>	<u>\$ 1,200,854</u>

The accompanying notes to the financial statements are an integral part of these statements.

NATIONAL ASSOCIATION OF STATE MENTAL HEALTH PROGRAM DIRECTORS
STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)

YEAR ENDED SEPTEMBER 30, 2019

	<u>Other</u>	<u>Total Programs</u>	<u>General and Administrative</u>	<u>Total</u>
Personnel	\$ 219,344	\$ 2,351,296	\$ 856,682	\$ 3,207,978
Events and travel	38,462	371,456	-	371,456
Contractors	144,758	4,902,209	18,296	4,920,505
Supplies and publications	265	83,163	34,670	117,833
Services and fees	1,786	96,469	84,743	181,212
Facility costs	-	-	172,864	172,864
Insurance	-	-	6,018	6,018
Depreciation	-	-	11,722	11,722
Miscellaneous	-	-	7,998	7,998
Subtotal	<u>404,615</u>	<u>7,804,593</u>	<u>1,192,993</u>	<u>8,997,586</u>
Overhead application	89,231	1,192,650	(1,192,650)	-
Total Expenses	<u>\$ 493,846</u>	<u>\$ 8,997,243</u>	<u>\$ 343</u>	<u>\$ 8,997,586</u>

The accompanying notes to the financial statements are an integral part of these statements.

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

YEARS ENDED SEPTEMBER 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ 255,874	\$ 436,136
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	11,722	11,722
Unrealized loss (gain) on investments	39,077	(2,049)
Change in assets and liabilities:		
Accounts receivable (billed and unbilled)	283,131	(504,924)
Other receivables	(973)	405
Prepaid assets	(30,757)	(18,265)
Accounts payable and accrued expenses	(198,668)	549,774
Accrued payroll and related liabilities	75,209	23,254
Deferred rent	(9,719)	(5,123)
Deferred program fees revenue	(8,761)	9,831
Net cash flows from operating activities	<u>416,135</u>	<u>500,761</u>
Cash flows from investing activities:		
Purchase of investments	(12,899)	(23,314)
Net cash flows from investing activities	<u>(12,899)</u>	<u>(23,314)</u>
Net increase in cash and cash equivalents	403,236	477,447
Cash and cash equivalents, beginning of year	<u>1,432,729</u>	<u>955,282</u>
Cash and cash equivalents, end of year	<u>\$ 1,835,965</u>	<u>\$ 1,432,729</u>

The accompanying notes to the financial statements are an integral part of these statements.

NATIONAL ASSOCIATION OF STATE MENTAL HEALTH PROGRAM DIRECTORS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020 AND 2019

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 (“ASC”). Under this topic, the Association is required to report information regarding its financial position and activities according to two classes of net assets:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Association. These net assets may be used at the discretion of the Association’s management and the Board of Directors.

Net Assets With Donor Restrictions – Net assets subject to stipulations imposed by donors and grantors. The Association had no net assets with donor restrictions at September 30, 2020 and 2019.

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 covers \$250,000 for substantially all depository accounts. The Association from time to time may have amounts on deposit in excess of the insured limits. As of September 30, 2020 and 2019, the Association’s bank balances exceeded these insured amounts by \$1,710,150 and \$1,555,220, respectively.

Use of Estimates – In preparing the financial statements in accordance with generally accepted accounting principles (“U.S. GAAP”), 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.

Contracts Receivable – Contracts receivable are generated primarily from prime and subcontracting arrangements with U.S. government agencies and various commercial entities. Contracts receivable are stated at cost less an allowance for uncollectible accounts. 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, 2020 and 2019. Amounts not billed due to contractual terms, approved provisional rate changes, or pending specific events to occur are included in unbilled receivables.

Unbilled contracts receivable result from contract costs incurred but not yet billed. Generally, unbilled contracts receivable are expected to be billed and collected within one year and have been recorded at amounts expected to be realized upon final settlement. Unbilled contracts receivable may arise from accrued award fees and indirect rate variances.

NATIONAL ASSOCIATION OF STATE MENTAL HEALTH PROGRAM DIRECTORS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020 AND 2019

Note 2—Summary of significant accounting policies (continued)

A certain portion of the Association's revenue and costs is subject to audit by a government agency. Billings under government contracts are based on provisional rates, which permit recovery of overhead and general and administrative expenses at rates approved by the government in advance. An unbilled indirect rate variance represents the difference between billings at rates using actual allowable and allocable costs incurred versus billings at provisional rates. The actual allowable costs and rates are subject to review by the government on an annual basis. When final approval of the allowable costs and rates has been made, billings may be adjusted. Management does not believe that the accompanying financial statements will be materially affected by any adjustments that may result from government review of actual rates.

Investments – Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statements of financial position. Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included in the statements of activities as increases or decreases in net assets without donor restrictions 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 value at the beginning of the year. Donated securities are recorded at their fair value on the date of donation.

Fair Value Measurement – The Association adopted the provisions of the *Fair Value Measurements and Disclosure Topic* ("Fair Value Topic") of FASB ASC. 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. The money market funds are classified within Level 1 of the valuation hierarchy.

Mutual Funds – These investments are valued at the closing price reported on the New York Stock Exchange Composite Listing or other active market on which these securities are traded. These securities are classified within Level 1 of the valuation hierarchy.

NATIONAL ASSOCIATION OF STATE MENTAL HEALTH PROGRAM DIRECTORS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020 AND 2019

Note 2—Summary of significant accounting policies (continued)

Property and Equipment – The Association’s policy is to capitalize property and equipment with a cost of more than \$2,500 and a useful life of more than one year. Property and equipment are recorded at cost. All equipment acquired under capital lease agreements is recorded on the statements 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. Leasehold improvements are amortized using the straight-line method over the shorter of the lease term or estimated useful life of the asset.

Deferred Program Fees Revenue – Deferred program fees revenue is comprised primarily of membership dues received during the current year that apply to the following year. At September 30, 2020 and 2019, deferred program fees revenue totaled \$553,596 and \$562,357 respectively.

Revenue Recognition – On October 1, 2019, the Association adopted FASB ASC Topic 606, *Revenue from Contracts with Customers*, using a modified retrospective method applied to those contracts that were not substantially complete as of October 1, 2019, which resulted in no material impact to the financial statements.

Contract Revenue – The Association considers a contract with a customer to exist under Topic 606 when there is approval and commitment from the Association and the customer, the rights of the parties and payment terms are identified, the contract has commercial substance, and the collectability of consideration is probable. The Association also considers whether two or more contracts entered into with the same customer should be combined and accounted for as a single contract.

Contracts may be modified to change the scope, price, specifications, or other terms within the existing arrangement. Contract modifications are evaluated by management to determine whether the modification should be accounted for as part of the original performance obligation(s) or as a separate contract. If the modification adds distinct goods or services and increases the contract value proportionate to the stand-alone selling price of the additional goods or services, it will be accounted for as a separate contract.

A performance obligation, a unit of account under the new revenue recognition standard, is a promise in a contract to transfer a distinct good or service to the customer. The Association evaluates promised goods and services in contracts with the customer to determine whether each promise represents the transfer of distinct goods or services under Topic 606. Multiple promised goods or services often represent a single performance obligation due to the promised goods or services being integrated into a combined or highly interrelated outputs. This evaluation requires significant judgment. The majority of the Association's contracts have a single performance obligation. For a majority of the contracts, this includes the Association's promise to provide personnel, support or consulting services for the duration of the contract.

Certain contracts with the U.S. federal government contain award fees, incentive fees, or other provisions that may increase or decrease the transaction price. These variable amounts generally are awarded upon achievement of certain performance metrics, program milestones or cost targets and may be based upon customer discretion. Management estimates variable consideration as the most likely amount that the Association expects to achieve based on an assessment of the variable fee provisions within the contract, prior experience with similar contracts or clients, and management’s evaluation of the performance on such contracts.

NATIONAL ASSOCIATION OF STATE MENTAL HEALTH PROGRAM DIRECTORS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020 AND 2019

Note 2—Summary of significant accounting policies (continued)

The Association recognizes revenue for each performance obligation identified within customer contracts when, or as, the performance obligation is satisfied by transferring the promised services. Revenue may either be recognized over time, or at a point in time. The Association recognizes revenue over time as contracts typically involve a continuous transfer of contract value to the customer on all contracts. A continuous transfer of contract value with the U.S. government and its agencies is evaluated by clauses which require the Association to be paid for costs incurred plus a reasonable margin in the event the customer unilaterally terminates the contract for convenience. For contracts where revenue is recognized over time, a contract cost-based input method is generally used to measure progress towards satisfaction of the underlying performance obligation(s). This estimate requires management to consider various inputs and assumptions, including, but not limited to, progress towards completion, labor costs and productivity, material and subcontractor costs, and identified risks. Management prepares an estimate of completion based on estimated total contract costs. Estimating the level of effort to complete the performance obligation is subjective and requires management assumptions about future activity and cost drivers under the contracts. Revisions in estimates to complete or any projected financial losses on a project are reflected in the period in which they become known. If the estimated of contract profitability indicates an anticipated loss on a contract, the Association recognizes the total loss at the time it is identified. The Association did not have any forward losses as of September 30, 2020 and 2019.

Certain economic factors affect the nature, amount, timing, and uncertainty of revenue. Typically, contracts with the U.S. government require more regulation including proving the indirect rate is reasonable and that employee personnel costs are consistent with commercial employees. These administrative challenges are offset by the benefit of probable payment. The Association typically assumes more risk with commercial work as payment by the federal government is certain upon approval.

Contract receivables are stated at amounts expected to be realized in future periods. Unbilled receivables (contract assets) result from revenue that has been earned in advance of billing. The unbilled receivables can be invoiced at contractually defined intervals or milestones, as well as upon completion of the contract or U.S. government-incurred cost audits; such amounts have been classified as current in accordance with industry practice. The Association anticipates that a significant amount of unbilled receivables will be billed and collected within one year.

Program fees – Program fees are derived primarily from membership dues. The Association's members play a vital role in the delivery, financing, and evaluation of mental health services. Members of the Association include all 50 states, in addition to American Samoa, District of Columbia, Guam, Marshall Islands, and Micronesia. The membership period extends from July of the current fiscal year through June of the subsequent fiscal year. The Association recognizes revenue from its members over time using the right-to-invoice practical expedient as the Association is contractually able to invoice the member based on control transferred. Payments received prior to October 1 that relate to the membership dues for the subsequent fiscal year are recorded as deferred program fees revenue.

Contributions – Contributions received are recorded as without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor-restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restrictions expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions.

NATIONAL ASSOCIATION OF STATE MENTAL HEALTH PROGRAM DIRECTORS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020 AND 2019

Note 2—Summary of significant accounting policies (continued)

Unconditional contributions are recognized as revenues when donor commitments are received. Unconditional contributions are recognized at the estimated net present value, net of an allowance for uncollectible amounts, and are classified in the appropriate net asset class. Management determines the allowance for uncollectible contributions using historical experience with collectability of past contributions and the amount is recorded as a reduction in contribution revenue. Write-offs of specific contributions receivable are recorded against the reserve. Noncash contributions are recorded at fair value as of the date of the gift.

Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return and release, are not recognized until such time as the conditions are substantially met. As of September 30, 2020 and 2019, there were no conditional contributions.

Functional Allocation of Expenses – The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Costs which could be directly identified with a specific program were charged to that program, but items for general use or not directly identifiable were allocated to each program based on the Association's indirect rates.

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

Management has evaluated the effect of the guidance provided by U.S. GAAP on Accounting for Uncertainty in Income Taxes. Management believes that the Association continues to satisfy the requirements of a tax-exempt organization at September 30, 2020 and 2019.

Management has evaluated all other tax positions that could have a significant effect on the financial statements and determined that the Association had no uncertain income tax positions at September 30, 2020.

Adopted Accounting Pronouncements – In June 2018, FASB issued Accounting Standards Update ("ASU") 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 provided a more detailed framework for determining whether a grant or similar contract should be accounted for as a contribution or as an exchange transaction. ASU 2018-08 also provided additional guidance to help determine whether a contribution is conditional, and better distinguish between a donor-imposed condition and a donor-imposed restriction. The ASU has been applied on a retrospective basis to all periods presented, which did not result in an adjustment to the financial statements.

In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU 2014-09 outlined a new, single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and superseded most current revenue recognition guidance, including industry-specific guidance. This new revenue recognition model provided a five-step analysis in determining when and how revenue is recognized. The new model required revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration an organization expects to receive in exchange for those goods or services. The ASU has been applied on a retrospective basis to all periods presented, which did not result in an adjustment to the financial statements.

Upcoming Accounting Pronouncements – In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*, requiring lessees to recognize lease assets and liabilities on the balance sheet for all arrangements with terms longer than 12 months. Lessor accounting remains consistent with U.S. GAAP. This ASU is effective for fiscal years beginning after December 15, 2021. The Association is currently evaluating the effect the ASU will have on the financial statements.

NATIONAL ASSOCIATION OF STATE MENTAL HEALTH PROGRAM DIRECTORS
NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020 AND 2019

Note 3—Liquidity and availability of resources

The table below represents financial assets available for general expenditures within one year at September 30:

Financial assets at year-end:	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 1,835,965	\$ 1,432,729
Investments	666,153	692,331
Receivables	<u>2,053,938</u>	<u>2,336,096</u>
Financial assets available to meet general expenditures within one year	<u>\$ 4,556,056</u>	<u>\$ 4,461,156</u>

The Association regularly monitors liquidity to meet its operating needs and other contractual commitments, while striving to maximize the investment of and return on available funds. The Association has various sources of liquidity at its disposal, including cash and cash equivalents and investments. For purpose of analyzing resources available to meet general expenditures over a 12-month period, the Association considers all expenditures to be general expenditures.

The Association has a line of credit agreement with a commercial bank for an amount of \$500,000 for general working capital purposes. Borrowings under the line of credit will mature on July 1, 2021 and bear interest at the prime rate + 0.5% (3.75% and 5.50% as of September 30, 2020 and 2019, respectively). The line of credit is secured by all of the Association's assets. The Association had no outstanding borrowings against the line of credit as of September 30, 2020 and 2019.

Note 4—Fair value measurements

The following table sets forth by level, within the fair value hierarchy, the Association's investments at fair value as of September 30, 2020:

	<u>Investments at Fair Value</u>			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Money market fund	\$ 666,153	\$ -	\$ -	\$ 666,153
Total investments at fair value	<u>\$ 666,153</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 666,153</u>

NATIONAL ASSOCIATION OF STATE MENTAL HEALTH PROGRAM DIRECTORS
NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020 AND 2019

Note 4—Fair value measurement (continued)

The following table sets forth by level, within the fair value hierarchy, the Association's investments at fair value as of September 30, 2019:

	Investments at Fair Value			Total
	Level 1	Level 2	Level 3	
Mutual funds:				
Growth funds	\$ 201,972	\$ -	\$ -	\$ 201,972
Index funds	140,614	-	-	140,614
Bond funds	260,811	-	-	260,811
Value equity funds	26,499	-	-	26,499
International growth fund	48,131	-	-	48,131
Money market fund	14,304	-	-	14,304
Total investments at fair value	<u>\$ 692,331</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 692,331</u>

Investment income earned on the investments for the years ended September 30, 2020 and 2019 is summarized as follows:

	2020	2019
Interest and dividends	\$ 16,390	\$ 27,701
Unrealized (loss) gain	(39,077)	2,049
Investment fees	(2,944)	(3,254)
Investment income	<u>\$ (25,631)</u>	<u>\$ 26,496</u>

Note 5—Property and equipment

Property and equipment at September 30, 2020 and 2019 consisted of:

	2020	2019
Furniture and fixtures	\$ 100,004	\$ 100,004
Computers, hardware	14,736	14,736
Leasehold improvement	59,920	59,920
	174,660	174,660
Less accumulated depreciation and amortization	(134,753)	(123,031)
	<u>\$ 39,907</u>	<u>\$ 51,629</u>

Depreciation and amortization expense was \$11,722 for both years ended September 30, 2020 and 2019.

NATIONAL ASSOCIATION OF STATE MENTAL HEALTH PROGRAM DIRECTORS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020 AND 2019

Note 6—Commitments

Operating Lease – The Association has a noncancelable operating lease agreement for office space that expires in June 2024. The operating lease includes scheduled rent escalations. The aggregate cash payments for the lease with rent escalations are 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, 2020:

Years Ending September 30,

2021	\$	176,722
2022		181,595
2023		186,571
2024		143,575
	\$	<u>688,463</u>

Office rent expense was \$162,273 for the years ended September 30, 2020 and 2019.

Note 7—Concentrations

Approximately 87% and 83% of the Association’s revenue in 2020 and 2019, respectively, is derived from contracts with agencies of the federal government. Approximately 91% and 89% of the Association’s contracts receivable at September 30, 2020 and 2019, respectively, is due from these contracts.

Note 8—Retirement plan

The Association sponsors a tax-deferred savings plan, adopted on July 1, 1992, and amended on September 1, 2019, under which employees may make contributions on a salary deferral basis. The employer contribution amount is decided annually and is comprised of 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 2020 and 2019 were \$230,612 and \$226,902, respectively.

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 \$18,000 for the years ended September 30, 2020 and 2019.

Note 9—Description of programs and supporting services

Technical Assistance Coalition – The purpose of the Technical Assistance Coalition 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.

Victims of Crime – The Association is responsible for increasing access to mental health services to traditionally under-served victims of crime; either through training or technical assistance.

NATIONAL ASSOCIATION OF STATE MENTAL HEALTH PROGRAM DIRECTORS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020 AND 2019

Note 9—Description of programs and supporting services (continued)

Clinical Support System for Serious Mental Illness (“CSS-SMI”) – The Association is to assist in developing and maintaining a CSS-SMI advisory boards, assist with the development of a catalog of relevant practice guidelines, assist in developing a Center of Excellence focused on the use of clozapine, and assist in developing and implementing a strategy to engage state and local officials in prioritizing treatment and services for people with serious mental illness.

Suicide Prevention – The Association is to promote the National Suicide Prevention Lifeline to State Mental Health Authorities (“SMHA”), conduct outreach to SMHA about state supports of crisis hotline and crisis services, promote the role of local crisis centers, and explore resources to finance suicide prevention care.

Note 10—Contingencies

On March 11, 2020, an outbreak of a novel strain of coronavirus (“COVID-19”) emerged globally. Global financial markets have experienced significant volatility resulting from the spread of COVID-19. The extent of the impact of COVID-19 on the Association’s financial statements will depend on future developments, including the duration and continued spread of the outbreak. The Association has evaluated the impact of this outbreak on their daily operations, and will continue to monitor the situation. As of the date of this report, there is no estimated impact to operations as a result of this outbreak.

Note 11—Subsequent events

The Association has evaluated subsequent events through December 18, 2020, in connection with the preparation of these financial statements, which is the date the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

NATIONAL ASSOCIATION OF STATE MENTAL HEALTH PROGRAM DIRECTORS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED SEPTEMBER 30, 2020

Federal Contractor/Grantor	Federal CFDA Number	Contract/ Grant Number	Federal Expenditures
U.S. Department of Health and Human Services:			
U.S. Department of Health and Human Services Direct Programs From:			
*Substance Abuse and Mental Health Authority:			
Technical Assistance Coalition	93.xxx	HHSS283201200021/HHSS28342003T	\$ 6,147,301
Total U.S. Department of Health and Human Services Direct Programs			<u>6,147,301</u>
U.S. Department of Justice:			
U.S. Department of Justice From:			
Office of Justice Programs, Office for Victims of Crime			
Increasing Access to Mental Health Services for Victims of Crime	16.582	2017-VF-GX-K142	254,215
Total U.S. Department of Justice			<u>254,215</u>
U.S. Department of Health and Human Services:			
U.S. Department of Health and Human Services Pass Through Programs From:			
Vibrant Emotional Health - Suicide Prevention Hotline (S)	93.243	1UR1SMO60319-03	125,412
APA - Clinical Support System for Serious Mental Illness (S)	93.243	SM-18-020	102,432
Westat - Supported Employment Demonstration (SED) (S)	96.007	SS00-16-60014	42,132
Westat - Early Psychosis Intervention Network (EPINET) (S)	93.242	1U24MH120591-01	27,932
Advocates for Human Potential (AHP) - Homeless and Housing Resource Network (S)	93.xxx	HHSS283201200081/HHSS28342004T	13,851
Center for Social Innovation - Bringing Recovery Supports to Scale (S)	93.xxx	HHSS283201200035/HHSS28342002T	903
HSRI - Advanced Person - Centered Practices (S)	93.243	HHSP233201500119/HHSP23337002T	458
Total U.S. Department of Health and Human Services Pass Through Programs			<u>313,120</u>
U.S. Department of Justice:			
U.S. Department of Justice Pass Through Programs From:			
Project Trust (S)	16.320	2018-VT-BX-K015	21,132
CSG Justice and Mental Health Collaboration	16.745	2019-MD-BX-K002	2,286
Total U.S. Department of Justice Pass Through Programs			<u>23,418</u>
Total Expenditures of Federal Awards			<u>\$ 6,738,054</u>

(*) Major Program

NATIONAL ASSOCIATION OF STATE MENTAL HEALTH PROGRAM DIRECTORS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED SEPTEMBER 30, 2020

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 (the “Association”) and is presented on the accrual basis of accounting.

Note 2—Subrecipients

Of the federal expenditures presented in this schedule, the Association provided federal awards to:

<u>Subrecipient</u>	<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures to Subrecipients</u>
NASMHPD Research Institute	Technical Assistance Collaboration	93.XXX	\$ 58,261
			<u>\$ 58,261</u>

Note 3—Relationship to basic financial statements

The Association records award revenues at approved provisional rates. Expenditures are recorded using actual allowable and allocable costs. Billings may be adjusted upon final approval of allowable and allocable costs incurred. Management does not believe that the accompanying financial statements will be materially affected by any adjustments that may result from government review of actual rates.

**REPORTING ON COMPLIANCE
AND INTERNAL CONTROL**

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

To the Board of Directors
National Association of State Mental Health Program Directors
Alexandria, Virginia

We have audited, 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, the financial statements of the National Association of State Mental Health Program Directors (the “Association”), which comprise the statement of financial position as of September 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 18, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Association’s internal control over financial reporting (“internal control”) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Association’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit the attention of those charged with governance.

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 material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Association’s financial statements are free 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 statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Association's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Association's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Cherry Baekaert LLP". The signature is written in a cursive, flowing style.

Tysons Corner, Virginia
December 18, 2020

Report of Independent Auditor on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance

To the Board of Directors
National Association of State Mental Health Program Directors
Alexandria, Virginia

Report on Compliance for Each Major Program

We have audited the National Association of State Mental Health Program Directors' (the "Association") compliance with the types of compliance requirements described in the Office of Management and Budget ("OMB") Compliance Supplement that could have a direct and material effect on each of the Association's major federal programs for the year ended September 30, 2020. The Association's major federal programs are identified in the summary of auditor results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its Federal Awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Association's major federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award* ("Uniform Guidance"). Those standards and Uniform Guidance 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 Association's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Association's compliance with those requirements.

Opinion on the Major Federal Program

In our opinion, the Association complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2020.

Report on Internal Control over Compliance

Management of the Association is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Association's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, 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 Association'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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Cherry Baekaert LLP".

Tysons Corner, Virginia
December 18, 2020

**NATIONAL ASSOCIATION OF STATE MENTAL HEALTH PROGRAM DIRECTORS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

YEAR ENDED SEPTEMBER 30, 2020

A. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness identified?	No
Significant deficiency identified not considered to be a material weakness?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over the major programs:	
Material weakness identified?	No
Significant deficiency identified not considered to be a material weakness?	None reported
Type of auditor's report issued on compliance for the major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Uniform Guidance?	None noted
Identification of major programs:	
<u>Awarding Agency</u>	<u>CFDA Number</u>
Substance Abuse and Mental Health Services Administration	93.XXX
Dollar threshold used to distinguish between Type A and B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

B. Financial Statement Findings

None reported

C. Federal Award Findings and Questioned Costs

None reported

D. Status of Prior Year Findings

There were no prior year findings.