

**NATIONAL ASSOCIATION OF STATE MENTAL HEALTH
PROGRAM DIRECTORS
RESEARCH INSTITUTE, INC.**

REPORT AND FINANCIAL STATEMENTS

SEPTEMBER 30, 2008 AND 2007

**NATIONAL ASSOCIATION OF STATE MENTAL HEALTH PROGRAM DIRECTORS
RESEARCH INSTITUTE, INC.
SEPTEMBER 30, 2008 AND 2007**

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Report of Independent Certified Public Accountants

To the Board of Directors of the
National Association of State Mental Health Program Directors Research Institute, Inc.

We have audited the accompanying statements of financial position of National Association of State Mental Health Program Directors Research Institute, Inc. (a non-profit organization) as of September 30, 2008 and 2007, 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 Research Institute, Inc.'s 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 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 Research Institute, Inc. as of September 30, 2008 and 2007, 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 February 11, 2009 on our consideration of National Association of State Mental Health Program Directors Research Institute, Inc.'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 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
February 11, 2009

**NATIONAL ASSOCIATION OF STATE MENTAL HEALTH PROGRAM DIRECTORS
RESEARCH INSTITUTE , INC.
STATEMENTS OF FINANCIAL POSITION**

	September 30,	
	2008	2007
ASSETS		
Current assets		
Cash and cash equivalents	\$ 394,823	\$ 410,596
Accounts receivable	459,480	495,704
Due from others	-	1,665
Investment income, net	15,623	22,298
Total current assets	869,926	930,263
Property and equipment, net	5,553	1,995
Other assets		
Investments	972,225	692,988
Deposits	8,062	8,062
Total assets	\$ 1,855,766	\$ 1,633,308
LIABILITIES AND NET ASSETS		
Proceeds from redemption of certificates of deposit/return of principal		
Current liabilities		
Accounts payable and accrued expenses	\$ 211,861	\$ 191,163
Accrued payroll and related liabilities	111,259	73,048
Deferred revenue	460,437	476,268
Deferred rent, current	8,518	-
Total current liabilities	792,075	740,479
Long-term liabilities		
Deferred rent, noncurrent	40,317	53,538
Total liabilities	832,392	794,017
Net assets, unrestricted	1,023,374	839,291
Total liabilities and net assets	\$ 1,855,766	\$ 1,633,308

(See accompanying notes to financial statements)

**NATIONAL ASSOCIATION OF STATE MENTAL HEALTH PROGRAM DIRECTORS
RESEARCH INSTITUTE , INC.
STATEMENTS OF ACTIVITIES**

	Year Ended September 30,	
	2008	2007
Changes in unrestricted net assets	2005	
Revenue and support		
Grant and contract revenue	\$ 2,243,290	\$ 1,688,910
Program fees	1,647,220	1,629,441
Sponsorships and other revenue	1,500	1,900
Investment income, net	36,612	41,290
	3,928,622	3,361,541
Expenses		
Direct program expenses	2,845,341	2,542,928
Allocated indirect costs	871,986	738,268
	3,717,327	3,281,196
General and administrative expenses	27,212	55,305
	3,744,539	3,336,501
Change in unrestricted net assets	184,083	25,040
Proceeds from redemption of certificates of deposit/return of principal	839,291	814,251
Net assets, end of period	\$ 1,023,374	\$ 839,291

(See accompanying notes to financial statements)

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

	SDICC 2005	SDICC 2007	Profiles	OSA	EBP Toolkits	Client Level Data	NIMH
Salaries	\$ 31,418	\$ 200,436	\$ 206,084	\$ 87,894	\$ 28,014	\$ 105,580	\$ 86,281
Fringe benefits	6,896	43,996	45,235	19,293	6,149	23,175	18,939
Consultants	21,200	1,600	-	7,575	2,600	-	12,000
Travel	37,005	718	1,191	21,389	4,519	19,794	13,418
Investment income, net	13,335	4,732	-	3,732	-	3,632	-
Telephone	32	243	-	70	310	1,274	543
Supplies/other	37	4,078	3,154	239	106	810	216
Duplication/printing	609	868	84	628	347	518	203
Postage/shipping	169	217	57	39	424	268	476
Unallowed costs - direct	660	-	237	748	267	188	144
Subcontractors	52,370	-	-	(1,250)	28,000	366,975	72,000
Office rent	-	-	-	-	-	-	-
Maintenance/repairs	-	-	-	-	-	-	-
Insurance	-	-	-	-	-	-	-
Audit/contracts	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-
Professional services	-	-	-	-	-	-	-
Unallowed costs - G&A	-	-	-	-	-	-	-
Subtotal	163,731	256,888	256,042	140,357	70,736	522,214	204,220
Proceeds from redemption of	44,317	83,488	83,214	45,616	22,990	125,844	66,372
Total expenses	\$ 208,048	\$ 340,376	\$ 339,256	\$ 185,973	\$ 93,726	\$ 648,058	\$ 270,592

(See accompanying notes to financial statements)

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

	ORC Macro	Other	BHPMS	Other	Total Program	General &	Total
	2005	Federal	Project	Other	Services	Administrative	
Salaries	\$ 51,117	\$ 31,951	\$ 544,008	\$ 30,719	\$ 1,403,502	\$ 314,426	\$ 1,717,928
Fringe benefits	11,220	7,013	119,410	6,679	308,005	69,002	377,007
Consultants	-	-	133,131	-	178,106	-	178,106
Travel	135	-	66,998	8,842	174,009	10,998	185,007
Investment income, net	-	-	9,503	37,875	72,809	-	72,809
Telephone	6	6	3,257	54	5,795	20,343	26,138
Supplies/other	6,050	333	137,381	7,294	159,698	40,768	200,466
Duplication/printing	521	10	11,193	1,808	16,789	2,599	19,388
Postage/shipping	1,425	37	2,996	181	6,289	1,592	7,881
Unallowed costs - direct	-	-	-	-	2,244	-	2,244
Subcontractors	-	-	-	-	518,095	-	518,095
Office rent	-	-	-	-	-	167,270	167,270
Maintenance/repairs	-	-	-	-	-	29,500	29,500
Insurance	-	-	-	-	-	5,249	5,249
Audit/contracts	-	-	-	-	-	40,216	40,216
Miscellaneous	-	-	-	-	-	32,943	32,943
Professional services	-	-	-	-	-	163,479	163,479
Unallowed costs - G&A	-	-	-	-	-	813	813
Subtotal	70,474	39,350	1,027,877	93,452	2,845,341	899,198	3,744,539
Proceeds from redemption of	22,904	12,789	334,060	30,392	871,986	(871,986)	-
Total expenses	\$ 93,378	\$ 52,139	\$ 1,361,937	\$ 123,844	\$ 3,717,327	\$ 27,212	\$ 3,744,539

(See accompanying notes to financial statements)

NATIONAL ASSOCIATION OF STATE MENTAL HEALTH PROGRAM DIRECTORS
RESEARCH INSTITUTE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2007

	SDICC 2005	Profiles	OSA	EBP	EBP Toolkits	Client Level Data	ORC Macro Contract
Salaries	\$ 260,800	\$ 101,268	\$ 57,101	\$ 27,862	\$ 95,785	\$ 60,619	\$ 50,310
Fringe benefits	61,001	23,687	13,356	6,517	22,404	14,179	11,768
Consultants	400	-	-	-	30,800	-	-
Travel	67,850	5,408	10,114	2,277	8,371	1,278	585
Investment income, net	4,324	-	1,032	-	-	-	-
Telephone	53	-	245	412	1,322	239	-
Supplies/other	2,735	40	877	3,655	2,198	-	3,646
Duplication/printing	3,012	1,548	1,084	139	575	22	1,341
Postage/shipping	242	339	59	198	2,025	15	229
Unallowed costs - direct	386	-	-	175	101	179	-
Subcontractors	19,620	-	56,875	21,600	147,918	10,500	-
Office rent	-	-	-	-	-	-	-
Maintenance/repairs	-	-	-	-	-	-	-
Insurance	-	-	-	-	-	-	-
Audit/contracts	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-
Professional services	-	-	-	-	-	-	-
Unallowed costs - G&A	-	-	-	-	-	-	-
Subtotal	420,423	132,290	140,743	62,835	311,499	87,031	67,879
Proceeds from redemption of	136,638	42,994	45,742	20,422	88,482	28,285	22,060
Total expenses	\$ 557,061	\$ 175,284	\$ 186,485	\$ 83,257	\$ 399,981	\$ 115,316	\$ 89,939

(See accompanying notes to financial statements)

**NATIONAL ASSOCIATION OF STATE MENTAL HEALTH PROGRAM DIRECTORS
RESEARCH INSTITUTE, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES (Continued)
YEAR ENDED SEPTEMBER 30, 2007**

	Other 2005	BHPMS Project	Other	Total Program Services	General & Administrative	Total
Salaries	\$ 48,024	\$ 381,153	\$ 17,510	\$ 1,100,432	\$ 258,043	\$ 1,358,475
Fringe benefits	11,233	89,152	3,943	257,240	60,320	317,560
Consultants	2,000	119,604	6,001	158,805	-	158,805
Travel	2,797	56,353	8,576	163,609	-	163,609
Investment income, net	-	20,484	41,632	67,472	-	67,472
Telephone	23	3,694	302	6,290	16,536	22,826
Supplies/other	8,017	224,741	2,173	248,082	27,762	275,844
Duplication/printing	63	5,010	6,102	18,896	4,373	23,269
Postage/shipping	192	2,131	450	5,880	-	5,880
Unallowed costs - direct	-	-	-	841	-	841
Subcontractors	-	258,868	-	515,381	-	515,381
Office rent	-	-	-	-	163,094	163,094
Maintenance/repairs	-	-	-	-	18,805	18,805
Insurance	-	-	-	-	5,085	5,085
Audit/contracts	-	-	-	-	31,865	31,865
Miscellaneous	-	-	-	-	48,739	48,739
Professional services	-	-	-	-	154,347	154,347
Unallowed costs - G&A	-	-	-	-	4,604	4,604
Subtotal	72,349	1,161,190	86,689	2,542,928	793,573	3,336,501
Proceeds from redemption of	24,043	301,380	28,222	738,268	(738,268)	-
Total expenses	\$ 96,392	\$ 1,462,570	\$ 114,911	\$ 3,281,196	\$ 55,305	\$ 3,336,501

(See accompanying notes to financial statements)

**NATIONAL ASSOCIATION OF STATE MENTAL HEALTH PROGRAM DIRECTORS
RESEARCH INSTITUTE , INC.
STATEMENTS OF CASH FLOWS**

	Year Ended September 30,	
	2008	2007
Cash flows from operating activities:	2005	
Change in net assets	\$ 184,083	\$ 25,040
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Investment income, net	804	885
Reinvested earnings on investments	(239,162)	(41,290)
Change in assets and liabilities:		
Accounts receivable	36,224	72,884
Due from others	1,665	(1,665)
Prepaid expenses	6,675	(4,989)
Accounts payable and accrued expenses	20,698	(157,052)
Accrued payroll and related liabilities	38,211	6,241
Deferred revenue	(15,831)	(37,646)
Deferred rent	(4,703)	(1,210)
Net cash provided by (used in) operating activities	28,664	(138,802)
Cash flows from investing activities:		
Purchase of property and equipment	(4,362)	-
Purchase of investments	(1,119,022)	(586,905)
Proceeds from redemption of certificates of deposit/return of principal	1,078,947	896,728
Net cash (used in) provided by investing activities	\$ (44,437)	\$ 309,823
Net change in cash and cash equivalents	(15,773)	171,021
Cash and cash equivalents, beginning of period	410,596	239,575
Cash and cash equivalents, end of period	\$ 394,823	\$ 410,596

(See accompanying notes to financial statements)

**NATIONAL ASSOCIATION OF STATE MENTAL HEALTH PROGRAM DIRECTORS
RESEARCH INSTITUTE, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 AND 2007**

Note 1 – Organization and business

The National Association of State Mental Health Program Directors Research Institute, Inc. (the “Institute”) was incorporated October 14, 1987 in the Commonwealth of Virginia. The stated purposes of the Institute are to ascertain, develop, and distribute information, data, statistics and knowledge about public mental health service delivery systems for the education of the general public and for the education and training of public mental health administrators.

Note 2 – Summary of significant accounting policies

Basis of accounting – The Institute follows the accrual method of accounting. Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Institute 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 Institute considers highly liquid investments with original maturities of three months or less to be cash equivalents.

The Institute maintains cash balances at various financial institutions, which at times may exceed federally insured limits. The uninsured cash balances at September 30, 2008 and 2007 were \$238,159 and \$343,786, respectively. The Institute 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.

Accounts receivable – Accounts receivable are reported at their gross value, less an allowance for doubtful accounts as deemed necessary. Management’s determination of the allowance for doubtful accounts is based on an evaluation of the accounts receivable, past experience, current economic conditions, and other risks inherent in the accounts receivable portfolio. There was no allowance for doubtful accounts at September 30, 2008 and 2007.

Investments – The Institute maintains a brokerage account, which consists of money market funds, certificates of deposit and marketable securities recorded at fair value. Changes in fair value are recognized as investment income in the accompanying Statements of Activities.

Property and equipment – The Institute’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. Depreciation is calculated

**NATIONAL ASSOCIATION OF STATE MENTAL HEALTH PROGRAM DIRECTORS
RESEARCH INSTITUTE, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 AND 2007
(Continued)**

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.

Revenue and support – The Institute receives support and funding from a variety of sources. Grant, contract, and subcontract revenues are received from federal government agencies to fund programs. Program fees are primarily for accreditation services performed for state psychiatric hospitals. Program fees also include registration fees for conferences and meetings. The Institute also receives sponsorships and grants from private corporations and other non-profit organizations to fund conferences and meetings and to provide general support.

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. Sponsorships and non-federal grants are recognized as revenue in the period made. Accreditation fees are recognized as revenue proportionately over the accreditation period.

The federal contracts and grant expenditures are subject to review by the funding agencies. Costs can be questioned or disallowed upon audit. Management believes such adjustment for the current period, if any, would not have a material effect on net assets.

Income taxes – The Institute 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 Institute. There was no unrelated business income for the years ended September 30, 2008 and 2007. The Internal Revenue Service has determined that the Institute is not a “private foundation” as defined in Section 509(a) of the Internal Revenue Code.

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

Reclassifications – Certain reclassifications have been made to the 2007 financial statements in order to conform to the 2008 presentation.

Note 3 – Investments

The fair market value of investments at September 30, 2008 and 2007 is as follows:

	<u>2008</u>	<u>2007</u>
Money market funds	\$ 8,074	\$ 38,075
Certificates of deposit	949,451	490,687
Marketable securities	<u>14,700</u>	<u>164,226</u>
Total	<u>\$ 972,225</u>	<u>\$ 692,988</u>

**NATIONAL ASSOCIATION OF STATE MENTAL HEALTH PROGRAM DIRECTORS
RESEARCH INSTITUTE, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 AND 2007
(Continued)**

Investment income earned on the investments and certificates of deposit for the years ended September 30, 2008 and 2007 is summarized as follows:

	2008	2007
Interest and dividends	\$ 36,612	\$ 41,290

Note 4 – Property and equipment

Property and equipment at September 30, 2008 and 2007 consisted of:

	2008	2007
Furniture and fixtures	\$ 2,427	\$ 2,427
Computers – hardware	10,676	10,676
Computers – software	15,331	15,331
Leasehold improvements	9,814	5,452
	38,248	33,886
Less accumulated depreciation and amortization	(32,695)	(31,891)
	\$ 5,553	\$ 1,995

Depreciation expense for the years ended September 30, 2008 and 2007 was \$804 and \$885, respectively.

Note 5 – Commitments

The Institute has operating leases and subleases for office facilities that expire in various years through 2012. The Company is also required to pay its pro-rata share of building operating expenses and property taxes. Some of the operating leases include scheduled rent escalations. 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 lease commitments for the office lease at September 30, 2008:

Year Ending September 30,	
2009	\$ 271,280
2010	278,905
2011	259,386
2012	165,158
Total	\$ 974,729

**NATIONAL ASSOCIATION OF STATE MENTAL HEALTH PROGRAM DIRECTORS
RESEARCH INSTITUTE, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 AND 2007
(Continued)**

Rent expense for the years ended September 30, 2008 and 2007 totaled \$167,270 and \$163,094, respectively, and is inclusive of rents paid under the cost sharing agreement (see Note 6).

Note 6 – Cost sharing agreement

The Institute has a cost sharing agreement with another non-profit organization, the National Association of State Mental Health Program Directors (NASMHPD) under which the Institute reimburses NASMHPD for shared costs. These types of costs include administrative services, rent and other facility expenses. Reimbursement for shared costs for the years ended September 30, 2008 and 2007 was \$370,551 and \$352,857, respectively.

Note 7 – Retirement plan

The Institute sponsors a 401(k) plan under which employees may make salary deferral contributions subject to IRS limitations. The Institute matches eligible participant's contributions at a rate of 200%, up to a maximum that equates to 6% of compensation. The Institute also makes non-elective employer contributions of 3% of compensation for all eligible employees. The plan allows for the Institute to make additional discretionary contributions.

Total contributions made by the Institute for the fiscal years ended September 30, 2008 and 2007 were \$108,183 and \$82,075, respectively.

In December 2004, the Institute 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 Institute to make an annual discretionary contribution to the Plan each January. This contribution was \$4,000 for 2008 and 2007.

Note 8 – Deferred revenue

Revenue is deferred primarily for accreditation fees, which are received at the beginning of each accreditation period. Revenue is then recognized ratably over the course of the accreditation period. At September 30, 2008 and 2007, deferred revenue totaled \$460,437 and \$476,268, respectively.

Note 9 – Concentrations

Approximately 57% and 56% of accounts receivable at September 30, 2008 and 2007, respectively, were from the Institute's two largest customers. Revenue from these customers represent similar percentages to total revenue.

Note 10 – Description of selected programs and supporting services

SDICC 2008 and 2007 - 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
RESEARCH INSTITUTE, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 AND 2007
(Continued)**

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.

OSA - The Other State Agencies (OSA) contract compiles the expenditures, number of persons served, and services provided by major state government agencies including Medicaid, corrections, social services, and the like to determine the total amount of mental health funding maintained in the state.

EBP - The Evidenced Based Practices (EBP) contract synthesizes and disseminates information on the implementation of EBPs and provides technical assistance to states in order to advance "science to service" initiatives in public mental health systems.

EBP Toolkits - The EBP toolkits contract managed by Abt Associates emphasizes information to help select and implement EBPs for two population groups--older adults and children. The toolkits will compile information on EBPs for depression in older adults and EBPs for children with disruptive behavior disorders.

Client Level Data - Conduct an in-depth analysis of the Uniform Reporting System and its Application to SAMHSA's National Outcome. Document existing state approaches to collecting client-level data and to analyze relevance to National Outcome Measures. Manage the identification of promising approaches to collection and reporting of client-level data and testing of pilot states.

NIMH - Develop an initial assessment of the scope and quality of data currently collected by the Institute for conducting policy research, and identify priorities for strengthening and extending these data. Conduct cross-state analyses of mental health related costs, service use, epidemiology and unmet need across multiple relevant state agencies and programs. Work with states to build a consortium of states willing to pool additional mental health related data for ongoing policy evaluation.

ORC Macro Contract - The ORC Macro contract has included the Institute as a key member in the design of two of the eight evaluation components for the cross-site evaluation of the National Child Traumatic Stress Initiative (NCTSI). This includes Network Collaboration and the National Impact Survey.

BHPMS - The Institute's Behavioral Healthcare Performance Measurement System (BHPMS) provides data processing and reporting services to psychiatric facilities that both meets the requirements of the Joint Commission on Accreditation of Healthcare Organizations (JCAHO) and assists facilities with imbedding the review of data into operation.

**NATIONAL ASSOCIATION OF STATE MENTAL HEALTH PROGRAM DIRECTORS
RESEARCH INSTITUTE, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2008**

<u>Federal Grantor</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Federal Expenditures</u>
U.S. Department of Health and Human Services:			
* National Institutes of Health:			
National Institute of Mental Health	93.242	1R13MH073244	\$ 31,184
National Institute of Mental Health	93.242	HHSN271200700021C	270,592
			<u>301,776</u>
*Substance Abuse and Mental Health Administration:			
NASMHPD State Data Infrastructure Center II (S)	93.243	280-03-3204	208,048
NASMHPD Other State Agencies (S)	93.243	280-03-3201	185,973
NASMHPD State Profiling Systems (S)	93.243	280-03-3203	339,256
NASMHPD State Data Infrastructure Center III (S)	93.243	280-03-3202	340,376
NASMHPD Client Level Data (S)	93.243	280-03-3202	648,058
The MEDSTAT Group, Inc.(S)	93.243	HHSS270200600023C	388
Abt Associates Inc. (S)	93.243	280-03-2903	93,726
MACRO International (S)	93.243	280-03-1606	93,378
Mental Health US (S)	93.243	283-2007-0001	3,954
Georgetown University (S)	93.243	6UR1SM56495	4,657
Social and Scientific Systems (S)	93.243	280-05-0124	11,956
			<u>1,929,770</u>
Subtotal			<u>1,929,770</u>
Total			<u>\$ 2,231,546</u>

(*) Major program

(S) Subcontract/Indirect Award

**NATIONAL ASSOCIATION OF STATE MENTAL HEALTH PROGRAM DIRECTORS
RESEARCH INSTITUTE, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
SEPTEMBER 30, 2008**

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 Research Institute, Inc. and is presented on the accrual basis of accounting.



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

To the Board of Directors of the
National Association of State Mental Health Program Directors Research Institute, Inc.

We have audited the financial statements of the National Association of State Mental Health Program Directors Research Institute, Inc. (the "Organization") as of and for the year ended September 30, 2008, and have issued our report thereon dated February 11, 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, Bakawet & Holland, LLP

Vienna, Virginia
February 11, 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 of the
National Association of State Mental Health Program Directors Research Institute, Inc.

Compliance

We have audited the compliance of the National Association of State Mental Health Program Directors Research Institute, Inc. (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 each of its major federal programs for the year ended September 30, 2008. The Organization's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Organization's management. Our responsibility is to express an opinion on the Organization's compliance based on our audit.

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

In our opinion, the National Association of State Mental Health Program Directors Research Institute, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2008.

Internal Control Over Compliance

The management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Organization's internal control over compliance with the requirements that could have a direct and material effect on a major federal program 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
February 11, 2009

**NATIONAL ASSOCIATION OF STATE MENTAL HEALTH PROGRAM DIRECTORS
RESEARCH INSTITUTE, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2008**

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 Research Institute, Inc.
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 Research Institute, Inc. 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 Research Institutes, Inc. expresses an unqualified opinion.
6. The Substance Abuse & Mental Health Authority's programs, clustered under CFDA #93.243, were considered the major program.
7. The threshold for distinguishing Types A and B programs was \$300,000.
8. National Association of State Mental Health Program Directors Research Institute, Inc. 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.