

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

**REPORT AND FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2009 AND 2008**

**NATIONAL ASSOCIATION OF STATE MENTAL HEALTH PROGRAM DIRECTORS  
RESEARCH INSTITUTE, INC.  
SEPTEMBER 30, 2009 AND 2008**

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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, 2009 and 2008, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of National Association of State Mental Health Program Directors 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, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2009 on our consideration of National Association of State Mental Health Program Directors 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  
December 18, 2009

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

	September 30,	
	2009	2008
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 536,838	\$ 394,823
Accounts receivable	604,842	459,480
Due from others	45	-
Prepaid expenses	29,459	15,623
<b>Total current assets</b>	1,171,184	869,926
<b>Property and equipment, net</b>	8,085	5,553
<b>Other assets</b>		
Investments	595,201	972,225
Deposits	8,062	8,062
<b>Total assets</b>	<b>\$ 1,782,532</b>	<b>\$ 1,855,766</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities</b>		
Accounts payable and accrued expenses	\$ 244,760	\$ 211,861
Accrued payroll and related liabilities	130,098	111,259
Deferred revenue	459,279	460,437
Deferred rent, current	12,321	8,518
<b>Total current liabilities</b>	846,458	792,075
<b>Long-term liabilities</b>		
Deferred rent, noncurrent	28,210	40,317
<b>Total liabilities</b>	874,668	832,392
<b>Net assets, unrestricted</b>	907,864	1,023,374
<b>Total liabilities and net assets</b>	<b>\$ 1,782,532</b>	<b>\$ 1,855,766</b>

*(See accompanying notes to financial statements)*

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

	<b>Year Ended September 30,</b>	
	<b>2009</b>	<b>2008</b>
<b>Changes in unrestricted net assets</b>		
<b>Revenue and support</b>		
Grant and contract revenue	\$ 1,804,659	\$ 2,243,290
Program fees	1,601,184	1,647,220
Sponsorships and other revenue	500	1,500
Investment income, net	27,204	36,612
	<b>3,433,547</b>	<b>3,928,622</b>
<b>Expenses</b>		
Direct program expenses	2,691,342	2,845,341
Allocated indirect costs	853,225	871,986
	<b>3,544,567</b>	<b>3,717,327</b>
<b>General and administrative expenses</b>	<b>4,490</b>	<b>27,212</b>
	<b>3,549,057</b>	<b>3,744,539</b>
<b>Change in unrestricted net assets</b>	<b>(115,510)</b>	<b>184,083</b>
<b>Net assets, beginning of period</b>	<b>1,023,374</b>	<b>839,291</b>
<b>Net assets, end of period</b>	<b>\$ 907,864</b>	<b>\$ 1,023,374</b>

*(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, 2009

	NIMH	Profiles	SPARK	Financing Methods	SDICC 2007	Client Level Data	ORC Macro	OSA
Salaries	\$ 69,347	\$ 177,666	\$ 18,332	\$ 24,588	\$ 193,902	\$ 113,789	\$ 47,367	\$ 6,636
Fringe benefits	30,596	78,386	8,088	10,848	85,550	50,204	20,898	2,928
Consultants	-	-	-	-	2,000	-	-	12,000
Travel	1,056	898	32	30	32,035	2,331	-	-
Meetings	-	-	-	-	14,590	-	-	-
Telephone	567	46	24	-	66	919	40	-
Supplies/other	35	33	1,575	-	6,473	2,790	3,359	-
Duplication/printing	248	490	2	1	1,058	227	43	7
Postage/shipping	55	258	-	9	273	27	24	39
JCAHO fees	-	-	-	-	-	-	-	-
Unallowed costs - direct	-	-	-	-	-	-	-	-
Subcontractors	75,000	-	-	-	-	355,300	-	-
Office rent	-	-	-	-	-	-	-	-
Maintenance/repairs	-	-	-	-	-	-	-	-
Insurance	-	-	-	-	-	-	-	-
Audit/contracts	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-
Professional services	-	-	-	-	-	-	-	-
Unallowed G&A costs	-	-	-	-	-	-	-	-
Subtotal	176,904	257,777	28,053	35,476	335,947	525,587	71,731	21,610
Overhead application	64,605	94,140	10,245	12,956	122,688	62,298	26,196	7,892
Total expenses	\$ 241,509	\$ 351,917	\$ 38,298	\$ 48,432	\$ 458,635	\$ 587,885	\$ 97,927	\$ 29,502

(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, 2009

	SDICC 2005	EBP Toolkits	Other Federal	BHPMS	Other	Total Program Services	General & Administrative	Total
Salaries	\$ -	\$ -	\$ 29,378	\$ 530,679	\$ 13,257	\$ 1,224,941	\$ 285,651	\$ 1,510,592
Fringe benefits	-	-	12,961	234,152	5,849	540,460	126,033	666,493
Consultants	-	-	-	13,125	1,000	28,125	-	28,125
Travel	-	-	-	58,156	2,550	97,088	1,250	98,338
Meetings	-	-	-	2,221	61,935	78,746	4,046	82,792
Telephone	-	-	-	5,882	93	7,637	19,933	27,570
Supplies/other	-	-	-	142,018	1,664	157,947	21,787	179,734
Duplication/printing	-	-	74	8,485	610	11,245	1,110	12,355
Postage/shipping	-	-	10	1,021	232	1,948	1,710	3,658
JCAHO fees	-	-	-	112,905	-	112,905	-	112,905
Unallowed costs - direct	-	-	-	-	-	-	-	-
Subcontractors	-	-	-	-	-	430,300	-	430,300
Office rent	-	-	-	-	-	-	160,809	160,809
Maintenance/repairs	-	-	-	-	-	-	30,339	30,339
Insurance	-	-	-	-	-	-	5,570	5,570
Audit/contracts	-	-	-	-	-	-	37,170	37,170
Miscellaneous	-	-	-	-	-	-	23,608	23,608
Professional services	-	-	-	-	-	-	136,637	136,637
Unallowed G&A costs	-	-	-	-	-	-	2,062	2,062
Subtotal	-	-	42,423	1,108,644	87,190	2,691,342	857,715	3,549,057
Overhead application	-	-	15,493	404,871	31,841	853,225	(853,225)	-
Total expenses	\$ -	\$ -	\$ 57,916	\$ 1,513,515	\$ 119,031	\$ 3,544,567	\$ 4,490	\$ 3,549,057

(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

	NIMH	Profiles	SPARK	Financing Methods	SDICC 2007	Client Level Data	ORC Macro	OSA
Salaries	\$ 86,281	\$ 206,084	\$ -	\$ -	\$ 200,436	\$ 105,580	\$ 51,117	\$ 87,894
Fringe benefits	18,939	45,235	-	-	43,996	23,175	11,220	19,293
Consultants	12,000	-	-	-	1,600	-	-	7,575
Travel	13,418	1,191	-	-	718	19,794	135	21,389
Meetings	-	-	-	-	4,732	3,632	-	3,732
Telephone	543	-	-	-	243	1,274	6	70
Supplies/other	216	3,154	-	-	4,078	810	6,050	239
Duplication/printing	203	84	-	-	868	518	521	628
Postage/shipping	476	57	-	-	217	268	1,425	39
JCAHO fees	-	-	-	-	-	-	-	-
Unallowed costs - direct	144	237	-	-	-	188	-	748
Subcontractors	72,000	-	-	-	-	366,975	-	(1,250)
Office rent	-	-	-	-	-	-	-	-
Maintenance/repairs	-	-	-	-	-	-	-	-
Insurance	-	-	-	-	-	-	-	-
Audit/contracts	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-
Professional services	-	-	-	-	-	-	-	-
Unallowed costs - G&A	-	-	-	-	-	-	-	-
Subtotal	204,220	256,042	-	-	256,888	522,214	70,474	140,357
Overhead application	66,372	83,214	-	-	83,488	125,844	22,904	45,616
Total expenses	\$ 270,592	\$ 339,256	\$ -	\$ -	\$ 340,376	\$ 648,058	\$ 93,378	\$ 185,973

(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, 2008**

	<b>SDICC 2005</b>	<b>EBP Toolkits</b>	<b>Other Federal</b>	<b>BHPMS</b>	<b>Other</b>	<b>Total Program Services</b>	<b>General &amp; Administrative</b>	<b>Total</b>
Salaries	\$ 31,418	\$ 28,014	\$ 31,951	\$ 544,008	\$ 30,719	\$ 1,403,502	\$ 314,426	\$ 1,717,928
Fringe benefits	6,896	6,149	7,013	119,410	6,679	308,005	69,002	377,007
Consultants	21,200	2,600	-	12,035	-	57,010	-	57,010
Travel	37,005	4,519	-	66,998	8,842	174,009	10,998	185,007
Meetings	13,335	-	-	9,503	37,875	72,809	-	72,809
Telephone	32	310	6	3,257	54	5,795	20,343	26,138
Supplies/other	37	106	333	137,381	7,294	159,698	40,768	200,466
Duplication/printing	609	347	10	11,193	1,808	16,789	2,599	19,388
Postage/shipping	169	424	37	2,996	181	6,289	1,592	7,881
JCAHO fees	-	-	-	121,096	-	121,096	-	121,096
Unallowed costs - direct	660	267	-	-	-	2,244	-	2,244
Subcontractors	52,370	28,000	-	-	-	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
<b>Subtotal</b>	<b>163,731</b>	<b>70,736</b>	<b>39,350</b>	<b>1,027,877</b>	<b>93,452</b>	<b>2,845,341</b>	<b>899,198</b>	<b>3,744,539</b>
Overhead application	44,317	22,990	12,789	334,060	30,392	871,986	(871,986)	-
<b>Total expenses</b>	<b>\$ 208,048</b>	<b>\$ 93,726</b>	<b>\$ 52,139</b>	<b>\$ 1,361,937</b>	<b>\$ 123,844</b>	<b>\$ 3,717,327</b>	<b>\$ 27,212</b>	<b>\$ 3,744,539</b>

(See accompanying notes to financial statements)

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

	<b>Year Ended September 30,</b>	
	<b>2009</b>	<b>2008</b>
<b>Cash flows from operating activities:</b>		
<b>Change in net assets</b>	\$ (115,510)	\$ 184,083
<b>Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:</b>		
Depreciation	2,219	804
Unrealized loss on investments	2,594	-
Reinvested earnings on investments	(25,026)	(239,162)
Change in assets and liabilities:		
Accounts receivable	(145,362)	36,224
Due from others	(45)	1,665
Prepaid expenses	(13,836)	6,675
Accounts payable and accrued expenses	32,899	20,698
Accrued payroll and related liabilities	18,839	38,211
Deferred revenue	(1,158)	(15,831)
Deferred rent	(8,304)	(4,703)
<b>Net cash (used in) provided by operating activities</b>	<b>(252,690)</b>	<b>28,664</b>
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	(4,751)	(4,362)
Purchase of investments	(667,894)	(1,119,022)
Proceeds from redemption of certificates of deposit/return of principal	1,067,350	1,078,947
<b>Net cash provided by (used in) investing activities</b>	<b>394,705</b>	<b>(44,437)</b>
<b>Net change in cash and cash equivalents</b>	<b>142,015</b>	<b>(15,773)</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>394,823</b>	<b>410,596</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 536,838</b>	<b>\$ 394,823</b>

*(See accompanying notes to financial statements)*

**NATIONAL ASSOCIATION OF STATE MENTAL HEALTH PROGRAM DIRECTORS  
RESEARCH INSTITUTE, INC.  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2009 AND 2008**

**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 Presentation of Financial Statements for Not-For-Profit Entities Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification. Under this topic, 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. In October and November 2008 the Federal Deposit Insurance Corporation (FDIC) temporarily increased coverage to \$250,000 for substantially all depository accounts and temporarily provided unlimited coverage for certain qualifying and participating non-interest bearing transaction accounts. The temporary unlimited coverage for certain qualifying and participating non-interest bearing transaction accounts expires December 31, 2009. The remaining increased coverage is scheduled to expire on December 31, 2013, at which time it is anticipated amounts insured by the FDIC will return to \$100,000. During the year, the Institute from time to time may have had amounts on deposit in excess of the insured limited. There was no uninsured cash balance as of September 30, 2009. The uninsured cash balance at September 30, 2008 was \$238,159. 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, 2009 and 2008.

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

*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 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, 2009 and 2008. 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.

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

*Adoption of new accounting standard* – Effective October 1, 2008, the Institute adopted the provisions of the Fair Value Measurements and Disclosure Topic (Fair Value Topic) of the FASB Accounting Standards Codification. The Fair Value Topic defines fair value, establishes a framework for measuring fair value under current accounting

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

pronouncements that require or permit fair value measurement and enhances disclosures about fair value measurements. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction value hierarchy which requires an entity to maximize the use of observable inputs when measuring fair value. Adoption of the provisions under the Fair Value Topic did not have a material impact on the Institute's financial statements.

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

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

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

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

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

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

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

*Fixed income securities* – These investments are public investment that use a valuation methodology based on significant other observable inputs, particularly dealer market prices for comparable investments. The fixed income securities are classified within level 2 of the valuation hierarchy.

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

**Note 3 – Fair value measurements**

See “Adoption of new accounting standard” in Note 2 above for discussions of the methodologies and assumptions used to determine the fair value of the Institute's investments.

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

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

	As of September 30, 2009			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Assets:				
Money market funds	\$ 10,927	\$ -	\$ -	\$ 10,927
Certificates of deposit	-	573,016	-	573,016
Fixed income securities	-	11,258	-	11,258
	<u>\$ 10,927</u>	<u>\$ 584,274</u>	<u>\$ -</u>	<u>\$ 595,201</u>

	As of September 30, 2008			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Assets:				
Money market funds	\$ 8,074	\$ -	\$ -	\$ 8,074
Certificates of deposit	-	949,451	-	949,451
Fixed income securities	-	14,700	-	14,700
	<u>\$ 8,074</u>	<u>\$ 964,151</u>	<u>\$ -</u>	<u>\$ 972,225</u>

**Note 4 - Investment income**

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

	2009	2008
Interest and dividends	<u>\$ 27,204</u>	<u>\$ 36,612</u>

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

**Note 5 – Property and equipment**

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

	<u>2009</u>	<u>2008</u>
Furniture and fixtures	\$ 2,427	\$ 2,427
Computers – hardware	15,427	10,676
Computers – software	15,331	15,331
Leasehold improvements	<u>9,814</u>	<u>9,814</u>
	42,999	38,248
Less accumulated depreciation and amortization	<u>(34,914)</u>	<u>(32,695)</u>
	<u>\$ 8,085</u>	<u>\$ 5,553</u>

Depreciation expense for the years ended September 30, 2009 and 2008 was \$2,219 and \$804, respectively.

**Note 6 – 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, 2009:

Year Ending September 30,

2010	\$ 278,905
2011	259,386
2012	<u>165,158</u>
Total	<u>\$ 703,449</u>

Rent expense for the years ended September 30, 2009 and 2008 totaled \$160,809 and \$167,270, respectively, and is inclusive of rents paid under the cost sharing agreement (see Note 7).

**Note 7 – 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, 2009 and 2008 was \$332,475 and \$370,551, respectively.

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

**Note 8 – 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, 2009 and 2008 were \$141,626 and \$108,183, 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 2009 and 2008.

**Note 9 – 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, 2009 and 2008, deferred revenue totaled \$459,279 and \$460,437, respectively.

**Note 10 – Concentrations**

Approximately 48% and 53% of the Institute's revenue in 2009 and 2008, respectively, is derived from contracts with the Institute's two largest customers. Approximately 57% of accounts receivable at September 30, 2009 and 2008, were from the same two customers.

**Note 11 – Description of selected programs and supporting services**

*NIMH* – The purpose of NIMH is to 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, to conduct cross-state analyses of mental health related costs, service use, epidemiology and unmet need across multiple relevant state agencies and programs, and to work with states to build a consortium of states willing to pool additional mental health related data for ongoing policy evaluation.

*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.

*SPARK* – The purpose of SPARK is to develop a plan that can be applied in all years with minor revisions to promote consistency in evaluation and shorten the time needed for content clearance for each Suicide Prevention and Assessment Toolkit. The Institute will submit a final dissemination, tracking, and evaluation plan to SAMHSA. And will also participate in the preparation of the SAMHSA content clearance documentation necessary for the dissemination, tracking, and evaluation plan to be implemented.

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

*Financing Methods* – The purpose of Financing Methods is to assist Deloitte Consulting with developing a method for and collecting information about national Centers for Medicare and Medicaid Services (CMS) policy changes and State-level Medicaid plans to support analytical assessments of the impact of proposed and actual changes to Federal and State Medicaid funding practices and to perform analysis and synthesis of qualitative and quantitative data from National, State, experts, public, and private primary and secondary data information sources, including analytic work on large data bases, and the application of statistical, health economic and actuarial analytic and predictive modeling tools in response to emerging issues.

*SDICC 2007 and 2005* – 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.

*Client Level Data* – The purpose of Client Level Data is to conduct an in-depth analysis of the Uniform Reporting System and its Application to SAMHSA's National Outcome, to document existing state approaches to collecting client-level data and to analyze relevance to National Outcome Measures, and to manage the identification of promising approaches to collection and reporting of client-level data and testing of pilot states.

*ORC Macro* – 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.

*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 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.

*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, 2009**

<u>Federal Contractor/Grantor</u>	<u>Federal CFDA Number</u>	<u>Contract/Grant Number</u>	<u>Federal Expenditures</u>
U.S. Department of Health and Human Services:			
National Institutes of Health:			
National Institute of Mental Health	93.XXX	1R13MH073244	\$ 31,914
National Institute of Mental Health	93.XXX	HHSN271200700021C	228,684
			<u>260,598</u>
*Substance Abuse and Mental Health Administration:			
NASMHPD Other State Agencies (S)	93.XXX	280-03-3201	28,085
NASMHPD State Profiling Systems (S)	93.XXX	280-03-3203	326,912
NASMHPD State Data Infrastructure Center III (S)	93.XXX	280-03-3202	429,149
NASMHPD Client Level Data (S)	93.XXX	280-03-3202	571,648
NASMHPD SPARK (S)	93.XXX	HHSS2800003T	35,660
Deloitte Financing Methods (S)	93.XXX	HHSS283200700017I	44,981
Magna Systems Planning Councils (S)	93.XXX	HHSS2832007000541	16,046
The MEDSTAT Group, Inc. (S)	93.XXX	HHSS270200600023C	1,965
MACRO International (S)	93.XXX	280-03-1606	91,140
Mental Health US (S)	93.XXX	283-2007-0001	3,865
			<u>1,549,451</u>
Total			<u>\$ 1,810,049</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, 2009**

**Note 1 – Basis of presentation**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the National Association of State Mental Health Program Directors 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, 2009, and have issued our report thereon dated December 18, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Organization's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the Organization's financial statements that is more than inconsequential will not be prevented or detected by the Organization's internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board of Directors, others within the entity and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Cherny, Belknap & Holland, LLP*

Vienna, Virginia  
December 18, 2009



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

To the Board of Directors 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, 2009. The Organization's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to 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, 2009.

### **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, Beckert & Holland, LLP*

Vienna, Virginia  
December 18, 2009

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

**A. Summary of auditor's results**

1. The auditor's report expresses an unqualified opinion on the financial statements of National Association of State Mental Health Program Directors 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.XXX, were considered the major program.
7. The threshold for distinguishing Types A and B programs was \$300,000.
8. National Association of State Mental Health Program Directors 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