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

REPORT AND FINANCIAL STATEMENTS

SEPTEMBER 30, 2010 AND 2009

NATIONAL ASSOCIATION OF STATE MENTAL HEALTH PROGRAM DIRECTORS
RESEARCH INSTITUTE, INC.
SEPTEMBER 30, 2010 AND 2009

Contents

CHERRY BEKAERT & HOLLAND
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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, 2010 and 2009, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of National Association of State Mental Health Program Directors 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, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards,* we have also issued our report dated December 21, 2010 on our consideration of National Association of State Mental Health Program Directors 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 21, 2010

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

	September 30, 2010	September 30, 2009
ASSETS		
Current assets		
Cash and cash equivalents	$ 725,986	$ 536,838
Accounts receivable	360,807	604,842
Due from others	-	45
Prepaid expenses	17,294	29,459
Total current assets	1,104,087	1,171,184
Property and equipment, net	7,644	8,085
Other assets		
Investments	505,168	595,201
Deposits	8,062	8,062
Total assets	$ 1,624,961	$ 1,782,532
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	$ 129,045	$ 244,760
Accrued payroll and related liabilities	112,531	130,098
Deferred revenue	436,110	459,279
Deferred rent, current	28,531	12,321
Total current liabilities	706,217	846,458
Long-term liabilities		
Deferred rent, noncurrent	-	28,210
Total liabilities	706,217	874,668
Net assets, unrestricted	918,744	907,864
Total liabilities and net assets	$ 1,624,961	$ 1,782,532

(See accompanying notes to financial statements)

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

	Year Ended September 30,	
	2010	**2009**
Changes in unrestricted net assets		
Revenue and support		
Grant and contract revenue	$ 1,400,230	$ 1,801,887
Program fees	1,510,392	1,603,885
Sponsorships and other revenue	1,490	571
Investment income, net	11,686	27,204
Total unrestricted revenues	2,923,798	3,433,547
Expenses		
Direct program expenses	2,056,591	2,691,342
Allocated indirect costs	855,774	853,225
Total program expenses	2,912,365	3,544,567
General and administrative expenses	553	4,490
Total expenses	2,912,918	3,549,057
Change in unrestricted net assets	10,880	(115,510)
Net assets, beginning of period	907,864	1,023,374
Net assets, end of period	$ 918,744	$ 907,864

(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, 2010

	NIMH	Profiles	SPARK	Financing Methods	SDICC 2007	Client Level Data	ORC Macro	URS
Salaries	$ 13,533	$ 119,565	$ 12,228	$ -	$ -	$ 129,482	$ -	$ 200,193
Fringe benefits	5,737	50,684	5,183	-	-	54,887	-	84,862
Consultants	-	-	-	-	-	-	-	-
Travel	-	294	-	-	-	16,074	-	2,342
Meetings	-	-	-	-	-	1,443	-	-
Telephone	43	45	-	-	-	43	-	-
Supplies/other	-	1,091	295	-	-	30	-	1,815
Duplication/printing	8	1,727	9	-	-	655	-	246
Postage/shipping	26	245	1	-	-	33	-	117
JCAHO fees	-	-	-	-	-	-	-	-
Unallowed costs - direct	-	-	-	-	-	-	-	-
Subcontractors	-	-	-	-	-	366,725	-	-
Office rent	-	-	-	-	-	-	-	-
Maintenance/repairs	-	-	-	-	-	-	-	-
Insurance	-	-	-	-	-	-	-	-
Audit/contracts	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-
Professional services	-	-	-	-	-	-	-	-
Unallowed costs - G&A	-	-	-	-	-	-	-	-
Subtotal	19,347	173,651	17,716	-	-	569,372	-	289,575
Overhead application	9,788	87,850	8,963	-	-	103,391	-	146,495
Total expenses	$ 29,135	$ 261,501	$ 26,679	$ -	$ -	$ 672,763	$ -	$ 436,070

(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, 2010

	Planning Councils	Westat Co-Occurring	Other Federal	BHPMS	Other	Total Program Services	General & Administrative	Total
Salaries	$ 16,189	$ 9,109	$ 10,858	$ 467,939	$ 8,091	$ 987,187	$ 276,925	$ 1,264,112
Fringe benefits	6,863	3,861	4,558	198,360	3,430	418,425	117,376	535,801
Consultants	-	-	-	7,255	-	7,255	-	7,255
Travel	94	317	-	33,469	96	52,686	-	52,686
Meetings	-	-	-	-	549	1,992	-	1,992
Telephone	-	1	678	9,324	-	10,134	21,680	31,814
Supplies/other	-	-	1,775	2,089	-	7,095	17,255	24,350
Duplication/printing	1	24	40	260	3	2,973	1,375	4,348
Postage/shipping	-	13	16	1,129	3	1,583	1,164	2,747
JCAHO fees	-	-	-	109,022	-	109,022	-	109,022
Unallowed costs - direct	-	-	-	-	-	-	-	-
Subcontractors	-	-	-	-	-	366,725	-	366,725
Office rent	-	-	-	91,514	-	91,514	159,890	251,404
Maintenance/repairs	-	-	-	-	-	-	30,386	30,386
Insurance	-	-	-	-	-	-	6,674	6,674
Audit/contracts	-	-	-	-	-	-	50,088	50,088
Miscellaneous	-	-	-	-	-	-	19,114	19,114
Professional services	-	-	-	-	-	-	153,847	153,847
Unallowed costs - G&A	-	-	-	-	-	-	553	553
Subtotal	23,147	13,325	17,925	920,361	12,172	2,056,591	856,327	2,912,918
Overhead application	11,710	6,741	9,068	465,610	6,158	855,774	(855,774)	-
Total expenses	$ 34,857	$ 20,066	$ 26,993	$ 1,385,971	$ 18,330	$ 2,912,365	$ 553	$ 2,912,918

(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	URS
Salaries	$ 69,347	$ 177,666	$ 18,332	$ 24,588	$ 193,902	$ 113,789	$ 47,367	$ -
Fringe benefits	30,596	78,386	8,088	10,848	85,550	50,204	20,898	-
Consultants	-	-	-	-	2,000	-	-	-
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	-
Postage/shipping	55	258	-	9	273	27	24	-
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	-
Overhead application	64,605	94,140	10,245	12,956	122,688	62,298	26,196	-
Total expenses	$ 241,509	$ 351,917	$ 38,298	$ 48,432	$ 458,635	$ 587,885	$ 97,927	$ -

(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

	Planning Councils	Westat Co-Occurring	Other Federal	BHPMS	Other	Total Program Services	General & Administrative	Total
Salaries	$ -	$ -	$ 36,014	$ 530,679	$ 13,257	$ 1,224,941	$ 285,651	$ 1,510,592
Fringe benefits	-	-	15,889	234,152	5,849	540,460	126,033	666,493
Consultants	-	-	12,000	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	-	-	81	8,485	610	11,245	1,110	12,355
Postage/shipping	-	-	49	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	-	-	64,033	1,108,644	87,190	2,691,342	857,715	3,549,057
Overhead application	-	-	23,385	404,871	31,841	853,225	(853,225)	-
Total expenses	$ -	$ -	$ 87,418	$ 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.
STATEMENTS OF CASH FLOWS

	Year Ended September 30, 2010	2009
Cash flows from operating activities:		
Change in net assets	$ 10,880	$ (115,510)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	4,317	2,219
Unrealized (gain) loss on investments	(2,275)	2,594
Reinvested earnings on investments	(7,607)	(25,026)
Change in assets and liabilities:		
Accounts receivable	244,035	(145,362)
Due from others	45	(45)
Prepaid expenses	12,165	(13,836)
Accounts payable and accrued expenses	(115,715)	32,899
Accrued payroll and related liabilities	(17,567)	18,839
Deferred revenue	(23,169)	(1,158)
Deferred rent	(12,000)	(8,304)
Net cash provided by (used in) operating activities	93,109	(252,690)
Cash flows from investing activities:		
Purchase of property and equipment	(3,876)	(4,751)
Purchase of investments	(569,148)	(667,894)
Proceeds from redemption of certificates of deposit/return of principal	669,063	1,067,350
Net cash provided by investing activities	96,039	394,705
Net change in cash and cash equivalents	189,148	142,015
Cash and cash equivalents, beginning of period	536,838	394,823
Cash and cash equivalents, end of period	$ 725,986	$ 536,838

(See accompanying notes to financial statements)

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

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 places its cash and cash equivalents on deposit with financial institutions in the United States. The Federal Deposit Insurance Corporation (FDIC) covers $250,000 for substantially all depository accounts and temporarily provides unlimited coverage through December 31, 2012 for certain qualifying and participating non-interest bearing transaction accounts. The Institute from time to time may have amounts on deposit in excess of the insured limits. 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, 2010 and 2009.

Investments – The Institute maintains a brokerage account, which consists of money market funds, certificates of deposit and marketable securities recorded at fair value. The Institute has adopted the Investments-Debt and Equity Securities for Not-for-Profit Entities Topic of the FASB ASC. Under this topic, investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included in the statement of activities as increases or decreases in unrestricted net assets unless the income or loss is restricted by donor or law. Realized gains and losses on securities sold during the year and held at the beginning of the year are recognized to the extent sales proceeds exceed the security's fair market value at the beginning of the year. Donated securities are recorded at their fair market value on the date of donation.

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, 2010 and 2009. 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.

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

Use of estimates – 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.

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

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

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

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

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

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

Money market funds – These investments are public investment vehicles valued using $1 for the Net Asset Value. 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 2009 financial statements in order to conform to the 2010 presentation.

Note 3 – Fair value measurements

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

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

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

	As of September 30, 2010			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Assets:				
Money market funds	$ 8,877	$ -	$ -	$ 8,877
Certificates of deposit	-	484,380	-	484,380
Fixed income securities	-	11,911	-	11,911
Total assets	$ 8,877	$ 496,291	$ -	$ 505,168

	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
Total assets	$ 10,927	$ 584,274	$ -	$ 595,201

Note 4 - Investment income

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

	2010	2009
Interest and dividends	$ 9,411	$ 29,798
Realized/unrealized gain (loss)	2,275	(2,594)
	$ 11,686	$ 27,204

Note 5 – Property and equipment

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

	2010	2009
Furniture and fixtures	$ 2,427	$ 2,427
Computers – hardware	19,302	15,426
Computers – software	15,331	15,331
Leasehold improvements	9,815	9,815
	46,875	42,999
Less accumulated depreciation and amortization	(39,231)	(34,914)
	$ 7,644	$ 8,085

Depreciation expense for the years ended September 30, 2010 and 2009 was $4,317 and $2,219, 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, 2010:

Year Ending September 30,

2011	$ 259,386
2012	165,158
Total	$ 424,544

Rent expense for the years ended September 30, 2010 and 2009 totaled $159,890 and $160,809, 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, 2010 and 2009 was $349,715 and $332,475, respectively.

Note 8 – Retirement plan

The Institute sponsors a 401(k) plan under which employees may make salary deferral contributions subject to IRS limitations. Effective January 1, 2010, the Institute matches eligible participant's contributions at a rate of 100%, up to a maximum that equates 4% of compensation. Prior to January 1, 2010, the Institute matched eligible participant's contributions at a rate of 200%, up to a maximum that equates to 6% of compensation and also made 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, 2010 and 2009 were $72,117 and $141,626, 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 2010 and 2009.

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, 2010 and 2009, deferred revenue totaled $436,110 and $459,279, respectively.

Note 10 – Concentrations

Approximately 44% of revenue for the year ended September 30, 2010 and 20% of accounts receivable at September 30, 2010 were derived from contracts with one customer. Approximately 48% of revenue for the year ended September 30, 2009 and 57% of accounts receivable at September 30, 2009 were derived from contracts with 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.

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 – 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.

URS – The Report of Mental Health Quality Measures for the Uniform Reporting Services (URS) and National Outcome Measures (NOMs)'s purpose is to develop and refine performance measures and increase state capacity to record and report measures through conference calls and workgroups. The program provides technical assistance to Data Infrastructure Grant grantees, including assistance to local providers, in data infrastructure development and data reporting. Additionally, the contract will provide development, enhancement and management of an electronic data collection and reporting system for URS reporting by the Mental Health Data Infrastructure Grantees.

Planning Councils – The objective of this contract is to provide regional leadership development training meetings designed to support planning and advisory council efforts to strengthen their advocacy role in promoting transformation of state mental health systems of care, and to promote opportunities for federal and state partnerships designed to enhance planning and advisory council knowledge of ,and exposure to, mental health policy development and planning concepts.

Westat Co-Occurring – The Co-Occuring Mental Health and Substance Abuse Disorder Knowledge Synthesis, Product Development and Technical Assistance contributes toward planning, outreach, product dissemination and technical assistance activities to targeted states and will assist in implementing effective approaches to ensure audience uptake of evidence-based co-occurring disorders, treatments and services.

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.

Note 12 – Subsequent events

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

NATIONAL ASSOCIATION OF STATE MENTAL HEALTH PROGRAM DIRECTORS
RESEARCH INSTITUTE, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2010

Federal Contractor/Grantor	Federal CFDA Number	Contract/Grant Number	Federal Expenditures
U.S. Department of Health and Human Services:			
National Institutes of Health:			
National Institute of Mental Health	93.XXX	1R13MH073244	$ 18,303
National Institute of Mental Health	93.XXX	HHSN271200700021C	26,312
			44,615
*Substance Abuse and Mental Health Services Administration:			
NASMHPD State Profiling Systems (S)	93.XXX	HHSS2800001T	236,165
NASMHPD URS (S)	93.XXX	HHSS2800002T	393,822
NASMHPD Client Level Data (S)	93.XXX	280-03-3202	642,946
NASMHPD SPARK (S)	93.XXX	HHSS2800003T	24,094
Magna Systems Planning Councils (S)	93.XXX	HHSS2832007000541	31,480
Thomson Reuters (S)	93.XXX	HHSS270200600023C	1,938
Westat Co-Occurring (S)	93.XXX	HHSS28342005T	18,122
RTI Mental Health US (S)	93.XXX	HHSS28342001T	976
Abt Associates (S)	93.XXX	HHSS283200700008I	3,161
			1,352,704
Total			$ 1,397,319

(*) 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, 2010

Note 1 – Basis of presentation

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

CHERRY BEKAERT & HOLLAND
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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, 2010, and have issued our report thereon dated December 21, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented or detected and corrected on a timely basis.

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

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

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

Cherry, Bekaert & Holland, LLP

Vienna, Virginia
December 21, 2010

CHERRY BEKAERT & HOLLAND

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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

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

Compliance

We have audited National Association of State Mental Health Program Directors Research Institute, Inc.'s (the "Organization') compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2010. The Organization's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Organization's management. Our responsibility is to express an opinion on the Organization's compliance based on our audit.

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

In our opinion, the National Association of State Mental Health Program Directors Research Institute, Inc. complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended September 30, 2010.

Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Organization's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

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

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

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

Cherry, Bekaert & Holland, LLP

Vienna, Virginia
December 21, 2010

NATIONAL ASSOCIATION OF STATE MENTAL HEALTH PROGRAM DIRECTORS RESEARCH INSTITUTE, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2010

A. Summary of auditor's results

1. The auditor's report expresses an unqualified opinion on the financial statements of National Association of State Mental Health Program Directors 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 That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.

5. The auditor's report on compliance for the major federal program for National Association of State Mental Health Program Directors Research Institutes, Inc. expresses an unqualified opinion.

6. The Substance Abuse and Mental Health Service Administration's programs, clustered under CFDA #93.XXX, were considered the major program.

7. The threshold for distinguishing Types A and B programs was $300,000.

8. National Association of State Mental Health Program Directors 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