

NATIONAL ASSOCIATION OF STATE MENTAL HEALTH PROGRAM DIRECTORS

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

As of and for the Years Ended September 30, 2023 and 2022

And Report of Independent Auditor

NATIONAL ASSOCIATION OF STATE MENTAL HEALTH PROGRAM DIRECTORS
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Report of Independent Auditor

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

Opinion

We have audited the accompanying financial statements of National Association of State Mental Health Program Directors (a nonprofit organization) (the “Association”), which comprise the statements of financial position as of September 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association as of September 30, 2023 and 2022, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Association to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association’s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audits in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control related matters that we identified during the audits.

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 5, 2024, on our consideration of the Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Association's internal control over financial reporting and compliance.

Cherry Bekaert LLP

Tysons Corner, Virginia
January 5, 2024

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

SEPTEMBER 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 2,974,202	\$ 3,071,305
Investments	1,668,378	643,446
Contract receivables:		
Billed	1,149,558	824,377
Unbilled	50,150	455,721
Other receivables	28,095	-
Prepaid assets	18,112	26,398
Total Current Assets	<u>5,888,495</u>	<u>5,021,247</u>
Property and equipment, net	17,160	20,072
Other Assets:		
Security deposits	6,148	6,148
Operating leases right-of-use asset	284,104	320,753
Total Assets	<u><u>\$ 6,195,907</u></u>	<u><u>\$ 5,368,220</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 284,862	\$ 66,061
Accrued payroll and related liabilities	489,959	433,565
Operating lease right-of-use liability, current	67,011	38,657
Deferred program fees revenue	664,096	575,823
Total Current Liabilities	<u>1,505,928</u>	<u>1,114,106</u>
Long-Term Liabilities:		
Operating leases right-of-use liability, net of current portion	<u>256,052</u>	<u>298,612</u>
Total Liabilities	<u>1,761,980</u>	<u>1,412,718</u>
Net Assets Without Donor Restrictions	<u>4,433,927</u>	<u>3,955,502</u>
Total Liabilities and Net Assets	<u><u>\$ 6,195,907</u></u>	<u><u>\$ 5,368,220</u></u>

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

NATIONAL ASSOCIATION OF STATE MENTAL HEALTH PROGRAM DIRECTORS
STATEMENTS OF ACTIVITIES

YEARS ENDED SEPTEMBER 30, 2023 AND 2022

	2023	2022
Revenue and Support:		
Contract revenue	\$ 23,243,903	\$ 16,969,453
Program fees	838,293	805,665
Other income	155,500	153,844
Interest and investment income (loss), net of fees	47,780	(24,774)
Total Revenue and Support	<u>24,285,476</u>	<u>17,904,188</u>
Expenses:		
Direct program expenses	22,363,958	16,118,898
Allocated indirect costs	1,436,218	1,405,202
Total Program Expenses	<u>23,800,176</u>	<u>17,524,100</u>
General and administrative expenses	<u>6,875</u>	<u>(9,444)</u>
Total Expenses	<u>23,807,051</u>	<u>17,514,656</u>
Loss on disposal of fixed assets	<u>-</u>	<u>(13,017)</u>
Change in net assets	478,425	376,515
Net assets without donor restrictions, beginning of year	<u>3,955,502</u>	<u>3,578,987</u>
Net assets without donor restrictions, end of year	<u><u>\$ 4,433,927</u></u>	<u><u>\$ 3,955,502</u></u>

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

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

YEAR ENDED SEPTEMBER 30, 2023

	Technical Assistance Coalition	State Technical Assistance	Clinical Support System	Suicide Prevention	Other Federal	Association Membership	Other	Total Programs	General and Administrative	Total
Personnel	\$ 2,894,371	\$ 395,918	\$ 80,053	\$ 185,293	\$ 144,423	\$ 521,837	\$ 105,156	\$ 4,327,051	\$ 1,135,935	\$ 5,462,986
Events and travel	-	-	-	-	-	324,283	15,439	339,722	-	339,722
Contractors	17,391,809	6,500	22,725	7,640	2,400	128,500	20,250	17,579,824	-	17,579,824
Supplies and publications	900	-	-	-	-	63,835	-	64,735	30,351	95,086
Services and fees	37,499	-	-	500	-	14,627	-	52,626	162,993	215,619
Facility costs	-	-	-	-	-	-	-	-	78,261	78,261
Insurance	-	-	-	-	-	-	-	-	8,134	8,134
Depreciation	-	-	-	-	-	-	-	-	9,446	9,446
Miscellaneous	-	-	-	-	-	-	-	-	17,973	17,973
Subtotal	20,324,579	402,418	102,778	193,433	146,823	1,053,082	140,845	22,363,958	1,443,093	23,807,051
Overhead application	970,323	91,932	23,479	44,190	33,542	240,576	32,176	1,436,218	(1,436,218)	-
Total Expenses	<u>\$ 21,294,902</u>	<u>\$ 494,350</u>	<u>\$ 126,257</u>	<u>\$ 237,623</u>	<u>\$ 180,365</u>	<u>\$ 1,293,658</u>	<u>\$ 173,021</u>	<u>\$ 23,800,176</u>	<u>\$ 6,875</u>	<u>\$ 23,807,051</u>

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

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

YEAR ENDED SEPTEMBER 30, 2022

	Technical Assistance Coalition	Supported Employment Demo	Clinical Support System	Suicide Prevention	Other Federal	Association Membership	Other	Total Programs	General and Administrative	Total
Personnel	\$ 2,257,771	\$ 147,774	\$ 170,376	\$ 76,449	\$ 70,030	\$ 411,471	\$ 133,725	\$ 3,267,596	\$ 1,118,134	\$ 4,385,730
Events and travel	-	43,662	-	-	-	187,349	13,643	244,654	-	244,654
Contractors	12,222,650	2,050	17,981	5,500	76,124	117,300	20,800	12,462,405	1,563	12,463,968
Supplies and publications	290	-	-	-	-	49,289	-	49,579	31,154	80,733
Services and fees	82,095	-	500	-	-	12,069	-	94,664	109,884	204,548
Facility costs	-	-	-	-	-	-	-	-	102,944	102,944
Insurance	-	-	-	-	-	-	-	-	8,016	8,016
Depreciation	-	-	-	-	-	-	-	-	10,355	10,355
Miscellaneous	-	-	-	-	-	-	-	-	13,708	13,708
Subtotal	14,562,806	193,486	188,857	81,949	146,154	777,478	168,168	16,118,898	1,395,758	17,514,656
Overhead application	969,892	56,892	55,531	24,096	20,738	228,606	49,447	1,405,202	(1,405,202)	-
Total Expenses	<u>\$ 15,532,698</u>	<u>\$ 250,378</u>	<u>\$ 244,388</u>	<u>\$ 106,045</u>	<u>\$ 166,892</u>	<u>\$ 1,006,084</u>	<u>\$ 217,615</u>	<u>\$ 17,524,100</u>	<u>\$ (9,444)</u>	<u>\$ 17,514,656</u>

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

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

YEARS ENDED SEPTEMBER 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Change in net assets	\$ 478,425	\$ 376,515
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	9,446	10,355
Noncash lease expense	22,443	16,516
Unrealized (gain) loss on investments	(476)	34,976
Loss on fixed asset disposal	-	13,017
Change in operating assets and liabilities:		
Contracts receivable (billed and unbilled)	80,390	(187,007)
Other receivables	(28,095)	-
Prepaid assets	8,286	16,250
Security deposits	-	13,271
Accounts payable and accrued expenses	218,801	3,913
Accrued payroll and related liabilities	56,394	98,489
Deferred rent	-	(65,490)
Deferred program fees revenue	88,273	21,381
Net cash flows from operating activities	<u>933,887</u>	<u>352,186</u>
Cash flows from investing activities:		
Purchase of property and equipment	(6,534)	(15,259)
Purchase and reinvestment of investments	(1,024,456)	(10,112)
Net cash flows from investing activities	<u>(1,030,990)</u>	<u>(25,371)</u>
Net change in cash and cash equivalents	(97,103)	326,815
Cash and cash equivalents, beginning of year	3,071,305	2,744,490
Cash and cash equivalents, end of year	<u>\$ 2,974,202</u>	<u>\$ 3,071,305</u>

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

NATIONAL ASSOCIATION OF STATE MENTAL HEALTH PROGRAM DIRECTORS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023 AND 2022

Note 1—Organization and business

The National Association of State Mental Health Program Directors (the “Association”) is organized as a non-profit corporation under the laws of the District of Columbia. Their mission is to provide for the exchange of views and experience on subjects of general importance to the directors and staff of state public mental health programs, to foster interstate cooperation, to attain greater efficiency in state administration of mental health programs, to facilitate and improve state-local relationships, to foster multi-state activities, and to vigorously represent all interests of the states which relate to public mental health programs.

Note 2—Summary of significant accounting policies

Basis of Accounting – The Association follows the accrual method of accounting. Financial statement presentation follows the recommendations of the Presentation of Financial Statements for Not-For-Profit Entities Topic of the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”). Under this topic, the Association is required to report information regarding its financial position and activities according to two classes of net assets:

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

Net Assets With Donor Restrictions – Net assets subject to stipulations imposed by donors and grantors. The Association had no net assets with donor restrictions at September 30, 2023 and 2022.

Cash and Cash Equivalents – The Association considers highly liquid investments with original maturities of three months or less to be cash equivalents.

The Association places its cash and cash equivalents on deposit with financial institutions in the United States. The Federal Deposit Insurance Corporation covers \$250,000 for substantially all depository accounts. The Association from time to time may have amounts on deposit in excess of the insured limits. As of September 30, 2023 and 2022, the Association’s bank balances exceeded these insured amounts by \$2,981,371 and \$2,852,943, respectively.

Use of Estimates – In preparing the financial statements in accordance with generally accepted accounting principles (“U.S. GAAP”), management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Contracts Receivable – Contracts receivable are generated primarily from prime and subcontracting arrangements with U.S. government agencies and various commercial entities. Contracts receivables are stated at cost less an allowance for uncollectible accounts. The Association’s methodology of determining the allowance for uncollectible accounts is based on experience with the specific funder. There was no allowance for doubtful accounts at September 30, 2023 and 2022. Amounts not billed due to contractual terms, approved provisional rate changes, or pending specific events to occur are included in unbilled receivables.

NATIONAL ASSOCIATION OF STATE MENTAL HEALTH PROGRAM DIRECTORS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023 AND 2022

Note 2—Summary of significant accounting policies (continued)

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

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

Investments – Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statements of financial position. Investments in private equity interests are valued at net asset value (“NAV”) per share, or its equivalent, which are determined in good faith by external investment managers or other independent sources and reviewed by management. Because these alternative investments are not readily marketable, their estimated value is subject to additional uncertainty and, therefore, value realized upon disposition may vary significantly from currently reported values. Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included in the statements of activities as increases or decreases in net assets without donor restrictions unless the income or loss is restricted by donor or law. Realized gains and losses on securities sold during the year and held at the beginning of the year are recognized to the extent sales proceeds exceed the security's fair value at the beginning of the year. Donated securities are recorded at their fair value on the date of donation.

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

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

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

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

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

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

NATIONAL ASSOCIATION OF STATE MENTAL HEALTH PROGRAM DIRECTORS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023 AND 2022

Note 2—Summary of significant accounting policies (continued)

The following is a description of the valuation methodology 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 NAV. The money market funds are classified within Level 1 of the valuation hierarchy.

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

Equities – Valued at the closing price reported on the active market in which the individual securities are traded. These securities 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 1 of the valuation hierarchy.

Property and Equipment – The Association's policy is to capitalize property and equipment with a cost of more than \$2,500 and a useful life of more than one year. Property and equipment is recorded at cost. All equipment acquired under capital lease agreements is recorded on the statements of financial position as assets and long-term obligations. Depreciation is calculated using the straight-line method over estimated useful lives of three to seven years. Leasehold improvements are amortized using the straight-line method over the shorter of the lease term or estimated useful life of the asset.

Deferred Program Fees Revenue – Deferred program fees revenue is comprised primarily of membership dues received during the current year that apply to the following year. At September 30, 2023 and 2022, deferred program fees revenue totaled \$664,096 and \$575,823, respectively.

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

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

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

NATIONAL ASSOCIATION OF STATE MENTAL HEALTH PROGRAM DIRECTORS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023 AND 2022

Note 2—Summary of significant accounting policies (continued)

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

The Association recognizes revenue for each performance obligation identified within customer contracts when, or as, the performance obligation is satisfied by transferring the promised services. Revenue may either be recognized over time, or at a point in time. The Association recognizes revenue over time as contracts typically involve a continuous transfer of contract value to the customer on all contracts. A continuous transfer of contract value with the U.S. government and its agencies is evaluated by clauses which require the Association to be paid for costs incurred plus a reasonable margin in the event the customer unilaterally terminates the contract for convenience. For contracts where revenue is recognized over time, a contract cost-based input method is generally used to measure progress towards satisfaction of the underlying performance obligation(s). This estimate requires management to consider various inputs and assumptions, including, but not limited to, progress towards completion, labor costs and productivity, material and subcontractor costs, and identified risks. Management prepares an estimate of completion based on estimated total contract costs. Estimating the level of effort to complete the performance obligation is subjective and requires management assumptions about future activity and cost drivers under the contracts. Revisions in estimates to complete or any projected financial losses on a project are reflected in the period in which they become known. If the estimated of contract profitability indicates an anticipated loss on a contract, the Association recognizes the total loss at the time it is identified. The Association did not have any forward losses as of September 30, 2023 and 2022.

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

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

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

NATIONAL ASSOCIATION OF STATE MENTAL HEALTH PROGRAM DIRECTORS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023 AND 2022

Note 2—Summary of significant accounting policies (continued)

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

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

Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return and release, are not recognized until such time as the conditions are substantially met. As of September 30, 2023 and 2022, there were no conditional contributions.

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

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

Management has evaluated the effect of the guidance provided by U.S. GAAP on Accounting for Uncertainty in Income Taxes. Management believes that the Association continues to satisfy the requirements of a tax-exempt organization at September 30, 2023 and 2022.

Management has evaluated all other tax positions that could have a significant effect on the financial statements and determined that the Association had no uncertain income tax positions at September 30, 2023.

Future Accounting Pronouncement – In June 2016, FASB issued Accounting Standard Update ("ASU") 2016-13, *Financial Instruments – Credit Losses (Topic 326)* and subsequently related amendments (ASU 2018-19, ASU 2019-04, ASU 2019-05, ASU 2019-10, and ASU 2019-11). This guidance replaces the existing incurred loss impairment guidance and establishes a single allowance framework for financial assets carried at amortized cost based on expected credit losses. The estimate of expected credit losses requires the incorporation of historical information, current conditions, and reasonable and supportable forecasts. This ASU will be effective for the year ended June 30, 2024. The Association is currently evaluating the effect the adoption of this ASU will have on the financial statements.

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

SEPTEMBER 30, 2023 AND 2022

Note 3—Liquidity and availability of resources

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

	<u>2023</u>	<u>2022</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 2,974,202	\$ 3,071,305
Investments	1,668,378	643,446
Receivables	<u>1,227,803</u>	<u>1,280,098</u>
Financial assets available to meet general expenditures within one year	<u>\$ 5,870,383</u>	<u>\$ 4,994,849</u>

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

The Association has a line of credit agreement with a commercial bank for an amount of \$500,000 for general working capital purposes. Borrowings under the line of credit will mature on May 1, 2024 and bear interest at the prime rate + 0.5% (9% and 6.75% as of September 30, 2023 and 2022). The line of credit is secured by all of the Association's assets. The Association had no outstanding borrowings against the line of credit as of September 30, 2023 and 2022. The line of credit agreement includes a covenant in which the Association is required to maintain a zero balance on the line of credit for a minimum of 30 consecutive days during the first 12 months of the line of credit, and during each successive twelve-month period. The Association was in compliance with this covenant.

Note 4—Fair value measurements

The following table sets forth by level, within the fair value hierarchy, the Association's investments at fair value as of September 30, 2023:

	<u>Investments at Fair Value</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds	\$ 197,619	\$ -	\$ -	\$ 197,619
Money market fund	323,788	-	-	323,788
Equities	96,442	-	-	96,442
Certificates of deposit	957,970	-	-	957,970
Investments carried at NAV				
Equity managed real estate trust	-	-	-	-
Total investments at fair value	<u>\$ 1,575,819</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,575,819</u>

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

SEPTEMBER 30, 2023 AND 2022

Note 4—Fair value measurement (continued)

The following table sets forth by level, within the fair value hierarchy, the Association's investments at fair value as of September 30, 2022:

	Investments at Fair Value			
	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 174,978	\$ -	\$ -	\$ 174,978
Money market fund	368,468	-	-	368,468
Investments carried at NAV				
Equity managed real estate trust	-	-	-	-
Total investments at fair value	<u>\$ 543,446</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 543,446</u>

In relation to the investment valued at NAV per share, redemptions are restricted as indicated below as of September 30, 2023:

Dollars Committed	Redemption Notice Period	Redemption Frequency	Lock-In Period
\$ -	N/A	Monthly	N/A

Investment income earned on the investments for the years ended September 30, 2023 and 2022 is summarized as follows:

	2023	2022
Interest and dividends	\$ 50,516	\$ 12,364
Unrealized gain (loss)	476	(34,976)
Investment fees	(3,212)	(2,162)
Investment income (loss)	<u>\$ 47,780</u>	<u>\$ (24,774)</u>

Note 5—Property and equipment

Property and equipment at September 30, 2023 and 2022 consisted of:

	2023	2022
Furniture and fixtures	\$ 35,304	\$ 35,304
Computers, hardware	19,895	13,360
Leasehold improvement	9,230	9,230
	64,429	57,894
Less accumulated depreciation and amortization	(47,269)	(37,822)
	<u>\$ 17,160</u>	<u>\$ 20,072</u>

Depreciation and amortization expense was \$9,446 and \$10,355 for the years ended September 30, 2023 and 2022.

NATIONAL ASSOCIATION OF STATE MENTAL HEALTH PROGRAM DIRECTORS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023 AND 2022

Note 6—Leases

The Association leases certain office space. The Association determines whether a contract contains a lease at inception by determining if the contract conveys the right to control the use of identified property, plant, or equipment for a period of time in exchange for consideration. The Association has lease agreements with lease and non-lease components, which are generally accounted for separately with amounts allocated to the lease and non-lease components based on relative stand-alone prices.

ROU assets and lease liabilities are recognized at the commencement date based on the present value of the future minimum lease payments over the lease term. Renewal and termination clauses are factored into the determination of the lease term if it is reasonably certain that these options would be exercised by the Association. Lease assets are amortized over the lease term unless there is a transfer of title or purchase option reasonably certain of exercise, in which case the asset life is used. Certain of our lease agreements include variable payments. Variable lease payments not dependent on an index or rate primarily consist of common area maintenance charges and are not included in the calculation of the ROU asset and lease liability and are expensed as incurred. In order to determine the present value of lease payments, the Association uses the implicit rate when it is readily determinable. As most of the Association's leases do not provide an implicit rate, management uses the Association's incremental borrowing rate based on the information available at lease commencement to determine the present value of lease payments. The Association has elected the practical expedient not to recognize leases with terms of 12 months or less on the statements of financial position and instead recognize the lease payments on a straight-line basis over the term of the lease and variable lease payments in the period in which the obligation for the payments is incurred.

The Association's lease agreements do not contain any material residual value guarantees or material restrictive covenants. The Association does not have leases where it is involved with the construction or design of an underlying asset. The Association has no material obligation for leases signed but not yet commenced as of September 30, 2023. The Association does not have any material sublease activities.

The following schedule summarizes future minimum commitments for the office lease at September 30, 2023:

Years Ending September 30,

2024	\$	76,320
2025		78,419
2026		80,575
2027		82,791
2028		29,092
		<u>347,197</u>
Less present value discount		<u>(24,134)</u>
	\$	<u>323,063</u>

Office rent expense was \$72,131 and \$87,018 for the years ended September 30, 2023 and 2022, respectively, and is included in the facility costs within general and administrative expenses.

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

SEPTEMBER 30, 2023 AND 2022

Note 6—Leases (continued)

Required supplemental information relating to our leases for the years ended September 30, 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Operating:		
Operating leases, included in operating expenses	\$ 72,131	\$ 87,018
Lease Term and Discount Rate:		
Weighted average remaining lease term - operating leases	4.33 years	5.33 years
Weighted average discount rate- operating leases	3.25%	3.25%

Note 7—Concentrations

Approximately 95% and 97% of the Association’s revenue in 2023 and 2022, respectively, is derived from contracts with agencies of the federal government. Approximately 80% and 88% of the Association’s contracts receivable at September 30, 2023 and 2022, respectively, is due from these contracts.

Note 8—Retirement plan

The Association sponsors a tax-deferred savings plan, adopted on July 1, 1992, and amended on September 1, 2019, under which employees may make contributions on a salary deferral basis. The employer contribution amount is decided annually and is comprised of matching, non-elective, or combination contributions. Participants are eligible for employer contributions after completing one year of service. Participants are immediately 100% vested in elective deferrals and are 100% vested in employer contributions after completing one year of service. Contributions made by the Association in 2023 and 2022 were \$329,652 and \$266,471, respectively.

The Association adopted a Tax Deferred Annuity Plan (the “Plan”) under IRC Section 457 for the Executive Director. The Plan provides for elective deferral amounts subject to IRS limitations. The Plan also allows the Association to make an annual discretionary contribution to the Plan each January. This contribution was \$18,692 and \$18,000 for the years ended September 30, 2023 and 2022, respectively.

Note 9—Description of programs and supporting services

Technical Assistance Coalition – The purpose of the Technical Assistance Coalition is to provide funding to states, the District of Columbia, and the territories to identify and adopt transformation initiatives and activities that can be implemented in the state; either through a new initiative or expansion of one already underway.

State Technical Assistance – NASMHPD is responsible for coordinating technical assistance (“TA”) activities related to the Community Mental Health Block Grant (“MHBG”) within SAMHSA’s comprehensive three-Center State TA Project. As such, NASMHPD facilitates the planning, execution, and evaluation of a wide variety of TA events and activities such as conducting educational webinars for national audiences of state mental health authority representatives, responds to state information requests and disseminates resources to state officials, and provides state-specific consultation and training.

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

SEPTEMBER 30, 2023 AND 2022

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

Supported Employment Demonstration – The Supported Employment Demonstration (“SED”) project aims to improve employment outcomes for Social Security disability applicants with a mental health issue who were recently denied benefits. NASMHPD assists Westat in developing a strategy for disseminating the findings from the study and providing for a mechanism for incorporating the interventions in the SED into the state mental health programs and vocational rehabilitation programs.

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

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

Note 10—Subsequent events

The Association has evaluated subsequent events through January 5, 2024, in connection with the preparation of these financial statements, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

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

YEAR ENDED SEPTEMBER 30, 2023

Federal Contractor/Grantor/Pass Through	Federal Assistance Listing Number	Contract/Grant Number	Federal Expenditures
U.S. Department of Health and Human Services:			
U.S. Department of Health and Human Services Direct Programs From:			
*Substance Abuse and Mental Health Authority:			
Technical Assistance Coalition and Transformation Transfer Initiative	93.243	HHSS283201700024I/75S20321F42001	\$ 21,294,902
Total Substance Abuse and Mental Health Administration			<u>21,294,902</u>
Total U.S. Department of Health and Human Services Direct Programs			<u>21,294,902</u>
U.S. Department of Justice:			
U.S. Department of Justice Pass Through Programs From:			
Bureau of Justice Assistance			
Council of State Governments - Justice Mental Health Collaboration Project (S)	16.745	2019-MO-BX-K002	2,404
Council of State Governments - Data-Led Governing (S)	16.827	2019-ZB-BX-K005	1,871
Total Bureau of Justice Assistance			<u>4,275</u>
Office of Justice Programs, Office for Victims of Crimes (OVC)			
JBS International - OVC Protecting Futures TTA (S)	13.582	15POVC-22-GK-01117-COAP	3,076
Total Office of Justice Programs			<u>3,076</u>
Total U.S. Department of Justice			<u>7,351</u>
U.S. Department of Health and Human Services:			
U.S. Department of Health and Human Services Pass Through Programs From:			
*APA - Clinical Support System for Serious Mental Illness (S)	93.243	1H79SM080818	126,257
*Vibrant Emotional Health - Suicide Prevention Hotline (S)	93.243	1H79SM0808382	237,623
Westat - Early Psychosis Intervention Network (EPINET) (S)	93.242	1U24MH120591-01	37,663
*Rush Univ. - Engage, Educate, Empower for Equity (S)	93.243	1H79FG000600-01	11,330
*National Council-Certified Community Behavioral Health Clinics-Expansion Grants (S)	93.243	3H79SM085856-01S1	2,638
*Westat - Center for Behavioral Health Financing and Integration (CFRI) (S)	93.243	75S20322F42003	31,861
NASDDDS - Co-Occurring Resource Center for Individuals with ID/DD (S)	93.631	90DMH0001-01-00	89,522
*JBS International - State Technical Assistance (S)	93.243	HHSS28342003T	494,350
Total U.S. Department of Health and Human Services Pass Through Programs			<u>1,031,243</u>
Total Expenditures of Federal Awards			<u>\$ 22,333,496</u>

(*) Major Program

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

YEAR ENDED SEPTEMBER 30, 2023

Note 1—Basis of presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the National Association of State Mental Health Program Directors (the "Association") and is presented on the accrual basis of accounting.

Note 2—Relationship to basic financial statements

The Association has elected not to use the 10% de minimis indirect cost rate. The Association records award revenues at approved provisional rates. Expenditures are recorded using actual allowable and allocable costs. Billings may be adjusted upon final approval of allowable and allocable costs incurred. Management does not believe that the accompanying financial statements will be materially affected by any adjustments that may result from government review of actual rates.

**REPORTING ON COMPLIANCE
AND INTERNAL CONTROL**

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the National Association of State Mental Health Program Directors (the "Association"), which comprise the statement of financial position as of September 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 5, 2024.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of this Report

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

Cherry Bekaert LLP

Tysons Corner, Virginia

January 5, 2024

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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the National Association of State Mental Health Program Directors (a nonprofit organization) (the “Association”) compliance with the types of compliance requirements identified as subject to audit in the Office of Management and Budget (“OMB”) Compliance Supplement that could have a direct and material effect on the Association’s major federal program for the year ended September 30, 2023. The Association’s major federal program is identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Association complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect of its major federal program for the year ended September 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the “Uniform Guidance”). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor’s Responsibilities for the Audit of the Compliance* section of our report.

We are required to be independent of the Association and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Association’s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Association’s federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Association's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Association's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and the Uniform Guidance, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Association's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Association's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Cherry Bekaert LLP

Tysons Corner, Virginia
January 5, 2024

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

YEAR ENDED SEPTEMBER 30, 2023

A. Summary of Auditor's Results

Financial Statements

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

Federal Awards

Internal control over the major programs:	
Material weakness identified?	No
Significant deficiency identified not considered to be a material weakness?	None reported
Type of auditor's report issued on compliance for the major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Uniform Guidance?	None noted

Identification of major programs:

<u>Awarding Association</u>	<u>Federal Assistance Listing Number</u>
Substance Abuse and Mental Health Services Administration	93.243

Dollar threshold used to distinguish between Type A and B programs:	\$750,000
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Auditee qualified as low-risk auditee?	Yes
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B. Financial Statement Findings

None reported

C. Federal Award Findings and Questioned Costs

None reported

D. Status of Prior Year Findings

There were no prior year findings.