

MENTAL HEALTH ASSOCIATION
OF ORANGE COUNTY

SINGLE AUDIT OF FEDERAL
ASSISTED GRANT PROGRAMS

JUNE 30, 2012 AND 2011

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INDEPENDENT AUDITORS' REPORT

Board of Directors of
Mental Health Association
of Orange County
Orange, CA

We have audited the accompanying statement of financial position of Mental Health Association of Orange County (the "Organization") as of June 30, 2012 and 2011, and the related statements of activities and changes in net assets, cash flows, and functional expenses for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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. Those standards require that we plan and perform the audit 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides 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 Mental Health Association of Orange County as of June 30, 2012 and 2011, 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 November 21, 2012, on our consideration of the Organization'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* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by 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 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.



Guzman & Gray
Long Beach, California
November 21, 2012

MENTAL HEALTH ASSOCIATION OF ORANGE COUNTY
STATEMENT OF FINANCIAL POSITION

ASSETS

	June 30,	
	2012	2011
CURRENT ASSETS		
Cash and cash equivalents	\$ 294,621	\$ 336,515
Grants and program receivables	797,575	790,996
Prepaid expenses	31,403	166,183
Total Current Assets	1,123,599	1,293,694
FURNITURE AND EQUIPMENT, net	11,636	22,859
OTHER ASSETS		
Other assets	38	
Trust account	165,905	187,939
Total Other Assets	165,943	187,939
TOTAL ASSETS	1,301,178	1,504,492

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	182,075	246,146
Payroll payable	151,262	179,897
Accrued vacation	80,295	63,363
Line of credit		300,000
Total Current Liabilities	413,632	789,406
OTHER LIABILITIES		
Trust account liability	165,905	187,939
Total Other Liabilities	165,905	187,939
NET ASSETS		
Unrestricted	721,641	527,147
Total Net Assets	721,641	527,147
TOTAL LIABILITIES AND NET ASSETS	\$ 1,301,178	\$ 1,504,492

See independent auditors' report and notes to financial statements

MENTAL HEALTH ASSOCIATION OF ORANGE COUNTY
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS

FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	June 30,	
	2012	2011
SUPPORT AND REVENUE		
Grant revenues	\$ 7,659,020	\$ 7,420,283
Contributions	179,852	149,048
Program revenues	119,026	205,657
Special events, net	(521)	(1,469)
Thrift sales	39,712	37,924
Interest	381	732
Other income	15,578	251
	<u>8,013,048</u>	<u>7,812,426</u>
EXPENSES		
Program services	7,038,085	7,005,828
Management and general	693,058	757,098
Fundraising	87,411	88,727
	<u>7,818,554</u>	<u>7,851,653</u>
CHANGE IN NET ASSETS	194,494	(39,227)
BEGINNING NET ASSETS	<u>527,147</u>	<u>566,374</u>
ENDING NET ASSETS	<u>\$ 721,641</u>	<u>\$ 527,147</u>

MENTAL HEALTH ASSOCIATION OF ORANGE COUNTY
STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	June 30,	
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 194,494	\$ (39,227)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	11,223	11,223
(Increase) decrease in assets:		
Grants and program receivables	(6,579)	(270,163)
Prepaid expenses	134,780	(135)
Other assets	(38)	
Increase (decrease) in liabilities:		
Accounts payable	(64,071)	198,754
Payroll payable	(28,635)	21,699
Accrued vacation	16,932	6,887
Grants payable		(50,090)
Net cash provided (used) by operating activities	258,106	(121,052)
CASH FLOWS FROM FINANCING ACTIVITIES		
Withdraws (payments) on line of credit	(300,000)	300,000
Net cash provided (used) by financing activities	(300,000)	300,000
NET INCREASE IN CASH AND CASH EQUIVALENTS	(41,894)	178,948
BEGINNING CASH AND CASH EQUIVALENTS	336,515	157,567
ENDING CASH AND CASH EQUIVALENTS	\$ 294,621	\$ 336,515

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

INTEREST PAID	\$ 2,068	\$ 1,092
TAXES PAID	NONE	NONE

See independent auditors' report and notes to financial statements

MENTAL HEALTH ASSOCIATION OF ORANGE COUNTY
STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2012

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total Expenses</u>
SALARIES AND RELATED EXPENSES				
Salaries and wages	\$ 3,697,306	\$ 390,549	\$ 37,121	\$ 4,124,976
Employee benefits	481,602	37,102	4,190	522,894
Payroll taxes	317,397	33,197	3,183	353,777
TOTAL SALARIES AND RELATED EXPENSES	<u>4,496,305</u>	<u>460,848</u>	<u>44,494</u>	<u>5,001,647</u>
OTHER EXPENSES				
Rent and utilities	687,337	80,993	8,098	776,428
Professional fees	680,548	53,178	7,644	741,370
Direct client expenses	600,461			600,461
Repairs and maintenance	89,380	3,341	320	93,041
Office expense	116,331	14,949	13,345	144,625
Telephone	60,274	24,215	2,866	87,355
Travel	120,970	2,578	54	123,602
Insurance	104,547	1,738	186	106,471
Equipment leases	46,340	8,724	1,188	56,252
Dues and subscriptions	17,859	5,577	1,347	24,783
Printing	1,195	1,885	5,529	8,609
Depreciation	8,037	3,186		11,223
Miscellaneous	436	29,630	2,311	32,377
Staff training	8,007	206	29	8,242
Interest	58	2,010		2,068
TOTAL OTHER EXPENSES	<u>2,541,780</u>	<u>232,210</u>	<u>42,917</u>	<u>2,816,907</u>
TOTAL EXPENSES	<u>\$ 7,038,085</u>	<u>\$ 693,058</u>	<u>\$ 87,411</u>	<u>\$ 7,818,554</u>

MENTAL HEALTH ASSOCIATION OF ORANGE COUNTY
STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2011

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total Expenses</u>
SALARIES AND RELATED EXPENSES				
Salaries and wages	3,568,107	330,759	35,947	3,934,813
Employee benefits	451,747	31,422	4,170	487,339
Payroll taxes	283,444	28,115	2,940	314,499
TOTAL SALARIES AND RELATED EXPENSES	<u>4,303,298</u>	<u>390,296</u>	<u>43,057</u>	<u>4,736,651</u>
OTHER EXPENSES				
Rent and utilities	649,746	80,793	7,489	738,028
Professional fees	543,174	182,887	6,168	732,229
Direct client expenses	728,116			728,116
Repairs and maintenance	223,192	6,514	782	230,488
Office expense	141,721	31,399	11,401	184,521
Telephone	131,625	25,853	3,961	161,439
Travel	107,763	1,773	13	109,549
Insurance	91,461	1,490	169	93,120
Equipment leases	55,858	7,410	888	64,156
Dues and subscriptions	17,797	6,634	136	24,567
Printing	1,139	1,805	9,569	12,513
Depreciation	8,037	3,186		11,223
Miscellaneous	91	6,146	4,974	11,211
Bad debt expense		10,000		10,000
Staff training	2,750			2,750
Interest	60	912	120	1,092
TOTAL OTHER EXPENSES	<u>2,702,530</u>	<u>366,802</u>	<u>45,670</u>	<u>3,115,002</u>
TOTAL EXPENSES	<u>\$ 7,005,828</u>	<u>\$ 757,098</u>	<u>\$ 88,727</u>	<u>\$ 7,851,653</u>

MENTAL HEALTH ASSOCIATION OF ORANGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Orange County Association for Mental Health (doing business as the Mental Health Association of Orange County) is a California, non-profit corporation formed to improve the quality of life for Orange County residents impacted by mental illness. This mission is achieved through direct services, advocacy, education, and information dissemination.

Financial Statement Presentation

The Financial Accounting Standards Board (FASB) implemented the FASB Accounting Standards Codification (Codification) effective July 1, 2009. The codification has become the source of authoritative Generally Accepted Accounting Principles (GAAP) recognized by FASB to be applied to nongovernmental entities. On the effective date of Codification, the Codification superseded all then existing accounting and reporting standards. All other non-grand-fathered accounting literature not included in the Codification has become non-authoritative. The change did not impact the Organization's financial statements. References to GAAP included in the FASB Codification are noted as Accounting Standards Codification (ASC).

Basis of Accounting

The financial statements of the Association have been prepared on the accrual basis of accounting.

Basis of Presentation

The net assets and revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions as follows:

Unrestricted net assets – Net assets that are not subject to donor imposed restrictions and that may be expendable for any purpose in performing the Association's primary objectives.

Temporarily restricted net assets – Net assets subject to donor imposed stipulations that may or will be met either by actions of the Association and/or the passage of time. As the restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying financial statements as net assets released from restrictions. For the years ended June 30, 2012 and 2011, there were no temporarily restricted assets.

Permanently restricted net assets – Net assets are utilized to record resources received that are permanently restricted as to use by the donor or grantor. For the years ended June 30, 2012 and 2011, there were no permanently restricted assets.

MENTAL HEALTH ASSOCIATION OF ORANGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and disclosures of contingent obligations at the date of the financial statements and accompanying notes.

Fair Value of Financial Instruments

The Foundation has adopted the provisions of FASB ASC 820, Fair Value Measurements and Disclosures for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer liability in an orderly transaction between market participants at the measurement date. ASC 820 also establishes a framework for measuring fair value and expands disclosures about fair value measurements.

Cash and Cash Equivalents

The Association considers all highly-liquid investments, which are readily convertible to known amounts of cash and which have an original maturity of three months or less, to be cash equivalents.

The Activity Center and the Homeless Program funding require that the Association hold cash in separate bank accounts.

Grants and Program Receivables

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Grant revenues earned, but not received, are recorded as a receivable.

Allowance for Doubtful Accounts

The Association uses the allowance method to record doubtful receivables. For the years ended June 30, 2012 and 2011, the Association considers its receivables to be fully collectible and there is no allowance for doubtful accounts.

Furniture and Equipment

Furniture and equipment are carried at cost or, if donated, at the fair market value at date of donation. Depreciation is provided on the straight-line method over estimated useful lives of three to seven years. Additions and improvements that increase the capacity or lengthen the useful lives of the assets are capitalized. Repair and maintenance costs are expensed as incurred.

Grants and Program Income

Grant revenue and expenses relating to the Activity Center are recorded in the activity center group of accounts. General operations and programs are recorded in the operations group of accounts.

MENTAL HEALTH ASSOCIATION OF ORANGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. All contributions are considered to be unrestricted unless specifically restricted by the donor. Any such contributions are recognized as an increase to the unrestricted restricted fund. Contributions that are restricted by the donor are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Fund-raising Events

The Association sponsors various special event fund-raisers as a means of generating revenues for its programs.

Donated Services and Goods

In accordance with ASC 958, Accounting for Contributions Received and Contributions Made, the contribution of services shall be recognized if the services received require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributed services that do not meet the criteria shall not be recognized.

Donated goods are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated goods to a specific purpose.

Allocation of Functional Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Exempt Organization Status

The Organization is exempt from Federal Income Tax under Section 501(c)(3) of the Internal Revenue Code and Section 23771(d) of the California Tax Code. Contributions to the Organization are deductible for tax purposes under Section 170(c)(2) of the Internal Revenue Code.

The Organization recognizes the financial statement benefit of tax positions, such as filing status of tax exempt, only after determining that the relevant tax authority would more likely than not sustain the position following an audit.

MENTAL HEALTH ASSOCIATION OF ORANGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reclassifications

Certain reclassifications have been made to the 2011 financial statements to conform to the 2012 presentation.

Reporting of Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 21, 2012, the date the financial statements were available to issue.

NOTE 2 – GRANT RECEIVABLES

Grants receivable consist of the following as of June 30, 2012 and 2011:

	<u>June 30,</u>	
	<u>2012</u>	<u>2011</u>
County of Orange	\$ 687,523	\$ 651,540
City of Anaheim	12,405	74,658
City of Garden Grove	49,467	26,171
City of Santa Ana	1,474	8,387
Other	<u>46,706</u>	<u>30,240</u>
Total Grant Receivables	<u>\$ 797,575</u>	<u>\$ 790,996</u>

NOTE 3 – FURNITURE AND EQUIPMENT

For the years ended June 30, 2012 and 2011, furniture and equipment consists of the following:

	<u>June 30,</u>	
	<u>2012</u>	<u>2011</u>
Furniture and equipment	\$ 220,364	\$ 220,364
Less: accumulated depreciation	<u>(208,728)</u>	<u>(197,505)</u>
Net furniture and equipment	<u>\$ 11,636</u>	<u>\$ 22,859</u>

Depreciation expense for the years ending June 30, 2012 and 2011 was \$11,223 and \$11,223, respectively.

MENTAL HEALTH ASSOCIATION OF ORANGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

NOTE 4 – ACCRUED VACATION

The Association accrues a liability for all employee vacation time and compensated time off which has been earned but not paid. For the years ended June 30, 2012 and 2011, the accrued balances were \$80,295 and \$63,364, respectively.

NOTE 5 – LINE OF CREDIT

During June 2002, the Association obtained a line of credit from a bank up to \$250,000 and in 2010 the line of credit was increased to the current maximum amount of \$300,000. The line of credit bears an interest rate of 5.25% and is incurred on outstanding balances and payable on a monthly basis. All assets of the Organization are collateral for the line of credit.

NOTE 6 – SPECIAL EVENTS

The Association conducts special events in order to raise funds to support the organization's operations and various programs. All events are conducted in accordance with applicable Federal, State, and local laws and ordinances.

For the years ended June 30, 2012 and 2011, revenues and expenses relating to special events are as follows:

	<u>June 30,</u>	
	<u>2012</u>	<u>2011</u>
Revenue	\$ 14,028	\$ 11,095
Less: direct donor benefits	<u>(14,549)</u>	<u>(12,564)</u>
Net proceeds	<u>\$ (521)</u>	<u>\$ (1,469)</u>

NOTE 7 – RETIREMENT PLAN

The Association has a retirement plan for employees consisting of a tax-sheltered annuity plan. Under the provisions of the plan, the Association is not required to make contributions, however, employees may make voluntary contributions up to 15% of salary. For the years ended June 30, 2012 and 2011, the Association made contributions to the plan of \$58,123 and \$40,902, respectively.

MENTAL HEALTH ASSOCIATION OF ORANGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

NOTE 8 – LEASE OBLIGATIONS

The Association is obligated under the terms of operating leases for the rental of certain facilities. For the years ended June 30, 2012 and 2011, total rental expenses were \$734,746 and \$698,109, respectively.

The Association entered lease agreements to rent office equipment. The lease agreements require fixed monthly base rate and variable usage amounts.

Future minimum payments associated with lease obligations are as follows:

<u>Years Ending</u> <u>June 30,</u>	<u>Equipment</u>	<u>Rent</u>	<u>Total</u>
2013	\$ 25,280	\$ 455,246	\$ 480,526
2014	3,474	464,761	468,235
2015	640	326,241	326,881
2016		285,104	285,104
2017 and after		110,401	110,401
Total	<u>\$ 29,394</u>	<u>\$ 1,641,753</u>	<u>\$ 1,671,147</u>

NOTE 9 – CONCENTRATIONS AND CONTINGENCIES

The Association provides services to the area of Orange County, California. For the years ended June 30, 2012 and 2011, the Association received 95% and 94% of its support from grants from various agencies and municipalities. Management applies for grant funding each year. The grants have various objectives and compliance requirements. Management is satisfied that all objectives and requirements have been met.

Cash deposits in financial institutions may exceed federally insured limits at times during the year. For the years ended June 30, 2012 and 2011, the cash balances held at financial institutions did not exceed the FDIC insurance amount of \$250,000. Cash deposited in financial institutions differs from cash presented in the statement of financial position due to timing differences.

ADDITIONAL INFORMATION

MENTAL HEALTH ASSOCIATION OF ORANGE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

JUNE 30, 2012

Federal Grantor/ Pass - Through Grantor/Program Title	CFDA Number	Disbursements/ Expenditures
<u>U.S. Department of Health and Human Service:</u>		
Passed through the County of Orange		
Mental Health Service Outpatient:		
Multi Service Center (PATH)*	93.150	\$ 565,842
Multi Service Center (SAMHSA)	93.958	96,343
Total U.S. Department of Health and Human Services		<u>\$ 662,185</u>
<u>U.S. Department of Housing and Urban Development</u>		
Emergency Shelters Grant		
Anaheim	14.231	22,000
Santa Ana	14.231	22,200
		<u>44,200</u>
Homelessness Prevention and Rapaid Re-housing Program (HPRP)*		
Garden Grove	14.257 ARRA	97,855
Anaheim	14.257 ARRA	71,445
		<u>169,300</u>
Total U.S. Department of Housing and Urban Development		<u>213,500</u>
Total Federal Awards		<u>\$ 875,685</u>

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Southern California Rehabilitation Services, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirement of OMB Circular A-133, Audits of States, Local Governments, And Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the presentation of, the basic financial statements.

*major program

See independent auditors' report and notes to financial statements

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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

Board of Directors
Mental Health Association
of Orange County
Orange, California

We have audited the financial statements of Mental Health Association of Orange County as of and for the year ended June 30, 2012 and 2011, and have issued our report thereon dated November 21, 2012. 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 Mental Health Association of Orange County'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 Mental Health Association of Orange County'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 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.

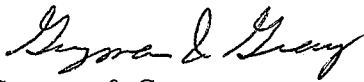
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material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

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 (Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mental Health Association of Orange County'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, Board of Directors, and 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.



Guzman & Gray
Long Beach, California
November 21, 2012

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INDEPENDENT AUDITOR'S 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

Board of Directors
Mental Health Association
of Orange County
Orange, California

Compliance

We have audited Mental Health Association of Orange County's 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 Mental Health Association of Orange County's major federal programs for the year ended June 30, 2012. Mental Health Association of Orange County's major federal programs are 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 Mental Health Association of Orange County's management. Our responsibility is to express an opinion on Mental Health Association of Orange County'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 Mental Health Association of Orange County'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 Mental Health Association of Orange County's compliance with those requirements.

INDEPENDENT AUDITOR'S 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 (Continued)

In our opinion, Mental Health Association of Orange County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs ended June 30, 2012.

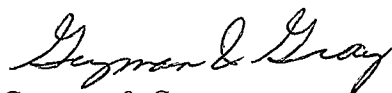
Internal Control Over Compliance

Management of Mental Health Association of Orange County 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 Mental Health Association of Orange County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our 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 Mental Health Association of Orange County'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 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, Board of Directors, others within the entity, 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.



Guzman & Gray
Long Beach, California
November 21, 2012

MENTAL HEALTH ASSOCIATION OF ORANGE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2012

Section I-Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness identified? No

Significant deficiency identified? None reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

Material weakness identified? No

Significant deficiency identified? None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510 (a) of OMB Circular A-133? No

Identification of major programs:

<u>CFDA / Contract #</u>	<u>Name of Federal Program</u>
93.150	U.S. Department of Health and Human Services
14.257 ARRA	U.S. Department of Housing and Urban Development

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes

MENTAL HEALTH ASSOCIATION OF ORANGE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2012

Section II-Financial Statement Findings

There were no financial statement findings.

Section III-Federal Award Findings and Questioned Costs

There were no Federal award findings or questioned costs.