

MENTAL HEALTH ASSOCIATION
OF ORANGE COUNTY

SINGLE AUDIT OF FEDERAL
ASSISTED GRANT PROGRAMS

JUNE 30, 2013 AND 2012

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statement of Mental Health Association (the "Organization") (a nonprofit organization) which comprise the financial position as of June 30, 2013, and the related statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the financial statements 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 Organization's internal control. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Mental Health Association taken as a whole. The accompanying schedule of expenditures of federal and State awards and additional schedules required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information 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 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, CPAs
Long Beach, California
November 20, 2013

MENTAL HEALTH ASSOCIATION OF ORANGE COUNTY
STATEMENT OF FINANCIAL POSITION

<u>ASSETS</u>		June 30,	
		<u>2013</u>	<u>2012</u>
CURRENT ASSETS			
Cash and cash equivalents	\$	701,440	\$ 294,621
Grants and program receivables		440,540	797,575
Prepaid expenses		<u>20,294</u>	<u>31,403</u>
Total Current Assets		1,162,274	1,123,599
FURNITURE AND EQUIPMENT, net		<u>15,254</u>	<u>11,636</u>
OTHER ASSETS			
Other assets		38	38
Trust account		<u>133,330</u>	<u>165,905</u>
TOTAL ASSETS		<u>1,310,896</u>	<u>1,301,178</u>
<u>LIABILITIES AND NET ASSETS</u>			
CURRENT LIABILITIES			
Accounts payable		221,948	182,075
Payroll payable		104,727	151,262
Accrued vacation		<u>62,108</u>	<u>80,295</u>
Total Current Liabilities		388,783	413,632
OTHER LIABILITIES			
Trust account liability		133,330	165,905
Security deposit		<u>2,320</u>	<u>-</u>
Total Other Liabilities		135,650	165,905
NET ASSETS			
Unrestricted		<u>786,463</u>	<u>721,641</u>
TOTAL LIABILITIES AND NET ASSETS		<u>\$ 1,310,896</u>	<u>\$ 1,301,178</u>

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, 2013 AND 2012

	June 30,	
	2013	2012
SUPPORT AND REVENUE		
Grant revenues	\$ 5,577,903	\$ 7,659,020
Contributions	233,318	179,852
Program revenues	128,473	119,026
Special events, net	2,878	(521)
Thrift sales	40,435	39,712
Interest	186	381
Other income	44,458	15,578
TOTAL REVENUE	6,027,651	8,013,048
EXPENSES		
Program services	5,351,704	7,038,085
Management and general	539,451	693,058
Fundraising	71,674	87,411
TOTAL EXPENSES	5,962,829	7,818,554
CHANGE IN NET ASSETS	64,822	194,494
BEGINNING NET ASSETS	721,641	527,147
ENDING NET ASSETS	\$ 786,463	\$ 721,641

See independent auditors' report and notes to financial statements

MENTAL HEALTH ASSOCIATION OF ORANGE COUNTY
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	June 30,	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 64,822	\$ 194,494
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	14,932	11,223
(Increase) decrease in assets:		
Grants and program receivables	357,035	(6,579)
Prepaid expenses	11,109	134,780
Other assets	-	(38)
Increase (decrease) in liabilities:		
Accounts payable	39,873	(64,071)
Payroll payable	(46,535)	(28,635)
Accrued vacation	(18,187)	16,932
Other liabilities	2,320	-
Grants payable	-	-
Net cash provided (used) by operating activities	425,369	258,106
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of furniture and equipment	(18,550)	-
Net cash provided (used) by investing activities	(18,550)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Withdraws (payments) on line of credit	-	(300,000)
Net cash provided (used) by financing activities	-	(300,000)
NET INCREASE IN CASH AND CASH EQUIVALENTS	406,819	(41,894)
BEGINNING CASH AND CASH EQUIVALENTS	294,621	336,515
ENDING CASH AND CASH EQUIVALENTS	\$ 701,440	\$ 294,621
<u>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</u>		
INTEREST PAID	\$ 2,066	\$ 2,068
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, 2013

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total Expenses</u>
SALARIES AND RELATED EXPENSES				
Salaries and wages	\$ 2,779,672	\$ 277,967	\$ 30,885	\$ 3,088,524
Employee benefits	432,505	32,908	4,701	470,114
Payroll taxes	237,386	23,739	2,638	263,763
TOTAL SALARIES AND RELATED EXPENSES	<u>3,449,563</u>	<u>334,614</u>	<u>38,224</u>	<u>3,822,401</u>
OTHER EXPENSES				
Rent and utilities	682,606	76,697	7,670	766,973
Professional fees	568,708	43,271	6,182	618,161
Direct client expenses	190,574	-	-	190,574
Repairs and maintenance	60,859	2,536	-	63,395
Office expense	54,011	6,751	6,751	67,513
Telephone	53,625	21,761	2,332	77,718
Travel	120,867	2,467	-	123,334
Insurance	100,088	2,043	-	102,131
Equipment leases	40,935	7,987	998	49,920
Dues and subscriptions	15,458	4,938	1,073	21,469
Printing	1,382	2,171	6,316	9,869
Depreciation	10,752	4,180	-	14,932
Miscellaneous	304	27,973	2,128	30,405
Staff training	1,910	58	-	1,968
Interest	62	2,004	-	2,066
TOTAL OTHER EXPENSES	<u>1,902,141</u>	<u>204,837</u>	<u>33,450</u>	<u>2,140,428</u>
TOTAL EXPENSES	<u>\$ 5,351,704</u>	<u>\$ 539,451</u>	<u>\$ 71,674</u>	<u>\$ 5,962,829</u>

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	4,496,305	460,848	44,494	5,001,647
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	2,541,780	232,210	42,917	2,816,907
TOTAL EXPENSES	\$ 7,038,085	\$ 693,058	\$ 87,411	\$ 7,818,554

See independent auditors' report and notes to financial statements

MENTAL HEALTH ASSOCIATION OF ORANGE COUNTY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

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, 2013 and 2012, 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, 2013 and 2012, there were no permanently restricted assets.

MENTAL HEALTH ASSOCIATION OF ORANGE COUNTY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

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, 2013 and 2012, 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.

MENTAL HEALTH ASSOCIATION OF ORANGE COUNTY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 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, 2013 AND 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reporting of Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 20, 2013, the date the financial statements were available to issue.

NOTE 2 – GRANT RECEIVABLES

Grants receivable consist of the following as of June 30, 2013 and 2012:

	<u>June 30,</u>	
	<u>2013</u>	<u>2012</u>
County of Orange	\$ 371,509	\$ 687,523
City of Anaheim	3,750	12,405
City of Garden Grove	-	49,467
City of Santa Ana	5,182	1,474
Other	60,099	46,706
Total Grant Receivables	<u>\$ 440,540</u>	<u>\$ 797,575</u>

NOTE 3 – FURNITURE AND EQUIPMENT

For the years ended June 30, 2013 and 2012, furniture and equipment consists of the following:

	<u>June 30,</u>	
	<u>2013</u>	<u>2012</u>
Furniture and equipment	\$ 238,914	\$ 220,364
Less: accumulated depreciation	<u>(223,660)</u>	<u>(208,728)</u>
Net furniture and equipment	<u>\$ 15,254</u>	<u>\$ 11,636</u>

Depreciation expense for the years ending June 30, 2013 and 2012 was \$14,932 and \$11,223, respectively.

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, 2013 and 2012, the accrued balances were \$62,108 and \$80,295, respectively.

MENTAL HEALTH ASSOCIATION OF ORANGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

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, 2013 and 2012, revenues and expenses relating to special events are as follows:

	June 30,	
	2013	2012
Revenue	\$ 12,668	\$ 14,028
Less: direct donor benefits	(9,790)	(14,549)
Net proceeds	\$ 2,878	\$ (521)

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, 2013 and 2012, the Association made contributions to the plan of \$51,077 and \$58,123, respectively.

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, 2013 and 2012, total rental expenses were \$731,725 and \$734,746, respectively.

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

MENTAL HEALTH ASSOCIATION OF ORANGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 8 – LEASE OBLIGATIONS, (Continued)

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>
2014	\$ 19,800	\$ 526,475	\$ 546,275
2015	52,139	542,270	594,409
2016	386	544,366	544,752
2017	-	427,841	427,841
2018	-	206,544	206,544
Total	<u>72,325</u>	<u>2,247,496</u>	<u>2,319,821</u>

NOTE 9 – CONCENTRATIONS AND CONTINGENCIES

The Association provides services to the area of Orange County, California. For the years ended June 30, 2013 and 2012, the Association received 92% and 95% 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 year ended June 30, 2013, the cash balances held at financial institutions exceeded the FDIC insurance amount of \$250,000 by \$535,681. For the year ended June 30, 2012, 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, 2013

<u>Federal Grantor/ Pass - Though Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Disbursements/ Expenditures</u>
<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	\$ 557,836
Multi Service Center (SAMHSA)	93.958	103,733
Total U.S. Department of Health and Human Services		<u>\$ 661,569</u>
<u>U.S. Department of Housing and Urban Development</u>		
Emergency Shelters Grant		
Anaheim	14.231	15,000
Santa Ana	14.231	<u>25,000</u>
		40,000
Homelessness Prevention and Repaid Re-housing Program (HPRP)		
Garden Grove	14.257 ARRA	<u>30,541</u>
		30,541
Total U.S. Department of Housing and Urban Development		<u>70,541</u>
Total Federal Awards		<u>\$ 732,110</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

Guzman & Gray

Certified Public Accountants

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Patrick S. Guzman, C.P.A.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited, in accordance with the 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 Mental Health Association of Orange County (a nonprofit organization) which comprise the statement of financial position as of June 30, 2013, and the related statements of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 20, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the 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 Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Internal Control Over Financial Reporting (Continued)

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. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

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*.

Purpose of 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 Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Guzman & Gray CPAs
Long Beach, California
November 20, 2013

Guzman & Gray

Certified Public Accountants

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Patrick S. Guzman, C.P.A.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited Mental Health Association of Orange County's compliance with the types of compliance requirements described in the *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, 2013. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Mental Health Association of Orange County's major federal programs based on our audit of the types of compliance requirements referred to above. 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.

Auditor's Responsibility (Continued)

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Mental Health Association of Orange County's compliance.

Opinion on Each Major Federal Program

In our opinion, Mental Health Association of Orange County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on 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 types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Mental Health Association of Orange County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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. A *significant deficiency in internal control over compliance* is a deficiency, or 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 first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Guzman & Gray CPAs
Long Beach, CA
November 20, 2013

MENTAL HEALTH ASSOCIATION OF ORANGE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

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:

CFDA / Contract #

Name of Federal Program

93.150

U.S. Department of Health and Human Services

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, 2013

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.