NAMI TENNESSEE

FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2018

And Report of Independent Auditor

Cherry Bekaert LLP
CPAs & Advisors

NAMI TENNESSEE

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Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor

To the Board of Directors
NAMI Tennessee
Nashville, Tennessee

We have audited the accompanying financial statements of NAMI Tennessee (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses, 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.

Auditor's Responsibility

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 auditor's 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 entity'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 entity'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 NAMI Tennessee as of June 30, 2018, 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.

Cherry Bekaert LLP

Nashville, Tennessee
January 14, 2019

NAMI TENNESSEE

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2018

ASSETS		
Cash	$	18,796
Grants and other receivables		85,236
Investments		54,817
Prepaid expenses		5,627
Property and equipment, net		764
CODE film, net		11,000
Total Assets	$	176,240
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	$	55,721
Affiliate funds		27,337
Total Liabilities		83,058
Net Assets:		
Unrestricted:		
Undesignated		29,070
Board designated		64,112
Total Net Assets		93,182
Total Liabilities and Net Assets	$	176,240

NAMI TENNESSEE
STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2018

Revenues and Support:		
Government grants	$	440,634
Vision of Hope, net of related expenses totaling $17,283		46,116
Contributions		30,974
Other grants and awards		27,500
Miscellaneous		7,807
Conference, net of related expenses totaling $32,454		7,062
Member dues		4,103
Investment return		2,793
CODE film		1,468
Total Revenues and Support		568,457
Expenses:		
Program services		470,824
Management and general		75,511
Fundraising		53,606
Total Expenses		599,941
Change in net assets		(31,484)
Unrestricted net assets, beginning of year		124,666
Unrestricted net assets, end of year	$	93,182

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

NAMI TENNESSEE

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2018

	Program Services	Management and General	Fundraising	Total
Salaries and wages	$ 255,151	$ 38,963	$ 29,117	$ 323,231
Employee benefits and taxes	68,070	13,901	8,739	90,710
Program expenses	37,155	-	-	37,155
Travel	20,784	2,197	733	23,714
Professional fees	19,215	3,405	1,083	23,703
Conferences and meetings	18,002	4,709	810	23,521
Rents	15,124	2,154	1,534	18,812
Administration expenses	9,727	5,008	2,976	17,711
Telephone	8,093	1,108	3,310	12,511
Postage and printing	7,113	585	4,594	12,292
Insurance	6,390	1,956	710	9,056
Depreciation and amortization	6,000	1,525	-	7,525
	$ 470,824	$ 75,511	$ 53,606	$ 599,941

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

NAMI TENNESSEE

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2018

Cash flows from operating activities:		
Change in net assets	$	(31,484)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization		7,525
Realized and unrealized gain on investments		(2,186)
Changes in operating assets and liabilities:		
Grants and other receivables		(14,480)
Prepaid expenses		1,611
Accounts payable and accrued expenses		14,633
Affiliate funds		(6,021)
Net cash used in operating activities		(30,402)
Cash flows from investing activities:		
Purchases of investments		(54,994)
Sale of investments		85,787
Net cash provided by investing activities		30,793
Increase in cash		391
Cash, beginning of year		18,405
Cash, end of year	$	18,796

Note 1—Organization and nature of operations

NAMI Tennessee (the "Organization") is a Tennessee nonprofit corporation. The Organization is a grass roots, self-help organization made up of people with mental illness, their families, and community members. The Organization is dedicated to improving quality of life for people with mental illness and their families through support, education, and advocacy.

The Organization is a chartered state organization of the National Alliance on Mental Illness, but is a distinct and separate organization from the National Alliance on Mental Illness.

Note 2—Summary of significant accounting policies

Financial Statement Presentation – In accordance with the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC"), the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows.

Contributions – In accordance with accounting principles generally accepted in the United States of America ("GAAP") for nonprofit organizations, unconditional contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Under these provisions, net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

> *Unrestricted Net Assets* – Net assets that are not subject to donor-imposed stipulations. Net assets voluntarily designated by the Organization's Board of Directors ("Board") for specific purposes are reported as unrestricted net assets. The Board designated net assets can only be used for purposes approved by the Board. Currently, these funds are being held as a board designated endowment.
>
> *Temporarily Restricted Net Assets* – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The Organization had no temporarily restricted net assets at June 30, 2018.
>
> *Permanently Restricted Net Assets* – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, donors of these assets permit the Organization to use all or part of the income earned for general or specific purposes. The Organization had no permanently restricted net assets at June 30, 2018.

Cash – For purposes of the statement of cash flows, the Organization considers all cash funds, cash bank accounts, and highly-liquid debt instruments with an original maturity when purchased of three months or less to be cash and cash equivalents.

Grants and Other Receivables – The Organization considers all grants and other receivables to be fully collectible. Accordingly, no allowance for doubtful accounts has been provided in the accompanying financial statements.

Note 2—Summary of significant accounting policies (continued)

Investments – Investments in money market funds and marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the accompanying statement of financial position. See further discussion of fair value measurements in Note 4. Investment income and unrealized gains and losses are reported as changes in unrestricted net assets.

Property and Equipment – Property and equipment are recorded at cost. The Organization's policy is to capitalize purchases with a cost of $1,000 or more and an estimated useful life of greater than one year. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets. Estimated useful lives of all major classes of assets range from three to ten years.

Income Taxes – The Organization is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code ("IRC") and has been classified by the IRC as other than a private foundation. Accordingly, no provision for income tax has been made.

Functional Expenses – Costs of providing the Organization's programs are summarized and reported on a functional basis. Expenses of each program include costs directly associated with the program and other indirect costs determined to benefit that program. These costs have been allocated between program and supporting services based on estimates by management.

Estimates – The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses and allocation of functional expenses during the reporting period. Actual results could differ from those estimates.

Compensated Absences – The Organization's employees may accrue sick and vacation days based on their length of service. Upon separation, employees are paid for the unused vacation time accrued as of the separation date.

Accounting Policies for Future Pronouncements – In August 2016, the FASB issued Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. This standard changes presentation and disclosure requirements of not-for-profit entities. The primary changes are decreases in the number of net asset classes from three to two, reporting of the underwater amounts of donor-restricted endowment funds in net assets with donor restrictions, continues to allow preparers to choose between the direct method and indirect method for presenting operating cash flows, requires disclosures of qualitative information on how the not-for-profit entity manages its liquid available resources and liquidity risks and requires reporting of expenses by function and nature. This standard will be effective for the fiscal year ending June 30, 2019.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. ASU 2014-09 clarifies the principles for recognizing revenue and develops a common revenue standard under GAAP under which an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 is effective for the Organization for the fiscal year ending June 30, 2020. The Organization is currently evaluating the effect of the implementation of this new standard.

Note 2—Summary of significant accounting policies (continued)

In February 2016, the FASB issued ASU 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right of use asset and lease liability on the balance sheet at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the income statement. This standard will be effective for the fiscal year ending June 30, 2020. The Organization is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

Subsequent Events – The Organization evaluated subsequent events through January 14, 2019, when these financial statements were available to be issued. The Organization is not aware of any significant events that occurred subsequent to the statement of financial position date but prior to the filing of this report that would have a material impact on the financial statements.

Note 3—Grants and other receivables

The Organization had the following grants and other receivables at June 30, 2018:

Tennessee Department of Mental Health	$	69,744
Other receivables		15,492
	$	85,236

Note 4—Fair value measurements and investments

The Organization has adopted the fair value measurement topic of the FASB ASC, which establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 – Inputs to the valuation methodology include the following:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability; and
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement. The reporting entity makes estimates and assumptions related to the pricing of the asset or liability including assumptions regarding risk.

Note 4—Fair value measurements and investments (continued)

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. A description of the valuation methodology used for assets measured at fair value is as follows:

> *Money Market, Mutual Funds, and Exchange Traded Products* – Valued at the closing price reported on the active markets on which the individual securities are traded.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2018:

	Level 1	Level 2	Level 3	Total
Money market funds	$ 1,685	$ -	$ -	$ 1,685
Mutual Funds:				
Preferred stock	2,161	-	-	2,161
Convertibles	2,211	-	-	2,211
Mid-cap growth	1,653	-	-	1,653
World small/mid stock	3,630	-	-	3,630
Diversified emerging markets	1,073	-	-	1,073
Intermediate-term bond	12,109	-	-	12,109
Short-term bond	4,929	-	-	4,929
Large growth	2,486	-	-	2,486
Small growth	1,107	-	-	1,107
Foreign large value	1,830	-	-	1,830
Large value	2,979	-	-	2,979
High yield bond	1,635	-	-	1,635
Total Mutual Funds	37,803	-	-	37,803
Exchange Traded Products:				
Large value	3,156	-	-	3,156
Large growth	2,445	-	-	2,445
Small value	1,055	-	-	1,055
Mid-cap value	1,620	-	-	1,620
Large blend	7,053	-	-	7,053
Total Exchange Traded Products	15,329	-	-	15,329
Total assets at fair value	$ 54,817	$ -	$ -	$ 54,817

Note 4—Fair value measurements and investments (continued)

Investment return consisted of the following for the year ended June 30, 2018:

Dividends and interest	$	607
Realized and unrealized gains		2,186
	$	2,793

Note 5—Property and equipment

Property and equipment consisted of the following at June 30, 2018:

Furniture and equipment	$	74,859
Less accumulated depreciation		(74,095)
	$	764

Depreciation expense totaled $1,525 for the year ended June 30, 2018.

Note 6—CODE film

CODE film (Correction Officer De-Escalation Education) was developed as a movie for the purpose of providing correctional officers with examples of how to manage inmates with mental illness in daily operations. It consisted of the following at June 30, 2018:

CODE film	$	30,000
Less accumulated amortization		(19,000)
	$	11,000

Amortization expense totaled $6,000 for the year ended June 30, 2018.

Note 7—Board designated endowment

The Organization’s endowment consists of Board designated net assets held in cash and investment accounts. As required by GAAP, net assets associated with endowment accounts are classified and reported based upon the existence or absence of donor-imposed restrictions.

Note 7—Board designated endowment (continued)

Changes in endowment net assets were as follows for the year ended June 30, 2018:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 83,424	$ -	$ -	$ 83,424
Disbursements	(22,105)	-	-	(22,105)
Investment return	2,793	-	-	2,793
Endowment net assets, end of year	$ 64,112	$ -	$ -	$ 64,112

Endowment Investment Policy and Risk Parameters – The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by the endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, allocation targets are primarily equities and fixed income.

Spending Policy – The Organization has a policy of withdrawing Board approved amounts from the endowment accounts as needed. The Board may direct special allocations of the endowment funds be distributed to the Organization's operating account to satisfy operating expenses that the Organization has been unable to pay through day-to-day operations.

Note 8—Leases

The Organization maintains office space under an operating lease. The lease began on May 1, 2004, was amended on March 29, 2012, and expired March 31, 2017. At this time, the lease continued under the same terms on a month-to-month basis. Monthly rent payments due under this lease ranged from $1,781 to $1,948. Effective October 31, 2018, the Organization entered into a new lease requiring monthly rent payments ranging from $2,258 to $2,492 and expiring November 30, 2022.

Rent expense totaled $18,812 under all operating leases for the year ended June 30, 2018. Future minimum lease commitments are as follows:

Years Ending June 30,	
2019	$ 26,060
2020	28,177
2021	28,881
2022	29,603
2023	12,461
	$ 125,182

Note 9—Retirement plan

The Organization maintains a 403(b) retirement plan for its employees. Contributions to the plan are based on the employees' gross salaries and employees can make elective contributions to the plan. The costs of this employee benefit plan are charged to expense and totaled $7,487 for the year ended June 30, 2018.

Note 10—Concentrations

The Organization is subject to certain concentrations of credit risk that include government grants receivable and government grant revenue. Government grants from the State of Tennessee are the primary means of support for the Organization. A reduction in the level of funding would have a significant impact on the Organization's finances.

Note 11—Community Foundation of Middle Tennessee

The Community Foundation of Middle Tennessee (the "Foundation") maintains investments on behalf of the Organization. The Foundation has ultimate authority and control over the investments and the timing of receipt of the funds by the Organization is uncertain. Accordingly, net assets of the Organization do not include these investments.

The Organization does anticipate receiving periodic investment earnings on its pro-rata share of the Foundation's assets. The balance of the endowment fund held for the benefit of the Organization totaled $21,499 at June 30, 2018.