NAMI TENNESSEE

FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2019

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, 2019, 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, 2019, 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.

Changes in Financial Statement Presentation

As discussed in Note 2 of the financial statements, NAMI Tennessee adopted Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements for Not-for-Profit Entities.* The ASU has been applied retrospectively to all periods presented. Our opinion in not modified with respect to this matter

Cherry Bekaert LLP

Nashville, Tennessee
October 17, 2019

NAMI TENNESSEE
STATEMENT OF FINANCIAL POSITION

JUNE 30, 2019

ASSETS		
Cash	$	43,684
Grants and other receivables		105,949
Investments		57,676
Prepaid expenses		6,250
Property and equipment, net		825
CODE film, net		5,000
Total Assets	$	219,384
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	$	66,916
Affiliate funds		27,694
Total Liabilities		94,610
Net Assets:		
Without Donor Restrictions:		
Undesignated		33,021
Board designated		91,753
Total Net Assets		124,774
Total Liabilities and Net Assets	$	219,384

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

NAMI TENNESSEE

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2019

Change in net assets without donor restrictions:		
Revenues and support:		
Government grants	$	501,976
Contributions		50,924
Vision of Hope, net of related expenses totaling $16,219		42,986
Other grants and awards		31,000
NAMI Walks, net of related expenses totaling $42,593		19,087
Conference, net of related expenses totaling $32,578		15,537
Miscellaneous		4,248
Investment return		3,298
Member dues		3,123
CODE film		1,006
Total Revenues and Support		673,185
Expenses:		
Program services		552,560
Management and general		56,084
Fundraising		32,949
Total Expenses		641,593
Change in net assets without donor restrictions		31,592
Net assets without donor restrictions, beginning of year		93,182
Net assets without donor restrictions, end of year	$	124,774

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

NAMI TENNESSEE

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2019

	Program Services	Management and General	Fundraising	Total
Salaries and wages	$ 273,024	$ 29,390	$ 21,646	$ 324,060
Employee benefits and taxes	80,098	8,626	6,353	95,077
Program expenses	48,664	-	-	48,664
Professional fees	35,143	636	-	35,779
Rents	21,630	2,711	1,818	26,159
Travel	22,855	578	259	23,692
Administration expenses	12,388	10,271	331	22,990
Telephone	14,965	1,295	204	16,464
Conferences and meetings	13,962	947	102	15,011
Postage and printing	11,895	358	1,600	13,853
Insurance	7,922	433	636	8,991
Depreciation and amortization	6,000	839	-	6,839
Miscellaneous	4,014	-	-	4,014
	$ 552,560	$ 56,084	$ 32,949	$ 641,593

NAMI TENNESSEE

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2019

Cash flows from operating activities:	
Change in net assets	$ 31,592
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	6,839
Realized and unrealized gain on investments	(2,247)
Changes in operating assets and liabilities:	
Grants and other receivables	(20,713)
Prepaid expenses	(623)
Accounts payable and accrued expenses	11,195
Affiliate funds	357
Net cash provided by operating activities	26,400
Cash flows from investing activities:	
Purchases of property and equipment	(900)
Purchases of investments	(13,126)
Sale of investments	12,514
Net cash used in investing activities	(1,512)
Increase in cash	24,888
Cash, beginning of year	18,796
Cash, end of year	$ 43,684

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

Note 1—Organization and nature of operations

NAMI Tennessee (the "Organization") is a Tennessee nonprofit corporation. The Organization is a grassroots, 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

Basis of Presentation – In accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") guidelines, the Organization reports information regarding its financial position and activities according to two classes of net assets based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

> *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 Organization. These net assets may be used at the discretion of the Organization's management and its Board of Directors. Net assets voluntarily designated by the Organization's Board of Directors ("Board") for specific purposes are reported as net assets without donor restrictions. 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.
>
> *Net Assets With Donor Restrictions* – Net assets subject to stipulations imposed by donors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. The Organization had no net assets with donor restrictions at June 30, 2019.

Contributions and Support – In accordance with FASB ASC guidelines, contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as increases to net assets with donor restrictions. When a restriction is fulfilled (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets are reclassified to net assets without donor restrictions and are reported in the statements of activities as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the support is reported as increases to net assets without donor restrictions.

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.

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.

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 5. Investment income and unrealized gains and losses are reported as changes in net assets without donor restrictions.

Note 2—Summary of significant accounting policies (continued)

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 Allocation of Expenses – The costs of providing program and other activities have been summarized on a functional basis in the statement of activities. While most costs have been directly assigned to a functional category, certain joint costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis. Expenses that are allocated consisted primarily of salaries and wages expense which was allocated based on time and effort.

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.

Estimates – The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America ("U.S. 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.

New Accounting Pronouncement – 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*. The Update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The ASU has been applied retrospectively to all periods presented.

Accounting Policies for Future Pronouncements – 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 U.S. 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 year ending June 30, 2020. The Organization is currently evaluating the effect of the implementation of this new standard.

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, 2021. The Organization is currently evaluating the effect of the implementation of this new standard.

Note 2—Summary of significant accounting policies (continued)

In January 2016, the FASB issued ASU 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities.* This guidance revises accounting related to (1) the classification and measurement of investments in equity securities and (2) the presentation of certain fair value changes for financial liabilities measured at fair value. It also amends certain disclosure requirements associated with the fair value of financial instruments. This guidance is effective for the year ending June 30, 2021. The Organization is currently evaluating the effect of the implementation of this new standard.

In August 2016, the FASB issued ASU 2016-15, *Classification of Certain Cash Receipts and Cash Payments.* This guidance adds or clarifies guidance on the classification of certain cash receipts and payments in the statements of cash flows. This guidance is effective for the year ending June 30, 2020. The Organization is currently evaluating the effect of the implementation of this new standard.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* The standard provides guidance on determining whether a transaction should be accounted for as contribution or as an exchange transaction. A primary aspect of this determination is whether the two parties receive and sacrifice commensurate value. The standard also provides guidance on determining whether a contribution is conditional, helping entities better distinguish a donor-imposed condition from a donor-imposed restriction. The standard will be effective for the fiscal year ending June 30, 2020. The Organization is currently evaluating the effect of the implementation of this new standard.

Subsequent Events – The Organization evaluated subsequent events through October 17, 2019, when these financial statements were available to be issued.

Note 3—Liquidity and availability of resources

The Organization has a goal to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The following table represents the Organization's financial assets as of June 30, 2019, reduced by amounts not available for general expenditure within one year. The Organization considers general expenditures to be all expenditures related to its ongoing activities of achieving its mission.

Financial assets at year-end:	
Cash and cash equivalents	$ 43,684
Grants and other receivables	105,949
Investments	57,676
Total financial assets	207,309
Less amounts not available to be used for general expenditures within one year at June 30, 2019:	
Net assets held in board-designated endowment fund	(91,753)
Financial assets available to meet general expenditures within one year	$ 115,556

Note 4—Grants and other receivables

The Organization had the following grants and other receivables at June 30, 2019:

Tennessee Department of Mental Health	$	90,788
Other receivables		15,161
	$	105,949

Note 5—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.

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 method 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 method is 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.

Note 5—Fair value measurements and investments (continued)

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2019:

	Level 1	Level 2	Level 3	Total
Money market funds	$ 1,207	$ -	$ -	$ 1,207
Mutual Funds:				
Large value	7,624	-	-	7,624
Intermediate-term bond	7,211	-	-	7,211
World small/mid stock	5,141	-	-	5,141
Large growth	2,964	-	-	2,964
Convertibles	2,917	-	-	2,917
Short-term bond	2,812	-	-	2,812
Multi-sector	2,797	-	-	2,797
Mid-cap growth	1,873	-	-	1,873
High yield bond	1,659	-	-	1,659
Diversified emerging markets	1,446	-	-	1,446
Small growth	1,209	-	-	1,209
Total Mutual Funds	37,653	-	-	37,653
Exchange Traded Products:				
Large blend	7,618	-	-	7,618
Large value	3,435	-	-	3,435
Large growth	2,675	-	-	2,675
Preferred income	2,249	-	-	2,249
Mid-cap value	1,754	-	-	1,754
Small value	1,085	-	-	1,085
Total Exchange Traded Products	18,816	-	-	18,816
Total assets at fair value	$ 57,676	$ -	$ -	$ 57,676

Investment return consisted of the following for the year ended June 30, 2019:

Dividends and interest	$ 1,051
Realized and unrealized gains	2,247
	$ 3,298

Note 6—Property and equipment

Property and equipment consisted of the following at June 30, 2019:

Furniture and equipment	$	75,759
Less accumulated depreciation		(74,934)
	$	825

Depreciation expense totaled $839 for the year ended June 30, 2019.

Note 7—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, 2019:

CODE film	$	30,000
Less accumulated amortization		(25,000)
	$	5,000

Amortization expense totaled $6,000 for the year ended June 30, 2019.

Note 8—Board designated endowment

The Organization's endowment consists of Board designated net assets held in cash and investment accounts. As required by U.S. GAAP, net assets associated with endowment accounts are classified and reported based upon the existence or absence of donor-imposed restrictions. Changes in endowment net assets were as follows for the year ended June 30, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 64,112	$ -	$ 64,112
Board designations	24,343	-	24,343
Investment return	3,298	-	3,298
Endowment net assets, end of year	$ 91,753	$ -	$ 91,753

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 9—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 $26,159 under all operating leases for the year ended June 30, 2019. Future minimum lease commitments are as follows:

Years Ending June 30,		
2020	$	28,177
2021		28,881
2022		29,603
2023		12,461
	$	99,122

Note 10—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 $8,635 for the year ended June 30, 2019.

Note 11—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 12—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 $21,764 at June 30, 2019.