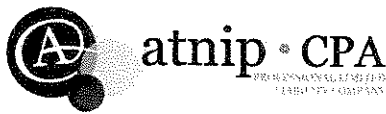




Financial Statements
and
Independent Auditor's Report

June 30, 2014



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
NAMI 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, 2014, 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 March 14, 2015, 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.

AtnipCPA, PLLC

Brentwood, Tennessee

March 14, 2015

NAMI TENNESSEE
Statement of Financial Position
June 30, 2014

	<u>Assets</u>	
Cash		\$14,518
Grants and other receivables		111,887
Investments		75,948
Prepaid expenses		1,809
Property and equipment, net		6,864
Other assets		<u>30,000</u>
 TOTAL ASSETS		 <u><u>\$241,026</u></u>
	 <u>Liabilities and Net Assets</u>	
 LIABILITIES		
Accounts payable		\$35,848
Affiliate funds		34,439
Accrued expenses		12,076
Notes payable		<u>2,150</u>
 TOTAL LIABILITIES		 84,513
 NET ASSETS		
Unrestricted		<u>156,513</u>
 TOTAL NET ASSETS		 <u>156,513</u>
 TOTAL LIABILITIES AND NET ASSETS		 <u><u>\$241,026</u></u>

See accompanying notes to financial statements.

NAMI TENNESSEE
Statement of Activities
For the year ended June 30, 2014

REVENUE AND SUPPORT

Government grants	\$454,052
Contributions	23,817
Vision of Hope, net of related expenses	16,156
Member dues	3,786
Conference, net of related expenses	15,629
Investment return	5,072
Miscellaneous	8,713
Grants released from restrictions	<u>8,000</u>

TOTAL REVENUE AND SUPPORT	535,225
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EXPENSES

Program services	397,000
Management and general	83,103
Fundraising	<u>22,740</u>

TOTAL EXPENSES	<u>502,843</u>
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CHANGE IN UNRESTRICTED NET ASSETS	32,382
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TEMPORARILY RESTRICTED NET ASSETS

Grants released from restrictions	<u>(8,000)</u>
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CHANGE IN NET ASSETS	24,382
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NET ASSETS - BEGINNING OF YEAR	<u>132,131</u>
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NET ASSETS - END OF YEAR	<u><u>\$156,513</u></u>
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See accompanying notes to financial statements.

NAMI TENNESSEE
Statement of Cash Flows
For the year ended June 30, 2014

OPERATING ACTIVITIES	
Change in Net Assets	\$24,382
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	761
Investment return	(5,072)
Decrease in:	
Grants and other receivables	33,136
Prepaid expenses	3,446
Increase (decrease) in:	
Accounts payable	(19,140)
Affiliate funds	(5,748)
Accrued expenses	9,034
	<hr/>
NET ADJUSTMENTS	16,417
	<hr/>
NET CASH PROVIDED BY OPERATING ACTIVITIES	40,799
 INVESTING ACTIVITIES	
Investments purchased	(30,000)
Purchases of equipment	(7,625)
	<hr/>
NET CASH USED BY INVESTING ACTIVITIES	(37,625)
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FINANCING ACTIVITIES	
Repayments of debt	(1,116)
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NET CASH PROVIDED BY FINANCING ACTIVITIES	(1,116)
 NET INCREASE IN CASH	2,058
CASH - BEGINNING OF YEAR	12,460
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CASH - END OF YEAR	\$14,518
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See accompanying notes to financial statements.

NAMI TENNESSEE
Statement of Functional Expenses
For the year ended June 30, 2014

	Program	Management and General	Fundraising	Total
Salaries and wages	\$164,629	\$48,974	\$14,976	\$228,579
Employee benefits and taxes	53,616	13,639	4,102	71,357
Administration expenses	7,364	5,716	32	13,112
Conferences and meetings	20,042	214	-	20,256
Program expense	34,007	1,656	-	35,663
Insurance	6,621	3,102	654	10,377
Postage and printing	9,307	181	425	9,913
Professional fees	7,230	2,825	250	10,305
Rents	15,287	3,859	1,347	20,493
Telephone	7,705	1,849	377	9,931
Travel	71,192	327	577	72,096
Depreciation	-	761		761
	<u>\$397,000</u>	<u>\$83,103</u>	<u>\$22,740</u>	<u>\$502,843</u>

See accompanying notes to financial statements.

NAMI TENNESSEE
Notes to Financial Statements
June 30, 2014

Note 1 – General

NAMI Tennessee (the Organization) is a Tennessee nonprofit corporation. NAMI Tennessee 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.

NAMI Tennessee is a chartered state organization of NAMI, the National Alliance on Mental Illness. NAMI Tennessee is a distinct and separate organization from the National Alliance on Mental Illness.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Resources are classified as unrestricted, temporarily restricted or permanently restricted based on the existence or absence of donor-imposed restrictions, as follows:

- Unrestricted net assets are free of donor-imposed restrictions. All revenues, gains and losses that are not temporarily restricted or permanently restricted by donors are included in this classification. All expenditures are reported in the unrestricted class of net assets, since the use of restricted contributions in accordance with the donors' stipulations results in the release of the restriction.
- Temporarily restricted net assets are limited as to use by donor-imposed restrictions that expire with the passage of time or that can be satisfied by use for the specific purpose.
- Permanently restricted net assets are amounts required by donors to be held in perpetuity, including gifts requiring that principal be invested and the income of specific portions thereof be used for operations.

Contributions and Support

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

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 temporarily restricted or permanently restricted support that increases those net assets classes.

NAMI TENNESSEE
Notes to Financial Statements
June 30, 2014

Note 2 – Summary of Significant Accounting Policies (Continued)

Contributions and Support (Continued)

When a restriction is fulfilled (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted and reported in the Statement of Activities as net assets released from restrictions.

NAMI Tennessee also received government grant revenue. Government grant revenue is recognized in the period a liability is incurred for eligible expenditures under the terms of the grant agreement.

Cash

Cash consists primarily of demand deposits held in a commercial checking account.

Grants and Other Receivables

Grants and other receivables are stated at unpaid balances. When necessary the Organization provides for losses on grants and other receivables when management determines the receivable will not be collected.

Property and Equipment

Property and equipment are reported 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 calculated by the straight-line method over the estimated useful lives of the assets of three to ten years.

Income Taxes

The Organization qualifies as a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly income taxes are not provided for within the financial statements.

Management performs an evaluation of all income tax positions taken or expected to be taken in the course of preparing the Organization's income tax returns to determine whether the income tax positions meet a "more likely than not" standard of being sustained under examination by the applicable taxing authorities. Management has performed its evaluation of all income tax positions taken on all open income tax returns and has determined that there are no positions that do not meet the aforementioned standard. Accordingly, there are no provisions for income taxes in the accompanying financial statements.

The Organization files a US Federal Form 990 for organizations for income tax. Tax returns for the years prior to 2010 are no longer open to examination.

NAMI TENNESSEE
Notes to Financial Statements
June 30, 2014

Note 2 – Summary of Significant Accounting Policies (Continued)

Program and Supporting Services

The costs of providing the Organization's various programs and supporting services 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.

Estimates

The preparation of financial statement in conformity 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 as of the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates.

Fair Value Measurements

The organization reports its fair value measures using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs used to measure fair value are as follows:

- *Level 1.* Quoted prices for identical assets or liabilities in active markets to which the organization has access at the measurement date.
- *Level 2.* Inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include
 - quoted prices for similar assets or liabilities in active markets;
 - quoted prices for identical or similar assets in markets that are not active;
 - observable inputs other than quoted prices for the asset or liability (for example, interest rates and yield curves); and
 - inputs derived principally from, or corroborated by, observable market data by correlation or by other means.
- *Level 3.* Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value to the extent that observable inputs are not available.

The organization measures fair value using level 1 inputs because they generally provide the most reliable evidence of fair value. As of June 30, 2014, there are no assets or liabilities requiring measurement using the methods outlined in level 2 or level 3.

The primary uses of fair value measures in the Organization's financial statements are related to investments in mutual funds (note 5).

NAMI TENNESSEE
Notes to Financial Statements
June 30, 2014

Note 2 – Summary of Significant Accounting Policies (Continued)

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. At the time of the financial statements, the amount of unused accrued vacation time is not readily determinable.

Subsequent Events

The Organization has evaluated events and transactions that occurred between June 30, 2014 and March 14, 2015, the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

Note 3 – Grants and Other Receivables

The Organization had the following grants and other receivables as of June 30, 2014:

Tennessee Department of Mental Health	\$107,848
Other receivables	<u>10,914</u>
	118,762
Allowance for bad debt	(6,875)
	<u><u>\$111,887</u></u>

Note 4 – Prepaid Expenses

The Organization had prepaid the following expenses as of June 30, 2014:

Prepaid insurance	\$1,438
Prepaid expenses	<u>371</u>
	<u><u>\$1,809</u></u>

NAMI TENNESSEE
Notes to Financial Statements
June 30, 2014

Note 5 – Investments

The Organization maintains investments held by a brokerage firm. Investments are reported at fair market value. The Organization had the following investments as of June 30, 2014:

Mutual Funds	<u>\$75,948</u>
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The Organization records the realized and unrealized gains, dividends and interests as investment return. Investment return consists of the following as of June 30, 2014:

Dividends	872
Unrealized gains	<u>4,200</u>
	<u>\$5,072</u>

Note 6 – Property and Equipment

Property and equipment consisted of the following at June 30, 2014:

Equipment	\$74,859
Less: Accumulated depreciation	<u>(67,995)</u>
Net property and equipment	<u>\$6,864</u>

Note 7– Other Assets

Other assets consisted of a film in development for the purposes of mental health and substance abuse education. The accumulated costs of this project as of June 30, 2014 are \$30,000.

Note 8 – Notes payable

Notes payable consist of the following as of June 30, 2014:

Loan from Affiliate Chapter	<u>\$2,150</u>
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The organization maintains an operating line of credit with a commercial bank. The line had a zero balance as of June 30, 2014.

NAMI TENNESSEE
Notes to Financial Statements
June 30, 2014

Note 9 - Leases

The Organization maintains office space under an operating lease. The lease began on May 1, 2004 and was amended on March 29, 2012. The monthly rent payments due under this lease are \$1,865.

Future minimum lease payments under the lease are as follows:

For the year ending June 30,

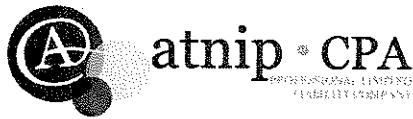
2015	\$22,002
2016	22,503
2017	23,005
2018	<u>17,536</u>
	<u><u>\$85,046</u></u>

Note 10 – Concentrations of Credit Risk

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 – 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 \$5,769 for the year ended June 30, 2014.



March 14, 2015

To the Board of Directors
NAMI Tennessee
1101 Kermit Drive
Nashville, TN 37217

We have audited the financial statements of NAMI Tennessee. for the year ended June 30, 2014, and have issued our report thereon dated March 14, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated February 10, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used NAMI Tennessee. are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no material sensitive estimates for the period being audited.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 14, 2015

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors of the NAMI Tennessee, and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

AtnipCPA, PLLC