NAMI Tennessee

National Alliance on Mental Illness

Financial Statements
and
Independent Auditor's Report

June 30, 2013

NAMI TENNESSEE

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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, 2013, 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 April 14, 2014, 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

April 14, 2014

NAMI TENNESSEE

Statement of Financial Position

June 30, 2013

ASSETS		
Cash	$	12,460
Grants and other receivables		136,649
Investments		40,878
Prepaid expenses		2,285
Property and equipment, net		-
Other assets		30,000
TOTAL ASSETS	$	222,272
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	$	51,674
Affiliate funds		32,158
Accrued expenes		3,043
Notes payable		3,266
TOTAL LIABILITIES		90,141
NET ASSETS		
Unrestricted		124,131
Temporarily restricted		8,000
TOTAL NET ASSETS		132,131
TOTAL LIABILITIES AND NET ASSETS	$	222,272

See accompanying notes to financial statements.

NAMI TENNESSEE
Statement of Activities
For the year ended June 30, 2013

UNRESTRICTED NET ASSETS	
REVENUE AND SUPPORT	
Government grants	$ 374,269
Other grants	12,140
Contributions	33,149
Member dues and affiliate funds	8,569
Conference, net of related expenses	7,344
Investment return	3,545
Miscellaneous	9,544
TOTAL REVENUE AND SUPPORT	$ 448,560
EXPENSES	
Program related expenses	$ 331,787
General and administrative	66,490
Fundraising	2,757
TOTAL EXPENSES	401,034
CHANGE IN UNRESTRICTED NET ASSETS	47,526
TEMPORARILY RESTRICTED NET ASSETS	
REVENUE AND SUPPORT	
Other grants	8,000
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	8,000
CHANGE IN NET ASSETS	55,526
NET ASSETS - BEGINNING OF YEAR	76,605
NET ASSETS - END OF YEAR	$ 132,131

See accompanying notes to financial statements.

NAMI TENNESSEE
Statement of Cash Flows
For the year ended June 30, 2013

Cash Flow from Operating Activities		
Change in Net Assets	$	55,526
Adjustments to reconcile change in net assets to net cash provided by operations		
Depreciation		-
Investment return		(3,545)
(Increase) decrease in:		
Grants receivable		(68,280)
Prepaid expenses		3,341
Increase (decrease) in:		
Accounts payable		1,614
Accrued payroll		738
Affiliate funds		4,546
Deferred revenue		(1,845)
Net Adjustments		(63,431)
NET CASH PROVIDED BY OPERATING ACTIVITIES		(7,905)
Cash Flow from Investing Activities		
Proceeds from investments sales		5,000
Investments purchased		(1,600)
NET CASH USED BY INVESTING ACTIVITIES		3,400
Cash Flow from Financing Activities		
Additional borrowings on loans		20,000
Principal payments on notes payable		(35,657)
NET CASH USED BY FINANCING ACTIVITIES		(15,657)
CASH - BEGINNING OF YEAR		32,622
CASH - END OF YEAR	$	12,460
ADDITIONAL CASH FLOW INFORMATION		
Interest Paid	$	167

See accompanying notes to financial statements.

NAMI TENNESSEE

Statement of Functional Expenses

For the year ended June 30, 2013

	Program Related	General and Administrative	Fundraising	Total
Salaries and wages	$ 134,206	$ 25,087	$ 1,063	$ 160,356
Employee benefits and taxes	48,546	12,084	210	60,840
Professional fees	30,262	4,738	-	35,000
Contributions and grants	29,519	504	-	30,023
Rents	18,351	3,084		21,435
Conferences and meetings	15,485	1,815	68	17,368
Administration expenses	9,708	6,227	1,212	17,147
Postage and printing	14,649	651	180	15,480
Travel	14,681	239		14,920
Telephone	8,352	1,935	24	10,311
Insurance	8,028	1,584		9,612
Bad debts		8,375		8,375
Interest	-	167		167
	$ 331,787	$ 66,490	$ 2,757	$ 401,034

See accompanying notes to financial statements.

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 us 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.

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 2009 are no longer open to examination.

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, 2013, 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).

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, 2013 and April 14, 2014, 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, 2013:

Tennessee Department of Mental Health	$ 136,189
NAMI Davidson County	8,375
Other Receivables	460
	145,024
Allowance for doubtful accounts	(8,375)
	$ 136,649

Note 4 – Prepaid Expenses

The Organization had prepaid the following expenses as of June 30, 2013:

Prepaid Insurance	$ 2,285

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, 2013:

Mutual Funds	$ 40,878

The Organization records the realized and unrealized gains, dividends and interests as investment return. Investment return consists of the following as of June 30, 2013:

Dividends	$ 698
Realized and unrealized gains	2,847
	$ 3,545

Note 6 – Property and Equipment

Property and equipment consisted of the following at June 30, 2013:

Equipment	$ 67,234
Less: Accumulated depreciation	(67,234)
Net property and equipment	$ -

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, 2013 are $30,000.

Note 8 – Notes payable

Notes payable consist of the following as of June 30, 2013:

Loan from Affiliate Chapter	$ 3,266

The organization maintains an operating line of credit with a commercial bank. The line had a zero balance as of June 30, 2013.

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 $1,781.

Future minimum lease payments under the lease are as follows:

For the year ending June 30,		
2014	$	22,002
2015		22,503
2016		23,005
2017		17,536
	$	85,046

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 $3,502 for the year ended June 30, 2013.