NAMI Tennessee

National Alliance on Mental Illness

Financial Statements
and
Independent Auditor's Report

June 30, 2015

NAMI TENNESSEE

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atnip • CPA
PROFESSIONAL LIMITED LIABILITY COMPANY

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, 2015, 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 11, 2016, 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 11, 2016

NAMI TENNESSEE
Statement of Financial Position
June 30, 2015

Assets	
Cash	$41,626
Grants and other receivables, net	46,861
Investments	92,252
Prepaid expenses	6,746
Property and equipment, net	5,339
Code Film, net	29,000
TOTAL ASSETS	$221,824
Liabilities and Net Assets	
LIABILITIES	
Accounts payable	$41,524
Affiliate funds	40,362
Accrued expenses	3,090
TOTAL LIABILITIES	84,976
NET ASSETS	
Unrestricted	136,848
TOTAL NET ASSETS	136,848
TOTAL LIABILITIES AND NET ASSSETS	$221,824

See accompanying notes to financial statements.

NAMI TENNESSEE

Statement of Activities

For the year ended June 30, 2015

REVENUE AND SUPPORT	
Government grants	$360,376
Other grants and awards	9,000
Contributions	31,597
Vision of Hope, net of related expenses	13,769
Member dues	2,746
Conference, net of related expenses	11,239
Investment return	1,304
CODE Film	9,825
Miscellaneous	4,353
TOTAL REVENUE AND SUPPORT	444,209
EXPENSES	
Program services	349,068
Management and general	89,196
Fundraising	25,610
TOTAL EXPENSES	463,874
CHANGE IN NET ASSETS	(19,665)
NET ASSETS - BEGINNING OF YEAR	156,513
NET ASSETS - END OF YEAR	$136,848

See accompanying notes to financial statements.

NAMI TENNESSEE
Statement of Cash Flows
For the year ended June 30, 2015

OPERATING ACTIVITIES	
Change in Net Assets	$(19,665)
Adjustments to reconcile change in net assets	
to net cash provided by operating activities:	
Depreciation and amortization	2,525
Investment return	(1,304)
(Increase) decrease in:	
Grants and other receivables	65,026
Prepaid expenses	(4,938)
Increase (decrease) in:	
Accounts payable	5,676
Affiliate funds	5,923
Accrued expenses	(8,987)
NET ADJUSTMENTS	63,921
NET CASH PROVIDED BY OPERATING ACTIVITIES	44,256
INVESTING ACTIVITIES	
Investments purchased	(15,000)
Purchases of equipment	-
NET CASH USED BY INVESTING ACTIVITIES	(15,000)
FINANCING ACTIVITIES	
Repayments of debt	(2,150)
NET CASH PROVIDED BY FINANCING ACTIVTIES	(2,150)
NET INCREASE IN CASH	27,106
CASH - BEGINNING OF YEAR	14,520
CASH - END OF YEAR	$41,626

See accompanying notes to financial statements.

NAMI TENNESSEE

Statement of Functional Expenses

For the year ended June 30, 2015

	Program	Management and General	Fundraising	Total
Salaries and wages	$173,876	$51,901	$15,521	$241,298
Employee benefits and taxes	55,697	19,037	4,702	79,436
Administration expenses	10,377	5,534	572	16,483
CODE film	4,160	-	-	4,160
Conferences and meetings	14,170	117	49	14,336
Program expense	29,222	-	-	29,222
Insurance	8,005	2,351	733	11,089
Postage and printing	8,004	207	497	8,708
Professional fees	5,982	1,891	-	7,873
Rents	16,875	4,849	1,512	23,236
Telephone	8,611	1,550	365	10,526
Travel	13,089	234	1,659	14,982
Depreciation and amortization	1,000	1,525		2,525
	$349,068	$89,196	$25,610	$463,874

See accompanying notes to financial statements.

NAMI TENNESSEE
Notes to Financial Statements
June 30, 2015

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.

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, 2015, 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, 2015 and March 11, 2016, 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, 2015:

Tennessee Department of Mental Health	$39,416
Other receivables	14,320
	53,736
Allowance for bad debt	(6,875)
	$46,861

Note 4 – Prepaid Expenses

The Organization had prepaid the following expenses as of June 30, 2015:

Prepaid insurance	$5,939
Prepaid expenses	807
	$6,746

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, 2015:

Mutual Funds	$92,252

The Organization records the realized and unrealized gains, dividends and interests as investment return. Investment return consists of the following as of June 30, 2015:

Dividends	2,405
Unrealized losses	(1,101)
	$1,304

Note 6 – Property and Equipment

Property and equipment consisted of the following at June 30, 2015:

Equipment	$74,859
Less: Accumulated depreciation	(69,520)
Net property and equipment	$5,339

Note 7– CODE Film

Film development for the purposes of mental health and substance abuse education. CODE Film consisted of the following at June 30, 2015:

CODE Film	$30,000
Accumulated amortization	(1,000)
CODE Film	$29,000

Note 8 - 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 $1907.

Future minimum lease payments under the lease are as follows:

Future minimum lease payments

For the year ending June 30,

2016	22,503
2017	23,005
2018	17,536
	$63,044

Note 9 – 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 $6,303 for the year ended June 30, 2015.