

# **NAMI TENNESSEE**

## **FINANCIAL STATEMENTS**

*As of and for the Year Ended June 30, 2020*

*And Report of Independent Auditor*

**NAMI TENNESSEE**  
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## 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, 2020, 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, 2020, 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.

### Emphasis of Matter

As discussed in Note 14, toward the end of December 2019, an outbreak of a novel strain of coronavirus ("COVID-19") emerged globally. During 2020, there have been various mandates and/or requests from federal, state, and local authorities resulting in closures of non-essential businesses. Although it is not possible to reliably estimate the length or severity of this outbreak and, hence, its financial impact, any significant reduction in resources and support caused by COVID-19 could negatively affect operations and have other material adverse effects on NAMI Tennessee. Our opinion is not modified in respect to this manner.



Nashville, Tennessee  
January 28, 2021

**NAMI TENNESSEE**  
**STATEMENT OF FINANCIAL POSITION**

*JUNE 30, 2020*

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**ASSETS**

Cash and cash equivalents	\$	143,843
Grants and other receivables		167,826
Investments		59,368
Prepaid expenses		6,462
Property and equipment, net		28,069
<b>Total Assets</b>	<b>\$</b>	<b>405,568</b>

**LIABILITIES AND NET ASSETS**

Liabilities:

Accounts payable and accrued expenses	\$	98,823
Deferred grant revenue		66,730
Affiliate funds		27,711
Payable to grantor		25,842
<b>Total Liabilities</b>		<b>219,106</b>

Net Assets:

Without Donor Restrictions:

Undesignated		47,735
Board designated		138,727
<b>Total Net Assets</b>		<b>186,462</b>
<b>Total Liabilities and Net Assets</b>	<b>\$</b>	<b>405,568</b>

**NAMI TENNESSEE**  
**STATEMENT OF ACTIVITIES**

*YEAR ENDED JUNE 30, 2020*

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Revenues and Support:	
Government grants	\$ 558,546
Other grants and awards	65,000
Contributions	61,201
NAMI Walks, net of related expenses totaling \$18,718	43,282
Miscellaneous	16,050
FSS training	7,592
Investment return	4,074
Conference, net of related expenses totaling \$38,952	2,528
Member dues	1,990
Vision of Hope, net of related expenses totaling \$310	(310)
Total Revenues and Support	<u>759,953</u>
Expenses:	
Program services	552,755
Management and general	110,291
Fundraising	<u>35,219</u>
Total Expenses	<u>698,265</u>
Change in net assets without donor restrictions	61,688
Net assets without donor restrictions, beginning of year	<u>124,774</u>
Net assets without donor restrictions, end of year	<u><u>\$ 186,462</u></u>

**NAMI TENNESSEE**  
**STATEMENT OF FUNCTIONAL EXPENSES**

*YEAR ENDED JUNE 30, 2020*

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	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
Salaries and wages	\$ 298,039	\$ 44,902	\$ 23,633	\$ 366,574
Employee benefits and taxes	69,025	20,764	3,916	93,705
Professional fees	61,244	20,761	1,298	83,303
Rents	23,067	3,273	1,837	28,177
Program expenses	27,131	-	-	27,131
Travel	21,734	1,223	599	23,556
Administration expenses	9,710	12,196	114	22,020
Telephone	12,960	1,817	3,077	17,854
Postage and printing	9,474	1,009	90	10,573
Insurance	8,251	1,161	655	10,067
Conferences and meetings	4,758	1,318	-	6,076
Depreciation and amortization	5,000	1,106	-	6,106
Miscellaneous	2,362	761	-	3,123
	<u>\$ 552,755</u>	<u>\$ 110,291</u>	<u>\$ 35,219</u>	<u>\$ 698,265</u>

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

**NAMI TENNESSEE**  
**STATEMENT OF CASH FLOWS**

*YEAR ENDED JUNE 30, 2020*

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**Cash flows from operating activities:**

Change in net assets without donor restrictions	\$	61,688
Adjustments to reconcile change in net assets without donor restrictions to net cash provided by operating activities:		
Depreciation and amortization		6,106
Realized and unrealized gain on investments		(2,553)
Changes in operating assets and liabilities:		
Grants and other receivables		(61,877)
Prepaid expenses		(212)
Deferred grant revenue		66,730
Accounts payable and accrued expenses		31,907
Payable to grantor		25,842
Affiliate funds		17
Net cash provided by operating activities		<u>127,648</u>

**Cash flows from investing activities:**

Purchases of property and equipment		(28,350)
Purchases of investments		(7,314)
Sale of investments		8,175
Net cash used in investing activities		<u>(27,489)</u>

Increase in cash		100,159
Cash and cash equivalents, beginning of year		<u>43,684</u>
Cash and cash equivalents, end of year	\$	<u>143,843</u>

# NAMI TENNESSEE

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

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### **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, 2020.

*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 and Cash Equivalents* – 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.

# NAMI TENNESSEE

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

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### 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 consist primarily of salaries and wages expense which are 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.

*Adoption of New Accounting Pronouncements* – In August 2016, FASB issued Accounting Standards Update ("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 statement of cash flows. The Organization evaluated the effect of the implementation of this new standard and determined the accounting standard did not require a change to the Organization's practice of presenting its statement of cash flows.

In January 2016, 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. The Organization evaluated the effect of the implementation of this new standard and determined the accounting standard did not require a change to the Organization's practice of recording assets and liabilities.

In June 2018, 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 Organization evaluated the new standard and determined the accounting standard did not require a change to the Organization's practices of recording contributions.

# NAMI TENNESSEE

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

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### Note 2—Summary of significant accounting policies (continued)

*Accounting Policies for Future Pronouncements* – In May 2014, 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, 2021. The Organization is currently evaluating the effect of the implementation of this new standard.

In February 2016, 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 statement of financial position 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 statement of activities. This standard will be effective for the fiscal year ending June 30, 2023. The Organization is currently evaluating the effect of the implementation of this new standard.

*Subsequent Events* – The Organization evaluated subsequent events through January 28, 2021, 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, 2020 and 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	\$	143,843
Grants and other receivables		167,826
Investments		<u>59,368</u>
Total financial assets		371,037

Less amounts not available to be used for  
general expenditures within one year at June 30, 2020:

Net assets held in board-designated endowment fund	<u>(138,727)</u>
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Financial assets available to meet general expenditures within one year	<u><u>\$ 232,310</u></u>
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# NAMI TENNESSEE

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

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### Note 4—Grants and other receivables

The Organization had the following grants and other receivables at June 30, 2020:

Tennessee Department of Mental Health	\$	150,993
Other receivables		16,833
	\$	<u>167,826</u>

The Organization had amounts payable to a grantor for unused amounts of \$25,842 at June 30, 2020.

### Note 5—Fair value measurements and investments

The Organization has adopted the fair value measurement topic of 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.

**NAMI TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**

*JUNE 30, 2020*

**Note 5—Fair value measurements and investments (continued)**

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.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2020:

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Money market funds	\$ 2,111	\$ -	\$ -	\$ 2,111
Mutual Funds:				
Intermediate-term bond	12,652	-	-	12,652
Short-term bond	6,560	-	-	6,560
Nontraditional bond	3,505	-	-	3,505
Large value	3,369	-	-	3,369
Large growth	3,317	-	-	3,317
Convertibles	3,295	-	-	3,295
Mid-Cap growth	2,059	-	-	2,059
Bank loan	1,717	-	-	1,717
Small growth	1,151	-	-	1,151
Total mutual funds	37,626	-	-	37,626
Exchange Traded Products:				
Large blend	7,709	-	-	7,709
Large value	4,072	-	-	4,072
Large growth	3,263	-	-	3,263
Preferred income	2,247	-	-	2,247
Mid-cap value	1,462	-	-	1,462
Small value	877	-	-	877
Total exchange traded products	19,631	-	-	19,631
Total assets at fair value	\$ 59,368	\$ -	\$ -	\$ 59,368

Investment return consisted of the following for the year ended June 30, 2020:

Dividends and interest	\$ 1,521
Realized and unrealized gains	2,553
	<u>\$ 4,074</u>

# NAMI TENNESSEE

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

### Note 6—Property and equipment

Property and equipment consisted of the following at June 30, 2020:

Furniture and equipment	\$	104,109
Less accumulated depreciation		(76,040)
	\$	<u>28,069</u>

Depreciation expense totaled \$1,106 for the year ended June 30, 2020.

### 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, 2020:

CODE film	\$	30,000
Less accumulated amortization		(30,000)
	\$	<u>-</u>

Amortization expense totaled \$5,000 for the year ended June 30, 2020.

### Note 8—Deferred Revenue

The Organization received a loan under the Paycheck Protection Program (“PPP”) in the amount of \$66,730, which was established under the CARES Act and administered by the Small Business Administration. PPP loans are considered conditional contributions under ASC 958-605, *Not-for-Profit Entities – Revenue Recognition*. The application for the PPP loan requires the Organization to, in good faith, certify that the current economic uncertainty made the loan request necessary to support the ongoing operation of the Organization. This certification further requires the Organization to take into account the current business activity and the ability to access other sources of liquidity sufficient to support the ongoing operations in a manner that is not significantly detrimental to the business. The receipt of the funds from the PPP loans and the forgiveness of the PPP loans is dependent on the Organization having initially qualified for the PPP loans and qualifying for the forgiveness of such PPP loans based on funds being used for certain expenditures such as payroll costs and rent, as required by the terms of the PPP loans. There is no assurance that the Organization’s obligation under the PPP loans will be forgiven. If the PPP loans are not forgiven, the Organization will need to repay the PPP loans over a two-year period, commencing six months after the funding of the PPP loans, at an interest rate of 1% per annum. The Organization has deferred the recognition of grant revenue under the loan for the year ended June 30, 2020 because the conditions for forgiveness have not yet been substantially met. The Organization believes it will substantially meet the conditions required for forgiveness in the following year.

# NAMI TENNESSEE

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

### Note 9—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, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 91,753	\$ -	\$ 91,753
Board designations	42,900	-	42,900
Investment return	4,074	-	4,074
Endowment net assets, end of year	<u>\$ 138,727</u>	<u>\$ -</u>	<u>\$ 138,727</u>

*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 10—Leases

The Organization maintains office space under an operating lease. 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 \$28,177 under all operating leases for the year ended June 30, 2020. Future minimum lease commitments are as follows:

<u>Years Ending June 30,</u>	
2021	\$ 28,881
2022	29,603
2023	12,461
	<u>\$ 70,945</u>

### 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 \$7,021 for the year ended June 30, 2020.

# **NAMI TENNESSEE**

## **NOTES TO THE FINANCIAL STATEMENTS**

*JUNE 30, 2020*

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### **Note 12—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 13—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 \$21,296 at June 30, 2020.

### **Note 14—Uncertainty**

Late in December 2019, an outbreak of a novel strain of coronavirus ("COVID-19") emerged globally. As a result of the spread of COVID-19, economic uncertainties have arisen, which could potentially impact revenue and operations for an indeterminable time period. Other financial impacts could occur though such potential impacts are unknown at this time. It is not possible to reliably estimate the length or severity of this outbreak and hence its financial impact.