

NAMI TENNESSEE

FINANCIAL STATEMENTS
WITH SUPPLEMENTAL INFORMATION

For the Years Ended June 30, 2010 and 2009
and
Independent Auditor's Report

HUGHES & GOSNELL

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
NAMI Tennessee
Nashville, Tennessee

We have audited the accompanying statements of financial position of NAMI Tennessee (a nonprofit corporation) as of June 30, 2010 and 2009, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated October 21, 2010 on our consideration of NAMI Tennessee's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and important for assessing the results of our audit.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Hughes & Gosnell CPAs

October 21, 2010

NAMI TENNESSEE

STATEMENTS OF FINANCIAL POSITION June 30, 2010 and 2009

ASSETS	<u>2010</u>	<u>2009</u>
Current Assets		
Cash	\$ 31,792	\$ 61,177
Grants Receivable - State	161,500	91,004
Grants Receivable - Other	34,638	32,787
Employee Receivables	<u>516</u>	<u>0</u>
Total Current Assets	<u>228,446</u>	<u>184,968</u>
Fixed Assets		
Auto	17,776	17,776
Office Equipment, and Furniture	<u>67,234</u>	<u>67,234</u>
	85,010	85,010
Less: Accumulated Depreciation	<u>(78,390)</u>	<u>(75,263)</u>
Net Fixed Assets	<u>6,620</u>	<u>9,747</u>
Investments		
Certificates of Deposits/Mutual Funds	<u>175,708</u>	<u>238,031</u>
Total Investments	<u>175,708</u>	<u>238,031</u>
Total Assets	<u>\$ 410,774</u>	<u>\$ 432,746</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Payable to Affiliates	\$ 18,652	\$ 16,140
Accounts Payable	59,238	21,741
Pension Payable	909	0
Payroll Taxes Payable	8,509	9,160
Payments in Advance	32,233	28,322
Line of Credit - Bank	20,000	50,000
Loan Payable to Affiliate	<u>4,000</u>	<u>4,000</u>
Total Current Liabilities	<u>143,541</u>	<u>129,363</u>
Net Assets		
Unrestricted		
Operating	167,233	203,383
Board Designated	<u>100,000</u>	<u>100,000</u>
Total Unrestricted Net Assets	<u>267,233</u>	<u>303,383</u>
Total Liabilities and Net Assets	<u>\$ 410,774</u>	<u>\$ 432,746</u>

NAMI TENNESSEE

STATEMENTS OF ACTIVITIES For the Years Ended June 30, 2010 and 2009

	<i>2010</i>		
	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Total</i>
Public Support and Revenue:			
Public Support:			
Government Grants	\$ 0	\$ 367,418	\$ 367,418
Other Contributions	222,333	95,075	317,408
Non-cash Contributions	1,354	0	1,354
Total Public Support	223,687	462,493	686,180
Revenue:			
Membership Dues	6,528	0	6,528
Investment Income	18,167	0	18,167
Total Revenue	24,695	0	24,695
Total Public Support and Revenue	248,382	462,493	710,875
Expenses:			
Program Services	245,144	462,493	707,637
Management and General	37,685	0	37,685
Fundraising	1,703	0	1,703
Total Expenses	284,532	462,493	747,025
Changes in Net Assets	(36,150)	0	(36,150)
Net Assets, Beginning of Year	303,383	0	303,383
Net Assets, End of Year	\$ 267,233	\$ 0	\$ 267,233

	2009		
	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Total</i>
Public Support and Revenue:			
Public Support:			
Government Grants	\$ 0	\$ 454,817	\$ 454,817
Other Contributions	230,587	38,495	269,082
Non-cash Contributions	2,540	0	2,540
Total Public Support	233,127	493,312	726,439
Revenue:			
Membership Dues	6,928	0	6,928
Investment Income	(15,190)	0	(15,190)
Total Revenue	(8,262)	0	(8,262)
Total Public Support and Revenue	224,865	493,312	718,177
Expenses:			
Program Services	254,359	493,312	747,671
Management and General	39,513	0	39,513
Fundraising	1,726	0	1,726
Total Expenses	295,598	493,312	788,910
Changes in Net Assets	(70,733)	0	(70,733)
Net Assets, Beginning of Year	374,116	0	374,116
Net Assets, End of Year	\$ 303,383	\$ 0	\$ 303,383

NAMI TENNESSEE

STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Net Assets	\$ (36,150)	\$ (70,733)
Adjustment to Reconcile Changes in Net Assets to Net Cash Provided by Operations:		
Depreciation	3,127	2,923
<Increase> Decrease in Grants Receivable - State	(70,496)	(17,567)
<Increase> Decrease in Grants Receivable - Other	(1,851)	(32,787)
<Increase> Decrease in Employee Receivable	(516)	0
<Increase> Decrease in Deposits	0	2,100
<Decrease> Increase in Accounts Payable	37,497	5,969
<Decrease> Increase in Payable to Affiliates	2,512	4,809
<Decrease> Increase in Payroll Taxes Payable/Pension Payable	258	6,495
<Decrease> Increase in Payments in Advance	3,911	15,899
NET CASH <USED> PROVIDED BY OPERATING ACTIVITIES	<u>(61,708)</u>	<u>(82,892)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Equipment	<u>0</u>	<u>(1,296)</u>
NET CASH <USED> PROVIDED BY INVESTING ACTIVITIES	<u>0</u>	<u>(1,296)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Change in Certificates of Deposits and Mutual Funds	62,323	71,811
Loan From Affiliate	0	4,000
Net Line of Credit	<u>(30,000)</u>	<u>50,000</u>
NET CASH PROVIDED <USED> BY FINANCING ACTIVITIES	<u>32,323</u>	<u>125,811</u>
NET INCREASE <DECREASE> IN CASH	(29,385)	41,623
CASH AT BEGINNING OF YEAR	<u>61,177</u>	<u>19,554</u>
CASH AT END OF YEAR	<u><u>\$ 31,792</u></u>	<u><u>\$ 61,177</u></u>
 <i>Supplemental Information</i>		
Interest Paid	<u><u>\$ 1,577</u></u>	<u><u>\$ 1,682</u></u>

NAMI TENNESSEE

STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended June 30, 2010 and 2009

	2010			
	<i>Program Services</i>	<i>Management and General</i>	<i>Fundraising</i>	<i>Total</i>
Allocations to Affiliates	\$ 30,207	\$ 0	\$ 0	\$ 30,207
Salaries and Wages	281,350	14,808	0	296,158
Payroll Taxes	25,665	1,351	0	27,016
Employee Benefits	55,346	2,913	0	58,259
Audit	0	4,000	0	4,000
Professional Services	95,331	0	0	95,331
Printing, Copying, Postage	26,644	3,135	1,567	31,346
Supplies	12,690	1,410	0	14,100
Telephone, Utilities	24,275	2,697	0	26,972
Fundraising	0	0	136	136
Office Rent	34,596	3,844	0	38,440
Equipment Rental and Maintenance	3,597	400	0	3,997
Travel/Conference/Conventions	60,546	0	0	60,546
Insurance	8,144	0	0	8,144
Miscellaneous	8,669	0	0	8,669
Employee and Organizational Development	40,577	0	0	40,577
Depreciation	0	3,127	0	3,127
Total Expenses	\$ 707,637	\$ 37,685	\$ 1,703	\$ 747,025

	2009			
	<i>Program Services</i>	<i>Management and General</i>	<i>Fundraising</i>	<i>Total</i>
Allocations to Affiliates	\$ 22,350	\$ 0	\$ 0	\$ 22,350
Salaries and Wages	306,104	16,110	0	322,214
Payroll Taxes	27,490	1,447	0	28,937
Employee Benefits	47,226	2,486	0	49,712
Audit	0	4,000	0	4,000
Professional Services	87,648	0	0	87,648
Printing, Copying, Postage	28,068	3,302	1,651	33,021
Supplies	14,619	1,625	0	16,244
Telephone, Utilities	26,257	2,917	0	29,174
Fundraising	0	0	75	75
Office Rent	38,906	4,323	0	43,229
Equipment Rental and Maintenance	3,422	380	0	3,802
Travel/Conference/Conventions	79,850	0	0	79,850
Insurance	6,821	0	0	6,821
Miscellaneous	12,035	0	0	12,035
Employee and Organizational Development	46,875	0	0	46,875
Depreciation	0	2,923	0	2,923
Total Expenses	\$ 747,671	\$ 39,513	\$ 1,726	\$ 788,910

NAMI TENNESSEE

NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes.

Contributions – Contributions, including unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are to be received.

Property and Equipment – Property and equipment are carried at cost. Depreciation is computed using the straight-line method. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in income as incurred. Significant renewals and betterment are capitalized.

Donated Services – No amounts have been included for donated services since it is not practicable to determine the value of such services, and the Organization does not exercise control over the employment and duties of the donor.

NAMI TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2010 and 2009

Income Taxes – NAMI Tennessee, a nonprofit corporation operating under section 501(c)(3) of the Internal Revenue Code, is generally exempt from federal and state income taxes and, accordingly, no provision for income taxes is included in the financial statements.

Functional Allocation of Expenses – 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.

Cash Equivalents – For purposes of the statement of cash flows, the Organization considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Compensated Absences – Employees can accrue up to twelve (12) working days of sick leave each year with a maximum accrual of sixty (60) days. Employees are entitled to fifteen (15) working days of vacation per year with a maximum accrual of twenty (20) days. Leave with pay may be granted to attend conferences. Educational leave without pay may be granted for continuing education.

2. GRANTS

NAMI Tennessee provides the following services for persons with mental illness and affiliate groups consisting of families with a member who has a mental illness or on their behalf:

1. Organize and support family advocacy groups
2. Coordinate state-wide advocacy efforts
3. Organize and implement the Annual Tennessee Family Support Conference

These services are provided under primary operating grants from the State of Tennessee, Department of Health and Department of Mental Health and Developmental Disabilities.

NAMI TENNESSEE

NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009

3. OPERATING LEASE

An office was opened in Nashville, Tennessee beginning May 1, 2004. There was no rent for the first three months with rent beginning in August 2004 at the rate of \$2,132.44 monthly. Office space increased as of August 1, 2007 and rent increased to \$3,418.89. Lease was amended in 2009 with monthly payments of \$3,144.90, increasing to 4,430.80 by 2112. Future minimum rental payments under the five-year lease are as follows:

	<u>2010</u>	<u>2009</u>
June 30, 2010	\$ 0	\$ 37,379
June 30, 2011	38,882	38,882
January 31, 2012	20,010	20,010
January 31, 2013	<u>41,170</u>	<u>41,170</u>
	<u>\$ 100,062</u>	<u>\$ 137,441</u>

4. INVESTMENTS

The Organization has an investment into CD's held by a brokerage firm. The CD's mature at different intervals with different interest rates. As CD's matured, some money has been put into a mutual fund. The value of this investment is:

	<u>June 30, 2010</u>	<u>June 30, 2009</u>
Market	<u>\$ 175,708</u>	<u>\$ 238,031</u>
Cost	<u>\$ 211,236</u>	<u>\$ 277,321</u>

5. BOARD DESIGNATED NET ASSETS

A bequest of \$100,000 was received in 1997 and it was decided to hold this money as an endowment not to be used for current expenses, but to be kept in secure investments (see Note 4) and to be managed by a standing Endowment Committee.

NAMI TENNESSEE

NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009

6. LOANS

	<u>2010</u>	<u>2009</u>
The Organization has a working capital line-of-credit from its bank with interest payable monthly at 4.25%	\$ 20,000	\$ 50,000
The Organization has a working capital loan from one of its affiliates with no interest	<u>4,000</u>	<u>4,000</u>
Current Loans Payable	<u>\$ 24,000</u>	<u>\$ 54,000</u>

SUPPLEMENTAL INFORMATION

HUGHES & GOSNELL

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
NAMI Tennessee
Nashville, Tennessee

We have audited the financial statements of NAMI Tennessee as of and for the years ended June 30, 2010 and 2009 and have issued our report thereon dated October 21, 2010. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered NAMI Tennessee's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of NAMI Tennessee's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether NAMI Tennessee's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, audit committee and board of directors, others within the entity, State of Tennessee, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Hughes & Gamell CPA's

October 21, 2010

NAMI TENNESSEE

SCHEDULES OF GRANT ACTIVITY
For the Years Ended June 30, 2010 and 2009

2010							
<i>CFDA Number</i>	<i>State Grant Number</i>	<i>Program Name</i>	<i>Grantor Agency</i>	<i>Beginning Balance</i>	<i>Cash Receipts</i>	<i>Expenditures</i>	<i>Ending Balance</i>
N/A	GR-09-25538-00	Mental Health Services	TN Dept. of Mental Health and Developmental Disabilities	\$ (74,470)	\$ 74,470	\$ 0	\$ 0
93.958	GR-09-25406-00	Mental Health Services	TN Dept. of Mental Health and Developmental Disabilities	(16,533)	16,533	0	0
93.779	GR-10-29558-00	Mental Health Services	TN Dept. of Mental Health and Developmental Disabilities	0	213,304	335,566	(122,262)
N/A	GR-10-29673-00	Mental Health Services	TN Dept. of Mental Health and Developmental Disabilities	0	27,615	41,853	(14,238)
N/A	GR-10-30914-00	Mental Health Services	TN Dept. of Mental Health and Developmental Disabilities	0	0	25,000	(25,000)
				<u>\$ (91,003)</u>	<u>\$ 331,922</u>	<u>\$ 402,419</u>	<u>\$ (161,500)</u>

2009							
<i>CFDA Number</i>	<i>State Grant Number</i>	<i>Program Name</i>	<i>Grantor Agency</i>	<i>Beginning Balance</i>	<i>Cash Receipts</i>	<i>Expenditures</i>	<i>Ending Balance</i>
N/A	GR-08-21572-01	Mental Health Services	TN Dept. of Mental Health and Developmental Disabilities	\$ (69,301)	\$ 69,301	\$ 0	\$ 0
93.958	GR-08-21726-00	Mental Health Services	TN Dept. of Mental Health and Developmental Disabilities	(4,136)	4,136	0	0
N/A	GR-09-25538-00	Mental Health Services	TN Dept. of Mental Health and Developmental Disabilities	0	263,366	337,836	(74,470)
93.958	GR-09-25406-00	Mental Health Services	TN Dept. of Mental Health and Developmental Disabilities	0	30,967	47,500	(16,533)
				<u>\$ (73,437)</u>	<u>\$ 367,770</u>	<u>\$ 385,336</u>	<u>\$ (91,003)</u>