

NAMI TENNESSEE

**FINANCIAL STATEMENTS
WITH SUPPLEMENTAL INFORMATION**

**For the Years Ended June 30, 2009 and 2008
and
Independent Auditor's Report**

NAMI TENNESSEE

FINANCIAL STATEMENTS For the Years Ending June 30, 2009 and 2008

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HUGHES & GOSNELL
Certified Public Accountants

Stephen R. Hughes, CPA
Bill Gosnell, CPA

3814 Powers Street
Knoxville, Tennessee 37917

Phone (865) 688-0351
Facsimile (865) 688-0386

Member
American Institute of
Certified Public Accountants
Tennessee Society of
Certified Public Accountants

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, 2009 and 2008, 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, 2009 and 2008, 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 29, 2009 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 CPA's

Knoxville, Tennessee
October 28, 2009

NAMI TENNESSEE

STATEMENTS OF FINANCIAL POSITION June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
ASSETS		
Current Assets		
Cash	\$ 61,177	\$ 19,554
Grants Receivable	91,004	73,437
Grants Receivable - Other	32,787	0
Deposits	<u>0</u>	<u>2,100</u>
Total Current Assets	<u>184,968</u>	<u>95,091</u>
Fixed Assets		
Auto	17,776	17,776
Office Equipment, and Furniture	<u>67,234</u>	<u>65,938</u>
	85,010	83,714
Less: Accumulated Depreciation	<u>(75,263)</u>	<u>(72,340)</u>
Net Fixed Assets	<u>9,747</u>	<u>11,374</u>
Investments		
Certificates of Deposits/Mutual Funds	<u>238,031</u>	<u>309,842</u>
Total Investments	<u>238,031</u>	<u>309,842</u>
Total Assets	<u>\$ 432,746</u>	<u>\$ 416,307</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Payable to Affiliates	\$ 16,140	\$ 11,331
Accounts Payable	21,741	15,772
Pension Payable	0	658
Payroll Taxes Payable	9,160	2,007
Payments in Advance	28,322	12,423
Line of Credit - Bank	50,000	0
Loan Payable to Affiliate	<u>4,000</u>	<u>0</u>
Total Current Liabilities	<u>129,363</u>	<u>42,191</u>
Net Assets		
Unrestricted		
Operating	203,383	274,116
Board Designated	<u>100,000</u>	<u>100,000</u>
Total Unrestricted Net Assets	<u>303,383</u>	<u>374,116</u>
Total Liabilities and Net Assets	<u>\$ 432,746</u>	<u>\$ 416,307</u>

See accompanying notes.

NAMI TENNESSEE

STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2009 and 2008

	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

	2008		
	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Total</i>
Public Support and Revenue:			
Public Support:			
Government Grants	\$ 0	\$ 577,763	\$ 577,763
Other Contributions	114,841	177,561	292,402
Non-cash Contributions	1,472	0	1,472
Total Public Support	116,313	755,324	871,637
Revenue:			
Membership Dues	5,848	0	5,848
Investment Income	4,666	0	4,666
Total Revenue	10,514	0	10,514
Total Public Support and Revenue	126,827	755,324	882,151
Expenses:			
Program Services	120,000	755,324	875,324
Management and General	41,035	0	41,035
Fundraising	2,076	0	2,076
Total Expenses	163,111	755,324	918,435
Changes in Net Assets	(36,284)	0	(36,284)
Net Assets, Beginning of Year	410,400	0	410,400
Net Assets, End of Year	\$ 374,116	\$ 0	\$ 374,116

NAMI TENNESSEE

STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Net Assets	\$ (70,733)	\$ (36,284)
Adjustment to Reconcile Changes in Net Assets to Net Cash Provided by Operations:		
Depreciation	2,923	3,876
<Increase> Decrease in Grants Receivable - State	(17,567)	51,249
<Increase> Decrease in Grants Receivable - Other	(32,787)	0
<Increase> Decrease in Memberships Receivable	0	1,178
<Increase> Decrease in Deposits	2,100	(2,100)
<Decrease> Increase in Accounts Payable	5,969	(49,106)
<Decrease> Increase in Payable to Affiliates	4,809	(71)
<Decrease> Increase in Payroll Taxes Payable/Pension Payable	6,495	(12,661)
<Decrease> Increase in Payments in Advance	15,899	12,423
NET CASH <USED> PROVIDED BY OPERATING ACTIVITIES	<u>(82,892)</u>	<u>(31,496)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Equipment	<u>(1,296)</u>	<u>(13,686)</u>
NET CASH <USED> PROVIDED BY INVESTING ACTIVITIES	<u>(1,296)</u>	<u>(13,686)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Investment in Certificates of Deposits and Mutual Funds	71,811	30,625
Loan From Affiliate	4,000	0
Net Line of Credit	50,000	0
NET CASH PROVIDED <USED> BY FINANCING ACTIVITIES	<u>125,811</u>	<u>30,625</u>
NET INCREASE <DECREASE> IN CASH	41,623	(14,557)
CASH AT BEGINNING OF YEAR	<u>19,554</u>	<u>34,111</u>
CASH AT END OF YEAR	<u><u>\$ 61,177</u></u>	<u><u>\$ 19,554</u></u>

NAMI TENNESSEE

STATEMENTS OF FUNCTIONAL EXPENSES For the Years Ended June 30, 2009 and 2008

	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

	2008			
	<i>Program Services</i>	<i>Management and General</i>	<i>Fundraising</i>	<i>Total</i>
Allocations to Affiliates	\$ 28,744	\$ 0	\$ 0	\$ 28,744
Salaries and Wages	304,374	16,020	0	320,394
Payroll Taxes	31,893	1,658	0	33,551
Employee Benefits	45,941	2,418	0	48,359
Audit	0	3,750	0	3,750
Professional Services	131,931	0	0	131,931
Printing, Copying, Postage	35,296	4,152	2,076	41,524
Supplies	16,881	1,876	0	18,757
Telephone, Utilities	25,619	2,847	0	28,466
Fundraising	0	0	0	0
Office Rent	36,303	4,034	0	40,337
Equipment Rental and Maintenance	3,642	404	0	4,046
Travel/Conference/Conventions	121,306	0	0	121,306
Insurance	7,699	0	0	7,699
Miscellaneous	35,901	0	0	35,901
Employee and Organizational Development	49,794	0	0	49,794
Depreciation	0	3,876	0	3,876
Total Expenses	\$ 875,324	\$ 41,035	\$ 2,076	\$ 918,435

NAMI TENNESSEE

NOTES TO FINANCIAL STATEMENTS
June 30, 2009 and 2008

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, 2009 and 2008**

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, 2009 and 2008

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>2009</u>	<u>2008</u>
June 30, 2009	\$ 0	\$ 41,028
June 30, 2010	37,379	3,419
June 30, 2011	38,882	0
January 31, 2012	20,010	0
January 31, 2013	<u>41,170</u>	<u>0</u>
	<u>\$ 137,441</u>	<u>\$ 44,447</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, 2009</u>	<u>June 30, 2008</u>
Market	<u>\$ 238,031</u>	<u>\$ 309,842</u>
Cost	<u>\$ 277,321</u>	<u>\$ 327,321</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, 2009 and 2008

6. LOANS

	<u>2009</u>	<u>2008</u>
The Organization has a working capital line-of-credit from its bank with interest payable monthly at 8.618%	\$ 50,000	\$ 0
The Organization has a working capital loan from one of its affiliates with no interest	<u>4,000</u>	<u>0</u>
Current Loans Payable	<u>\$ 54,000</u>	<u>\$ 0</u>

SUPPLEMENTAL INFORMATION

HUGHES & GOSNELL
Certified Public Accountants

Stephen R. Hughes, CPA
Bill Gosnell, CPA

3814 Powers Street
Knoxville, Tennessee 37917

Phone (865) 688-0351
Facsimile (865) 688-0386

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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, 2009 and 2008 and have issued our report thereon dated October 28, 2009. 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 & Marrell CPA's

Knoxville, Tennessee
October 28, 2009

NAMI TENNESSEE

SCHEDULES OF GRANT ACTIVITY
For the Years Ended June 30, 2008 and 2007

2009							
CFDA Number	State Grant Number	Program Name	Grantor Agency	Beginning Balance	Cash Receipts	Expenditures	Ending Balance
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-08-21728-00	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-09-25408-00	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>

2008							
CFDA Number	State Grant Number	Program Name	Grantor Agency	Beginning Balance	Cash Receipts	Expenditures	Ending Balance
N/A	GR-07-17911-02	Mental Health Services	TN Dept. of Mental Health and Developmental Disabilities	\$ (113,047)	\$ 113,047	\$ 0	\$ 0
93.958	GR-07-17075-00	Mental Health Services	TN Dept. of Mental Health and Developmental Disabilities	(11,639)	11,639	0	0
N/A	GR-08-21572-01	Mental Health Services	TN Dept. of Mental Health and Developmental Disabilities	0	249,736	319,037	(69,301)
93.958	GR-08-21728-00	Mental Health Services	TN Dept. of Mental Health and Developmental Disabilities	0	38,484	42,620	(4,136)
				<u>\$ (124,686)</u>	<u>\$ 412,906</u>	<u>\$ 361,657</u>	<u>\$ (73,437)</u>