NAMI Tennessee

National Alliance on Mental Illness

Financial Statements

and

Independent Auditor's Report

June 30, 2012

NAMI TENNESSEE

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PROFESSIONAL LIMITED LIABILITY COMPANY

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
NAMI Tennessee
Nashville, Tennessee

We have audited the accompanying statement of financial position of NAMI Tennessee (a nonprofit organization) as of June 30, 2012, and the related statements of activities, functional expenses, and cash flows for the year 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 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 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides 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, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

AtnipCPA, PLLC

Nashville, Tennessee
March 22, 2013

NAMI TENNESSEE

Statement of Financial Position

June 30, 2012

Assets

Cash	$	32,621
Grants and other receivables		68,369
Investments		40,733
Prepaid expenses		5,626
Property and equipment, net		-
Other assets		30,000
TOTAL ASSETS	$	177,349

Liabilities and Net Assets

LIABILITIES		
Accounts payable	$	50,059
Affiliate funds		27,612
Accrued expenses		2,305
Unearned revenue		1,845
Notes payable		18,923
TOTAL LIABILITIES		100,744
NET ASSETS		
Unrestricted		76,605
TOTAL NET ASSETS		76,605
TOTAL LIABILITIES AND NET ASSETS	$	177,349

See accompanying notes to financial statements.

NAMI TENNESSEE
Statement of Activities
For the year ended June 30, 2012

REVENUE AND SUPPORT	
Government grants	$ 412,902
Other grants	11,686
Contributions	37,203
Member dues	8,212
Conference, net of related expenses	2,418
Investment return	5,654
Miscellaneous	1,059
Gain on disposal of fixed assets	6,162
TOTAL REVENUE AND SUPPORT	485,296
EXPENSES	
Program services	521,487
Management and general	106,169
Fundraising	7,252
TOTAL EXPENSES	634,908
CHANGE IN NET ASSETS	(149,612)
NET ASSETS - BEGINNING OF YEAR	226,217
NET ASSETS - END OF YEAR	$ 76,605

See accompanying notes to financial statements.

NAMI TENNESSEE

Statement of Cash Flows

For the year ended June 30, 2012

OPERATING ACTIVITIES	
Change in Net Assets	$ (149,612)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	3,493
Investment return	(5,654)
(Increase) decrease in:	
Grants and other receivables	55,650
Prepaid expenses	(5,626)
Increase (decrease) in:	
Accounts payable	21,757
Affiliate funds	3,317
Accrued expenses	(3,547)
Deferred revenue	1,845
NET ADJUSTMENTS	71,235
NET CASH USED BY OPERATING ACTIVITIES	(78,377)
INVESTING ACTIVITIES	
Development of intangible asset	(30,000)
NET CASH USED BY INVESTING ACTIVITIES	(30,000)
FINANCING ACTIVITIES	
Additional borrowing on loans	82,100
Principal payment on notes payable	(127,177)
Proceeds from investment sales	168,828
NET CASH PROVIDED BY FINANCING ACTIVITIES	123,751
NET INCREASE IN CASH	15,374
CASH - BEGINNING OF YEAR	17,247
CASH - END OF YEAR	$ 32,621
ADDITIONAL CASH FLOW INFORMATION	
Interest Paid	3,384
Proceeds from disposal of fixed asset	6,162

See accompanying notes to financial statements.

NAMI TENNESSEE

Statement of Functional Expenses

For the year ended June 30, 2012

	Program	Management and General	Fundraising	Total
Salaries and wages	$ 243,762	$ 44,940	$ 4,993	$ 293,695
Employee benefits and taxes	83,807	17,955	2,007	103,769
Administration expenses	11,101	8,554	119	19,774
Conferences and meetings	21,510	4,750		26,260
Contributions and grants	20,292	546		20,838
Insurance	3,566	6,572		10,138
Interest	160	3,224		3,384
Postage and printing	8,363	467		8,830
Professional fees	77,240	1,540		78,780
Rents	27,067	8,414		35,481
Telephone	10,594	3,585		14,179
Travel	14,025	2,129	133	16,287
Depreciation	-	3,493		3,493
	$ 521,487	$ 106,169	$ 7,252	$ 634,908

See accompanying notes to financial statements.

NAMI TENNESSEE
Notes to Financial Statements
June 30, 2012

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 general 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.

NAMI Tennessee had no temporarily or permanently restricted net assets as of June 30, 2012.

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. Management believes that all grants and other receivables are fully collectible at June 30, 2012 and that no allowance is necessary.

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, 2012, 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 up to twelve working days of sick leave each year, with a maximum accrual of sixty days. Employees are entitled to fifteen working days of vacation time each year with a maximum accrual of twenty days. 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, 2012 and March 22, 2013, 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, 2012:

Tennessee Department of Mental Health	$	36,513
Tennessee Association of Alcohol, Drug and other Addiction Services		15,000
NAMI Davidson County		16,300
Other Receivables		556
	$	68,369

Note 4 – Prepaid Expenses

The Organization had prepaid the following expenses as of June 30, 2012:

Prepaid Postage	$	214
Prepaid Insurance		5,412
	$	5,626

NAMI TENNESSEE
Notes to Financial Statements
June 30, 2012

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, 2012:

Mutual Funds	$ 40,733

The Organization records the realized and unrealized gains, dividends and interests as investment return. Investment return consists of the following as of June 30, 2012:

Interest	$ 681
Dividends	3,408
Realized and unrealized gains	1,565
	$ 5,654

Note 6 – Property and Equipment

Property and equipment consisted of the following at June 30, 2012:

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, 2012 are $30,000.

Note 8 – Notes payable

Notes payable consist of the following as of June 30, 2012:

Operating Line of Credit	$ 14,923
Loan from Affiliate Chapter	4,000
	$ 18,923

The operating line of credit is a commercial line with interest payable monthly at 6.25%

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,		
2013	$	21,500
2014		22,002
2015		22,503
2016		23,005
2017		17,536
	$	106,546

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 $6,280 for the year ended June 30, 2012.

Note 12 – Ability to Continue as a Going Concern

The decrease in net assets for the year, as well as, other factors give rise to doubts as to the Organization’s ability to continue as a going concern. Management has evaluated these issues and implemented plans to mitigate their impact.

Such plans include a reduction in staffing levels, operating expenses and cost of long term leases.