NAMI TENNESSEE

FINANCIAL STATEMENTS

June 30, 2016

NAMI TENNESSEE

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
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, 2016, 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.

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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, 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.

Frasier, Dean & Howard, PLLC

April 14, 2017

NAMI TENNESSEE
STATEMENT OF FINANCIAL POSITION
June 30, 2016

Assets

Assets:		
Cash	$	10,289
Grants and other receivables		83,290
Investments		79,264
Prepaid expenses		6,462
Property and equipment, net		3,814
CODE Film, net		23,000
Total assets	$	206,119

Liabilities and Net Assets

Liabilities:		
Accounts payable and accrued expenses	$	52,777
Affiliate funds		24,666
Total liabilities		77,443
Net assets:		
Unrestricted:		
Undesignated		49,412
Board designated		79,264
Total net assets		128,676
Total liabilities and net assets	$	206,119

See accompanying notes.

NAMI TENNESSEE
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016

Revenues and support:	
Government grants	$ 380,843
Contributions	46,115
Vision of Hope, net of related expenses totaling $18,964	37,270
Miscellaneous	20,619
Other grants and awards	11,136
Conference, net of related expenses totaling $28,694	10,427
CODE File	5,854
Member dues	3,736
Investment return	2,012
Total revenues and support	518,012
Expenses:	
Program services	394,170
Management and general	103,937
Fundraising	28,077
Total expenses	526,184
Change in unrestricted net assets	(8,172)
Unrestricted net assets at beginning of year	136,848
Unrestricted net assets at end of year	$ 128,676

See accompanying notes.

NAMI TENNESSEE
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2016

	Program Services	Management and General	Fundraising	Total
Salaries and wages	$ 190,056	$ 45,559	$ 17,669	$ 253,284
Employee benefits and taxes	58,752	14,823	5,743	79,318
Program expenses	39,531	496	-	40,027
Travel	19,168	8,329	76	27,573
Rents	18,197	3,764	1,651	23,612
Professional fees	8,605	10,761	920	20,286
Conferences and meetings	14,929	4,124	298	19,351
Postage and printing	13,739	1,483	114	15,336
Administration expenses	8,511	5,215	102	13,828
Telephone	7,375	5,415	744	13,534
Insurance	8,614	2,443	760	11,817
Depreciation and amortization	6,000	1,525	-	7,525
CODE film	693	-	-	693
	$ 394,170	$ 103,937	$ 28,077	$ 526,184

See accompanying notes.

NAMI TENNESSEE
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2016

Cash flows from operating activities:	
Change in net assets	$ (8,172)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation and amortization	7,525
Realized and unrealized gain on investments	(668)
Changes in operating assets and liabilities:	
Grants and other receivables	(36,429)
Prepaid expenses	284
Accounts payable and accrued expenses	8,163
Affiliate funds	(15,696)
Net cash used in operating activities	(44,993)
Cash flows from investing activities:	
Purchase of investments	(1,344)
Sale of investments	15,000
Net cash provided by investing activities	13,656
Decrease in cash	(31,337)
Cash at beginning of year	41,626
Cash at end of year	$ 10,289

See accompanying notes.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NAMI Tennessee (the "Organization") is a Tennessee nonprofit corporation. The Organization 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.

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.

Financial Statement Presentation

In accordance with the Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC"), the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows.

Contributions

In accordance with accounting principles generally accepted in the United States of America for nonprofit organizations, unconditional contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Under these provisions, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

> Unrestricted net assets – net assets that are not subject to donor-imposed stipulations. Such assets may be however, designated by the Organization's board of directors for certain activities.
>
> 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. The Organization had no temporarily restricted net assets at June 30, 2016.
>
> Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, donors of these assets permit the Organization to use all or part of the income earned for general or specific purposes. The Organization had no permanently restricted net assets at June 30, 2016.

NAMI TENNESSEE
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

For purposes of the statements 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.

Receivables

The Organization considers all receivables to be fully collectible. Accordingly, no allowance for doubtful accounts has been provided in the accompanying financial statements.

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 at Note 3. Investment income and unrealized gains and losses are reported as changes in unrestricted net assets.

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 and is not a private foundation. Accordingly, no provision for income tax has been made.

The Organization follows FASB ASC guidance related to unrecognized tax benefits. The guidance clarifies the accounting for uncertainty in income taxes recognized in an organization's financial statements. This guidance prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. The Organization has no tax penalties or interest reported in the accompanying financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Expenses

Costs of providing the Organization's programs are summarized and reported on a functional basis. Expenses of each program include costs directly associated with the program and other indirect costs determined to benefit that program. These costs have been allocated between program and supporting services based on estimates by management.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

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 evaluated subsequent events through April 14, 2017, when these financial statements were available to be issued. The Organization is not aware of any significant events that occurred subsequent to the statement of financial position date but prior to the filing of this report that would have a material impact on the financial statements.

NOTE 2 – GRANTS AND OTHER RECEIVABLES

The Organization had the following grants and other receivables at June 30, 2016:

Tennessee Department of Mental Health	$ 72,057
Other receivables	11,233
	$ 83,290

NOTE 3 – FAIR VALUE MEASUREMENTS AND INVESTMENTS

The Organization has adopted the fair value measurement topic of the 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;
- 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 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 methodologies used for assets measured at fair value is as follows:

Money market and mutual funds: Valued at the net asset value of shares in active markets held by the Organization at year end.

The methods 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 methods are 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.

NAMI TENNESSEE
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2016

NOTE 3 – FAIR VALUE MEASUREMENTS AND INVESTMENTS (Continued)

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2016:

	Level 1	Level 2	Level 3	Total
Money market funds	$ 30,913	$ -	$ -	$ 30,913
Mutual funds:				
Taxable bond funds	15,152	-	-	15,152
Balanced/multi-asset funds	33,199	-	-	33,199
Total mutual funds	48,351	-	-	48,351
Total assets at fair value	$ 79,264	$ -	$ -	$ 79,264

Investment return consists of the following for the year ended June 30, 2016:

Dividends and interest	$ 1,344
Realized and unrealized gains	668
	$ 2,012

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30, 2016:

Furniture and equipment	$ 74,859
Less accumulated depreciation	(71,045)
	$ 3,814

Depreciation expense totaled $1,525 for the year ended June 30, 2016.

NOTE 5 – 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, 2016:

CODE film	$ 30,000
Less accumulated amortization	(7,000)
	$ 23,000

Amortization expense totaled $6,000 for the year ended June 30, 2016.

NOTE 6 – BOARD DESIGNATED ENDOWMENT

The Organization's endowment consists of board designated net assets held in investment accounts. As required by accounting principles generally accepted in the United States of America, 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 for the year ended June 30, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 92,252	$ -	$ -	$ 92,252
Board approved draws	(15,000)	-	-	(15,000)
Investment return	2,012	-	-	2,012
Endowment net assets, end of year	$ 79,264	$ -	$ -	$ 79,264

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 seeing to maintain the purchasing power of the endowment assets. Under this policy, allocation targets are primarily equities and fixed income.

NOTE 6 – BOARD DESIGNATED ENDOWMENT (Continued)

Spending Policy

The Organization has a policy of withdrawing board approved amounts from the endowment accounts as needed. The board of directors 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 7 – LEASES

The Organization maintains office space under an operating lease. The lease began on May 1, 2004, was amended on March 29, 2012, and currently expires on March 31, 2017. Monthly rent payments due under this lease range from $1,781 to $1,948.

Rent expense totaled $22,880 for the year ended June 30, 2016. Future minimum lease commitments are as follows:

Year ending June 30,	
2017	$ 17,536

NOTE 8 – 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 $6,491 for the year ended June 30, 2016.

NOTE 9 – 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.