

***NAMI TENNESSEE***

Financial Statements  
With Accompanying Information

For the Years Ended June 30, 2005 and 2004

and

Independent Auditor's Report

# ***NAMI TENNESSEE***

## **FINANCIAL STATEMENTS WITH ACCOMPANYING INFORMATION** **For the Years Ending June 30, 2005 and 2004**

### **TABLE OF CONTENTS**

	<u>Page</u>
<i>Independent Auditor s Report on Financial Statements .....</i>	1
<b>FINANCIAL STATEMENTS</b>	
<i>Statements of Financial Position .....</i>	2
<i>Statements of Activities .....</i>	3
<i>Statements of Cash Flows .....</i>	4
<i>Statements of Functional Expense .....</i>	5
<i>Notes to Financial Statements .....</i>	6 – 8
<i>Independent Auditor s Report on Compliance and on Internal Control Over</i> <i>Financial Reporting .....</i>	9 – 10
<b>ACCOMPANYING INFORMATION</b>	
<i>Schedule of Grant Activity .....</i>	12

## 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, 2005 and 2004, 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 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, 2005 and 2004, 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 September 22, 2005 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 grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audits.

Our audits were performed for the purpose of forming an opinion on the basic financial statements of NAMI Tennessee 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.

September 22, 2005

***NAMI TENNESSEE***

STATEMENTS OF FINANCIAL POSITION  
June 30, 2005 and 2004

ASSETS

Current Assets	<u>2005</u>	<u>2004</u>
Cash	\$ 151,110.97	\$ 139,647.06
Grants Receivable	<u>40,698.75</u>	<u>27,635.01</u>
Total Current Assets	<u>191,809.72</u>	<u>167,282.07</u>
Fixed Assets		
Auto	17,775.73	17,775.73
Office Equipment, and Furniture	<u>51,601.55</u>	<u>51,601.55</u>
	69,377.28	69,377.28
Less: Accumulated Depreciation	<u>(60,242.01)</u>	<u>(51,258.62)</u>
Net Fixed Assets	<u>9,135.27</u>	<u>18,118.66</u>
Investments		
Certificates of Deposits	<u>319,337.75</u>	<u>296,404.61</u>
Total Investments	<u>319,337.75</u>	<u>296,404.61</u>
Total Assets	<u><u>\$ 520,282.74</u></u>	<u><u>\$ 481,805.34</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities		
Payable to Affiliates	\$ 9,891.76	\$ 49,450.16
Accounts Payable	18,940.38	0.00
Payroll Taxes Payable	<u>0.00</u>	<u>403.59</u>
Total Current Liabilities	<u>28,832.14</u>	<u>49,853.75</u>
Net Assets		
Unrestricted		
Operating	391,450.60	331,951.59
Board Designated	<u>100,000.00</u>	<u>100,000.00</u>
Total Unrestricted Net Assets	<u>491,450.60</u>	<u>431,951.59</u>
Total Liabilities and Net Assets	<u><u>\$ 520,282.74</u></u>	<u><u>\$ 481,805.34</u></u>

***NAMI TENNESSEE***

STATEMENTS OF ACTIVITIES  
For the Years Ended June 30, 2005 and 2004

	<i>Unrestricted</i>	<i>Restricted</i>	<i>2005 Total</i>	<i>2004 Total</i>
Public Support and Revenue:				
Public Support:				
Government Grants	\$ 0.00	\$ 314,765.00	\$ 314,765.00	\$ 324,125.00
Other Contributions	436,543.43	0.00	436,543.43	428,409.87
Non-cash Contributions	5,900.93	0.00	5,900.93	0.00
Total Public Support	<u>442,444.36</u>	<u>314,765.00</u>	<u>757,209.36</u>	<u>752,534.87</u>
Revenue:				
Membership Dues	7,303.50	0.00	7,303.50	6,510.50
Investment Income	9,667.37	0.00	9,667.37	3,409.28
Total Revenue	<u>16,970.87</u>	<u>0.00</u>	<u>16,970.87</u>	<u>9,919.78</u>
Total Public Support and Revenue	<u>459,415.23</u>	<u>314,765.00</u>	<u>774,180.23</u>	<u>762,454.65</u>
Expenses:				
Program Services	279,693.44	314,765.00	594,458.44	616,292.04
Management and General	64,191.82	0.00	64,191.82	52,161.18
Fundraising	56,030.96	0.00	56,030.96	38,405.15
Total Expenses	<u>399,916.22</u>	<u>314,765.00</u>	<u>714,681.22</u>	<u>706,858.37</u>
Changes in Net Assets	59,499.01	0.00	59,499.01	55,596.28
Net Assets, Beginning of Year	<u>431,951.59</u>	<u>0.00</u>	<u>431,951.59</u>	<u>376,355.31</u>
Net Assets, End of Year	<u>\$ 491,450.60</u>	<u>\$ 0.00</u>	<u>\$ 491,450.60</u>	<u>\$ 431,951.59</u>

***NAMI TENNESSEE***

**STATEMENTS OF CASH FLOWS**  
For the Years Ended June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in Net Assets	\$ 59,499.01	\$ 55,596.28
Adjustment to Reconcile Changes in Net Assets to Net Cash Provided by Operations:		
Depreciation	8,983.39	9,571.80
<Increase> Decrease in Grants Receivable	(13,063.74)	(8,021.33)
<Decrease> Increase in Accounts Payable	18,940.38	(2,268.62)
<Decrease> Increase in Payable to Affiliates	(39,558.40)	49,450.16
<Decrease> in Payroll Taxes Payable	(403.59)	(6,714.36)
<b>NET CASH &lt;USED&gt; PROVIDED BY OPERATING ACTIVITIES</b>	<u>34,397.05</u>	<u>97,613.93</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	<u>0.00</u>	<u>(837.88)</u>
<b>NET CASH (USED) BY INVESTING ACTIVITIES</b>	<u>0.00</u>	<u>(837.88)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Investment in Certificates of Deposits	<u>(22,933.14)</u>	<u>8,558.25</u>
<b>NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES</b>	<u>(22,933.14)</u>	<u>8,558.25</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	11,463.91	105,334.30
<b>CASH AT BEGINNING OF YEAR</b>	<u>139,647.06</u>	<u>34,312.76</u>
<b>CASH AT END OF YEAR</b>	<u>\$ 151,110.97</u>	<u>\$ 139,647.06</u>

***NAMI TENNESSEE***

**STATEMENTS OF FUNCTIONAL EXPENSES**

For the Years Ended June 30, 2005 and 2004

	<i>Program Services</i>	<i>Management and General</i>	<i>Fundraising</i>	<i>2005 Total</i>
Allocations to Affiliates	\$ 22,874.66	\$ 0.00	\$ 0.00	\$ 22,874.66
Salaries and Wages	257,066.25	13,529.80	0.00	270,596.05
Payroll Taxes	19,674.68	1,035.51	0.00	20,710.19
Employee Benefits	17,064.56	898.14	0.00	17,962.70
Accounting Fees	0.00	3,000.00	0.00	3,000.00
Professional Services	15,012.80	0.00	0.00	15,012.80
Printing, Copying, Postage	35,538.35	3,948.70	0.00	39,487.05
Supplies	28,304.78	3,144.97	0.00	31,449.75
Telephone, Utilities	24,171.90	2,685.76	0.00	26,857.66
Fundraising	0.00	0.00	56,030.96	56,030.96
Office Rent	21,411.76	2,379.08	0.00	23,790.84
Equipment Rental and Maintenance	11,970.18	1,330.02	0.00	13,300.20
Travel/Auto Depreciation	109,048.87	0.00	0.00	109,048.87
Insurance	0.00	6,274.00	0.00	6,274.00
Miscellaneous	0.00	16,982.45	0.00	16,982.45
Employee & Organizational Development	32,319.65	0.00	0.00	32,319.65
Depreciation	0.00	8,983.39	0.00	8,983.39
<b>Total Expenses</b>	<b>\$ 594,458.44</b>	<b>\$ 64,191.82</b>	<b>\$ 56,030.96</b>	<b>\$ 714,681.22</b>

	<i>Program Services</i>	<i>Management and General</i>	<i>Fundraising</i>	<i>2004 Total</i>
Allocations to Affiliates	\$ 66,582.17	\$ 0.00	\$ 0.00	\$ 66,582.17
Salaries and Wages	304,895.99	16,047.15	0.00	320,943.14
Payroll Taxes	24,442.64	1,286.45	0.00	25,729.09
Employee Benefits	11,548.86	607.83	0.00	12,156.69
Accounting Fees	0.00	2,800.00	0.00	2,800.00
Professional Services	3,444.56	0.00	0.00	3,444.56
Printing, Copying, Postage	26,133.59	2,903.73	0.00	29,037.32
Supplies	25,542.40	2,838.04	0.00	28,380.44
Telephone, Utilities	26,171.19	2,907.91	0.00	29,079.10
Fundraising	0.00	0.00	38,405.15	38,405.15
Office Rent	27,177.20	3,019.68	0.00	30,196.88
Equipment Rental and Maintenance	6,566.32	729.59	0.00	7,295.91
Travel/Auto Depreciation	88,054.33	0.00	0.00	88,054.33
Insurance	0.00	5,034.00	0.00	5,034.00
Miscellaneous	0.00	7,790.00	0.00	7,790.00
Employee & Organizational Development	5,732.79	0.00	0.00	5,732.79
Depreciation	0.00	6,196.80	0.00	6,196.80
<b>Total Expenses</b>	<b>\$ 616,292.04</b>	<b>\$ 52,161.18</b>	<b>\$ 38,405.15</b>	<b>\$ 706,858.37</b>

## ***NAMI TENNESSEE***

### NOTES TO FINANCIAL STATEMENTS

June 30, 2005 and 2004

#### 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.

Name Change – On January 23, 1998, the Organization changed its name to NAMI Tennessee from Tennessee Alliance for the Mentally Ill to more clearly reflect its association with their national organization.

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.



## ***NAMI TENNESSEE***

### **NOTES TO FINANCIAL STATEMENTS**

June 30, 2005 and 2004

**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.

**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, 2005 and 2004

#### 3. OPERATING LEASE

The Organization leases office space under a one-year operating lease, beginning in May 2003 at \$1,157.25 per month. However, the office in Knoxville, Tennessee closed at the end of June 2004. In addition, our office and housing unit in Nashville, Tennessee was leased beginning in July 1998 for one year at \$1,095 per month and month-by-month thereafter. This lease was terminated at the end of May 2004. A new office has 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. Future minimum rental payments under the five-year lease are as follows:

	<u>2005</u>	<u>2004</u>
June 30, 2005	\$ 0.00	\$ 23,456.84
June 30, 2006	26,325.18	26,325.18
June 30, 2007	27,127.98	27,127.98
June 30, 2008	27,930.78	27,930.78
June 30, 2009	28,733.58	28,733.58
June 30, 2010	<u>2,400.04</u>	<u>2,400.04</u>
	<u>\$112,517.56</u>	<u>\$135,974.40</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. The value of this investment is:

	<u>June 30, 2005</u>	<u>June 30, 2004</u>
Market	<u>\$319,337.75</u>	<u>\$296,404.61</u>
Cost	<u>\$325,000.00</u>	<u>\$300,000.00</u>

#### 5. BOARD DESIGNATED NET ASSETS

A bequest of \$100,000.00 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, 2005 and 2004**

REPORT ON COMPLIANCE AND ON INTERNAL CONTROLS OVER FINANCIAL  
REPORTING 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 (a nonprofit organization) as of and for the years ended June 30, 2005 and 2004, and have issued our report thereon dated September 22, 2005. We conducted our audit 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.

Compliance

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 grants, 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 audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered NAMI Tennessee's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a

timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, State of Tennessee, 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.

Knoxville, Tennessee  
September 22, 2005

***ACCOMPANYING INFORMATION***

**NAMI TENNESSEE**

SCHEDULE OF GRANT ACTIVITY  
For the Years Ended June 30, 2005 and 2004

<b>2004</b>						
<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>Transfers In</i>
93.958	GR-01-15262-00	Mental Health Services	TN Dept. of Health	\$ (2,000.00)	\$ 2,000.00	\$ 0.00
93.778	GR-01-14689-00	Mental Health Services	TN Dept. of Mental Health and Develop- mental Disabilities	(17,613.68)	17,613.68	0.00
93.958	GR-04-15501-00	Mental Health Services	TN Dept. of Health	0.00	87,055.99	0.00
93.778	GR-04-15400-00	Mental Health Services	TN Dept. of Mental Health and Develop- mental Disabilities	0.00	49,660.00	0.00
93.958	GR-04-15400-00	Mental Health Services	TN Dept. of Mental Health and Develop- mental Disabilities	0.00	159,774.00	0.00
				<u>\$ (19,613.68)</u>	<u>\$ 316,103.67</u>	<u>\$ 0.00</u>
<b>2005</b>						
<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>Transfers In</i>
93.958	GR-04-15501-00	Mental Health Services	TN Dept. of Health	\$ (12,944.01)	\$ 12,944.01	\$ 0.00
93.778	GR-04-15400-00	Mental Health Services	TN Dept. of Mental Health and Develop- mental Disabilities	(7,200.00)	7,200.00	0.00
93.958	GR-04-15501-00	Mental Health Services	TN Dept. of Mental Health and Develop- mental Disabilities	(7,491.00)	7,491.00	0.00
93.778	GR-05-16238-00	Mental Health Services	TN Dept. of Mental Health and Develop- mental Disabilities	0.00	139,274.31	0.00
93.958	GR-05-16238-00	Mental Health Services	TN Dept. of Mental Health and Develop- mental Disabilities	0.00	37,806.96	0.00
93.958	GR-04-15501-01	Mental Health Services	TN Dept. of Health	0.00	96,985.01	0.00
				<u>\$ (27,635.01)</u>	<u>\$ 301,701.29</u>	<u>\$ 0.00</u>

***NAMI TENNESSEE***

**SCHEDULE OF GRANT ACTIVITY**  
**For the Years Ended June 30, 2005 and 2004**



***NAMI TENNESSEE***

**SCHEDULE OF GRANT ACTIVITY**  
**For the Years Ended June 30, 2005 and 2004**

**NAMI TENNESSEE**

SCHEDULE OF GRANT ACTIVITY  
For the Years Ended June 30, 2005 and 2004

<b>2004</b>					
<i>Other Additions</i>	<i>Expenditures</i>	<i>Paid To Grantor</i>	<i>Transfers Out</i>	<i>Other Deductions</i>	<i>Ending Balance</i>
\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
0.00	0.00	0.00	0.00	0.00	0.00
0.00	100,000.00	0.00	0.00	0.00	(12,944.01)
0.00	56,860.00	0.00	0.00	0.00	(7,200.00)
0.00	167,265.00	0.00	0.00	0.00	(7,491.00)
<u>\$ 0.00</u>	<u>\$ 324,125.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ (27,635.01)</u>

<b>2005</b>					
<i>Other Additions</i>	<i>Expenditures</i>	<i>Paid To Grantor</i>	<i>Transfers Out</i>	<i>Other Deductions</i>	<i>Ending Balance</i>
\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
0.00	0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00
0.03	167,265.00	0.00	0.00	0.00	(27,990.72)
0.00	47,500.00	0.00	0.00	0.00	(9,693.04)
0.00	100,000.00	0.00	0.00	0.00	(3,014.99)
<u>\$ 0.03</u>	<u>\$ 314,765.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ (40,698.75)</u>

***NAMI TENNESSEE***

**SCHEDULE OF GRANT ACTIVITY**  
**For the Years Ended June 30, 2005 and 2004**

***NAMI TENNESSEE***

**SCHEDULE OF GRANT ACTIVITY**  
**For the Years Ended June 30, 2005 and 2004**