
NAMI NORTH CAROLINA, INC.

Financial Statements

Year Ended June 30, 2017



Rives & Associates, LLP
Certified Public Accountants and Consultants

NAMI NORTH CAROLINA, INC.
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Independent Auditors' Report

To the Board of Directors
NAMI North Carolina, Inc.
Raleigh, North Carolina

We have audited the accompanying financial statements of NAMI North Carolina, Inc., a nonprofit organization (the Organization), which comprise the statement of financial position as of June 30, 2017, and the related statement of activities 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.

Auditors' 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 auditors' 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 Organization'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 Organization'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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NAMI North Carolina, Inc. as of June 30, 2017, 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.

River & Associates LLP

Raleigh, North Carolina
November 8, 2017

NAMI NORTH CAROLINA, INC.
Statement of Financial Position
June 30, 2017

ASSETS

Current assets:	
Cash and cash equivalents	\$ 128,283
Investments	144,225
Accounts receivable	149,408
Prepaid expenses	<u>32,817</u>
Total current assets	<u>454,733</u>
Property and equipment, net	<u>123,100</u>
Other assets:	
Security deposits	9,285
Investments	<u>146,542</u>
Total other assets	<u>155,827</u>
Total assets	<u><u>\$ 733,660</u></u>

LIABILITIES AND NET ASSETS

Current liabilities:	
Accounts payable	\$ 181,895
Accrued payroll and benefits	2,936
Accrued vacation and sick leave	<u>61,380</u>
Total current liabilities	<u>246,211</u>
Net assets:	
Unrestricted:	
Undesignated	302,796
Board designated	<u>40,242</u>
Total unrestricted	343,038
Temporarily restricted	104,411
Permanently restricted	<u>40,000</u>
Total net assets	<u>487,449</u>
	<u><u>\$ 733,660</u></u>

The accompanying notes are an integral part of these financial statements.

NAMI NORTH CAROLINA, INC.
Statement of Activities
Year Ended June 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
PUBLIC SUPPORT				
Contributions	\$ 102,005	\$ -	\$ -	\$ 102,005
Membership dues, net	15,097	-	-	15,097
DMHDDSAS contracts	439,868	-	-	439,868
LME contracts	302,761	-	-	302,761
Nongovernment grants	2,450	10,000	-	12,450
Special events	139,222	-	-	139,222
	<u>1,001,403</u>	<u>10,000</u>	<u>-</u>	<u>1,011,403</u>
OTHER REVENUE				
Conference fees	76,473	-	-	76,473
Investment income	5,936	1,507	-	7,443
Net realized and unrealized gain on investments	9,273	21,465	-	30,738
Other income	8,480	-	-	8,480
	<u>100,162</u>	<u>22,972</u>	<u>-</u>	<u>123,134</u>
Total public support and other revenues	1,101,565	32,972	-	1,134,537
Net assets released from restrictions:				
Satisfaction of program restrictions	67,835	(67,835)	-	-
Total revenues, gains, and other support	<u>1,169,400</u>	<u>(34,863)</u>	<u>-</u>	<u>1,134,537</u>
EXPENSES:				
Program	871,465	-	-	871,465
Unallocated payments to affiliates	45,300	-	-	45,300
General and administrative	338,189	-	-	338,189
Fundraising	176,073	-	-	176,073
Total expenses	<u>1,431,027</u>	<u>-</u>	<u>-</u>	<u>1,431,027</u>
Change in net assets	<u>(261,627)</u>	<u>(34,863)</u>	<u>-</u>	<u>(296,490)</u>
Net assets at beginning of year	<u>604,665</u>	<u>139,274</u>	<u>40,000</u>	<u>783,939</u>
Net assets at end of year	<u>\$ 343,038</u>	<u>\$ 104,411</u>	<u>\$ 40,000</u>	<u>\$ 487,449</u>

The accompanying notes are an integral part of these financial statements

NAMI NORTH CAROLINA, INC.
Statement of Cash Flows
Year Ended June 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ (296,490)
Adjustments to reconcile change in net assets to net cash provided (used) in operating activities:	
Depreciation	21,086
Realized and unrealized gains on investments	(30,738)
Changes in assets and liabilities that provided (used) cash:	
Accounts receivable	9,453
Contributions receivable, charitable lead trust	14,996
Prepaid expenses	(8,852)
Security deposit	(6,250)
Accounts payable	66,344
Accrued payroll and benefits	1,089
Accrued vacation and sick leave	<u>30,802</u>
Net cash used by operating activities	<u>(198,560)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchases of property and equipment	(2,253)
Proceeds from sale of investments, net of purchases	<u>157,582</u>
Net cash provided by investing activities	<u>155,329</u>
Net decrease in cash and cash equivalents	(43,231)

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR 171,514

CASH AND CASH EQUIVALENTS AT END OF YEAR \$ 128,283

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

Cash paid during the year for interest	<u><u>\$ 796</u></u>
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The accompanying notes are an integral part of these financial statements

NAMI NORTH CAROLINA, INC.
Notes to Financial Statements
June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of the Organization

NAMI North Carolina, Inc. (the Organization) was organized in North Carolina on August 20, 1984 as a nonprofit corporation. The Organization was established for the purpose of advocacy, support and education for people affected by mental illness. In addition, NAMI manages the delivery of counseling services for adults and children with mental illness.

Basis of Presentation

The Organization has adopted FASB Accounting Standards Codification (ASC) 958-205 and subsections *Financial Statements of Not-for-Profit Organizations*. Under this standard, 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. Net assets are defined as follows:

Unrestricted – unrestricted net assets include resources, which are available for the support of the Organization’s operating activities.

Temporarily Restricted - Temporarily restricted net assets include resources that have been donated to the Organization subject to restrictions as defined by the donor. These restrictions are met either by the actions of the Organization and/or the passage of time. When the restriction expires as a result of the lapse of time requirement or achievement of the specified purpose stipulated, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets releases from restrictions.

Permanently Restricted - Permanently restricted net assets consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained in perpetuity, and invested for the purposes of producing present and future income, which may be expended. Investment earnings on endowments are available for the Organization’s general use.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting. Revenues are recognized when earned and expenses recognized when incurred. This basis of accounting conforms to accounting principles generally accepted in the United States of America.

Grants and Contributions

The Organization records contributions received as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction.

NAMI NORTH CAROLINA, INC.
Notes to Financial Statements
June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Membership revenue

Revenue from memberships are recorded when received. Collection of membership receipts include amounts received on behalf of both national and local NAMI entities. Membership revenue is reported net of amounts due to national and local NAMI entities.

In-kind Contributions

Contributed services and property are recorded at their estimated fair value at the date of donation. The Organization reports in-kind contributions as unrestricted revenue. Donated services of nonprofessional volunteers are not recorded as revenue and expense since there is no objective basis available to measure the value of such services.

Cash Equivalents

For purposes of the statement of financial position and the statement of cash flows, cash and cash equivalents includes balances on deposit in financial institutions, cash on hand and other highly liquid resources, such as interest bearing money market accounts, with an original maturity date of three months or less.

Property and Equipment

The Organization capitalizes acquisitions of property and equipment at cost. The cost of maintenance and repairs is expensed as incurred. Expenditures which materially increase the property lives of the assets are capitalized. Donated property and equipment are recorded as contributions at their estimated fair value on the date of donation. Donations with explicit restrictions regarding their use are reported as restricted contributions.

Depreciation is computed using the straight-line method over a useful life of 3 - 30 years. Upon disposition of property and equipment, the related asset and accumulated depreciation amounts are removed and any gain or loss is reflected in the statement of activities for the period.

Income Taxes

The Organization is exempt from income taxes as a not-for-profit organization under Internal Revenue Service ("IRS") code section 501(c)(3) and from state income taxes under similar provisions of North Carolina tax laws. During the years ended June 30, 2017, the Organization reported no unrelated business taxable income which is defined by the IRS as gross income derived from any unrelated trade or business that is not substantially related to the Organization's tax-exempt purpose. Accordingly, no provision for income taxes has been recorded.

The Organization adopted the provisions of FASB ASC 740-10-25, *Accounting for Uncertainty in Income Taxes*. Under this provision, an organization must recognize the tax benefit associated with tax taken for tax return purposes when it is more likely than not the position will be sustained. The implementation had no impact on the Organization's financial statements. The Organization does not believe there are any material uncertain tax positions and, accordingly, it will not recognize any liability for unrecognized tax benefits. The Organization is subject to routine audits by taxing jurisdictions; however there are currently no audits for any tax years in progress. The Organization believes it is no longer subject to income tax examinations for the years prior to 2013.

NAMI NORTH CAROLINA, INC.
Notes to Financial Statements
June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

At June 30, 2017, the Organization had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

Advertising Expense

The Organization expenses the costs of advertising as incurred. Advertising expense was \$1,536 for the year ended June 30, 2017.

Recognition of Grant Support and Contracts

The Organization recognizes grant support and contracts to the extent that eligible grant and contract costs are incurred. Receivables are recognized to the extent that costs have been incurred, but not reimbursed. An allowance for doubtful accounts is based on an analysis of expected collected rates determined from past history. No allowance for doubtful accounts was considered necessary at June 30, 2017. Deferred revenues are recognized to the extent that advances of funds have been made which exceed eligible costs incurred.

Accrued Vacation and Sick Leave

Full time employees of the Organization accrue vacation and sick monthly at various rates depending on the number of years of service. Employees can carry over up to 225 days of unused vacation at year-end to the next fiscal year. Employees can accrue up to 180 of unused sick time at year-end, however they are not paid out for unused time at time of separation of employment from the Organization.

Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statements of activities. Costs that are not directly associated with providing specific services have been allocated based upon the relative time spent by employees of the Organization providing those services.

Use of Estimates and Assumptions

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Investments

The Organization reports investments in marketable securities with readily determinable fair values, and all investments in debt securities at their fair value in the statement of financial position. Unrealized gains and losses are included in the increase (decrease) in net assets in the accompanying statements of activities and changes in net assets.

NAMI NORTH CAROLINA, INC.
Notes to Financial Statements
June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments are exposed to various risk such as significant world events, interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in fair value of investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

Investment income on the statement of activities includes interest, dividends and capital gains distributions earned by the investments during the year.

Fair Value Measurement

FASB ASC 820-10, *Fair Value Measurements and Disclosures*, 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 process in active markets for identical assets or liabilities (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- Quoted prices in active markets for identical assets or liabilities at the measurement dates;
- Level 2 – Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; or
- Level 3 – Unobservable inputs that are supported by little or no market activity and that reflect the Organization’s own assumptions about market prices.

2. CONCENTRATION OF CREDIT RISK

The Organization occasionally maintains deposits in excess of federally insured limits. The Organization maintains its cash balances in reputable financial institutions in the United States of American and accounts at each institution are insured by the Federal Deposit Insurance Corporations up to \$250,000 at each financial institution. FASB ASC 825, *Financial Instruments*, identifies these items as a concentration of credit risk requiring disclosure, regardless of risk. At June 30, 2017, the Organization’s cash balances were fully insured.

In addition, the Organization has contracts with two government agencies that comprise 54% of total support and revenue for the year ended June 30, 2017.

NAMI NORTH CAROLINA, INC.
Notes to Financial Statements
June 30, 2017

3. ACCOUNTS RECEIVABLE

Accounts receivable consist of the following as of June 30, 2017:

North Carolina Department of Health and Human Services Contracts	\$	56,433
Local Management Entities		45,602
Other contracts		43,600
Sales tax		<u>3,773</u>
Total		<u>\$ 149,408</u>

4. INVESTMENTS

Investments at June 30, 2017 consisted of the following:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>
Mutual funds	\$ 234,386	\$ 290,767	\$ 56,381
	<u>\$ 234,386</u>	<u>\$ 290,767</u>	<u>\$ 56,381</u>

A portion of the investments described above are endowment assets and the gift corpus of such investments is permanently restricted. Another portion of the investments described above are temporarily restricted investments for the use of certain program expenses. These assets are measured at fair value on a recurring basis using quoted prices in active markets (Level 1).

Investment revenues are reported net of related investment fees in the statement of activities. The following schedule summarized investment return for the year ended June 30, 2017:

Dividend income	\$	7,243
Interest income		450
Unrealized gain, net		30,738
Investment fees		<u>(250)</u>
Total		<u>\$ 38,181</u>

The Security Investor Protection Company (SIPC) protects investments held by the broker up to \$500,000. The broker also offers additional coverage beyond the SIPC limits through London Underwriters and other insurance companies if the broker is liquidated or declared insolvent.

NAMI NORTH CAROLINA, INC.
Notes to Financial Statements
June 30, 2017

5. RESTRICTIONS ON ASSETS

Temporarily restricted net assets

Temporarily restricted net assets are those stipulated by donors for specific operating purposes or those not currently available for use until commitments regarding their use have been fulfilled.

Temporarily restricted net assets are composed of the following as of June 30, 2017:

Beneficial interest in perpetual trust	\$	9,882
SR AHEC		10,000
Advocacy		40,708
Affiliate Development		43,821
Total	\$	104,411

Designated net assets

As of June 30, 2017, the Board of Directors designated \$40,242 of unrestricted net assets pursuant to a donation received from the estate of J. Bryant Kirkland. The family of the donor asked that only income from the contributions be used and not any of the principal. The Board of Directors passed a resolution that the income generated from the bequest may be used to cover general expense of the Organization, but the principal should remain intact if possible.

6. ENDOWMENT OF NET ASSETS

Temporarily restricted net assets include funds held in trust by The North Carolina Community Foundation (the Foundation), as fiscal agent. The funds are neither in possession nor under the control of the Organization, but are held and administered by the Foundation. The Foundation, at the discretion of its board of directors, has the authority to invest the funds without restrictions. The Board of Directors of the Organization and the Foundation must approve any distributions. The income derived from these funds may be used for general operating purposes.

The Organization’s temporarily and permanently restricted net assets consists of endowment funds established primarily to support the Organization’s mission and operations. The Organization maintains two endowment funds: Silber Endowment Fund and Advocacy Endowment Fund. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board has interpreted the State of North Carolina’s version of *The Uniform Prudent Management Institutional Funds act* (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulation to the permanent endowment made in accordance with the director of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of donor-restricted

NAMI NORTH CAROLINA, INC.
Notes to Financial Statements
June 30, 2017

6. ENDOWMENT OF NET ASSETS (Continued)

endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

The Organization has adopted an investment policy that attempts to maximize total return consistent with an acceptable level of risk. Accordingly, the investment policy of the Organization is to invest in a well-diversified asset mix, which includes equity and debt securities that is intended to result in a consistent inflation-protected rate of return while increasing the value of donors' gifts and provide a stable funding source of ensuring the future viability of the Organization. A target allocation determined by the Board of Directors is 75% stocks, 20% bonds, and 5% money market. Stock investments are intended to include mostly "large cap" stocks with about 25% invested in smaller companies and international stocks.

The Silber Endowment Fund is restricted in accordance with donor stipulations to support affiliate development work. Further, spending is limited to interest and dividends earned and no spending is allowed in years of market losses. A committee of the Organization's Board of Directors is tasked with recommending a semi-annual payout rate to the Board as part of the budget development process. The Board of Directors has the authority to modify the rate by a majority vote. The initial funding of the Silber Endowment Fund which remains permanently restricted as of June 30, 2017 was \$40,000 and \$43,821 as of June 30, 2017 is temporarily restricted for affiliate development work.

The Advocacy Endowment Fund is restricted in accordance with donor stipulations to support advocacy of mental illness. In accordance with the endowment agreement, all funds contributed are temporarily restricted for specific use. Included in the Advocacy Endowment Fund is \$15,000 that was previously transferred into the Fund from the General Endowment at the direction of the Board of Directors. This balance is available to be transferred back to the General Endowment Fund upon approval of the Board of Directors including any investment earnings on that balance. The Advocacy Endowment Fund's balance as of June 30, 2017 was \$40,708.

Endowment net asset composition by type of fund as of June 30, 2017 was as follows:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, July 1, 2016	\$ 115,421	\$ 40,000	\$ 155,421
Investment income, net of fees	1,507	-	1,507
Net appreciation (realized and unrealized)	20,192	-	20,192
Total investment return	21,699	-	21,699
Appropriations of endowment assets for expenditure	(52,590)	-	(52,590)
Endowment net assets, June 30, 2017	<u>\$ 84,530</u>	<u>\$ 40,000</u>	<u>\$ 124,530</u>

NAMI NORTH CAROLINA, INC.
Notes to Financial Statements
June 30, 2017

7. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of June 30, 2017:

Building and improvements	\$	269,974
Furniture and equipment		51,826
Total		321,800
Less accumulated depreciation		(198,700)
	\$	123,100

Depreciation expense for the year was \$21,086 for the year ended June 30, 2017.

8. LEASE COMMITMENTS

The Organization has entered into various operating lease agreements for facilities and equipment. These agreements expire at various dates through March 2020, and the minimum rental payments required under these agreements are summarized as follows:

Year Ending	Amount
2018	\$ 35,594
2019	12,853
2020	3,311
Total	\$ 51,758

Lease expense was \$40,378 for the year ended June 30, 2017.

9. CONTRIBUTED MATERIALS AND SERVICES

Contributed materials and series recorded in these financial statements consisted of the following:

Merchandise	\$	982
	\$	982

10. CONTINGENCIES

The Organization receives grant funds. Costs related to such funds are subject to final approval by the grantor agencies and deficiencies, if any, are the responsibility of the Organization. Management believes that there are no required refunds and therefore no provision has been made in the accompanying financial statements for the refund of grant monies.

NAMI NORTH CAROLINA, INC.
Notes to Financial Statements
June 30, 2017

11. RELATED PARTY TRANSACTIONS

During the years ended June 30, 2017, the Organization contributed \$80,669 to its affiliates related to annual fundraisers and contract expenses.

12. RETIREMENT PLAN

The Organization offers a 401(k) Plan to all employees. Participating employees may elect to contribute 1 – 15% of their annual earnings, subject to the tax law ceiling. The Organization make discretionary matches to employee contributions. Employer contributions for the year ended June 30, 2017 was \$9,120.

13. SUBSEQUENT EVENTS

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through November 8, 2017, which is the date the financial statements were available to be issued.

