

NAMI NORTH CAROLINA, INC.

Financial Statements

Year Ended June 30, 2019

(With Comparative Totals for 2018)



Rives & Associates, LLP
Certified Public Accountants and Consultants

NAMI NORTH CAROLINA, INC.
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Rives & Associates, LLP
Certified Public Accountants

Member:
American Institute of
Certified Public Accountants

Member:
North Carolina Association of
Certified Public Accountants

www.rivescpa.com

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, 2019, 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.

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, 2019, 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.

Report on Summarized Comparative Information

We have previously audited the NAMI North Carolina, Inc.'s 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 21, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Rives & Associates LLP

Raleigh, North Carolina
October 28, 2019

NAMI NORTH CAROLINA, INC.
Statements of Financial Position
June 30, 2019 and 2018

ASSETS	2019	2018
Current assets:		
Cash and cash equivalents	\$ 253,907	\$ 224,148
Investments	8,929	11,263
Accounts receivable	131,398	113,690
Due from without donor restrictions	26,000	51,000
Prepaid expenses	4,736	14,004
Total current assets	424,970	414,105
Property and equipment, net	89,397	103,333
Other assets:		
Endowment investments	187,392	156,793
Total other assets	187,392	156,793
Total assets	\$ 701,759	\$ 674,231
 LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 65,906	\$ 96,531
Due to Silber Endowment	26,000	51,000
Accrued payroll and benefits	6,993	186
Accrued vacation and sick leave	15,683	6,695
Total current liabilities	114,582	154,412
Net assets:		
Without donor restrictions:		
Undesignated	316,274	274,166
Board designated	40,242	40,242
Total net assets without donor restrictions	356,516	314,408
Net assets with donor restrictions	230,661	205,411
Total net assets	587,177	519,819
	\$ 701,759	\$ 674,231

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

NAMI NORTH CAROLINA, INC.
Statement of Activities
Year Ended June 30, 2019
(With Summarized Comparative Totals for 2018)

	Without Restrictions	With Restrictions	Total	2018 Total
PUBLIC SUPPORT				
Contributions	\$ 82,132	\$ -	\$ 82,132	\$ 52,197
Membership dues, net	10,473	-	10,473	14,591
DMHDDSAS contracts	388,311	-	388,311	425,038
LME contracts	140,700	-	140,700	137,625
Nongovernment grants	-	10,000	10,000	10,100
Special events	135,656	-	135,656	145,118
Total public support	<u>757,272</u>	<u>10,000</u>	<u>767,272</u>	<u>784,669</u>
OTHER REVENUE				
Conference fees	40,030	-	40,030	32,890
Interest and dividends	2,554	250	2,804	3,677
Net realized and unrealized gain on investments	13,452	-	13,452	16,296
Other income	3,737	-	3,737	22,868
	<u>59,773</u>	<u>250</u>	<u>60,023</u>	<u>75,731</u>
Total public support and other revenues	817,045	10,250	827,295	860,400
Net assets released from restrictions: Satisfaction of program restrictions	10,000	(10,000)	-	-
Total revenues, gains, and other support	<u>827,045</u>	<u>250</u>	<u>827,295</u>	<u>860,400</u>
EXPENSES:				
Program	557,798	-	557,798	539,558
General and administrative	45,059	-	45,059	92,576
Development	68,348	-	68,348	140,776
Total expenses	<u>671,205</u>	<u>-</u>	<u>671,205</u>	<u>772,910</u>
Transfer to NAMI affiliates	88,732	-	88,732	55,120
Change in net assets	67,108	250	67,358	32,370
Transfer from without restriction to with restriction to repay the Silber Endowment	(25,000)	25,000	-	-
Net assets at beginning of year	<u>314,408</u>	<u>205,411</u>	<u>519,819</u>	<u>487,449</u>
Net assets at end of year	<u>\$ 356,516</u>	<u>\$ 230,661</u>	<u>\$ 587,177</u>	<u>\$ 519,819</u>

The accompanying notes are an integral part of these financial statements

NAMI NORTH CAROLINA, INC.
Statement of Functional Expenses
Year Ended June 30, 2019
(With Summarized Comparative Totals for 2018)

	<u>Program</u> <u>Expenses</u>	<u>Development</u> <u>Expenses</u>	<u>Administrative</u> <u>Expenses</u>	<u>Total</u> <u>Expenses</u>	<u>2018</u> <u>Total</u>
Grant/contract expenses	\$ 34,339	\$ -	\$ -	\$ 34,339	\$ 64,331
Annual conference	17,673	-	-	17,673	27,428
NAMI walks expenses	4,293	12,812		17,105	30,321
Contract services	3,400	300	300	4,000	-
Membership expenses	4,980	-	-	4,980	4,139
Salaries and wages	304,530	40,921	23,542	368,993	303,849
Employee benefits	59,931	4,236	3,498	67,665	57,947
Fees for services	5,446	-	6,779	12,225	56,775
Marketing	6,143	82	-	6,225	17,183
Office expenses	31,338	2,475	4,861	38,675	35,015
Information technology	23,106	3,338	2,082	28,526	29,827
Occupancy	8,581	1,754	1,754	12,089	48,047
Travel	32,669	626	353	33,648	36,415
Conferences and meetings	1,968	-	-	1,968	8,070
Insurance	5,310	664	664	6,637	7,696
Council & committee	1,080	-	-	1,080	4,838
Board of Directors expense	84	-	84	168	365
Depreciation expense	9,925	876	876	11,676	14,086
Miscellaneous expenses	3,003	265	265	3,533	26,578
	<u>\$ 557,798</u>	<u>\$ 68,348</u>	<u>\$ 45,059</u>	<u>\$ 671,205</u>	<u>\$ 772,910</u>
Total expenses	<u>\$ 557,798</u>	<u>\$ 68,348</u>	<u>\$ 45,059</u>	<u>\$ 671,205</u>	<u>\$ 772,910</u>

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

NAMI NORTH CAROLINA, INC.
Statements of Cash Flows
Years Ended June 30, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 67,358	\$ 32,370
Adjustments to reconcile change in net assets to net cash provided (used) in operating activities:		
Depreciation	11,676	14,086
Unrealized gains on investments	(12,983)	(16,301)
Loss on sale of property and equipment	-	5,681
Changes in assets and liabilities that provided (used) cash:		
Accounts receivable	(17,708)	35,718
Prepaid expenses	9,268	18,813
Security deposit	-	9,285
Accounts payable	(30,625)	(85,364)
Accrued payroll and benefits	6,807	(2,750)
Accrued vacation and sick leave	8,988	(54,685)
Net cash provided (used) by operating activities	42,781	(43,147)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of property and equipment	2,260	-
Purchases of investments	(25,000)	-
Proceeds from sale of investments	9,718	139,012
Net cash provided (used) by investing activities	(13,022)	139,012
Net increase (decrease) in cash and cash equivalents	29,759	95,865
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	224,148	128,283
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 253,907	\$ 224,148

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

NAMI NORTH CAROLINA, INC.
Notes to Financial Statements
June 30, 2019 and 2018

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 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.

New Accounting Standard

The Organization adopted Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) and Health Care Entities (Topic 954) – Presentation of Financial Statements of Not-for-Profit Entities. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled “net assets without donor restrictions” and “net assets with donor restrictions”, (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements.

Implementation of ASU 2016-14 was applied retroactively and required updates to previously reported net asset classifications. The Organization’s previously reported unrestricted net assets of \$314,408 at June 30, 2018 are now reported as net assets without donor restrictions. The previously reported temporarily restricted net assets of \$165,411 and permanently restricted net assets of \$40,000 at June 30, 2018 are now reported as net assets with donor restrictions. There was no change to previously reported change in net assets for year ended June 30, 2018.

Net Assets

Net assets are defined as follows:

Net assets without donor restrictions – net assets without donor restrictions include resources, which are available for the support of the Organization’s operating activities.

Net assets with donor restrictions – net assets with donor restrictions 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets releases from restrictions.

NAMI NORTH CAROLINA, INC.
Notes to Financial Statements
June 30, 2019 and 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants and Contributions

The Organization records contributions received as net assets with donor restrictions or net assets without donor restrictions, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions 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 net assets with donor restrictions, depending on the nature of the restriction.

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 revenue without donor restrictions. 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 and 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 contributions with donor restrictions.

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.

Accounting principles generally accepted in the United States of America require that long-lived assets and certain identifiable tangible assets held and used by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts of an asset may not be recoverable. The Organization did not identify any long-lived assets as being impaired during the years ended June 30, 2019 and 2018.

NAMI NORTH CAROLINA, INC.
Notes to Financial Statements
June 30, 2019 and 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2019 and 2018, 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.

Based on the provisions of FASB ASC 740-10-25, *Accounting for Uncertainty in Income Taxes*, 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 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 2016.

At June 30, 2019 and 2018, 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. For the years ended June 30, 2019 and 2018, advertising expense was \$6,225 and \$17,183, respectively.

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, 2019 and 2018. 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 hours 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.

NAMI NORTH CAROLINA, INC.
Notes to Financial Statements
June 30, 2019 and 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

Reclassification

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements. There was no impact on previously reported changes in net assets.

NAMI NORTH CAROLINA, INC.
Notes to Financial Statements
June 30, 2019 and 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Prior Year Comparative Information

The financial statements include certain prior-year summarized, comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the NAMI North Carolina, Inc. financial information for the year ended June 30, 2018 from which the summarized information was derived.

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. At June 30, 2019 and 2018, the Organization's uninsured cash balances were \$40,714 and \$17,577, respectively.

In addition, the Organization has contracts with two government agencies that comprise approximately 63% and 54% of total support and revenue for the years ended June 30, 2019 and 2018, respectively.

3. ACCOUNTS RECEIVABLE

Accounts receivable consist of the following as of June 30:

	2019	2018
North Carolina Department of Health and Human Services Contracts	\$ 81,072	\$ 69,168
Local Management Entities	37,138	39,450
Other contracts	7,500	1,263
County payments	3,750	-
Sales tax	1,938	3,809
Total	\$ 131,398	\$ 113,690

4. INVESTMENTS

Investments at June 30, 2019 consisted of the following:

	Cost	Fair Value	Unrealized Gain (Loss)
Mutual funds	\$ 132,405	\$ 196,321	\$ 63,916
	\$ 132,405	\$ 196,321	\$ 63,916

NAMI NORTH CAROLINA, INC.
Notes to Financial Statements
June 30, 2019 and 2018

4. INVESTMENTS (Continued)

Investments at June 30, 2018 consisted of the following:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>
Mutual funds	\$ 117,123	\$ 168,056	\$ 50,933
	<u>\$ 117,123</u>	<u>\$ 168,056</u>	<u>\$ 50,933</u>

A portion of the investments described above are endowment assets and the gift corpus of such investments. Another portion of the investments described above are 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) and are classified as investments with donor restrictions.

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:

	<u>2019</u>	<u>2018</u>
Dividend income	\$ 2,694	\$ 3,488
Interest income	110	189
Realized gains (losses), net	469	21,744
Unrealized gains, net	12,983	(5,448)
Interest expense	-	-
Total	<u>\$ 16,256</u>	<u>\$ 19,973</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.

5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions

Net assets with donor restrictions are restricted for the following purposes or periods at June 30:

	<u>2019</u>	<u>2018</u>
Beneficial interest in perpetual trust	\$ 9,767	\$ 9,953
SR AHEC	30,000	20,000
Advocacy Endowment	45,424	41,677
Silber Endowment	138,138	127,014
General Endowment	<u>7,332</u>	<u>6,767</u>
Total	<u>\$ 230,661</u>	<u>\$ 205,411</u>

NAMI NORTH CAROLINA, INC.
Notes to Financial Statements
June 30, 2019 and 2018

5. NET ASSETS WITH DONOR RESTRICTIONS

Designated net assets

As of June 30, 2019 and 2018, the Board of Directors designated \$40,242 of net assets without donor restrictions 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.

Net Asset Transfer

During the year ended June 30, 2019, the Organization transferred \$25,000 from net assets without restrictions to net assets with restrictions for repayment to the Silber Endowment. As of June 30, 2019, a total of \$26,000 was still due to the Silber Endowment from net assets without restrictions and the Organization executed the transfer in the subsequent fiscal year.

6. ENDOWMENT OF NET ASSETS

Net assets with donor restrictions includes 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 net assets with donor restrictions 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 net assets with donor restrictions (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 endowment fund is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

NAMI NORTH CAROLINA, INC.
Notes to Financial Statements
June 30, 2019 and 2018

6. ENDOWMENT OF NET ASSETS (Continued)

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 as with donor restrictions as of June 30, 2019 and 2018 was \$40,000 and \$40,000, respectively. The remaining balance as of June 30, 2019 and 2018 is with restriction until the restrictions are met 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 with restrictions 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, 2019 and 2018 was \$45,424 and \$41,677, respectively.

Endowment net asset composition with donor restrictions as of June 30, 2019 and 2018 were as follows:

	2019	2018
Endowment net assets, Beginning of year	\$ 201,026	\$ 187,659
Investment income, net of fees	2,444	3,488
Net appreciation (depreciation) (realized and unrealized)	19,922	9,879
Total investment return	22,366	13,367
Appropriations of endowment assets for expenditure	(10,000)	-
Endowment net assets, End of year	<u>\$ 213,392</u>	<u>\$ 201,026</u>

NAMI NORTH CAROLINA, INC.
Notes to Financial Statements
June 30, 2019 and 2018

7. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of June 30, 2019 and 2018:

	2019	2018
Building and improvements	\$ 269,971	\$ 269,971
Furniture and equipment	13,585	30,898
Total	283,556	300,869
Less accumulated depreciation	(194,159)	(197,536)
Total property and equipment, net	\$ 89,397	\$ 103,333

Depreciation expense was \$11,676 and 14,086 for the years ended June 30, 2019 and 2018, respectively.

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 for the 2020 fiscal year is \$3,311.

Lease expense was \$8,441 and \$40,801 for the years ended June 30, 2019 and 2018.

9. CONTRIBUTED MATERIALS AND SERVICES

Contributed materials and services recorded in these financial statements for the years ended June 30, 2019 and 2018 consisted of the following:

	2019	2018
Merchandise	\$ 1,500	\$ 19,960
	\$ 1,500	\$ 19,960

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.

11. RELATED PARTY TRANSACTIONS

During the years ended June 30, 2019 and 2018, the Organization contributed \$88,732 and \$71,920 to its affiliates related to annual fundraisers and contract expenses, respectively.

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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 certain regulatory withholding thresholds. The Organization makes discretionary matches to employee contributions. Employer contributions for the years ended June 30, 2019 and 2018 was \$7,797 and \$5,720, respectively.

13. LIQUIDITY AND AVAILABILITY OF FUNDS

The Organization’s financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statements of support, revenues, and expenses date, are as follows:

	2019	2018
Cash and cash equivalents	\$ 223,907	\$ 204,148
Current investments	8,929	11,263
Accounts receivable	131,398	113,690
Less: Due to Silber Endowment	(26,000)	(51,000)
Less: Accounts payable	(65,906)	(96,530)
Less: Accrued payroll and benefits	(6,993)	(186)
Less: Board designated net assets	(40,242)	(40,242)
Total financial assets available to meet expenditures within the next 12 months	\$ 225,093	\$ 141,143

14. 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 October 28, 2019, which is the date the financial statements were available to be issued.

