

NAMI
Southwestern Pennsylvania

Financial Statements

Year Ended June 30, 2014
with Independent Auditor's Report

MaherDuessel
Certified Public Accountants

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NAMI SOUTHWESTERN PENNSYLVANIA

YEAR ENDED JUNE 30, 2014

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Independent Auditor's Report

Board of Directors
NAMI Southwestern Pennsylvania

We have audited the accompanying financial statements of NAMI Southwestern Pennsylvania (NAMI), which comprise the statement of financial position as of June 30, 2014, 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NAMI as of June 30, 2014, 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.

Maher Duessel

Pittsburgh, Pennsylvania
January 16, 2015

NAMI SOUTHWESTERN PENNSYLVANIA

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2014

<u>Assets</u>	
Cash and cash equivalents	\$ 325,090
Accounts receivable - Allegheny County	81,258
Accounts receivable - other	49,888
Prepaid expenses	<u>54,509</u>
Total Assets	<u>\$ 510,745</u>
<u>Liabilities and Net Assets</u>	
Liabilities:	
Accrued liabilities	\$ 11,202
Deferred revenue	<u>26,310</u>
Total Liabilities	<u>37,512</u>
Net Assets:	
Unrestricted	463,155
Temporarily restricted	<u>10,078</u>
Total Net Assets	<u>473,233</u>
Total Liabilities and Net Assets	<u>\$ 510,745</u>

See accompanying notes to financial statements.

NAMI SOUTHWESTERN PENNSYLVANIA

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2014

	Unrestricted	Temporarily Restricted	Total
Revenue and Other Support:			
Allegheny County contract revenue	\$ 724,016	\$ -	\$ 724,016
Other program revenue	113,700	-	113,700
Contributions, grants, and dues	448,519	-	448,519
Interest	1,077	-	1,077
	1,287,312	-	1,287,312
Net Assets Released From Restrictions	21,922	(21,922)	-
Expenses:			
Program	919,360	-	919,360
Management and general	222,536	-	222,536
Fundraising	144,532	-	144,532
	1,286,428	-	1,286,428
Change in Net Assets	22,806	(21,922)	884
Net Assets:			
Beginning of year (see Note 6)	440,349	32,000	472,349
End of year	\$ 463,155	\$ 10,078	\$ 473,233

See accompanying notes to financial statements.

NAMI SOUTHWESTERN PENNSYLVANIA

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2014

	Program	Management and General	Fundraising	Total
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Salaries and wages	\$ 451,241	\$ 131,354	\$ 51,823	\$ 634,418
Payroll taxes	34,520	10,128	3,885	48,533
Employee benefits	136,597	37,064	18,387	192,048
Occupancy	85,303	14,527	5,731	105,561
Insurance	1,587	4,238	-	5,825
Telephone	11,607	1,395	550	13,552
Office supplies	34,372	1,053	680	36,105
Postage	3,190	313	1,682	5,185
Printing and publications	24,522	1,941	3,227	29,690
Travel	17,645	375	1,242	19,262
Conferences and events	33,959	-	19,325	53,284
Education programs	10,479	-	-	10,479
Support to affiliate groups	300	-	17,421	17,721
Professional services	28,860	17,658	16,548	63,066
Professional memberships	-	2,420	-	2,420
WRCSP pass-through funding	45,178	-	-	45,178
Other	-	70	4,031	4,101
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 919,360</u>	<u>\$ 222,536</u>	<u>\$ 144,532</u>	<u>\$ 1,286,428</u>

See accompanying notes to financial statements.

NAMI SOUTHWESTERN PENNSYLVANIA

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2014

Cash Flows From Operating Activities:	
Change in net assets	\$ 884
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Change in:	
Receivable from primary funding agencies	(34,909)
Receivable from other funding sources	213
Prepaid expenses	2,946
Accounts payable	(18,499)
Accrued liabilities	5,904
Deferred revenue	<u>19,060</u>
Total adjustments	<u>(25,285)</u>
Net cash provided by (used in) operating activities	<u>(24,401)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(24,401)
Cash and Cash Equivalents:	
Beginning of year	<u>349,491</u>
End of year	<u><u>\$ 325,090</u></u>

See accompanying notes to financial statements.

NAMI SOUTHWESTERN PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

1. ORGANIZATION AND NATURE OF ACTIVITIES

NAMI Southwestern Pennsylvania (NAMI) is a non-profit organization that provides support, advocacy, and education regarding issues related to individuals with serious mental illness and their families. NAMI publishes and distributes a newsletter, *The Voice*. It assists in the forming of family support groups and provides technical assistance after family support groups are established. It also responds to questions and problems, which arise with mentally ill individuals and their families, and also provides referrals and information concerning mental illness. The Consumer Action and Response Team, a consumer and family satisfaction program, is also a program operated by NAMI.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting. Accordingly, revenues and support are recorded when earned and expenses are recognized when the liabilities are incurred.

Use of 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 amount of assets and liabilities and disclosures 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 may differ from those estimates.

Basis of Net Assets

Net assets, 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 as follows:

Unrestricted Net Assets – Unrestricted net assets are the net assets that are neither permanently nor temporarily restricted by donor or grantor-imposed stipulations. Unrestricted net assets designated by the governing board are unrestricted funds set aside by actions of the Board of Directors for other specific purposes.

Temporarily Restricted Net Assets – Net assets that result from contributions or other inflows of assets limited by donor stipulations that either expire by the

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NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

passage of time or can be fulfilled and removed by actions of NAMI pursuant to those stipulations. When the restriction expires, temporarily restricted assets are reclassified to unrestricted net assets and reported in the statement of activities as changes in net assets released from restrictions. NAMI records donor-restricted contributions whose restrictions are met in the same reporting period as unrestricted support. At June 30, 2014, NAMI had \$10,078 of temporarily restricted net assets.

Permanently Restricted Net Assets – Net assets that are subject to donor-imposed stipulations that must be maintained permanently by NAMI. Generally, the donors of these assets permit the use of all or part of the income earned and capital gains, if any, on related investments for general or specific purposes. At June 30, 2014, NAMI has no permanently restricted net assets.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash held in checking and money market accounts. Management believes the organization is not exposed to any significant credit risk on cash and cash equivalents.

Income Taxes

NAMI has been determined to be exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, NAMI qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation. Further, NAMI annually files a Form 990. This form is subject to examination by the IRS, generally for three years after it is filed. No provision for income tax is recorded in these financial statements.

Fixed Assets

Fixed assets purchased with funds received from a government agency remain the property of the government agency. Accordingly, the purchase of fixed assets with

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NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

government funds is recognized as an expense. NAMI did not purchase or remove any fixed assets during the year ended June 30, 2014.

Functional Allocation of Expenses

NAMI charges expenses that are directly identifiable to program, management and general, and fundraising. Expenses related to more than one function are allocated to programs and supporting services on the basis of estimates made by management. Management and general expenses include those expenses that are not directly identifiable with any other functional classification, but provide overall support and direction for NAMI.

Concentrations

NAMI receives a substantial amount of its revenue from various government contracts, mainly from Allegheny County (74%). A significant reduction in the level of this support, if this were to occur, could negatively affect the programs and activities of NAMI.

Compensated Absences

Full-time employees are able to carry over five days of unused vacation from the previous year. Sick time is carried over from year to year and there is no limit on how many days an employee can accrue. Unused sick days are not compensated. The liability associated with employees carrying over unused vacation days at June 30, 2014 is minimal and has not been reflected on these financial statements.

Subsequent Events

Subsequent events have been evaluated through the Independent Auditor's Report date, which is the date the financial statements were available to be issued.

3. CASH AND CASH EQUIVALENTS

NAMI maintains its cash balances in several local financial institutions. The balances at the financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per corporation. At June 30, 2014, the carrying amount of NAMI's deposits was \$325,090 and the bank balance was \$354,203. The entire bank balance was insured by the FDIC at year-end.

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NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

4. LINE OF CREDIT

NAMI has a \$225,000 line of credit with a bank, of which \$0 was outstanding at June 30, 2014. Interest is payable monthly and fluctuates based on the prime rate of the bank plus 0.250%. For the year ended June 30, 2014, NAMI had \$0 in interest expense, as no amounts have been drawn down. The line of credit is secured by the debtor's collateral and is fully due and payable on demand.

5. ACCOUNTS RECEIVABLE - OTHER

Accounts receivable - other at June 30, 2014 are as follows:

Staunton Farm Grant	\$	20,000
Armstrong/Indiana		11,065
Beaver County		10,000
The Forbes Fund Grant		6,500
Mercy Behavioral Health		1,500
Other Miscellaneous Sources		<u>823</u>
Total receivables	\$	<u><u>49,888</u></u>

6. NET ASSET RECLASSIFICATION

Net assets as of July 1, 2013 were restated for reclassification between net asset categories to increase unrestricted net assets by \$384,764 and to decrease temporarily restricted net assets by \$384,764 to reflect only those contributions that had donor-imposed restrictions as temporarily restricted net assets. Total net assets remained unchanged as of July 1, 2013.

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NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

7. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2013 are as follows:

	June 30, 2013	Reclassified	July 1, 2013
NAMI Walk	\$ 11,306	\$ (11,306)	\$ -
Operating Reserve	352,648	(352,648)	-
Jevon Education	20,810	(20,810)	-
Staunton F2F	32,000	-	32,000
Total	<u>\$ 416,764</u>	<u>\$ (384,764)</u>	<u>\$ 32,000</u>

8. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets of \$21,922 were released from donor restrictions by the use of the resources for their intended purpose during the fiscal year ended June 30, 2014.

9. LEASES

Future minimum annual rental payments applicable to operating leases, primarily for real property, which have a remaining term of more than one year at June 30, 2014, are as follows:

2014-2015	\$ 84,375
2015-2016	<u>84,375</u>
	<u>\$ 168,750</u>

Rent expense, which was \$84,375 for the year ended June 30, 2014, is allocated (either directly or indirectly) to program activity, management and general, and fundraising.

10. COMMITMENTS

NAMI's financial and program records are subject to examination by appropriate government authorities in accordance with terms of the various grant awards and contracts. The government authorities are authorized to review actual expenditures and to make necessary adjustments in subsequent reimbursements or request refunds of

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YEAR ENDED JUNE 30, 2014

grant amounts, if warranted. Management believes that NAMI's records and financial statements comply with the terms of the grants and awards.

11. DEFERRED REVENUE

Deferred revenue at June 30, 2014 consisted of the following:

CCBH	\$ 16,360
Annual Walk	9,950
Total	<u>\$ 26,310</u>

12. NAMI ANNUAL WALK

A significant fundraiser for NAMI is the Annual Walk. The purpose of the Walk is to a) raise funds for NAMI's mission of recovery focused support, education, and advocacy for individuals and families affected by mental illness; b) increase awareness of mental illness by reaching hundreds of thousands of people through Walk promotions and the news media; and c) eliminate stigma by giving people a positive reason to talk openly about mental illness as they put together Walk teams, create walker web pages, and reach out to family, friends, neighbors, and co-workers.

As of June 30, 2014, NAMI reported \$166,044 in revenue and \$19,325 in expenses, for a net profit of \$146,719. Expenses include use of facilities, food/refreshments, entertainment, and walker incentive prizes.

13. 401(K) PLAN

NAMI has a 401(k) Profit Sharing Plan (Plan). All employees are eligible to participate in the plan. An employee becomes eligible to participate in the plan on the first day of January or July coinciding with or next following the date the Plan's eligibility requirements have been satisfied. Eligibility requirements include an employee who attains the age of 21 and one year of eligible service (1,000 hours of service within a 12 month period beginning first day of employment).

Eligible employees may elect to defer up to 100% of their compensation on a pre-tax basis, or up to the maximum allowable with other limiting provisions of the Internal Revenue Code. Employer contributions for the year ended June 30, 2014 were \$41,441, approximately 7% of covered payroll.
