

NAMI
Southwestern Pennsylvania

Financial Statements

Years Ended June 30, 2016 and 2015
with Independent Auditor's Report

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Pursuing the profession while promoting the public good*
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NAMI SOUTHWESTERN PENNSYLVANIA

YEARS ENDED JUNE 30, 2016 AND 2015

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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 statements of financial position as of June 30, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Maher Duessel

Pittsburgh, Pennsylvania
November 15, 2016

NAMI SOUTHWESTERN PENNSYLVANIA

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Assets		
Cash and cash equivalents	\$ 445,622	\$ 347,529
Accounts receivable - Allegheny County	97,084	75,246
Accounts receivable - other	29,048	63,253
Prepaid expenses	45,900	44,082
Fixed assets	11,660	-
Other assets	3,716	-
Total Assets	\$ 633,030	\$ 530,110
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 381	\$ -
Accrued liabilities	36,043	11,540
Deferred revenue and refundable advances	62,080	18,053
Total Liabilities	98,504	29,593
Net Assets:		
Unrestricted	529,347	470,149
Temporarily restricted	5,179	30,368
Total Net Assets	534,526	500,517
Total Liabilities and Net Assets	\$ 633,030	\$ 530,110

See accompanying notes to financial statements.

NAMI SOUTHWESTERN PENNSYLVANIA

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2016

	Unrestricted	Temporarily Restricted	Total
Revenue and Other Support:			
Allegheny County contract revenue	\$ 933,025	\$ -	\$ 933,025
Other program revenue	113,700	-	113,700
Contributions, grants, and dues	481,969	-	481,969
Interest	1,050	-	1,050
Other income	4,860	-	4,860
Total revenue and other support	1,534,604	-	1,534,604
Net Assets Released From Restrictions	25,189	(25,189)	-
Expenses:			
Program	1,098,396	-	1,098,396
Management and general	266,507	-	266,507
Fundraising	135,692	-	135,692
Total expenses	1,500,595	-	1,500,595
Change in Net Assets	59,198	(25,189)	34,009
Net Assets:			
Beginning of year	470,149	30,368	500,517
End of year	\$ 529,347	\$ 5,179	\$ 534,526

See accompanying notes to financial statements.

NAMI SOUTHWESTERN PENNSYLVANIA

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2015

	Unrestricted	Temporarily Restricted	Total
Revenue and Other Support:			
Allegheny County contract revenue	\$ 746,625	\$ -	\$ 746,625
Other program revenue	113,700	-	113,700
Contributions, grants, and dues	508,703	65,500	574,203
Interest	1,204	-	1,204
Other income	540	-	540
Total revenue and other support	1,370,772	65,500	1,436,272
Net Assets Released From Restrictions	45,210	(45,210)	-
Expenses:			
Program	1,069,115	-	1,069,115
Management and general	231,886	-	231,886
Fundraising	107,987	-	107,987
Total expenses	1,408,988	-	1,408,988
Change in Net Assets	6,994	20,290	27,284
Net Assets:			
Beginning of year (see Note 6)	463,155	10,078	473,233
End of year	\$ 470,149	\$ 30,368	\$ 500,517

See accompanying notes to financial statements.

NAMI SOUTHWESTERN PENNSYLVANIA

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2016

	Program Totals	Management and General	Fundraising	Total
Salaries and wages	\$ 598,727	\$ 147,767	\$ 53,302	\$ 799,796
Payroll taxes	45,309	11,184	4,033	60,526
Employee benefits	172,026	29,422	15,552	217,000
Facility and equipment	98,388	9,105	13,738	121,231
Insurance	6,256	651	289	7,196
Telecommunications	16,539	3,084	662	20,285
Office supplies	35,025	8,817	2,006	45,848
Postage	3,974	524	1,538	6,036
Printing and copying	24,503	2,173	3,312	29,988
Travel and meetings	26,059	7,014	1,189	34,262
Program and fundraising	13,108	52	7,711	20,871
Staff development	2,145	2,113	100	4,358
Support to affiliate groups	250	-	28,904	29,154
Contract services	8,151	36,448	398	44,997
Outside computer services	1,750	4,497	-	6,247
Marketing and advertising	675	731	-	1,406
Professional memberships	333	2,739	-	3,072
WRCSP pass-through funding	45,178	-	-	45,178
Other	-	186	2,958	3,144
	<u>\$ 1,098,396</u>	<u>\$ 266,507</u>	<u>\$ 135,692</u>	<u>\$ 1,500,595</u>

See accompanying notes to financial statements.

NAMI SOUTHWESTERN PENNSYLVANIA

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2015

	Program Totals	Management and General	Fundraising	Total
Salaries and wages	\$ 551,000	\$ 127,789	\$ 36,182	\$ 714,971
Payroll taxes	42,583	9,776	2,337	54,696
Employee benefits	161,532	37,310	9,904	208,746
Facility and equipment	108,239	8,750	12,132	129,121
Insurance	6,187	715	172	7,074
Telecommunications	14,311	1,424	343	16,078
Office supplies	18,075	1,014	646	19,735
Postage	3,324	426	1,918	5,668
Printing and copying	25,040	2,057	3,840	30,937
Travel and meetings	25,226	2,529	1,020	28,775
Program and fundraising	22,740	-	5,383	28,123
Staff development	5,475	1,273	363	7,111
Support to affiliate groups	303	-	11,777	12,080
Contract services	32,073	34,739	16,875	83,687
Outside computer services	6,573	1,528	435	8,536
Marketing and advertising	1,256	-	125	1,381
Professional memberships	-	2,444	-	2,444
WRCSP pass-through funding	45,178	-	-	45,178
Other	-	112	4,535	4,647
Total	\$ 1,069,115	\$ 231,886	\$ 107,987	\$ 1,408,988

See accompanying notes to financial statements.

NAMI SOUTHWESTERN PENNSYLVANIA

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ 34,009	\$ 27,284
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Change in:		
Receivable from primary funding agencies	(21,838)	6,012
Receivable from other funding sources	34,205	(13,365)
Prepaid expenses	(1,818)	10,427
Other assets	(3,716)	-
Accounts payable	381	-
Accrued liabilities	24,503	338
Deferred revenue	44,027	(8,257)
	<u>75,744</u>	<u>(4,845)</u>
Total adjustments		
Net cash provided by (used in) operating activities	<u>109,753</u>	<u>22,439</u>
Cash Flows From Investing Activities:		
Purchases of fixed assets	<u>(11,660)</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	98,093	22,439
Cash and Cash Equivalents:		
Beginning of year	<u>347,529</u>	<u>325,090</u>
End of year	<u>\$ 445,622</u>	<u>\$ 347,529</u>

See accompanying notes to financial statements.

NAMI SOUTHWESTERN PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2016 AND 2015

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 (Board) for other specific purposes. The Board has designated certain net asset amounts for specific purposes, primarily approximately \$400,000 for operating reserves. Another \$44,000 has been

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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2016 AND 2015

designated for the Dick Jevon Education and Advocacy Fund and \$11,660 has been invested in fixed assets.

Temporarily Restricted Net Assets – Net assets that result from contributions or other inflows of assets limited by donor stipulations that either expire by the 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 statements 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, 2016 and 2015, NAMI had \$5,179 and \$30,368 of temporarily restricted net assets, respectively.

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, 2016 and 2015, NAMI had 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 statements of activities as net assets released from restrictions.

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. No provision for income tax is recorded in these financial statements.

NAMI SOUTHWESTERN PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2016 AND 2015

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 government funds is recognized as an expense.

All other fixed assets are recorded at cost or, if donated, the estimated fair value at the date received. Depreciation is calculated on the straight line method over the asset's estimated useful life. A capitalization level of \$5,000 has been adopted by NAMI. At June 30, 2016 and 2015, NAMI had \$11,660 and \$0 of fixed assets, respectively.

Deferred Revenue

Deferred revenue represents unearned receipts from exchange transactions with Community Care Behavioral Health.

Refundable Advances

Refundable advances represent contributions received before year end for sponsorships of fundraising special events scheduled to take place after year-end.

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 (61% in 2016 and 60% in 2015). A significant reduction in the level of this support, if this were to occur, could negatively affect the programs and activities of NAMI.

Reclassification

The natural classification of certain expenses presented in the prior year have been reclassified in order to be consistent with the current year's presentation.

NAMI SOUTHWESTERN PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2016 AND 2015

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, 2016 was approximately \$20,000 and is included in accrued liabilities on the Statement of Financial Position. The liability at June 30, 2015 is minimal and has not been reflected on these financial statements.

Pending Pronouncements

The Financial Accounting Standards Board (FASB) issued ASU No. 2014-09, *“Revenue from Contracts with Customers,”* which provides a single, comprehensive revenue recognition model for all contracts with customers, and contains principles to determine the measurement of revenue and timing of when it is recognized. The requirements of the new standard will be effective for annual reporting periods beginning after December 15, 2018. Early adoption will be permitted for annual reporting periods beginning after December 15, 2017.

The FASB issued ASU No. 2014-15, *“Presentation of Financial Statements – Going Concern,”* which requires management to evaluate whether there are conditions or events that raise substantial doubt about the entity’s ability to continue as a going concern. “Substantial doubt” is described as being present when such conditions or events indicate that it is probable that the entity will be unable to meet its obligations as they become due within one year after the financial statement issuance date. The requirements of the new standard will be effective for annual reporting periods ending after December 15, 2016.

The FASB issued ASU No. 2016-02, *“Leases (Topic 842),”* which is intended to increase transparency and comparability among entities that enter into leasing arrangements. This ASU requires recognition of lease assets and lease liabilities on the balance sheet for nearly all leases (other than short-term leases), as well as a retrospective recognition and measurement of existing impacted leases. The requirements of the new standard will be effective for annual reporting periods beginning after December 15, 2019. The new standard is required to be applied with a modified retrospective approach to each prior reporting period with various optional practical expedients.

The FASB issued ASU No. 2016-14, *“Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities,”* which aims to improve how a nonprofit organization classifies its net assets and provides information

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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2016 AND 2015

in its financial statements and notes about its financial performance, cash flow, and liquidity. The ASU changes the net asset classification, how underwater donor-restricted endowment funds are treated, will increase the information available about liquidity and the availability of resources, requires financial statements for not-for-profits to provide expenses both by nature and function, as well as an analysis of those expenses by both nature and function, along with disclosure of the methods used to allocate those costs among the various functions, and standardizes how organizations present investment returns and what expenses should be netted against those returns. There are qualitative and quantitative requirements in a number of areas, including net asset classes, investment return, expenses, liquidity and availability of resources, and presentation of operating cash flows. The changes in the standard are effective for annual financial statements issued for fiscal years beginning after Dec. 15, 2017. Early application of the amendments in the ASU is allowed.

NAMI is in the process of determining the impact of the adoption of these standards on its 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. The carrying amount of NAMI's deposits was \$445,622 and \$347,529 at June 30, 2016 and 2015, respectively, and the bank balance was \$504,362 and \$361,333 at June 30, 2016 and 2015, respectively. The entire bank balance was insured by the FDIC at year-end.

4. LINE OF CREDIT

NAMI has a \$225,000 line of credit with a bank, of which \$0 was outstanding at June 30, 2016 and 2015. Interest is payable monthly and fluctuates based on the prime rate of the bank plus 0.250%. For the years ended June 30, 2016 and 2015, 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.

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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2016 AND 2015

5. ACCOUNTS RECEIVABLE - OTHER

Accounts receivable - other at June 30, 2016 are as follows:

Armstrong/Indiana	\$	11,211
Beaver County		10,000
Other miscellaneous sources		<u>7,837</u>
Total receivables	\$	<u><u>29,048</u></u>

Accounts receivable - other at June 30, 2015 are as follows:

Staunton Farm Grant	\$	33,000
Armstrong/Indiana		10,885
Beaver County		10,000
The Forbes Fund Grant		8,368
Other miscellaneous sources		<u>1,000</u>
Total receivables	\$	<u><u>63,253</u></u>

6. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Staunton Strategic Alliance	\$ 5,179	\$ 25,000
Forbes Funds Due Diligence	<u>-</u>	<u>5,368</u>
Total	<u><u>\$ 5,179</u></u>	<u><u>\$ 30,368</u></u>

7. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets of \$25,189 and \$45,210 were released from donor restrictions by the use of the resources for their intended purpose during the fiscal years ended June 30, 2016 and 2015, respectively.

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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2016 AND 2015

8. 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, 2016, are as follows:

2016-2017	\$	23,292
2017-2018		17,892
2018-2019		14,910
	\$	<u>56,094</u>

Rent expense, which was \$84,375 for the years ended June 30, 2016 and 2015, is allocated (either directly or indirectly) to program activity, management and general, and fundraising.

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

10. DEFERRED REVENUE AND REFUNDABLE ADVANCES

Deferred revenue and refundable advances at June 30, 2016 and 2015 consisted of the following:

	<u>2016</u>	<u>2015</u>
CCBH	\$ 24,460	\$ 13,553
Annual Walk	12,620	4,500
NAMI Gala	25,000	-
Total	<u>\$ 62,080</u>	<u>\$ 18,053</u>

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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2016 AND 2015

11. 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, 2016 and 2015, NAMI reported \$173,715 and \$176,706 in revenue and \$17,978 and \$15,410 in direct expenses, for a net profit of \$155,737 and \$161,296, respectively. Direct expenses include use of facilities, food/refreshments, entertainment, and walker incentive prizes.

12. 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 years ended June 30, 2016 and 2015 were \$46,895 and \$43,934, respectively, and were approximately 7% of covered payroll for both years.

13. SUBSEQUENT EVENT

During fiscal year 2016-2017, NAMI will assume the responsibilities previously administered by the statewide NAMI organization. NAMI is currently working through various operational considerations related to this change.