

NAMI MERCER NJ, INC.
FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
AND
INDEPENDENT AUDITOR'S REPORT

NAMI MERCER NJ, INC.

FINANCIAL STATEMENTS

For the Years Ended December 31, 2016 and 2015

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
NAMI Mercer NJ, Inc.

I have audited the accompanying financial statements of NAMI Mercer NJ, Inc. (a nonprofit organization), which comprise the statement of assets, liabilities and net assets - modified cash basis as of December 31, 2016 and 2015, and the related statements of revenues collected and expenses paid and changes in net assets, functional expenses, modified cash basis 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 modified cash basis of accounting described in Note 2; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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, I 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.


I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of NAMI Mercer NJ, Inc. as of December 31, 2016 and 2015, and its support, revenue, and expenses for the years then ended in accordance with the modified cash basis of accounting described in Note 2.

Basis of Accounting

I draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on a modified cash basis, which is a special purpose framework other than accounting principles generally accepted in the United States of America. My opinion is not modified with respect to this matter.

A handwritten signature in black ink, reading "Lewis W. Parkes III". The signature is written in a cursive style with a prominent "L" and "P".

Lawrenceville, New Jersey
July 31, 2017

STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS - MODIFIED CASH BASIS

December 31, 2016 and 2015

<u>ASSETS</u>	<u>2016</u>	<u>2015</u>
Assets:		
Cash and cash equivalents	\$ 243,247	\$ 288,346
Investments	115,386	93,431
Leasehold improvements, equipment and furniture, (net)	<u>11,547</u>	<u>12,157</u>
Total assets	<u>\$ 370,180</u>	<u>\$ 393,934</u>
Net assets:		
Unrestricted	365,180	393,934
Temporarily restricted	<u>5,000</u>	<u>-</u>
Total net assets	<u>\$ 370,180</u>	<u>\$ 393,934</u>

See Notes to Financial Statements.

STATEMENTS OF REVENUES COLLECTED AND EXPENSES PAID
AND CHANGES IN NET ASSETS - MODIFIED CASH BASIS

For the Years Ended December 31, 2016 and 2015

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Cash receipts:						
Donations and support	\$ 123,036	\$ 5,000	\$ 128,036	\$ 197,738	\$ -	\$ 197,738
Governmental grants	10,400	-	10,400	10,400	-	10,400
Gain (Loss) on Disposal	-	-	-	4,254	-	4,254
Membership dues	8,217	-	8,217	9,428	-	9,428
Investment income	9,504	-	9,504	(1,481)	-	(1,481)
Fundraising	203,580	-	203,580	196,573	-	196,573
Net assets released from restrictions	-	-	-	14,500	(14,500)	-
Total cash receipts	354,737	5,000	359,737	431,412	(14,500)	416,912
Cash disbursements:						
Program services	253,496	-	253,496	233,899	-	233,899
Management and general	47,072	-	47,072	37,168	-	37,168
Fundraising	82,923	-	82,923	87,006	-	87,006
Total	383,491	-	383,491	358,073	-	358,073
Change in net assets	(28,754)	5,000	(23,754)	73,339	(14,500)	58,839
Net assets - beginning of year	393,934	-	393,934	320,595	14,500	335,095
Net assets - end of year	\$ 365,180	\$ 5,000	\$ 370,180	\$ 393,934	\$ -	\$ 393,934

See Notes to Financial Statements.

STATEMENT OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS

For the Year Ended December 31, 2016

	Program Services	Management and General	Fundraising	Total Expenses
Salaries	\$ 107,307	\$ 25,455	\$ 37,582	\$ 170,344
Payroll taxes	10,087	2,393	3,532	16,012
 Total Salaries & Payroll Taxes	 117,394	 27,848	 41,114	 186,356
Bank fees	-	716	-	716
Board development	-	994	-	994
Computer supplies and website	11,407	633	198	12,238
Depreciation	406	102	102	610
Fundraising	-	-	30,948	30,948
Insurance	12,348	1,618	2,074	16,040
In kind services	13,734	-	-	13,734
Lease expense	4,644	472	618	5,734
Licenses and permits	537	54	71	662
Membership dues	984	-	-	984
Office supplies	7,485	761	996	9,242
Postage	1,378	140	183	1,701
Professional fees	-	5,236	-	5,236
Program expenses	35,824	-	-	35,824
Rent	38,058	3,865	5,061	46,984
Repairs and maintenance	4,026	3,905	536	8,467
Staff development	1,691	364	546	2,601
Utilities	3,580	364	476	4,420
	-	-	-	-
 Total expenses	 <u>\$ 253,496</u>	 <u>\$ 47,072</u>	 <u>\$ 82,923</u>	 <u>\$ 383,491</u>

See Notes to Financial Statements.

STATEMENT OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS

For the Year Ended December 31, 2015

	Program Services	Management and General	Fundraising	Total Expenses
Salaries	\$ 103,043	\$ 22,540	\$ 35,421	\$ 161,004
Payroll taxes	10,784	2,528	3,538	16,850
Total Salaries & Payroll Taxes	113,827	25,068	38,959	177,854
Advertising and public relations	4,337	-	-	4,337
Bank fees	-	1,208	-	1,208
Board development	-	1,101	-	1,101
Computer supplies and website	3,651	361	496	4,508
Depreciation	406	102	102	610
Fundraising	-	-	38,929	38,929
Insurance	8,875	877	1,205	10,957
In kind services	17,508	-	-	17,508
Lease expense	4,061	401	552	5,014
Licenses and permits	3,213	22	30	3,265
Membership dues	1,314	-	-	1,314
Office supplies	8,697	670	880	10,247
Postage	1,177	120	157	1,454
Professional fees	1,662	3,097	416	5,175
Program expenses	27,150	-	-	27,150
Rent	32,716	3,324	4,351	40,391
Repairs and maintenance	-	134	-	134
Staff development	1,095	254	369	1,718
Utilities	4,210	429	560	5,199
Total expenses	<u>\$ 233,899</u>	<u>\$ 37,168</u>	<u>\$ 87,006</u>	<u>\$ 358,073</u>

See Notes to Financial Statements.

NAMI MERCER NJ, INC.

NOTES TO FINANCIAL STATEMENTS

1. Nature of Organization

The agency was incorporated in the state of New Jersey as a not-for-profit corporation in 1984. The agency is self-help, mostly volunteer organization comprised of family members and friends of the seriously mentally ill, as well as people who suffer from mental illness themselves. NAMI Mercer NJ, Inc. is committed to supporting and improving the quality of life for people with mental illness and their families.

2. Summary of Significant Accounting Policies

The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Basis of Accounting

The Organization's policy is to prepare its financial statements on the modified cash basis of accounting; consequently, certain revenues are recognized when cash is received and certain expenses are recognized when cash is disbursed rather than when the obligation is incurred. The Organization does recognize the liability for withheld payroll taxes. Additionally, fixed assets are capitalized and depreciated, whether they are purchased or donated.

Basis of Presentation

Resources are classified for accounting and reporting purposes, based on the existence or absence of donor-imposed restrictions, into three net assets categories – unrestricted, temporarily restricted, and permanently restricted. For the years ended December 31, 2016 and 2015, The Organization had accounting transactions in two of the net categories, as follows:

- Unrestricted net assets – Net assets that are not subject to donor-imposed restrictions.
- Temporarily restricted net assets - Net assets subject to donor-imposed restrictions that will either be met by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Tax Status

The Organization has received a determination letter from the Internal Revenue Service concluding that it is exempt from federal income tax as an organization described in Section 501(c)(3) of the Internal Revenue Code.

Cash and Cash Equivalents

Cash consists of cash held in a checking accounts and certificates of deposit. All cash is deposited into several financial institutions. At December 31, 2016 and 2015 cash and cash equivalents did not exceed the federally insured amount.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in accordance with the modified cash basis of accounting requires management to make estimates and assumptions that affect financial statement amounts and disclosures. Actual results could differ from those estimates and assumptions.

NAMI MERCER NJ, INC.

NOTES TO FINANCIAL STATEMENTS
(Continued)2. Summary of Significant Accounting Policies (Continued)Leasehold Improvements, Equipment, and Furniture

Leasehold improvements, equipment, and furniture are stated at cost, if purchased or at fair market value on the date of acquisition, if received by gift or bequest. Depreciation is provided over the estimated useful lives of the assets on a straight-line basis. Significant renovations and additions are capitalized. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in income for the period. The cost of maintenance and repairs is charged to expense as incurred.

Investments

Investments are generally recorded at fair value based upon quoted market prices, when available, or estimates of fair value. Donated assets are recorded at fair value at the date of donation, or if sold immediately after receipt, at the amount of sales proceeds received. Investment income or loss (including gains and losses on investments, interest, and dividends) is included in the statement of activities as an increase or a decrease in unrestricted net assets unless the income or loss is restricted by donor or law.

Advertising Costs

Advertising costs are expensed as incurred.

Revenue and Support Recognition

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions whose restrictions are met in the same reporting period are reported as unrestricted support the statement of activities.

The Organization accounts for contract and grant revenues, which are exchange transactions, in the statement of activities to the extent that expenses have been expended for the purposes specified by the grantor during the period. In applying this concept the legal and contractual requirements of each individual program are used as guidance. All monies not expended in accordance with the grant or contract are recorded as a liability to the grantor as the Organization does not maintain any equity in the grant or contract.

Reclassification

Certain amounts for the year ended December 31, 2015 have been re-classed with the current period's presentation.

Accounting for Uncertainty in Income Taxes

The Organization adopted the provisions of FASB ASC740-10 relating to uncertainty in income taxes. The implementation included evaluating the tax positions taken on all income tax returns that remain open to examination by the respective taxing authorities. The Organization does not believe that there are any uncertain tax positions on those returns that meet the requirements of FASB ASC740-10 and therefore should be reflected in the financial statements. Management is not aware of any violation of its tax status as an organization exempt from income taxes, nor of any exposure to unrelated business income tax.

The Organization is subject to routine audits by taxing authorities. There are currently no audits for any tax periods in progress. The Organization believes it is no longer subject to income tax examinations for years prior to December 31, 2013.

NAMI MERCER NJ, INC.

NOTES TO FINANCIAL STATEMENTS
(Continued)2. Summary of Significant Accounting Policies (Continued)Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents approximate fair value due to the short maturity of these financial instruments.

3. Cash and Cash Equivalents

Cash at December 31, 2016 and 2015 are summarized as follows:

	<u>2016</u>	<u>2015</u>
Cash on hand	\$ 450	\$ 118
Non-interest bearing accounts	85,474	131,054
Interest-bearing accounts	<u>157,323</u>	<u>157,174</u>
	<u>\$ 243,247</u>	<u>\$ 288,346</u>

4. Investments

Investments consisted of the following at December 31, 2016 and 2015:

Princeton Area Community Foundation	<u>\$ 115,386</u>	<u>\$ 93,431</u>
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5. Fair Value Measurements

Investments are required to be categorized based on fair value of inputs of Levels 1, 2 and 3. Under Level 1 inputs, investments are required to be categorized based on quoted market prices in active markets for identical investments. Level 2 inputs are based primarily on using observable measurement criteria, including quoted market prices of similar investments in active and inactive markets and other observable corroborated factors. Level 3 inputs are assets measured at fair value on a recurring basis using significant unobservable measurement criteria based on the best information available.

All of the Organization's investments are held in a pooled fund managed by the Princeton Area Community Foundation (PACF). The funds in PACF are valued using Levels 1 and 3, inputs at 47% and 53% for December 31, 2016 and 55% and 45% for December 31, 2015. These percentages are applied to the values of certain Level 1, 2 and 3 investments held by PACF at December 31, 2015 and 2014. PACF's audit report was not available for 2016 prior to release of this report.

<u>December 31, 2016</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 3</u>
Princeton Area Community Foundation	<u>\$ 115,386</u>	<u>\$ 54,231</u>	<u>\$ 61,155</u>
<u>December 31, 2015</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 3</u>
Princeton Area Community Foundation	<u>\$ 93,431</u>	<u>\$ 51,387</u>	<u>\$ 42,044</u>

NAMI MERCER NJ, INC.

NOTES TO FINANCIAL STATEMENTS
(Continued)6. Investment Income

The following schedule summarizes investment income and classification in the statement of activities for the year ended December 31, 2016.

	2016 <u>Unrestricted</u>	2015 <u>Unrestricted</u>
Interest and dividend income	\$ 1,168	\$ 3,214
Net realized gains (losses) from sale of investments	(2,147)	(1,372)
Net unrealized holding gains (losses) on investments	11,123	(2,677)
	<u>10,144</u>	<u>(835)</u>
Less: Investment expenses	(640)	(646)
	<u>\$ 9,504</u>	<u>\$ (1,481)</u>

7. Leasehold Improvements, Equipment, and Furniture

Depreciation of leasehold improvements, equipment, and furniture is provided on the straight-line method over the estimated useful lives of 5 to 30 years. No depreciation is taken on assets until they are placed in service. Depreciation expense for the years ended December 31, 2016 and 2015 is \$ 610 for both years.

At December 31, 2016 and 2015 the cost of the leasehold improvements, equipment, and furniture were:

	Useful <u>Lives</u>	<u>2016</u>	<u>2015</u>
Furniture	7 - 10	32,938	32,938
Phone system	7	9,137	9,137
Leasehold improvements	30	18,297	18,297
		<u>60,372</u>	<u>60,372</u>
Less: Accumulated depreciation		48,825	48,215
Leasehold improvements, equipment, and furniture, net		<u>\$ 11,547</u>	<u>\$ 12,157</u>

8. Temporarily Restricted Assets

Temporarily Restricted Net Assets consisted of the following at December 31, 2016 and 2015, respectively.

	<u>2016</u>	<u>2015</u>
Princeton Area Community Foundation	<u>\$ 5,000</u>	<u>\$ -</u>

These restrictions will be met once the purpose is fulfilled or upon the passage of time.

9. Lease Commitments

NAMI Mercer NJ, Inc. leases office space for the purpose of administering the Organization's various programs. The lease has been classified as an operating lease. The lease began October 1, 2010 and expired October 31, 2015. The organization exercised a 3 year renewal option, which extended the lease to October 31, 2018. Monthly rent is currently \$3,667 with an increase every November.

NAMI MERCER NJ, INC.

NOTES TO FINANCIAL STATEMENTS
(Continued)9. Lease Commitments (continued)

The Organization also leases a photocopier. The lease began July 12, 2010 and expired June 13, 2015. The monthly payment was \$446. NAMI entered into a new lease for a photocopier effective July 2015 which expires June 2020. The monthly payment is \$381.

Future minimum lease payments are as follows:

2017	\$	48,572
2018	\$	41,238
2019	\$	4,572
2020	\$	2,286

10. Fundraising

Fundraising consists of the following:

	2016			2015		
	Revenue	Expense	Net Income	Revenue	Expense	Net Income
Night out with NAMI 14	\$ -	\$ -	\$ -	\$ 2,142	\$ -	\$ 2,142
Night out with NAMI 15	-	-	-	70,487	21,902	48,585
Night out with NAMI 16	78,547	20,544	-	-	-	-
Night out with NAMI 17	-	28	-	-	-	-
NAMI Walk 15	-	117	(117)	121,629	17,027	104,602
NAMI Walk 16	124,533	10,155	114,378	2,315	-	2,315
NAMI Walk 17	500	103	397	-	-	-
	<u>\$ 203,580</u>	<u>\$ 30,947</u>	<u>\$ 114,658</u>	<u>\$ 196,573</u>	<u>\$ 38,929</u>	<u>\$ 157,644</u>

11. Donated Services

The Organization has recognized \$ 13,734 and \$17,508 in contributed services for the years ended December 31, 2016 and 2015. In addition \$118,225 of contributed services have not met the requirements for recognition under Generally Accepted Accounting Principles and therefore, have not been recognized in each year.

12. Extraordinary Event

During the year ended December 31, 2015 NAMI experienced an office fire. All costs associated with the fire damage were reimbursed by the insurance company.

13. No Subsequent Events

The organization's management evaluated the period from December 31, 2016 to July 31, 2017 for items requiring recognition or disclosure in the financial statements. There were no events occurring during the evaluation period that require disclosure, and there were no events that require recognition in the financial statements.