

**NAMI MERCER NJ, INC.**  
Financial Statements  
and  
Independent Auditors' Report  
*Years Ended December 31, 2018 and 2017*

**NAMI MERCER NJ, INC.**  
*Years Ended December 31, 2018 and 2017*

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Albert V. Silvestri, CPA/PFS  
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To the Board of Directors of  
NAMI Mercer NJ, Inc.  
Hamilton, New Jersey

## INDEPENDENT AUDITORS' REPORT

### **Report on the Financial Statements**

We have audited the accompanying financial statements of NAMI Mercer NJ, Inc. (a nonprofit organization), which comprise the statements of assets, liabilities and net assets - cash basis as of December 31, 2018 and 2017, and the related statements of revenues and expenses and changes in net assets - cash basis and statements of functional expenses – cash basis 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 the cash basis of accounting described in Note 2; this includes determining that the 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.

### **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 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.

To the Board of Directors of  
NAMI Mercer NJ, Inc.  
Hamilton, New Jersey

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 assets, liabilities and net assets of NAMI Mercer NJ, Inc. as of December 31, 2018 and 2017, and its revenue and expenses and changes in net assets for the year then ended, in accordance with the cash basis of accounting as described in Note 2.

### **Basis of Accounting**

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

### **Emphasis of Matter**

As discussed in the notes to the financial statements, the NAMI Mercer NJ, Inc. adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to these matters.

*HAMILTON FINANCIAL GROUP, LLC*

Mercerville, New Jersey  
June 3, 2019

**NAMI MERCER NJ, INC.**  
**Statements of Assets, Liabilities and Net Assets - Cash Basis**  
*December 31, 2018 and 2017*

<u>Assets</u>	<u>2018</u>	<u>2017</u>
<b>Current assets:</b>		
Cash and cash equivalents	\$ 170,575	\$ 211,542
Total current assets	170,575	211,542
<b>Investments</b>	137,447	134,861
<b>Property and Equipment, net</b>	41,495	30,925
<b>Security Deposit</b>	<u>2,718</u>	<u>2,718</u>
Total assets	<u>\$ 352,235</u>	<u>\$ 380,046</u>
<b>Net assets:</b>		
Net assets without donor restrictions	352,235	378,000
Net assets with donor restrictions	<u>-</u>	<u>2,046</u>
Total net assets	<u>\$ 352,235</u>	<u>\$ 380,046</u>

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

**NAMI MERCER NJ, INC.**  
**Statements of Revenues and Expenses**  
**and Changes in Net Assets – Cash Basis**  
**Years Ended December 31, 2018 and 2017**

	2018		2017		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Support and revenues:</b>					
Fundraising events	\$ 252,004	\$ -	\$ 204,112	\$ -	\$ 204,112
Contributions	140,343	-	186,279	-	186,279
Investment income	(7,630)	-	18,010	-	18,010
Grants	10,392	-	10,394	-	10,394
Memberships	10,105	-	9,128	-	9,128
Noncash contributions	14,365	-	21,598	-	21,598
Subtotal	419,579	-	449,521	-	449,521
Net assets released due to satisfaction of time or purpose restrictions	2,046	(2,046)	2,954	(2,954)	-
Total support and revenue	421,625	(2,046)	452,475	(2,954)	449,521
<b>Expenses:</b>					
Program	303,022	-	295,717	-	295,717
General and administrative	47,010	-	48,272	-	48,272
Fundraising	97,358	-	95,666	-	95,666
Total expenses	447,390	-	439,655	-	439,655
<b>Change in net assets</b>	(25,765)	(2,046)	12,820	(2,954)	9,866
Net assets, beginning of year	378,000	2,046	365,180	5,000	370,180
<b>Net assets, end of year</b>	<u>\$ 352,235</u>	<u>\$ -</u>	<u>\$ 378,000</u>	<u>\$ 2,046</u>	<u>\$ 380,046</u>

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

**NAMI MERCER NJ, INC.**  
**Statements of Functional Expenses – Cash Basis**  
**Years Ended December 31, 2018 and 2017**

	2018			2017				
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries and benefits	\$ 145,193	\$ 28,651	\$ 51,972	\$ 225,816	\$ 140,141	\$ 27,562	\$ 49,009	\$ 216,712
Rent	46,197	6,930	4,620	57,747	36,398	5,990	3,686	46,074
Membership dues	12,215	979	9,182	22,376	15,014	795	12,035	27,844
Computer supplies and website	15,002	2,250	1,500	18,752	18,115	2,981	1,834	22,930
Food and beverages	3,255	-	12,270	15,525	2,788	-	9,478	12,266
In kind services	13,175	354	836	14,365	19,344	630	1,624	21,598
Insurance	10,498	1,575	1,050	13,123	10,340	1,702	1,047	13,089
Copier lease and service agreements	7,856	1,117	799	9,772	5,625	452	1,478	7,555
Client activities	8,234	-	-	8,234	7,316	-	-	7,316
Repairs and maintenance	6,535	980	654	8,169	289	48	29	366
Office supplies	4,400	480	1,813	6,693	2,682	180	4,896	7,758
Staff and volunteer development	4,894	734	489	6,117	3,914	644	396	4,954
Public outreach	5,570	-	-	5,570	5,095	-	-	5,095
Equipment rental	2,210	-	2,514	4,724	1,244	-	1,548	2,792
Supplies	2,971	-	1,623	4,594	2,337	-	703	3,040
Utilities	3,634	545	363	4,542	4,599	-	466	5,822
Venue costs	735	-	3,698	4,433	700	757	2,820	3,520
Professional fees	4,183	147	98	4,428	8,245	687	423	9,355
Depreciation	2,926	439	293	3,658	811	133	82	1,026
Board development	-	1,632	-	1,632	-	4,147	-	4,147
Postage	1,296	159	106	1,561	1,107	158	97	1,362
Promotional items	574	-	862	1,436	955	-	1,432	2,387
Bank fees	-	-	1,282	1,282	-	-	799	799
Entertainment	-	-	1,170	1,170	-	-	810	850
Hospitality	1,145	-	-	1,145	-	-	-	-
Licenses and permits	324	38	164	526	-	-	-	180
Moving costs	-	-	-	-	7,076	1,164	717	8,957
Loss on disposal of assets	-	-	-	-	1,470	242	149	1,861
<b>Total Expenses</b>	<b>\$ 303,022</b>	<b>\$ 47,010</b>	<b>\$ 97,358</b>	<b>\$ 447,390</b>	<b>\$ 295,717</b>	<b>\$ 48,272</b>	<b>\$ 95,666</b>	<b>\$ 439,655</b>

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

**NAMI MERCER NJ, INC.**  
Notes of Financial Statements  
*Years Ended December 31, 2018 and 2017*

**1. Nature of Organization**

NAMI Mercer NJ, Inc. (the “Organization”) was incorporated in the state of New Jersey as a not-for-profit organization in 1984. NAMI Mercer NJ, Inc. is a robust local affiliate of the National Alliance on Mental Illness, the nation’s largest grassroots mental health organization. NAMI Mercer NJ, Inc. listens, leads, educates, and advocates, empowering families and individuals affected by mental illness to build better lives, free of stigma and discrimination. NAMI Mercer NJ, Inc. relies on the talents and dedication of a small paid staff and large team of volunteers to fulfill its mission.

**2. Summary of Significant Accounting Policies**

Basis of accounting:

The Organization utilizes the cash basis of accounting. Accordingly, revenues are recognized when they are received, and expenses are recognized when they are paid. The cash basis of accounting differs from generally accepted accounting principles primarily because certain revenues are recognized when received rather than when earned and certain expenses are recognized when paid rather than when the obligation is incurred.

Basis of presentation:

The Organization classifies resources for accounting and reporting purposes based on the existence or absence of donor-imposed restrictions. This is accomplished by classification of fund balances into two classes of net assets: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories and the types of transactions affecting each category are as follows:

Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions.

With Donor Restrictions – Net assets that are subject to donor-imposed restrictions that will be met either by the passage of time or by fulfillment by the action of the Organization.

Revenues are reported as increases in net assets without donor restriction unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restriction. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on the net assets are reported as reclassifications between the applicable classes of net assets. The Organization adopted a policy to classify donor restricted contributions as contributions without donor restrictions to the extent that donor restrictions were met in the year the contribution was received.



**NAMI MERCER NJ, INC.**  
Notes of Financial Statements  
*Years Ended December 31, 2018 and 2017*

**2. Summary of Significant Accounting Policies (continued)**

Income taxes:

The Organization is a tax-exempt organization under Section 501 (c) (3) of the Internal Revenue Code. Accordingly, no provision for federal or state income taxes has been recorded in the financial statements.

Accounting principles prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. It requires that computations of current and deferred income taxes only consider tax positions that are more than likely than not to be sustained if the tax authorities examine a position. The Organization evaluates statutes of limitations, changes in tax law and new authoritative rulings and accrues for liabilities if applicable. The Organization's analysis found no uncertain tax positions.

Federal and state tax returns are subject to examination by the taxing authorities generally for a period of three years after they are filed. Any penalties and interest assessed by taxing authorities are included in operating expenses. No penalties or interest have been recorded for the years ended December 31, 2018 and 2017.

Property and equipment:

Property and equipment are recorded at cost. Depreciation is provided over the estimated useful lives of the assets of 7-39 years utilizing the straight-line method. At the time of retirement or other disposition of assets, the cost and accumulated depreciation are removed from the accounts and any gains or losses are reflected in revenues or expenses. Expenditures for maintenance, repairs and renewals of a minor nature are charged against operations when paid.

Cash and cash equivalents:

The Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Subsequent events:

The Organization has evaluated subsequent events through June 3, 2019, the date the financial statements were available to be issued.

Estimates:

The preparation of financial statements in conformity with the cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**NAMI MERCER NJ, INC.**  
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*Years Ended December 31, 2018 and 2017*

**2. Summary of Significant Accounting Policies (continued)**

Concentrations of credit risk:

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of temporary cash investments. The Organization places its temporary cash investments with financial institutions and limits the amount of credit exposure to any one financial institution. Accounts at each institution are insured by the Federal Deposit Insurance Corporation. Deposits did not exceed insured limits.

Investments:

The Organization carries investments in marketable securities with readily determinable values and all investments in debt securities at fair value.

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants on the measurement date. In accordance with FASB ASC 820-10-50, Fair Value Measurements establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities that are traded in an active exchange market, as well as U.S. Treasury securities.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data. Level 2 assets and liabilities include debt securities with quoted market prices that are traded less frequently than exchange-traded instruments. This category generally includes certain U.S. Government and agency mortgage-backed debt securities, corporate-debt securities and alternative investments.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the asset or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. This category generally includes certain private debt and equity instruments and alternative investments.

**NAMI MERCER NJ, INC.**  
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**2. Summary of Significant Accounting Policies (continued)**

Investments: (continued)

Fair value estimates are made at a specific point in time, based on available market information and judgments about the financial asset, including estimates of timing, amount of expected future cash flows and the credit standing of the issuer. In some cases, the fair value estimates cannot be substantiated by comparison to independent markets. In addition, the disclosed fair value may not be realized in the immediate settlement of the financial asset. In addition, the disclosed fair values do not reflect any premium or discount that could result from offering for sale at one time an entire holding of a particular financial asset. Potential taxes and other expenses that would be incurred in an actual sale or settlement are not reflected in amounts disclosed.

Fair value of financial instruments:

The Organization has a number of financial instruments, none of which are held for trading purposes. The Organization estimates that the fair value of all financial instruments at December 31, 2018 does not differ materially from the aggregate carrying value of its financial instruments recorded in the accompanying statement of financial position. The estimated fair value amounts have been determined by the Organization using available market information and appropriate valuation methodologies. Considerable judgment is necessarily required in interpreting market data to develop the estimates of fair value, and, accordingly, the estimates are not necessarily indicative of the amounts that the Organization could realize in a current market exchange.

Advertising:

The Organization expenses advertising costs when paid. For the years ended December 31, 2018 and 2017 advertising expense was \$0.

Reclassification:

Certain items relating to the year ended December 31, 2017 have been reclassified to conform with the current year's presentation.

Recent accounting pronouncement

The Organization adopted ASU No. 2016-14 – *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, effective January 1, 2018. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. The changes focus on reclassifying the previous unrestricted net assets, temporarily restricted net assets and permanently restricted net assets into two categories, with donor restrictions and without donor restrictions. There was no significant change due to the implementation of this new guidance.

**NAMI MERCER NJ, INC.**  
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**2. Summary of Significant Accounting Policies (continued)**

Recent accounting pronouncement: (continued)

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include computer supplies, depreciation, insurance, rent, repairs and maintenance, and utilities which are allocated on a square-footage basis, as well as salaries and benefits, which are allocated on the basis of estimates of time and effort.

**3. Cash and Cash Equivalents**

Cash and cash equivalents at December 31, consisted of the following:

	<u>2018</u>	<u>2017</u>
Cash and money funds	\$ 96,450	\$ 137,603
Certificates of deposit	<u>74,125</u>	<u>73,939</u>
Total	<u>\$ 170,575</u>	<u>\$ 211,542</u>

**4. Investments**

Investments are held in pooled funds invested with Princeton Area Community Foundation (PACF). As a participant in the pooled funds, the Organization's ownership interest is based on an allocation of the fair value of the Organization's units to the total fair value of the total investment pool. The pool is revalued periodically, and income, gains and losses are allocated to the participants based on their units. All investments are measured at fair value in the statement of financial position. The change in fair value is included in investment income as unrestricted net assets.

The following is a description of the valuation methodologies used for assets measured at fair value, on a recurring basis. There has been no change to the methodologies used at December 31, 2018 and 2017.

Pooled investments are valued using a level 2 standard at the net asset value (NAV) of the units of the total pooled amounts. The NAV, as provided by PACF is used as the practical expedient to estimate fair value. The NAV is based on the fair value of the underlying investments held by the pool less its liabilities. The practical expedient is not used when it is probable that the fund will sell the investments for an amount different than the reported NAV. Participant transactions may occur daily. Were the pooled investments to initiate a full redemption of the investment, the investment advisor reserves the right to temporarily delay withdrawal from the investment in order to ensure that securities liquidation will be carried out in an orderly manner.

**NAMI MERCER NJ, INC.**  
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**4. Investments (continued)**

Investment activities for the years ended December 31, 2018 and 2017 consisted of the follows:

	<u>2018</u>	<u>2017</u>
Investments, beginning of year	\$ 134,861	\$ 115,386
Contributions	10,460	1,622
Dividends and interest reinvested	2,448	2,426
Investment fees	(1,027)	(850)
Unrealized/realized losses	<u>(9,295)</u>	<u>16,277</u>
Investment, end of year	<u>\$ 137,447</u>	<u>\$ 134,861</u>

**5. Property and Equipment**

Property and equipment for the years ended December 31, 2018 and 2017 consisted of the following:

	<u>Useful Lives</u>	<u>2018</u>	<u>2017</u>
Furniture	7 - 10	34,384	32,938
Leasehold improvements	39	<u>50,807</u>	<u>38,026</u>
		85,191	70,964
Less: Accumulated depreciation		<u>(43,696)</u>	<u>(40,039)</u>
		<u>\$ 41,495</u>	<u>\$ 30,925</u>

Depreciation expense for the years ended December 31, 2018 and 2017 was \$3,658 and \$1,026, respectively.

**6. Net Assets with Donor Restrictions**

Net assets with donor restrictions at December 31, 2018 and 2017 consisted of the following:

	<u>2018</u>	<u>2017</u>
Contribution related to website	<u>\$ -</u>	<u>\$ 2,046</u>

**NAMI MERCER NJ, INC.**  
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**7. Lease Commitments**

The Organization 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 was scheduled to expire October 31, 2018. Monthly rent was \$3,667. During the year ended December 31, 2017, NAMI Mercer NJ, Inc. was offered and accepted an incentive from its landlord to terminate the lease early.

The Organization entered into a new lease agreement effective July 26, 2017 and expiring July 25, 2024 for office space. Monthly rent is \$2,718, with an increase every 12 months.

The Organization also leases various equipment. The leases began July 2015 and expire through June 2020. The monthly payments total \$549.

Future minimum lease payments are as follows:

2019	\$	38,857
2020		37,746
2021		36,634
2022		37,808
2023		38,983
Thereafter		<u>23,140</u>
	\$	<u>213,168</u>

**8. Donated Services**

The Organization has recognized \$14,365 and \$21,598 in contributed services for the years ended December 31, 2018 and 2017. In addition, more than \$120,000 of contributed services have not met the requirements for recognition under generally accepted accounting principles and therefore, have not been recognized in each year.

**9. Financial Assets and Liquidity**

As part of the Organization's liquidity management plan, cash in excess of daily requirements are invested in short-term investments and or money market funds.

The following reflects the Organization's financial assets as of December 31, 2018 and 2017, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date.

**NAMI MERCER NJ, INC.**  
Notes of Financial Statements  
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**9. Financial Assets and Liquidity (continued)**

Those assets consisted of the following:

	2018	2017
Cash and cash equivalent	\$ 170,575	\$ 211,542
Investments	<u>137,447</u>	<u>134,861</u>
Total financial assets available within one year	<u>\$ 308,022</u>	<u>\$ 346,403</u>