

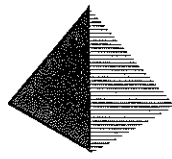
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NAMI MERCER NJ, INC.
Financial Statements
and
Independent Auditors' Report
Years Ended December 31, 2017 and 2016

NAMI MERCER NJ, INC.
Years Ended December 31, 2017 and 2016

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Statements of Assets, Liabilities and Net Assets – Cash Basis	3
Statements of Revenues and Expenses and Changes in Net Assets – Cash Basis	4
Statements of Functional Expenses – Cash Basis	5
Notes to Financial Statements	6 - 12



HAMILTON

FINANCIAL GROUP, LLC

Civale, Silvestri, Alfieri, Martin & Higgins, LLC
Certified Public Accountants

Raymond James Financial Services
Member FINRA / SIPC

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, 2017 and 2016, 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.

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The Hamilton Financial Group, LLC Civale, Silvestri, Alfieri, Martin & Higgins, LLC and Raymond James Financial Services are independent entities. Accounting and tax services are offered through Civale, Silvestri, Alfieri, Martin & Higgins, LLC. Securities offered through Raymond James Financial Services, Inc. Member FINRA/SIPC.

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 2017 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, 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.

Prior Period Financial Statements

The financial statements as of, and for the year ended, December 31, 2016 were audited by Lewis W. Parker, III CPA who was acquired by Hamilton Financial Group, LLC as of October 23, 2017, and whose report dated October 19, 2016, expressed an unmodified opinion on those statements.

HAMILTON FINANCIAL GROUP, LLC

August 1, 2018
Mercerville, New Jersey

NAMI MERCER NJ, INC.
 Statements of Assets, Liabilities and Net Assets - Cash Basis
December 31, 2017 and 2016

<u>Assets</u>	<u>2017</u>	<u>2016</u>
Current assets:		
Cash and cash equivalents	\$ 211,542	\$ 243,247
Total current assets	211,542	243,247
Investments	134,861	115,386
Property and Equipment, net	30,925	11,547
Security Deposit	2,718	-
Total assets	\$ 380,046	\$ 370,180
Net assets:		
Unrestricted	378,000	365,180
Temporarily restricted	2,046	5,000
Total net assets	\$ 380,046	\$ 370,180

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, 2017 and 2016

	2017		2016			
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and revenues:						
Fundraising events	\$ 204,112	-	\$ 204,112	\$ 203,580	-	\$ 203,580
Contributions	186,279	-	186,279	109,302	5,000	114,302
Investment income	18,010	-	18,010	9,504	-	9,504
Grants	10,394	-	10,394	10,400	-	10,400
Memberships	9,128	-	9,128	8,217	-	8,217
Noncash contributions	21,598	-	21,598	13,734	-	13,734
Subtotal	449,521	-	449,521	354,737	5,000	359,737
Net assets released due to satisfaction of time or purpose restrictions	2,954	(2,954)	-	-	-	-
Total support and revenue	452,475	(2,954)	449,521	354,737	5,000	359,737
Expenses:						
Program	268,235	-	268,235	253,496	-	253,496
General and administrative	59,114	-	59,114	47,072	-	47,072
Fundraising	112,306	-	112,306	82,923	-	82,923
Total expenses	439,655	-	439,655	383,491	-	383,491
Change in net assets	12,820	(2,954)	9,866	(28,754)	5,000	(23,754)
Net assets, beginning of year	365,180	5,000	370,180	393,934	-	393,934
Net assets, end of year	\$ 378,000	\$ 2,046	\$ 380,046	\$ 365,180	\$ 5,000	\$ 370,180

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, 2017 and 2016

	2017			2016				
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries	\$ 115,379	\$ 30,021	\$ 49,994	\$ 195,394	\$ 107,307	\$ 25,455	\$ 37,582	\$ 170,344
Payroll Taxes	8,996	2,341	3,898	15,235	10,087	2,393	3,532	16,012
Total salaries and taxes	124,375	32,362	53,892	210,629	117,394	27,848	41,114	186,356
Rent	36,398	3,686	5,990	46,074	38,058	3,865	5,061	46,984
Fundraising	-	-	44,180	44,180	-	-	30,948	30,948
Program expenses	29,322	-	-	29,322	35,824	-	-	35,824
Computer supplies and website	18,115	1,834	2,981	22,930	11,407	633	198	12,238
In kind services	21,598	-	-	21,598	13,734	-	-	13,734
Insurance	15,146	1,534	2,492	19,172	12,348	1,618	2,074	16,040
Moving costs	-	8,957	-	8,957	-	-	-	-
Membership dues	6,449	-	-	6,449	984	-	-	984
Lease expense	4,468	452	736	5,656	4,644	472	618	5,734
Professional fees	-	5,284	-	5,284	-	5,236	-	5,236
Utilities	3,153	319	519	3,991	3,580	364	476	4,420
Staff and volunteer development	2,962	300	487	3,749	1,691	364	546	2,601
Office supplies	3,018	300	487	3,805	7,485	761	996	9,242
Board development	-	2,590	-	2,590	-	994	-	994
Loss on Disposal of Assets	1,470	149	242	1,861	-	-	-	-
Postage	961	97	159	1,217	1,378	140	183	1,701
Depreciation	800	85	141	1,026	406	102	102	610
Bank fees	-	799	-	799	-	716	-	716
Licenses and permits	-	366	-	366	537	54	71	662
Repairs and maintenance	-	-	-	-	4,026	3,905	536	8,467
Total Expenses	\$ 268,235	\$ 59,114	\$ 112,306	\$ 439,655	\$ 253,496	\$ 47,072	\$ 82,923	\$ 383,491

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

NAMI MERCER NJ, INC.
Notes to Financial Statements
Years Ended December 31, 2017 and 2016

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 into one of three net asset categories: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. For the years ended December 31, 2017 and 2016, the Organization had transactions in two of the three net asset categories; the unrestricted net asset category which represents net assets that are not subject to donor imposed restrictions and the temporarily restricted asset category which represents net assets that are subject to donor-imposed restrictions that will be met by the passage of time or by some action of the organization.

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.

NAMI MERCER NJ, INC.
Notes to Financial Statements
Years Ended December 31, 2017 and 2016

2. Summary of significant accounting policies (continued)

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, 2017 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, 2017 and 2016 advertising expense was \$0.

3. Cash and cash equivalents

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

	<u>2017</u>	<u>2016</u>
Cash and money funds	\$ 137,603	\$ 85,924
Certificates of deposit	<u>73,939</u>	<u>157,323</u>
Total	<u>\$ 211,542</u>	<u>\$ 243,247</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, 2017 and 2016.

NAMI MERCER NJ, INC.
Notes to Financial Statements
Years Ended December 31, 2017 and 2016

2. Summary of significant accounting policies (continued)

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.

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.

NAMI MERCER NJ, INC.
Notes to Financial Statements
Years Ended December 31, 2017 and 2016

2. Summary of significant accounting policies (continued)

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, 2017 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, 2017 and 2016 advertising expenses was \$0.

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

	<u>2017</u>	<u>2016</u>
Cash and money funds	\$ 137,603	\$ 85,924
Certificates of deposit	<u>73,939</u>	<u>157,323</u>
Total	<u>\$ 211,542</u>	<u>\$ 243,247</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, 2017 and 2016.

NAMI MERCER NJ, INC.
Notes to Financial Statements
Years Ended December 31, 2017 and 2016

4. Investments (continued)

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.

Investment activities for the year ended December 31, 2017 are summarized as follows:

		<u>NAMI Fund</u>
Investments, beginning of year	\$	115,386
Contributions		1,622
Dividends and interest reinvested		2,426
Investment fees		(850)
Unrealized/realized losses		<u>16,277</u>
Investments, end of year	\$	<u><u>134,861</u></u>

Investment activities for the year ended December 31, 2016 are summarized as follows:

		<u>NAMI Fund</u>
Investments, beginning of year	\$	93,431
Contributions		12,600
Dividends and interest reinvested		1,019
Investment fees		(640)
Unrealized/realized losses		<u>8,976</u>
Investments, end of year	\$	<u><u>115,386</u></u>

NAMI MERCER NJ, INC.
Notes to Financial Statements
Years Ended December 31, 2017 and 2016

5. Property and Equipment

At December 31, 2017 and 2016 property and equipment consist of the following:

	Useful Lives	2017	2016
Furniture	7 - 10	32,938	32,938
Phone system	7	-	9,137
Leasehold improvements	39	38,026	18,297
		70,964	60,372
Less: Accumulated depreciation		(40,039)	(48,825)
		\$ 30,925	\$ 11,547

Depreciation expense for the years ended December 31, 2017 and 2016 was \$1,026 and \$610, respectively.

6. Temporarily Restricted Net Assets

Temporarily restricted net assets consisted of the following at December 31:

	2017	2016
Contribution related to website	\$ 2,046	\$ 5,000

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.

NAMI MERCER NJ, INC.
Notes to Financial Statements
Years Ended December 31, 2017 and 2016

7. Lease Commitments (continued)

Future minimum lease payments are as follows:

2018	\$	37,693
2019		38,857
2020		37,746
2021		36,634
2022		37,808
Thereafter		<u>62,123</u>
	\$	<u>250,681</u>

8. Donated Services

The Organization has recognized \$21,598 and \$13,734 in contributed services for the years ended December 31, 2017 and 2016. 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.