

**NAMI**

Financial Statements  
and Independent Auditors' Report

December 31, 2011 and 2010

**NAMI**

Financial Statements  
December 31, 2011 and 2010

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of NAMI

We have audited the accompanying statements of financial position of NAMI as of December 31, 2011 and 2010, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of NAMI's management. 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NAMI at December 31, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Rogers + Company PLLC". The signature is written in a cursive, flowing style.

Vienna, Virginia  
February 23, 2012

## NAMI

### Statements of Financial Position December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 2,465,158	\$ 2,085,871
Accounts receivable	1,139,953	1,104,011
Inventory	57,549	92,260
Investments	5,316,792	5,466,706
Prepaid expenses	276,144	253,454
Property and equipment, net	936,992	855,744
Deposits	46,900	46,900
	<u>                    </u>	<u>                    </u>
Total assets	<u>\$ 10,239,488</u>	<u>\$ 9,904,946</u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 1,089,901	\$ 972,176
Deferred revenue	135,978	256,381
Deferred rent and lease incentive	767,396	776,615
Charitable gift annuities	265,903	261,071
	<u>                    </u>	<u>                    </u>
Total liabilities	<u>2,259,178</u>	<u>2,266,243</u>
<b>Net Assets</b>		
Unrestricted	4,629,555	4,440,434
Temporarily restricted	2,805,992	2,658,106
Permanently restricted	544,763	540,163
	<u>                    </u>	<u>                    </u>
Total net assets	<u>7,980,310</u>	<u>7,638,703</u>
Total liabilities and net assets	<u>\$ 10,239,488</u>	<u>\$ 9,904,946</u>

See accompanying notes.

## NAMI

### Statement of Activities For the Year Ended December 31, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenue and Support</b>				
Contributions	\$ 3,838,557	\$ 3,851,909	\$ 4,600	\$ 7,695,066
Walks	875,983	-	-	875,983
Federal grants and contracts	767,505	-	-	767,505
Registrations	425,745	-	-	425,745
Dues	309,906	-	-	309,906
Investment income	196,132	-	-	196,132
Sales	163,344	-	-	163,344
Other revenue	37,606	-	-	37,606
Net assets released from restrictions:				
Satisfaction of program restrictions	1,884,023	(1,884,023)	-	-
Satisfaction of time restrictions	1,820,000	(1,820,000)	-	-
<b>Total revenue and support</b>	<b>10,318,801</b>	<b>147,886</b>	<b>4,600</b>	<b>10,471,287</b>
<b>Expenses</b>				
Program services:				
Program and membership support	4,845,915	-	-	4,845,915
Education services	1,297,357	-	-	1,297,357
Advocacy	1,698,255	-	-	1,698,255
<b>Total program services</b>	<b>7,841,527</b>	<b>-</b>	<b>-</b>	<b>7,841,527</b>
Supporting services:				
Administration	1,096,874	-	-	1,096,874
Development	1,191,279	-	-	1,191,279
<b>Total supporting services</b>	<b>2,288,153</b>	<b>-</b>	<b>-</b>	<b>2,288,153</b>
<b>Total expenses</b>	<b>10,129,680</b>	<b>-</b>	<b>-</b>	<b>10,129,680</b>
<b>Change in Net Assets</b>	<b>189,121</b>	<b>147,886</b>	<b>4,600</b>	<b>341,607</b>
<b>Net Assets, beginning of year</b>	<b>4,440,434</b>	<b>2,658,106</b>	<b>540,163</b>	<b>7,638,703</b>
<b>Net Assets, end of year</b>	<b>\$ 4,629,555</b>	<b>\$ 2,805,992</b>	<b>\$ 544,763</b>	<b>\$ 7,980,310</b>

## NAMI

### Statement of Activities For the Year Ended December 31, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenue and Support</b>				
Contributions	\$ 2,972,228	\$ 3,753,672	\$ 4,250	\$ 6,730,150
Federal grants and contracts	867,022	-	-	867,022
Walks	716,030	-	-	716,030
Dues	329,103	-	-	329,103
Investment income	315,681	-	-	315,681
Registrations	306,488	-	-	306,488
Sales	227,243	-	-	227,243
Other revenue	44,006	-	-	44,006
Net assets released from restrictions:				
Satisfaction of program restrictions	2,989,409	(2,989,409)	-	-
Satisfaction of time restrictions	2,260,000	(2,260,000)	-	-
<b>Total revenue and support</b>	<b>11,027,210</b>	<b>(1,495,737)</b>	<b>4,250</b>	<b>9,535,723</b>
<b>Expenses</b>				
Program services:				
Program and membership support	4,873,701	-	-	4,873,701
Education services	1,845,101	-	-	1,845,101
Advocacy	1,691,204	-	-	1,691,204
<b>Total program services</b>	<b>8,410,006</b>	<b>-</b>	<b>-</b>	<b>8,410,006</b>
Supporting services:				
Administration	1,227,404	-	-	1,227,404
Development	1,276,053	-	-	1,276,053
<b>Total supporting services</b>	<b>2,503,457</b>	<b>-</b>	<b>-</b>	<b>2,503,457</b>
<b>Total expenses</b>	<b>10,913,463</b>	<b>-</b>	<b>-</b>	<b>10,913,463</b>
<b>Change in Net Assets</b>	<b>113,747</b>	<b>(1,495,737)</b>	<b>4,250</b>	<b>(1,377,740)</b>
<b>Net Assets, beginning of year</b>	<b>4,326,687</b>	<b>4,153,843</b>	<b>535,913</b>	<b>9,016,443</b>
<b>Net Assets, end of year</b>	<b>\$ 4,440,434</b>	<b>\$ 2,658,106</b>	<b>\$ 540,163</b>	<b>\$ 7,638,703</b>

See accompanying notes.

**NAMI**

Statement of Functional Expenses  
For the Year Ended December 31, 2011

	Program Services			Total Program Services	Supporting Services		Total Supporting Services	Total
	Program and Membership Support	Education Services	Advocacy		Administration	Development		
Personnel costs	\$ 2,700,013	\$ 825,957	\$ 1,196,414	\$ 4,722,384	\$ 989,829	\$ 617,243	\$ 1,607,072	\$ 6,329,456
Occupancy	14,337	-	-	14,337	700,240	25	700,265	714,602
Printing and copying	292,859	41,627	60,420	394,906	(25,634)	138,475	112,841	507,747
Travel	254,536	99,150	36,163	389,849	3,525	49,385	52,910	442,759
Postage and shipping	178,039	18,831	30,522	227,392	8,828	106,728	115,556	342,948
Meetings	218,200	76,651	19,855	314,706	2,309	16,340	18,649	333,355
Subcontractors	168,376	18,963	61,447	248,786	23,124	44,570	67,694	316,480
Computer costs	314,801	74,243	106,525	495,569	(329,982)	66,686	(263,296)	232,273
Depreciation and amortization	-	-	-	-	178,700	-	178,700	178,700
Office supplies	98,062	6,516	2,860	107,438	11,546	14,491	26,037	133,475
Telephone	52,395	13,737	16,352	82,484	36,618	7,992	44,610	127,094
Taxes and fees	15,482	25	-	15,507	94,644	494	95,138	110,645
Professional fees	12,848	12,000	-	24,848	72,919	-	72,919	97,767
Grants and scholarships	57,583	5,000	7,000	69,583	-	-	-	69,583
Dues and subscriptions	17,091	175	14,676	31,942	6,968	22,961	29,929	61,871
Equipment and maintenance	800	-	-	800	49,857	345	50,202	51,002
Temporary labor	17,677	-	-	17,677	-	-	-	17,677
Miscellaneous and allocation	432,816	104,482	146,021	683,319	(726,617)	105,544	(621,073)	62,246
<b>Total Expenses</b>	<b>\$ 4,845,915</b>	<b>\$ 1,297,357</b>	<b>\$ 1,698,255</b>	<b>\$ 7,841,527</b>	<b>\$ 1,096,874</b>	<b>\$ 1,191,279</b>	<b>\$ 2,288,153</b>	<b>\$ 10,129,680</b>

See accompanying notes.

**NAMI**

Statement of Functional Expenses  
For the Year Ended December 31, 2010

	Program Services			Total Program Services	Supporting Services		Total Supporting Services	Total
	Program and Membership Support	Education Services	Advocacy		Administration	Development		
Personnel costs	\$ 2,702,769	\$ 1,002,204	\$ 1,109,677	\$ 4,814,650	\$ 758,169	\$ 593,844	\$ 1,352,013	\$ 6,166,663
Occupancy	17,884	166	-	18,050	637,245	-	637,245	655,295
Subcontractors	312,956	97,234	168,546	578,736	36,238	29,251	65,489	644,225
Travel	302,971	148,332	101,997	553,300	2,302	35,311	37,613	590,913
Printing and copying	184,209	96,593	46,853	327,655	(24,414)	282,335	257,921	585,576
Meetings	234,420	89,298	49,293	373,011	389	4,794	5,183	378,194
Grants and scholarships	197,237	137,500	1,810	336,547	-	-	-	336,547
Postage and shipping	111,700	33,079	18,504	163,283	10,470	158,122	168,592	331,875
Computer costs	103,404	2,050	3,612	109,066	195,599	9,536	205,135	314,201
Depreciation and amortization	-	-	-	-	190,357	-	190,357	190,357
Office supplies	96,872	21,692	6,056	124,620	18,048	5,470	23,518	148,138
Telephone	61,848	28,077	16,149	106,074	34,719	7,078	41,797	147,871
Taxes and fees	29,694	1	-	29,695	97,130	8	97,138	126,833
Professional fees	25,994	16,940	1,300	44,234	60,447	-	60,447	104,681
Dues and subscriptions	19,780	3,444	13,309	36,533	1,580	34,525	36,105	72,638
Equipment and maintenance	-	-	-	-	46,641	129	46,770	46,770
Temporary labor	16,802	-	-	16,802	-	760	760	17,562
Miscellaneous and allocation	455,161	168,491	154,098	777,750	(837,516)	114,890	(722,626)	55,124
<b>Total Expenses</b>	<b>\$ 4,873,701</b>	<b>\$ 1,845,101</b>	<b>\$ 1,691,204</b>	<b>\$ 8,410,006</b>	<b>\$ 1,227,404</b>	<b>\$ 1,276,053</b>	<b>\$ 2,503,457</b>	<b>\$ 10,913,463</b>

See accompanying notes.



## NAMI

### Statements of Cash Flows For the Years Ended December 31, 2011 and 2010

	2011	2010
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 341,607	\$ (1,377,740)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net realized gain on investments	(32,685)	(6,819)
Unrealized gain on investments	(35,647)	(197,929)
Donated investments	(70,615)	(35,622)
Contributions restricted for long-term purposes	(4,600)	(4,250)
Change in value of charitable gift annuities	33,973	35,162
Depreciation and amortization	178,700	190,357
Change in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(35,942)	1,628,327
Inventory	34,711	11,383
Prepaid expenses	(22,690)	(7,343)
Increase (decrease) in:		
Accounts payable and accrued expenses	117,725	(190,300)
Deferred revenue	(120,403)	173,306
Deferred rent and lease incentive	(9,219)	7,834
	374,915	226,366
<b>Cash Flows from Investing Activities</b>		
Proceeds from sales of investments	996,943	2,384,878
Purchases of investments	(708,082)	(2,060,161)
Purchases of property and equipment	(259,948)	(60,837)
	28,913	263,880
<b>Cash Flows from Financing Activities</b>		
Payments on charitable gift annuity obligations	(29,141)	(29,141)
Contributions restricted for long-term purposes	4,600	4,250
	(24,541)	(24,891)
<b>Net Increase in Cash and Cash Equivalents</b>	379,287	465,355
<b>Cash and Cash Equivalents, beginning of year</b>	2,085,871	1,620,516
<b>Cash and Cash Equivalents, end of year</b>	\$ 2,465,158	\$ 2,085,871

*See accompanying notes.*

# NAMI

Notes to Financial Statements  
December 31, 2011 and 2010

## 1. Nature of Operations

NAMI is the nation's largest grassroots mental health organization, dedicated to improving the lives of people living with serious mental illness and their families. Founded in 1979, NAMI is the nation's voice on mental illness. Voting membership is given to any affiliate group of five or more individuals that supports NAMI's mission and pays annual dues of \$35 per member. The activities of NAMI are funded primarily through grants, contributions and dues.

## 2. Summary of Significant Accounting Policies

### Basis of Accounting and Presentation

The financial statements are prepared on the accrual basis of accounting following generally accepted accounting and reporting principles for not-for-profit organizations. Revenue is recognized when earned and expenses are recognized when incurred. Net assets are reported based on the presence or absence of donor-imposed restrictions in the following classes:

- *Unrestricted net assets* represent funds that are not subject to donor-imposed stipulations and are available for support NAMI's operations. Included in unrestricted net assets are Board-designated net assets, which are currently available to support NAMI's daily operations. As of December 31, 2011 and 2010, there was \$2,882,293 and \$2,806,610, respectively, in the Board-designated operating reserve.
- *Temporarily restricted net assets* represent funds subject to donor-imposed restrictions that are met either by actions of NAMI or the passage of time.
- *Permanently restricted net assets* represent funds in which the principal must be held in perpetuity, while the earnings may be available for the general operations of NAMI or the restricted purpose imposed by the donors.

### Cash and Cash Equivalents

NAMI considers all highly liquid investments, including money market funds not held for long-term investment purposes and certificates of deposits with maturities of three months or less when purchased, to be cash equivalents.

### Investments

Investments are comprised of money market funds, certificates of deposit, and mutual funds. Investments are recorded at fair value based on quoted market prices.

## NAMI

Notes to Financial Statements  
December 31, 2011 and 2010

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

#### Accounts Receivable

Accounts receivable are stated at their net realizable value. Management periodically reviews the status of all accounts receivable balances and assesses their collectability. All receivables deemed uncollectible are written off directly to bad debt expenses. No allowance for doubtful accounts is recorded at December 31, 2011 and 2010, as management believes that all amounts are fully collectible.

#### Inventory

Inventory consists of books, videotapes, brochures, and other resource materials held for resale, and is stated at the lower of cost or net realizable value. Cost is determined on the first-in, first-out basis.

#### Property and Equipment

Property and equipment valued at over \$2,000 with a useful life longer than one year are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. Leasehold improvements and assets under capital leases are amortized over the shorter of the terms of the related leases or estimated useful lives of the assets, using the straight-line method. Expenditures for major repairs and improvements are capitalized; expenditures for minor repairs and maintenance costs are expensed when incurred.

#### Capitalized Software Costs

NAMI capitalizes certain costs associated with computer software developed or obtained for internal use in accordance with the provisions of Accounting Standards Codification (ASC) 350-40, *Internal Use Software*. NAMI's policy provides for the capitalization of external direct costs of materials and services. Costs associated with preliminary project state activities, training, maintenance, and post implementation stage activities are expensed as incurred. Capitalized costs are recorded as work in progress at December 31, 2011, until it will be put in the process in mid-2012, when it will be amortized over its estimated useful life on a straight-line basis.

## NAMI

Notes to Financial Statements  
December 31, 2011 and 2010

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

#### Revenue Recognition

Contributions are reported as unrestricted support available for general operations unless specifically restricted by the donor. NAMI 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, 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 accompanying statements of activities as net assets released from restrictions.

NAMI has contracts with the federal government and pass-through agencies in exchange for services. Revenue from these contracts is recognized as direct costs are incurred on the basis of direct costs plus allowable indirect costs or based on the percentage of the task completed for fixed-fee contracts. Revenue recognized on the contracts for which billings have not been presented to the grantor or received from the grantor is reflected as accounts receivable in the accompanying statements of financial position.

NAMI also organizes affiliate walks to raise awareness of mental health issues. Walks revenue is recorded in the accompanying statements of activities based on cash received or promised from participant walk sites.

Membership dues are considered contributions and are recorded when promised or received.

Registration fees are recognized at the time the event takes place. Amounts received in advance of the event are included in deferred revenue in the accompanying statements of financial position.

Revenue from all other sources is recognized when earned.

#### Fair Value Measurements

NAMI follows ASC 820, *Fair Value Measurements and Disclosures*, for measuring financial assets and liabilities. This standard establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels. Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and liabilities and have the highest priority. Level 2 is based upon observable inputs other than quoted market prices, and level 3 is based on unobservable inputs.

## NAMI

Notes to Financial Statements  
December 31, 2011 and 2010

### **Summary of Significant Accounting Policies (continued)**

#### Fair Value Measurements (continued)

NAMI also follows ASC 825-10, *Financial Instruments*, which allows entities the irrevocable option to carry most financial assets and liabilities at fair value that are not currently required to be measured at fair value. At adoption, the effect of the first remeasurement to fair value is recorded as a cumulative effect adjustment to the opening balance of unrestricted net assets. NAMI did not elect to measure any additional eligible financial assets or financial liabilities at fair value. Accordingly, adoption of this standard had no impact on the NAMI's results of operations or financial position.

#### Functional Allocation of Expenses

The costs of NAMI's activities have been summarized on a functional basis in the accompanying statements of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

#### 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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

### **3. Concentrations of Credit Risk**

Financial instruments that potentially subject NAMI to significant concentrations of credit risk consist of cash and investments. NAMI maintains various cash deposit and transaction accounts with financial institutions, including non-interest-bearing cash accounts totaling \$2,465,158, which are fully insured, without limit, through December 31, 2012, under the new financial regulatory reform legislation.

NAMI also maintains investments with a financial institution, amounting to \$5,316,792 at December 31, 2011, all of which are within insurable limits under the Securities Investor Protection Corporation (SIPC). NAMI has not experienced any credit losses on its cash and investments to date as it relates to FDIC and SIPC insurance limits. Management periodically assesses the financial condition of these financial institutions and believes that the risk of any credit loss is minimal.

## NAMI

### Notes to Financial Statements December 31, 2011 and 2010

#### 4. Investments

Investments consist of the following as of December 31:

<u>2011</u>	<u>Cost</u>	<u>Fair Value</u>
Money market funds and cash equivalents	\$ 815,560	\$ 815,562
Mutual funds	<u>4,117,227</u>	<u>4,501,230</u>
Total investments	<u>\$ 4,932,787</u>	<u>\$ 5,316,792</u>
<u>2010</u>		
Money market funds and cash equivalents	\$ 604,721	\$ 604,721
Certificates of deposit	76,000	75,977
Mutual funds	<u>4,437,372</u>	<u>4,786,008</u>
Total investments	<u>\$ 5,118,093</u>	<u>\$ 5,466,706</u>

Investment income consists of the following for the years ended December 31:

	<u>2011</u>	<u>2010</u>
Interest and dividends	\$ 127,800	\$ 110,933
Realized gain	32,685	6,819
Unrealized gain	<u>35,647</u>	<u>197,929</u>
Total investment income	<u>\$ 196,132</u>	<u>\$ 315,681</u>

#### 5. Fair Value Measurements

Fair value of assets measured on a recurring basis is as follows at December 31, 2011:

	<u>Total fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money market funds and cash equivalents	\$ 815,562	\$ 815,562	\$ -	\$ -
Mutual funds - equity	1,122,750	1,122,750	-	-
Mutual funds - fixed income	<u>3,378,480</u>	<u>3,378,480</u>	-	-
Total investments	<u>\$ 5,316,792</u>	<u>\$ 5,316,792</u>	<u>\$ -</u>	<u>\$ -</u>

## NAMI

Notes to Financial Statements  
December 31, 2011 and 2010

### 5. Fair Value Measurements (continued)

Fair value of assets measured on a recurring basis is as follows at December 31, 2010:

	Total fair value	Level 1	Level 2	Level 3
Money market funds and cash equivalents	\$ 604,721	\$ 604,721	\$ -	\$ -
Certificates of deposit	75,977	75,977	-	-
Mutual funds - equity	1,166,807	1,166,807	-	-
Mutual funds - fixed income	3,619,201	3,619,201	-	-
	\$ 5,466,706	\$ 5,466,706	\$ -	\$ -
Total investments	\$ 5,466,706	\$ 5,466,706	\$ -	\$ -

Financial assets valued using level 1 inputs are based on unadjusted quoted market prices within active markets. There were no level 2 or 3 financial assets at December 31, 2011 and 2010.

### 6. Property and Equipment

NAMI held the following property and equipment at December 31:

	2011	2010
Furniture and equipment	\$ 960,481	\$ 980,619
Leasehold improvements	801,794	801,794
Copyright	14,000	14,000
Work-in-progress computer software	204,068	-
	1,980,343	1,796,413
Total property and equipment	1,980,343	1,796,413
Less: accumulated depreciation	(1,043,351)	(940,669)
	936,992	855,744
Property and equipment, net	\$ 936,992	\$ 855,744

Depreciation and amortization expense for the years ended December 31, 2011 and 2010 was \$178,700 and \$190,357, respectively.

## NAMI

### Notes to Financial Statements December 31, 2011 and 2010

#### 7. Annuities Payable

NAMI has received several charitable gift annuities with an approximate value of \$435,212, which are included in investments as of December 31, 2011 and 2010. In return, NAMI has agreed to pay the donors annual annuity payments of \$29,141. As of December 31, 2011 and 2010, the present value of the annuity payments, using a discount rate of 1.6% and 1.8%, respectively, is \$265,903 and \$261,071, respectively, and is recorded as charitable gift annuities in the accompanying statements of financial position.

#### 8. Commitments

NAMI leased its previous office space in Arlington, Virginia under a lease agreement that expired on January 1, 2010. In February 2009, NAMI entered into a new office lease agreement, in which the new landlord assumed responsibility for the previous lease payments from September 2009 to January 2010. The new lease commenced on September 1, 2009 and expires on January 31, 2020. Base annual rent is subject to annual rent increases of 3%. Additionally, under the terms of the lease, NAMI received a build-out allowance of \$764,294 from the landlord.

The cumulative difference between actual rent paid and rent expense is recognized as deferred rent in the accompanying statements of financial position. Rent expense was \$652,297 and \$575,935 for the years ended December 31, 2011 and 2010, respectively, and is included in occupancy expense in the accompanying statements of functional expenses.

Future minimum payments under the lease agreement are as follows for the years ending December 31:

2012	\$	603,048
2013		621,139
2014		639,774
2015		658,967
2016		678,736
Thereafter		<u>2,223,872</u>
Total future minimum payments	\$	<u><u>5,425,536</u></u>



## NAMI

Notes to Financial Statements  
December 31, 2011 and 2010

### 9. Temporarily Restricted Net Assets

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

	2011	2010
Time-restricted	\$ 1,005,000	\$ 1,125,000
In Our Own Voice	600,000	141,532
Family to family	250,000	294,151
First Episode	174,222	-
State Advocacy	150,000	-
Parents and Teachers as Allies	108,534	64,731
Peer to Peer	100,000	-
Consumer Education	100,000	290,000
Bikes/Walk Sponsor	75,000	-
Other programs	69,502	81,241
Children and Adolescent Action Center	68,726	-
NAMI Basics	50,000	115,000
Schizophrenia programs	37,496	84,443
FaithNet	12,869	14,895
Multicultural Action Center	4,643	78,400
Lincy Foundation Grants	-	104,149
ADHD	-	101,518
Depression programs	-	50,000
NAMI Beginnings	-	113,046
Total temporarily restricted net assets	<u>\$ 2,805,992</u>	<u>\$ 2,658,106</u>

### 10. Permanently Restricted Net Assets

Permanently restricted net assets of \$544,763 and \$540,163 at December 31, 2011 and 2010, respectively, consist of endowment funds required to be retained permanently either by explicit donor stipulation or by the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The investment income generated from the endowment can be used for general operations.

### 11. Endowment

NAMI's endowment has been funded by donor-restricted contributions and is used to fund the general operations of NAMI. Under accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

## NAMI

Notes to Financial Statements  
December 31, 2011 and 2010

### 11. Endowment (continued)

#### Interpretation of Relevant Law

The Board of Directors of NAMI has interpreted the Commonwealth of Virginia's Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, NAMI classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by NAMI in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, NAMI considers the following factors in making a determination to appropriate or accumulate donor-restricted funds: (1) the duration and preservation of the fund; (2) the purposes of NAMI and the donor-restricted endowment fund; (3) general economic conditions; (4) the possible effect of inflation and deflation; (5) the expected total return from income and the appreciation or depreciation of investments; (6) other resources of NAMI; and (7) the investment policies of NAMI.

#### Composition of Funds

Endowment net asset composition by type of funds were as follows as of December 31:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<u>2011</u>				
Donor-restricted funds	\$ -	\$ -	\$ 544,763	\$ 544,763
Board-designated funds	45,681	-	-	45,681
<b>Total endowment funds</b>	<b>\$ 45,681</b>	<b>\$ -</b>	<b>\$ 544,763</b>	<b>\$ 590,444</b>
<u>2010</u>				
Donor-restricted funds	\$ (103,645)	\$ -	\$ 540,163	\$ 436,518
Board-designated funds	147,617	-	-	147,617
<b>Total endowment funds</b>	<b>\$ 43,972</b>	<b>\$ -</b>	<b>\$ 540,163</b>	<b>\$ 584,135</b>

## NAMI

Notes to Financial Statements  
December 31, 2011 and 2010

### 11. Endowment (continued)

#### Changes in Endowment Net Assets

Changes in endowment net assets were as follows for the years ended December 31:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<u>2011</u>				
Donor-restricted funds, beginning of year	\$ 43,972	\$ -	\$ 540,163	\$ 584,135
Investment return:				
Investment income	-	13,893	-	13,893
Net appreciation (realized and unrealized)	1,709	-	-	1,709
Total investment return	1,709	13,893	-	15,602
Contributions	-	-	4,600	4,600
Appropriations	-	(13,893)	-	(13,893)
Donor-restricted funds, end of year	<u>\$ 45,681</u>	<u>\$ -</u>	<u>\$ 544,763</u>	<u>\$ 590,444</u>
<u>2010</u>				
Donor-restricted funds, beginning of year	\$ (142,368)	\$ -	\$ 535,913	\$ 393,545
Investment return:				
Investment income	-	12,157	-	12,157
Net appreciation (realized and unrealized)	38,723	-	-	38,723
Total investment return	38,723	12,157	-	50,880
Contributions	-	-	4,250	4,250
Appropriations	-	(12,157)	-	(12,157)
Transfers	147,617	-	-	147,617
Donor-restricted funds, end of year	<u>\$ 43,972</u>	<u>\$ -</u>	<u>\$ 540,163</u>	<u>\$ 584,135</u>

## NAMI

Notes to Financial Statements  
December 31, 2011 and 2010

### 11. Endowment (continued)

#### Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, NAMI relies on a total return strategy in which investment returns are achieved both through capital appreciation (realized and unrealized) and current yield (interest and dividends). NAMI targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

#### Return Objectives and Risk Parameters

NAMI has adopted an investment policy for endowment assets that attempts to provide a predictable stream of funding for the payment of obligations and mission-related expenses, administrative expenses and the growth of financial surplus while seeking to maintain the purchasing power of the endowment assets.

Under this policy as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the benchmark blended in correspondence with the overall asset allocation to include the S&P 500, Russell Midcap, Russell 2000, and Citigroup T-bills while assuming a moderate level of investment risk. NAMI expects its endowment funds, over time, to provide an average rate of return of approximately 7-10% annually. Actual returns in any given year may vary from this amount.

#### Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the NAMI retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature that are reported in unrestricted net assets were \$0 and \$95,739 at December 31, 2011 and 2010, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the Board of Directors. NAMI elected to transfer unrestricted funds to the endowment to cover these deficiencies and show them as board designated endowment net assets. Amounts transferred were \$0 and \$147,617 for the years ended December 31, 2011 and 2010, respectively. Once permanently restricted endowment deficiencies are covered, NAMI plans to recover board-designated funds with endowment earnings.

## NAMI

Notes to Financial Statements  
December 31, 2011 and 2010

### 12. Pension Plan

NAMI has a defined contribution pension plan covering all full-time employees that meet certain eligibility and length of service requirements. Contributions to the plan are made in amounts equal to 4.5 percent of the eligible employee's compensation. For the years ended December 31, 2011 and 2010, pension expense totaled \$210,889 and \$206,011, respectively, and is included in personnel costs in the accompanying statements of functional expenses.

### 13. Supplemental Disclosure of Cash Flow Information

Noncash investing and financing activities are as follows for the years ended December 31:

	<u>2011</u>	<u>2010</u>
<b>Noncash Investing Activities</b>		
Donated investments	<u>\$ 70,615</u>	<u>\$ 35,622</u>

### 14. Subsequent Events

NAMI follows the guidance of FASB ASC 855, *Subsequent Events*, which establishes general standards of accounting for and disclosure of events that occur after the statement of financial position date but before the financial statements are issued. FASB ASC 855 also requires disclosure of the date through which an entity has evaluated subsequent events. In preparing these financial statements, NAMI has evaluated events and transactions for potential recognition or disclosure through February 23, 2012, the date the financial statements were issued.

### 15. Income Taxes

NAMI is recognized as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (IRC), and is exempt from income taxes except for taxes on unrelated business activities. No tax expense is recorded in the accompanying financial statements for the years ended December 31, 2011 and 2010, as NAMI did not engage in any unrelated business activities. Contributions to NAMI are deductible as provided in IRC Section 170(b)(1)(A)(vi). Management evaluated NAMI's tax positions, and concluded that NAMI's financial statements do not include any uncertain tax positions.