

NAMI National

Financial Statements
and Independent Auditor's Report

December 31, 2022 and 2021

NAMI National

Financial Statements
December 31, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
NAMI National

Opinion

We have audited the accompanying financial statements of NAMI National, which comprise the statements of financial position as of December 31, 2022 and 2021; the related statements of activities, functional expenses, and cash flows for the years then ended; and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NAMI National as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of NAMI National and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 2 to the financial statements, NAMI National adopted Financial Accounting Standards Board issued Accounting Standards Update 2020-07, *Not-for-Profit Entities* (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about NAMI National's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 NAMI National's internal control. Accordingly, no such opinion is expressed.

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about NAMI National's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

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

Vienna, Virginia
April 19, 2023

NAMI National

Statements of Financial Position
December 31, 2022 and 2021

	2022	2021
Assets		
Cash and cash equivalents	\$ 16,631,176	\$ 8,216,508
Contributions receivable	706	-
Government grants receivable	6,898	16,014
Accounts receivable	362	1,009
Inventory	167,151	174,743
Investments	45,659,446	30,330,122
Certificates of deposit	4,155,451	-
Prepaid expenses	1,141,457	1,188,879
Property and equipment, net	1,885,850	2,023,968
Intangible assets, net	1,093,167	1,001,562
Operating lease right-of-use asset, net	7,035,774	7,300,034
Deposits	148,764	148,764
	\$ 77,926,202	\$ 50,401,603
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 4,558,098	\$ 2,875,146
Deferred revenue	63,750	111,563
Operating lease liability	10,714,077	11,030,758
	15,335,925	14,017,467
Net Assets		
Without donor restrictions:		
Undesignated	26,122,322	(3,865,406)
Designated by the Board for operating reserve	22,999,907	26,464,111
	49,122,229	22,598,705
With donor restrictions:		
Perpetual in nature	1,407,039	1,674,090
Purpose restricted	11,866,009	11,477,746
Time-restricted for future periods	195,000	633,595
	13,468,048	13,785,431
Total net assets	62,590,277	36,384,136
Total liabilities and net assets	\$ 77,926,202	\$ 50,401,603

See accompanying notes.

NAMI National

Statement of Activities
For the Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Grants and contributions	\$ 49,577,065	\$ 13,301,196	\$ 62,878,261
In-kind contributions	720,966	-	720,966
Government grants	228,943	-	228,943
Book projects	223,125	-	223,125
Registrations	111,065	-	111,065
Dues	258,763	-	258,763
Investment return	(3,344,939)	(238,651)	(3,583,590)
Sales	169,849	-	169,849
Other revenue	153,654	-	153,654
Net assets released from restrictions:			
Satisfaction of program restrictions	12,370,628	(12,370,628)	-
Satisfaction of time restrictions	1,009,300	(1,009,300)	-
Total revenue and support	61,478,419	(317,383)	61,161,036
Expenses			
Program services:			
Program and membership support	24,169,376	-	24,169,376
Education services	2,177,249	-	2,177,249
Advocacy	3,463,913	-	3,463,913
Total program services	29,810,538	-	29,810,538
Supporting services:			
Administration	1,562,704	-	1,562,704
Development	3,581,653	-	3,581,653
Total supporting services	5,144,357	-	5,144,357
Total expenses	34,954,895	-	34,954,895
Change in Net Assets	26,523,524	(317,383)	26,206,141
Net Assets, beginning of year	22,598,705	13,785,431	36,384,136
Net Assets, end of year	\$ 49,122,229	\$ 13,468,048	\$ 62,590,277

See accompanying notes.

NAMI National

Statement of Activities For the Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Grants and contributions	\$ 18,597,494	\$ 12,025,840	\$ 30,623,334
In-kind contributions	726,292	-	726,292
Government grants	262,406	-	262,406
Registrations	96,965	-	96,965
Dues	277,126	-	277,126
Investment return	1,657,049	185,688	1,842,737
Sales	117,441	-	117,441
Other revenue	17,399	-	17,399
Net assets released from restrictions:			
Satisfaction of program restrictions	5,564,240	(5,564,240)	-
Satisfaction of time restrictions	868,732	(868,732)	-
Total revenue and support	28,185,144	5,778,556	33,963,700
Expenses			
Program services:			
Program and membership support	14,493,562	-	14,493,562
Education services	2,640,331	-	2,640,331
Advocacy	2,445,997	-	2,445,997
Total program services	19,579,890	-	19,579,890
Supporting services:			
Administration	1,162,964	-	1,162,964
Development	2,572,978	-	2,572,978
Total supporting services	3,735,942	-	3,735,942
Total expenses	23,315,832	-	23,315,832
Change in Net Assets	4,869,312	5,778,556	10,647,868
Net Assets, beginning of year	17,729,393	8,006,875	25,736,268
Net Assets, end of year	\$ 22,598,705	\$ 13,785,431	\$ 36,384,136

See accompanying notes.

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Statement of Functional Expenses
For the Year Ended December 31, 2022

	Program Services				Supporting Services			Total
	Program and Membership Support	Education Services	Advocacy	Total Program Services	Administration	Development	Total Supporting Services	
Personnel costs	\$ 7,348,695	\$ 1,232,304	\$ 1,632,699	\$ 10,213,698	\$ 3,027,898	\$ 1,323,217	\$ 4,351,115	\$ 14,564,813
Temporary labor	193,444	-	-	193,444	64,272	41,287	105,559	299,003
Computer costs	385,645	5,500	94,273	485,418	547,361	74,642	622,003	1,107,421
Occupancy	-	-	-	-	919,516	-	919,516	919,516
Equipment and maintenance	-	-	-	-	59,946	-	59,946	59,946
Telephone	45,786	2	-	45,788	9,070	2,464	11,534	57,322
Printing and copying	206,402	23,967	214	230,583	6,878	521,284	528,162	758,745
Supplies	378,702	16,774	6,977	402,453	42,558	11,083	53,641	456,094
Postage and shipping	226,959	23,064	3,520	253,543	34,794	203,580	238,374	491,917
Travel	391,656	13,266	33,804	438,726	70,419	37,297	107,716	546,442
Meetings	535,013	1,247	3,901	540,161	36,800	1,995	38,795	578,956
Grants and scholarships	6,274,291	32,956	105,350	6,412,597	25	-	25	6,412,622
Professional fees	45,295	7,027	3,575	55,897	115,852	35,598	151,450	207,347
Subcontractors	5,197,868	155,602	870,196	6,223,666	215,162	625,740	840,902	7,064,568
Depreciation and amortization	312,584	157,202	210	469,996	138,118	-	138,118	608,114
Dues and subscriptions	53,272	21,553	63,829	138,654	19,885	20,166	40,051	178,705
Taxes, fees, and insurance	117,132	-	-	117,132	347,760	158,466	506,226	623,358
Miscellaneous	5,621	-	-	5,621	14,385	-	14,385	20,006
Overhead allocation	2,451,011	486,785	645,365	3,583,161	(4,107,995)	524,834	(3,583,161)	-
Total Expenses	\$ 24,169,376	\$ 2,177,249	\$ 3,463,913	\$ 29,810,538	\$ 1,562,704	\$ 3,581,653	\$ 5,144,357	\$ 34,954,895

See accompanying notes.

NAMI National

Statement of Functional Expenses
For the Year Ended December 31, 2021

	Program Services				Supporting Services			Total
	Program and Membership Support	Education Services	Advocacy	Total Program Services	Administration	Development	Total Supporting Services	
Personnel costs	\$ 5,384,813	\$ 1,218,489	\$ 1,347,398	\$ 7,950,700	\$ 2,622,111	\$ 762,440	\$ 3,384,551	\$ 11,335,251
Temporary labor	71,335	-	-	71,335	-	43,386	43,386	114,721
Computer costs	478,075	7,268	83,900	569,243	616,984	54,216	671,200	1,240,443
Occupancy	-	-	-	-	942,607	-	942,607	942,607
Equipment and maintenance	-	-	-	-	86,872	-	86,872	86,872
Telephone	8,365	24,987	835	34,187	15,830	3,278	19,108	53,295
Printing and copying	147,654	624	10,273	158,551	269,159	398,500	667,659	826,210
Supplies	331,472	23,907	4,143	359,522	40,580	8,640	49,220	408,742
Postage and shipping	174,946	4,462	1,179	180,587	38,295	224,344	262,639	443,226
Travel	26,733	4,185	3,964	34,882	16,960	883	17,843	52,725
Meetings	26,950	-	80	27,030	576	(1,481)	(905)	26,125
Grants and scholarships	1,220,223	356,950	27,800	1,604,973	-	50	50	1,605,023
Professional fees	167,295	2,168	1,870	171,333	107,315	481	107,796	279,129
Subcontractors	3,019,801	169,578	237,266	3,426,645	294,552	475,529	770,081	4,196,726
Depreciation and amortization	452,639	150,665	3,845	607,149	136,773	-	136,773	743,922
Dues and subscriptions	82,715	16,072	24,315	123,102	41,499	22,864	64,363	187,465
Taxes, fees, and insurance	192,919	-	-	192,919	340,274	190,410	530,684	723,603
Miscellaneous	3,247	35,616	8,380	47,243	2,504	-	2,504	49,747
Overhead allocation	2,704,380	625,360	690,749	4,020,489	(4,409,927)	389,438	(4,020,489)	-
Total Expenses	\$ 14,493,562	\$ 2,640,331	\$ 2,445,997	\$ 19,579,890	\$ 1,162,964	\$ 2,572,978	\$ 3,735,942	\$ 23,315,832

See accompanying notes.

NAMI National

Statements of Cash Flows
For the Years Ended December 31, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities		
Change in net assets	\$ 26,206,141	\$ 10,647,868
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized loss (gain) on investments	72,160	(53,919)
Unrealized loss (gain) on investments	4,064,009	(1,457,996)
Donated investments	(120,464)	(415,679)
Contributions restricted for long-term purposes	-	(15,000)
Amortization and interest – operating lease	887,826	887,826
Depreciation and amortization on property and equipment	138,118	136,870
Amortization on intangible assets	469,996	607,052
Loss on disposals of intangible assets	-	35,616
Change in operating assets and liabilities:		
(Increase) decrease in:		
Contributions receivable	(706)	188
Government grants receivable	9,116	(5,507)
Accounts receivable	647	(923)
Inventory	7,592	(32,710)
Prepaid expenses	47,422	(330,950)
Increase (decrease) in:		
Accounts payable and accrued expenses	1,682,952	(13,709)
Deferred revenue	(47,813)	111,563
Operating lease liability	(940,247)	(229,282)
Charitable gift annuities	-	(140,109)
Net cash provided by operating activities	32,476,749	9,731,199
Cash Flows from Investing Activities		
Proceeds from sales of investments	2,676,027	7,603,120
Purchases of investments	(22,021,056)	(21,922,047)
Purchases of certificates of deposit	(4,155,451)	-
Purchases of property and equipment	-	(25,067)
Purchases of intangible assets	(561,601)	(875,733)
Net cash used in investing activities	(24,062,081)	(15,219,727)
Cash Flows from Financing Activity		
Contributions restricted for long-term purposes	-	15,000
Net cash provided by financing activity	-	15,000
Net Increase (Decrease) in Cash and Cash Equivalents	8,414,668	(5,473,528)
Cash and Cash Equivalents, beginning of year	8,216,508	13,690,036
Cash and Cash Equivalents, end of year	\$ 16,631,176	\$ 8,216,508

See accompanying notes.

NAMI National

Notes to Financial Statements
December 31, 2022 and 2021

1. Nature of Operations

NAMI National 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 National is the nation's voice on mental illness. Voting membership is given to any affiliate group of five or more individuals that supports NAMI National's mission and pays annual dues. The activities of NAMI National are funded primarily through grants, contributions, and dues.

Effective December 12, 2020, NAMI merged with NAMI National, an Arizona nonprofit corporation with a similar mission as NAMI, to operate exclusively for charitable, scientific, and educational purposes within Section 503(c)(3) of the Internal Revenue Code (IRC). Pursuant to a merger agreement signed on January 11, 2021, NAMI National continued to operate as the surviving organization, utilizing the assets and resources of NAMI.

2. Summary of Significant Accounting Policies

Basis of Accounting and Presentation

NAMI National's financial statements are prepared on the accrual basis of accounting. Net assets are reported based on the presence or absence of donor-imposed restrictions, as follows:

- *Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor or certain grantor restrictions. Included in net assets without donor restrictions are Board-designated net assets, which are currently available to support NAMI National's daily operations. As of December 31, 2022 and 2021, there was \$22,999,907 and \$26,464,111, respectively, in the Board-designated operating reserve.
- *Net Assets With Donor Restrictions* – Net assets subject to donor- or certain grantor- imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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Notes to Financial Statements
December 31, 2022 and 2021

2. Summary of Significant Accounting Policies (continued)

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.

Change in Accounting Principle

In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities* (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which is intended to increase transparency of contributed nonfinancial assets for nonprofit entities through enhancements in presentation and disclosure requirements. Nonprofit entities are required to present contributed nonfinancial assets as a separate line item in the statements of activities, apart from contributions of cash and other financial contributions. Nonprofit entities are also required to disclose various information related to contributed nonfinancial assets. NAMI National has implemented ASU 2020-07, and has adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented, and the implementation had no impact on previously reported net assets.

Cash Equivalents

NAMI National considers all highly liquid investments, including money market funds not held for long-term investment purposes, and certificates of deposit with maturities of three months or less when purchased, to be cash equivalents. Excluded from this definition of cash equivalents are amounts held for investment.

Contributions Receivable

Contributions receivable represent unconditional amounts committed to NAMI National, including amounts collected by NAMI National affiliates on NAMI National's behalf, and are recognized as contribution revenue in the period promised or received. Management determines the need for an allowance for doubtful accounts by identifying troubled accounts and by using historical experience. No allowance for doubtful promises is recorded as management believes that all contributions receivable at December 31, 2022 and 2021 are fully collectible.

NAMI National

Notes to Financial Statements
December 31, 2022 and 2021

2. Summary of Significant Accounting Policies (continued)

Government Grants Receivable

Government grants receivable include amounts due from federal and local governments, and are stated at their net realizable value. No allowance for doubtful receivables is recorded at December 31, 2022 and 2021, as management believes that all government grants receivable are fully collectible.

Accounts Receivable

Accounts receivable are stated at their net realizable value. No allowance for doubtful accounts is recorded at December 31, 2022 and 2021, as management believes that all accounts receivable are fully collectible. Included in accounts receivable are amounts due from employees totaling \$362 and \$1,009 at December 31, 2022 and 2021, respectively.

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.

Investments

Investments are recorded at fair value based on quoted market prices. Unrealized and realized gains and losses, along with investment management fees, are reported in the statements of activities as part of investment return. Donated investments are recorded at fair value based on quoted market prices at the time of receipt. Unless restricted by the donor, it is NAMI National's policy to sell all donated investments upon receipt.

Property and Equipment

Property and equipment valued at over \$10,000 with a useful life longer than one year are recorded at cost. Depreciation of furniture and equipment is computed using the straight-line method over the estimated useful lives of the related assets, which range from three to seven years. Leasehold improvements are amortized over the shorter of the terms of the related leases or estimated useful lives of the assets, using the straight-line method. Copyrights are amortized using the straight-line method over estimated useful lives that range from five to 17 years. Expenditures for major repairs and improvements are capitalized; expenditures for minor repairs and maintenance costs are expensed when incurred.

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Notes to Financial Statements
December 31, 2022 and 2021

2. Summary of Significant Accounting Policies (continued)

Intangible Assets

E-Learning Software

NAMI National capitalizes certain costs associated with the development of its E-learning software upon reaching technological feasibility. The software is used for in-service and online training to introduce mental health professionals to the unique perspectives of people with mental health conditions and their families. These costs are amortized on a straight-line basis over the estimated economic life of three years for each developmental enhancement. NAMI National performs periodic reviews to ensure that unamortized software costs remain recoverable from estimated future operating profits. Costs to support or service licensed software are charged to costs of services as incurred.

Program, Accounting, Consulting, and Other Intangible Software

Certain costs associated with the development of program software, accounting software, consulting software, and other types of modules utilized for programs are capitalized by NAMI National. These costs are amortized on a straight-line basis over the estimated useful life of three years. Costs to support or service these software, modules, and other products are expensed as incurred.

Website Development Costs

Additionally, NAMI National capitalizes certain costs associated with the development of the website. Website development costs are amortized on a straight-line basis over the estimated useful life of three years. Costs related to the planning stages of the website development projects, as well as ongoing website operating and support costs, are expensed as incurred.

Book Projects

NAMI National capitalizes certain costs associated with the development of book projects published in 2022 and future years. Capitalized costs are amortized on a straight-line basis over the estimated useful life of three years. Certain costs associated with the publication of the books, such as ongoing maintenance and support costs, are expensed as incurred.

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Notes to Financial Statements
December 31, 2022 and 2021

2. Summary of Significant Accounting Policies (continued)

Leases

NAMI National determines if an arrangement is a lease at inception. Operating leases are included in right-of-use (“ROU”) lease assets, which represent NAMI National’s right to use an underlying asset for the lease term, and lease obligations represent NAMI National’s obligation to make lease payments arising from the lease. Operating ROU lease assets and obligations are recognized at the commencement date based on the present value of lease payments over the lease term.

As most of NAMI National’s leases do not provide an implicit rate, NAMI National uses its incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. The ROU lease asset also includes any lease payments made and excludes lease incentives. NAMI National’s lease terms may include options to extend or terminate the lease when it is reasonably certain that NAMI National will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

Revenue Recognition

Revenue Accounted for in Accordance with Contribution Accounting

Grants and contributions that are nonreciprocal are recognized as revenue when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. NAMI National reports gifts of cash and other assets as restricted support if they are received or promised with donor stipulations that limit the use of the donated funds to one of NAMI National’s programs or to a future year. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Contributions with donor restrictions to the endowment corpus are invested in perpetuity by or on NAMI National’s behalf. The principal of the gift is never expended, while the investment return is spent on current restricted or unrestricted programs, as specified by the donor.

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Notes to Financial Statements
December 31, 2022 and 2021

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Revenue Accounted for in Accordance with Contribution Accounting (continued)

NAMI National also organizes affiliate walks to raise awareness of mental health issues. Revenue is recorded as a percentage of funds raised by each walk's site. There was no walk revenue or associated license fees for the years ended December 31, 2022 and 2021.

Conditional contributions contain a donor-imposed condition that represents a barrier that must be overcome before NAMI National is entitled to the assets transferred or promised. Failure to overcome the barrier gives the donor a right of return of the assets it has transferred or gives the promisor a right of release from its obligation to transfer its assets. NAMI National has agreements with federal and local governments, as well as pass-through agencies. The agreements contain substantial conditions that must be met prior to recognition of revenue. The donor-imposed conditions primarily consist of qualifying expenditures that must be incurred by NAMI National before the governmental agencies will reimburse those expenditures. Conditional contributions are recognized as revenue, either with or without donor restrictions, when donor-imposed conditions are substantially met, and any barriers are overcome. Donor restrictions are also satisfied when qualifying expenditures are incurred for the donor-specified program.

Donated services are recognized as revenue if the services meet the criteria for recognition. These donated services are recognized at fair value at the time of donation. During the years ended December 31, 2022 and 2021, NAMI National received donated services consisting of media, legal, and other professional services with an estimated fair value of \$720,966 and \$726,292, respectively.

Donated goods consist of various items contributed to NAMI National to be given away at the walk events. These goods are recorded as in-kind contributions in the accompanying financial statements at their estimated fair value at the date of receipt. There were no donated goods for the years ended December 31, 2022 and 2021.

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Notes to Financial Statements
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2. Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Revenue Accounted for as Contracts with Customers

Revenue is recognized when NAMI National satisfies a performance obligation by transferring a promised good to, or performing a service for, a customer. The amount of revenue recognized reflects the consideration NAMI National expects to receive in exchange for satisfying distinct performance obligations. If a performance obligation does not meet the criteria to be considered distinct, NAMI National combines it with other performance obligations until a distinct bundle of goods or services exists. Fees or amounts received in advance of satisfying contractual performance obligations are reflected as deferred revenue in the statements of financial position. Revenue is recognized either over time or at the point in time that contractual obligations are met.

Registration fees are revenue for the annual meeting and other events and services. Revenue is recognized when the conference and other events are held and services are provided. Amounts received in advance are deferred and recognized when the performance obligations are met.

Dues are recognized ratably over the applicable membership period. Dues received that are received in advance that are applicable to the following year are recorded as deferred revenue in the accompanying statements of financial position.

Book projects revenue is recognized when related books are published. Amounts received in advance of book projects are recognized as the revenue is earned and performance obligations are met. Amounts received in advance, but not yet earned, are reflected as deferred revenue in the accompanying statements of financial position.

The following table provides information about changes in deferred revenue for the years ended December 31:

	<u>2022</u>	<u>2021</u>
Deferred revenue, beginning balance	\$ 111,563	\$ -
Change in deferred revenue	<u>(47,813)</u>	<u>111,563</u>
Deferred revenue, ending balance	<u>\$ 63,750</u>	<u>\$ 111,563</u>

NAMI National

Notes to Financial Statements
December 31, 2022 and 2021

2. Summary of Significant Accounting Policies (continued)

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Advertising Expenses

NAMI National expenses advertising costs as incurred. Advertising expenses were \$2,457,459 and \$1,227,508 for the years ended December 31, 2022 and 2021, respectively.

Subsequent Events

In preparing these financial statements, NAMI National has evaluated events and transactions for potential recognition or disclosure through April 19, 2023, the date the financial statements were available to be issued.

3. Liquidity and Availability

NAMI National strives to maintain liquid financial assets on hand to meet 90 days of general expenditures. Management periodically reviews NAMI National's liquid asset needs and adjusts the cash and cash equivalents balances as necessary. Amounts in excess of operating liquidity needs are invested in various short-term and highly liquid securities and certificates of deposit.

Additionally, NAMI National considers net assets with donor restrictions for use in current programs that are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The governing Board's designated operating reserves are also available for general expenditures.

Excluded from total available for general expenditures is the portion of the endowments that is donor-restricted and held in perpetuity.

NAMI National

Notes to Financial Statements
December 31, 2022 and 2021

3. Liquidity and Availability (continued)

Financial assets that are available for general expenditures within one year of the statements of financial position date comprise the following at December 31:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 16,631,176	\$ 8,216,508
Contributions receivable	706	-
Government grants receivable	6,898	16,014
Accounts receivable	362	1,009
Investments	45,659,446	30,330,122
Certificates of deposit	4,155,451	-
Less: endowment corpus held in perpetuity	<u>(1,080,282)</u>	<u>(1,080,282)</u>
Total available for general expenditures	<u>\$ 65,373,757</u>	<u>\$ 37,483,371</u>

4. Concentrations of Risk

Credit Risk

Financial instruments that potentially subject NAMI National to significant concentrations of credit risk consist of cash and cash equivalents, certificates of deposit, investments, and receivables. NAMI National maintains cash deposit and transaction accounts, along with certificates of deposits and investments, with various financial institutions and these values, from time to time, exceed insurable limits under the Federal Deposit Insurance Corporation (FDIC) and Securities Investor Protection Corporation (SIPC). NAMI National has not experienced any credit losses on its cash and cash equivalents, certificates of deposit, 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. Receivables consist primarily of amounts due from private foundations, NAMI National affiliates, and the federal government. Management believes that the credit risk related to these receivables is minimal.

Revenue Risk

For the year ended December 31, 2022, NAMI National received 49% of its total revenue and support from one donor. There was no revenue concentration in donors for the year ended December 31, 2021.

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Notes to Financial Statements
December 31, 2022 and 2021

5. Investments and Fair Value Measurements

NAMI National follows FASB Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, for its financial assets. This standard establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value measurement standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or other valuation techniques) to determine fair value. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the entity's perceived risk of that instrument.

The inputs used in measuring fair value are categorized into three 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 National recognizes transfers between levels in the fair value hierarchy at the end of the reporting period.

NAMI National uses quoted prices in active markets for identical assets to determine fair value. This pricing methodology applies to Level 1 investments.

The following table sets forth by level, within the fair value hierarchy, NAMI National's assets at fair value as of December 31, 2022:

	Level 1	Level 2	Level 3	Total
Money market funds	\$ 4,313,151	\$ -	\$ -	\$ 4,313,151
Government securities	16,366,562	-	-	16,366,562
Mutual funds:				
Equity	14,840,897	-	-	14,840,897
Fixed income	10,138,836	-	-	10,138,836
Total investments	<u>\$ 45,659,446</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 45,659,446</u>

NAMI National

Notes to Financial Statements
December 31, 2022 and 2021

5. Investments and Fair Value Measurements (continued)

The following table sets forth by level, within the fair value hierarchy, NAMI National's assets at fair value as of December 31, 2021:

	Level 1	Level 2	Level 3	Total
Money market funds	\$ 1,569,291	\$ -	\$ -	\$ 1,569,291
Mutual funds:				
Equity	19,719,118	-	-	19,719,118
Fixed income	9,041,713	-	-	9,041,713
Total investments	\$ 30,330,122	\$ -	\$ -	\$ 30,330,122

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

	2022	2021
Interest and dividends	\$ 656,217	\$ 429,439
Realized (loss) gain	(72,160)	53,919
Unrealized (loss) gain	(4,064,009)	1,457,996
Investment management fees	(103,638)	(98,617)
Total investment return	\$ (3,583,590)	\$ 1,842,737

6. Property and Equipment

Property and equipment consists of the following at December 31:

	2022	2021
Leasehold improvements	\$ 2,284,513	\$ 2,284,513
Computer equipment	169,451	169,451
Total property and equipment	2,453,964	2,453,964
Less: accumulated depreciation and amortization	(568,114)	(429,996)
Property and equipment, net	\$ 1,885,850	\$ 2,023,968

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Notes to Financial Statements
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7. Intangible Assets

Intangible assets consist of the following at December 31:

	<u>2022</u>	<u>2021</u>
Gross carrying amount:		
E-learning software	\$ 1,556,660	\$ 1,192,974
Program, accounting, consulting, and other intangible software	864,392	832,277
Website	265,698	265,698
Book projects	262,944	97,144
Copyright	14,000	14,000
	<u>2,963,694</u>	<u>2,402,093</u>
Accumulated amortization:		
E-learning software	(739,397)	(379,853)
Program, accounting, consulting, and other intangible software	(832,277)	(799,665)
Website	(265,698)	(207,013)
Book projects	(19,155)	-
Copyright	(14,000)	(14,000)
	<u>(1,870,527)</u>	<u>(1,400,531)</u>
Less: accumulated amortization	<u>(1,870,527)</u>	<u>(1,400,531)</u>
Intangible assets, net	<u><u>\$ 1,093,167</u></u>	<u><u>\$ 1,001,562</u></u>

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Notes to Financial Statements
December 31, 2022 and 2021

7. Intangible Assets (continued)

Amortization expense for each year of the estimated remaining lives is as follows for the years ending December 31:

	E-Learning Software	Other Intangible Software	Book Projects	Total
2023	\$ 369,739	\$ 10,705	\$ 76,619	\$ 457,063
2024	342,100	10,705	87,648	440,453
2025	81,719	10,705	68,493	160,917
2026	23,705	-	11,029	34,734
Future estimated amortization	\$ 817,263	\$ 32,115	\$ 243,789	\$ 1,093,167

8. Net Assets

General endowment funds are held to generate income that may be appropriated for use in unrestricted operations. Advocacy and research endowment funds are held to generate income restricted for these respective programs.

The Peter Corbin Kohn Endowment consists of funds restricted to support the NAMI National Research Award stipend given annually at a NAMI National event highlighting research into perpetuity. The amount of the stipend award each year is \$12,500 based on 5% interest. In the event that the interest in the Peter Corbin Kohn Endowment does not equal 5% in any year, NAMI National reserves the right to use the corpus value to provide the stipend. During the years ended December 31, 2022 and 2021, the stipend award was increased to \$28,400 and \$27,500, respectively, due to additional contributions to the corpus.

NAMI National

Notes to Financial Statements December 31, 2022 and 2021

8. Net Assets (continued)

Net assets with donor restrictions consist of the following at December 31:

	2022	2021
Subject to expenditure for specified purpose:		
Build Better Lives	\$ 3,207,600	\$ -
Research	1,615,155	1,959,620
The Community Health Equity Alliance	1,500,000	-
Kohl's Support Groups	811,667	981,200
FaithNet	755,000	1,030,000
Youth and Young Adults (YYA)	716,271	1,510,000
Crisis Intervention Program	600,000	450,000
Broad Institute	504,426	429,426
Helpline	375,000	778,750
Homefront	352,500	400,000
Hearts & Minds	320,000	175,000
Workplace Mental Health	290,000	-
Frontline Wellness	232,500	620,000
Sharing Hope	180,890	480,000
State Policy and Advocacy	125,000	370,000
NAMI Provider	100,000	-
Girl Scouts USA	60,000	-
988 Crisis Response	50,000	850,000
Convention	50,000	95,000
Education programs	10,000	135,000
Estate of Florence Drake	10,000	15,000
Strategic Partnerships	-	340,000
Book Projects	-	300,000
COVID-19	-	228,750
Train the Trainers	-	205,000
Humana	-	100,000
Communication	-	25,000
Subject to the passage of time:		
Time-restricted	195,000	633,595
Subject to endowment spending policy and appropriation:		
General endowment	515,763	515,763
Advocacy endowment	10,000	10,000
Research endowment	23,000	23,000
Peter Corbin Kohn Endowment	531,519	531,519
Unappropriated endowment earnings	326,757	593,808
Total net assets with donor restrictions	\$ 13,468,048	\$ 13,785,431

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Notes to Financial Statements
December 31, 2022 and 2021

9. Endowment

NAMI National's endowment has been funded by donor-restricted contributions that are required to be retained permanently by explicit donor stipulation. Investment return generated from the endowment can be used for general operations of NAMI National. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of NAMI National 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 National classifies as net assets with donor restrictions (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 net assets with donor restrictions is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by NAMI National in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, NAMI National 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 National 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 National; and (7) the investment policies of NAMI National.

NAMI National

Notes to Financial Statements
December 31, 2022 and 2021

9. Endowment (continued)

Return Objectives and Risk Parameters

NAMI National 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 National 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.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, NAMI National 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 National 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.

Composition of Endowment Net Assets

Endowment net asset composition was as follows at December 31:

	<u>2022</u>	<u>2021</u>
Donor-restricted endowment funds	<u>\$ 1,407,039</u>	<u>\$ 1,674,090</u>

NAMI National

Notes to Financial Statements
December 31, 2022 and 2021

9. Endowment (continued)

Changes in Endowment Net Assets

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

	<u>2022</u>	<u>2021</u>
Endowment net assets, beginning of year	\$ 1,674,090	\$ 1,500,902
Investment return	(238,651)	185,688
Contributions	-	15,000
Appropriations	<u>(28,400)</u>	<u>(27,500)</u>
Endowment net assets, end of year	<u>\$ 1,407,039</u>	<u>\$ 1,674,090</u>

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 require NAMI National to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature are reported in net assets without donor restrictions. There were no fund deficiencies at December 31, 2022 and 2021.

10. Leases

Leases Presented Under ASC 842

At December 31, 2022, NAMI National has one lease arrangement under which it is the lessee. This lease arrangement related to NAMI National's office space located in Virginia is subject to an operating lease.

On November 5, 2018, NAMI National entered into an operating lease agreement for office space at a location in Arlington, Virginia that commenced on February 1, 2020 and expires on September 30, 2036. The lease payments under this operating lease increase annually at a rate of 2.75%. Additional payments may be required to be made to the lessor based on the lessor's operating charges and the real estate taxes assessed on the property.

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Notes to Financial Statements
December 31, 2022 and 2021

10. Leases (continued)

Leases Presented Under ASC 842 (continued)

The lease terms include several lease incentives, such as rent abatement and a tenant improvement allowance for a buildout of the office space. NAMI National utilized \$2,258,340 of the tenant improvement allowance provided. The leasehold improvements are recorded as a capitalized asset under property and equipment costs, and are being amortized over the term of the lease. NAMI National elected the practical expedient not to separate lease and nonlease components for its lease.

Maturities of the lease liability are as follows for the years ending December 31:

2023	\$	966,104
2024		992,672
2025		1,019,970
2026		1,048,019
2027		1,076,840
Thereafter		<u>10,782,303</u>
Total minimum lease payments		15,885,908
Less: discounts and interest		<u>(5,171,831)</u>
Present value of lease liability	\$	<u><u>10,714,077</u></u>

Total lease cost was as follows for the years ended December 31:

	<u>2022</u>	<u>2021</u>
Operating lease cost:		
Fixed rent expense	<u>\$ 1,023,326</u>	<u>\$ 1,023,326</u>
Total lease cost	<u><u>\$ 1,023,326</u></u>	<u><u>\$ 1,023,326</u></u>
Lease expense:		
Supporting services	<u>\$ 1,023,326</u>	<u>\$ 1,023,326</u>
Total lease expense	<u><u>\$ 1,023,326</u></u>	<u><u>\$ 1,023,326</u></u>

NAMI National

Notes to Financial Statements
December 31, 2022 and 2021

10. Leases (continued)

Leases Presented Under ASC 842 (continued)

Supplemental statement of financial position information related to the lease is as follows at December 31:

	2022	2021
<u>Asset:</u>		
Operating – right of use, net	\$ 7,035,774	\$ 7,300,034
Total lease asset	\$ 7,035,774	\$ 7,300,034
<u>Liability:</u>		
Current:		
Operating lease	\$ 361,846	\$ 316,681
Noncurrent:		
Operating lease	10,352,231	10,714,077
Total lease liability	\$ 10,714,077	\$ 11,030,758

Supplemental cash flow information related to the lease is as follows at December 31:

	2022	2021
Cash paid for amounts included in the measurement of lease liability:		
Operating cash flows from operating lease	\$ 940,247	\$ 229,282

As of December 31, 2022, the weighted-average remaining lease term for the operating lease is 13.75 years. NAMI National utilized its incremental borrowing rate as the discount rate. The weighted-average discount rate associated with the operating lease as of December 31, 2022 and 2021 was 5%.

NAMI National

Notes to Financial Statements
December 31, 2022 and 2021

11. Line of Credit

On November 12, 2020, NAMI National opened an express line of credit with a financial institution with an available credit limit of \$1,000,000. NAMI National's short-term investment account held with the financial institution is pledged as collateral under this agreement. Interest rates are variable based on current market rates, and are determined by the amount borrowed against the credit line. There was no outstanding balance on the line of credit at December 31, 2022 and 2021.

12. Commitments and Contingencies

Letter of Credit

In conjunction with the operating lease for office space located in Virginia, NAMI National issued an irrevocable letter of credit with the landlord listed as the beneficiary in November 2018 in the amount of \$148,764 as a security deposit. The letter of credit is included as deposits in the accompanying statements of financial position.

Government Grant Agreements

Funds received from the federal government are subject to audit under the provisions of the agreements. The ultimate determination of amounts received under the agreements is based upon the allowance of costs reported to and accepted by the oversight agency. Until the grant is closed out, there exists a contingency to refund any amount received in excess of allowable costs.

Employment Agreement

NAMI National has an employment agreement with its Chief Executive Officer. The agreement contains terms that require severance payments upon the occurrence of certain contractual events.

Hotel Commitments

NAMI National entered into several agreements with various hotels for future meeting sites. In the event that NAMI National cancels its agreement with the hotels, it can be held liable for liquidated damages or other cancellation fees. Based upon prior experience, management believes that there is no significant unrecorded liability.

NAMI National

Notes to Financial Statements
December 31, 2022 and 2021

13. Functionalized Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. All costs incurred directly for a certain activity/project/grant are coded directly or split among those activities. Administrative costs are allocated to each program according to estimates of total personnel costs that each program expenses. Personnel costs are allocated according to estimates of each individual's time and effort spent in the various functions of NAMI National. Allocated personnel costs include salary expenses, payroll taxes, benefit expenses, and pension expenses.

14. Retirement Plan

NAMI National has a defined contribution 403(b) pension plan ("the 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% of the eligible employee's compensation. For the years ended December 31, 2022 and 2021, pension expense totaled \$349,406 and \$284,581, respectively, and is included in personnel costs in the accompanying statements of functional expenses.

15. Income Taxes

NAMI National is recognized as a tax-exempt organization under IRC Section 501(c)(3), 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, 2022 and 2021, as there was no significant unrelated business income. Contributions to NAMI National are deductible as provided in IRC Section 170(b)(1)(A)(vi). Management has evaluated NAMI National's tax positions and concluded that there are no significant uncertain tax positions that qualify for either recognition or disclosure in the accompanying financial statements.

16. Supplementary Cash Flow Information

	2022	2021
Noncash Investing Activities		
Donated investments	\$ 120,464	\$ 415,679