

**NAMI**

Financial Statements  
and Independent Auditors' Report

December 31, 2018 and 2017

**NAMI**

Financial Statements  
December 31, 2018 and 2017

**Contents**

Independent Auditors' Report.....	1-2
<i>Financial Statements</i>	
Statements of Financial Position.....	3
Statements of Activities .....	4-5
Statements of Functional Expenses.....	6-7
Statements of Cash Flows .....	8
Notes to Financial Statements.....	9-24

## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
NAMI

We have audited the accompanying financial statements of NAMI, which comprise the statements of financial position as of December 31, 2018 and 2017; the related statements of activities, functional expenses, and cash flows for the years then ended; and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

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. 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NAMI as of December 31, 2018 and 2017, 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.

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

Vienna, Virginia  
March 18, 2019

## NAMI

### Statements of Financial Position December 31, 2018 and 2017

	2018	2017
<b>Assets</b>		
Cash and cash equivalents	\$ 3,459,023	\$ 4,225,534
Contributions receivable	110,440	199,907
Grants and accounts receivable	51,986	26,568
Inventory	117,139	113,526
Investments	8,881,059	8,119,678
Certificates of deposit	1,520,213	1,338,664
Prepaid expenses	499,738	440,333
Property and equipment, net	1,647,929	764,025
Deposits	195,664	46,900
	\$ 16,483,191	\$ 15,275,135
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 1,374,922	\$ 1,303,440
Deferred revenue	15,020	7,160
Deferred rent and lease incentive	219,812	324,223
Charitable gift annuities	133,117	160,446
	1,742,871	1,795,269
<b>Net Assets</b>		
Without donor restrictions:		
Undesignated	1,802,481	2,816,150
Designated by the Board for operating reserve	6,056,520	4,414,269
	7,859,001	7,230,419
With donor restrictions:		
Perpetual in nature	1,004,130	1,054,391
Purpose restricted	5,632,189	4,780,056
Time-restricted for future periods	245,000	415,000
	6,881,319	6,249,447
Total net assets	14,740,320	13,479,866
Total liabilities and net assets	\$ 16,483,191	\$ 15,275,135

*See accompanying notes.*

**NAMI**

Statement of Activities  
For the Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue and Support</b>			
Grants and contributions	\$ 9,763,735	\$ 4,933,935	\$ 14,697,670
In-kind contributions	11,296,708	-	11,296,708
Walks	1,083,047	-	1,083,047
Government grants and contracts	406,598	-	406,598
Registrations	466,484	-	466,484
Dues	362,140	-	362,140
Investment loss	(365,813)	(64,261)	(430,074)
Change in value of split interests	-	9,813	9,813
Sales	113,177	-	113,177
Other revenue	18,579	-	18,579
Net assets released from restrictions:			
Satisfaction of program restrictions	3,557,615	(3,557,615)	-
Satisfaction of time restrictions	690,000	(690,000)	-
<b>Total revenue and support</b>	<b>27,392,270</b>	<b>631,872</b>	<b>28,024,142</b>
<b>Expenses</b>			
Program services:			
Program and membership support	19,381,258	-	19,381,258
Education services	1,970,899	-	1,970,899
Advocacy	2,222,128	-	2,222,128
Research	122,989	-	122,989
<b>Total program services</b>	<b>23,697,274</b>	<b>-</b>	<b>23,697,274</b>
Supporting services:			
Administration	772,862	-	772,862
Development	2,293,552	-	2,293,552
<b>Total supporting services</b>	<b>3,066,414</b>	<b>-</b>	<b>3,066,414</b>
<b>Total expenses</b>	<b>26,763,688</b>	<b>-</b>	<b>26,763,688</b>
<b>Change in Net Assets</b>	<b>628,582</b>	<b>631,872</b>	<b>1,260,454</b>
<b>Net Assets, beginning of year</b>	<b>7,230,419</b>	<b>6,249,447</b>	<b>13,479,866</b>
<b>Net Assets, end of year</b>	<b>\$ 7,859,001</b>	<b>\$ 6,881,319</b>	<b>\$ 14,740,320</b>

See accompanying notes.

**NAMI**

Statement of Activities  
For the Year Ended December 31, 2017

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue and Support</b>			
Grants and contributions	\$ 7,721,361	\$ 4,985,555	\$ 12,706,916
Walks	1,035,369	-	1,035,369
Government grants and contracts	506,787	-	506,787
Registrations	413,463	-	413,463
Dues	325,337	-	325,337
Investment income	602,146	129,590	731,736
Change in value of split interests	-	2,049	2,049
Sales	163,364	-	163,364
Other revenue	125,336	-	125,336
Net assets released from restrictions:			
Satisfaction of program restrictions	3,460,045	(3,460,045)	-
Satisfaction of time restrictions	615,000	(615,000)	-
<b>Total revenue and support</b>	<b>14,968,208</b>	<b>1,042,149</b>	<b>16,010,357</b>
<b>Expenses</b>			
Program services:			
Program and membership support	6,470,809	-	6,470,809
Education services	1,945,422	-	1,945,422
Advocacy	2,266,075	-	2,266,075
Research	130,252	-	130,252
<b>Total program services</b>	<b>10,812,558</b>	<b>-</b>	<b>10,812,558</b>
Supporting services:			
Administration	837,636	-	837,636
Development	2,044,369	-	2,044,369
<b>Total supporting services</b>	<b>2,882,005</b>	<b>-</b>	<b>2,882,005</b>
<b>Total expenses</b>	<b>13,694,563</b>	<b>-</b>	<b>13,694,563</b>
<b>Change in Net Assets</b>	<b>1,273,645</b>	<b>1,042,149</b>	<b>2,315,794</b>
<b>Net Assets, beginning of year</b>	<b>5,956,774</b>	<b>5,207,298</b>	<b>11,164,072</b>
<b>Net Assets, end of year</b>	<b>\$ 7,230,419</b>	<b>\$ 6,249,447</b>	<b>\$ 13,479,866</b>

See accompanying notes.

**NAMI**

Statement of Functional Expenses  
For the Year Ended December 31, 2018

	Program Services				Total Program Services	Supporting Services		Total Supporting Services	Total
	Program and Membership Support	Education Services	Advocacy	Research		Administration	Development		
Personnel costs	\$ 3,762,483	\$ 896,898	\$ 1,332,859	\$ 1,617	\$ 5,993,857	\$ 1,687,571	\$ 841,272	\$ 2,528,843	\$ 8,522,700
Occupancy	27,782	-	3,150	-	30,932	693,616	39	693,655	724,587
Subcontractors	12,038,358	99,864	121,034	-	12,259,256	210,841	261,338	472,179	12,731,435
Travel	386,375	93,177	74,657	707	554,916	15,562	83,839	99,401	654,317
Depreciation and amortization	38,891	107,742	3,737	-	150,370	199,382	-	199,382	349,752
Printing and copying	136,382	9,214	4,508	-	150,104	-	358,585	358,585	508,689
Meetings	437,656	54,882	5,550	-	498,088	18,652	55,822	74,474	572,562
Postage and shipping	143,040	1,549	2,490	-	147,079	-	190,981	190,981	338,060
Computer costs	175,043	16,028	94	-	191,165	257,987	14,881	272,868	464,033
Taxes and fees	150,359	-	-	-	150,359	288,396	20	288,416	438,775
Supplies	168,379	16,130	19,177	-	203,686	68,931	10,262	79,193	282,879
Grants and scholarships	159,760	244,819	650	120,000	525,229	-	75,250	75,250	600,479
Professional fees	48,559	600	1,165	-	50,324	87,424	-	87,424	137,748
Telephone	22,681	30,003	4,699	-	57,383	31,437	4,741	36,178	93,561
Dues and subscriptions	31,069	9,940	72,757	-	113,766	45,074	25,809	70,883	184,649
Equipment and maintenance	-	-	-	-	-	79,137	-	79,137	79,137
Miscellaneous	15,284	-	-	-	15,284	2,720	50	2,770	18,054
Temporary labor	24,013	-	-	-	24,013	31,611	6,647	38,258	62,271
Overhead allocation	1,615,144	390,053	575,601	665	2,581,463	(2,945,479)	364,016	(2,581,463)	-
<b>Total Expenses</b>	<b>\$ 19,381,258</b>	<b>\$ 1,970,899</b>	<b>\$ 2,222,128</b>	<b>\$ 122,989</b>	<b>\$ 23,697,274</b>	<b>\$ 772,862</b>	<b>\$ 2,293,552</b>	<b>\$ 3,066,414</b>	<b>\$ 26,763,688</b>

See accompanying notes.



**NAMI**

Statement of Functional Expenses  
For the Year Ended December 31, 2017

	Program Services				Total Program Services	Supporting Services		Total Supporting Services	Total
	Program and Membership Support	Education Services	Advocacy	Research		Administration	Development		
Personnel costs	\$ 3,132,200	\$ 833,796	\$ 1,319,881	\$ 5,889	\$ 5,291,766	\$ 1,667,851	\$ 692,692	\$ 2,360,543	\$ 7,652,309
Occupancy	27,957	-	-	-	27,957	669,879	36	669,915	697,872
Subcontractors	567,468	286,746	116,444	-	970,658	246,123	247,148	493,271	1,463,929
Travel	217,334	81,099	47,574	1,387	347,394	14,395	79,012	93,407	440,801
Depreciation and amortization	-	-	-	-	-	347,151	-	347,151	347,151
Printing and copying	99,278	7,452	22,991	-	129,721	-	330,145	330,145	459,866
Meetings	290,837	45,243	25,220	-	361,300	4,405	21,730	26,135	387,435
Postage and shipping	133,913	4,983	2,824	-	141,720	6,145	186,356	192,501	334,221
Computer costs	22,950	41,733	4,879	-	69,562	295,299	4,850	300,149	369,711
Taxes and fees	131,352	12	-	-	131,364	272,283	-	272,283	403,647
Supplies	156,052	11,943	25,578	-	193,573	26,812	22,858	49,670	243,243
Grants and scholarships	56,375	199,600	3,000	120,000	378,975	-	75,000	75,000	453,975
Professional fees	38,266	9,305	1,000	-	48,571	55,037	-	55,037	103,608
Telephone	34,916	10,011	7,841	-	52,768	20,163	3,233	23,396	76,164
Dues and subscriptions	28,781	5,809	34,446	-	69,036	33,191	20,095	53,286	122,322
Equipment and maintenance	1,961	-	-	-	1,961	59,800	-	59,800	61,761
Miscellaneous	12,183	189	11,117	-	23,489	222	4,134	4,356	27,845
Temporary labor	17,217	-	-	-	17,217	12,916	18,570	31,486	48,703
Overhead allocation	1,501,769	407,501	643,280	2,976	2,555,526	(2,894,036)	338,510	(2,555,526)	-
<b>Total Expenses</b>	<b>\$ 6,470,809</b>	<b>\$ 1,945,422</b>	<b>\$ 2,266,075</b>	<b>\$ 130,252</b>	<b>\$ 10,812,558</b>	<b>\$ 837,636</b>	<b>\$ 2,044,369</b>	<b>\$ 2,882,005</b>	<b>\$ 13,694,563</b>

See accompanying notes.

**NAMI**

Statements of Cash Flows  
For the Years Ended December 31, 2018 and 2017

	2018	2017
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 1,260,454	\$ 2,315,794
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized (gain) loss on investments	(306,769)	343
Unrealized loss (gain) on investments	904,497	(618,238)
Donated investments	(327,505)	(501,528)
Contributions restricted for long-term purposes	(30,000)	(20,000)
Change in value of charitable gift annuities	(9,813)	(2,049)
Depreciation and amortization	349,752	347,151
Change in operating assets and liabilities:		
Decrease (increase) in:		
Contributions receivable	89,467	4,595
Grants and accounts receivable	(25,418)	45,793
Inventory	(3,613)	5,971
Prepaid expenses	(59,405)	(71,017)
Deposits	(148,764)	-
Increase (decrease) in:		
Accounts payable and accrued expenses	71,482	94,538
Deferred revenue	7,860	(33,346)
Deferred rent and lease incentive	(104,411)	(122,832)
Charitable gift annuities	(17,516)	(20,966)
Net cash provided by operating activities	1,650,298	1,424,209
<b>Cash Flows from Investing Activities</b>		
Proceeds from sales of investments	4,009,905	1,840,422
Purchases of investments	(5,041,509)	(176,376)
Maturities of certificates of deposit	1,078,131	-
Purchases of certificates of deposit	(1,259,680)	(1,338,664)
Purchases of property and equipment	(1,233,656)	(514,828)
Net cash used in investing activities	(2,446,809)	(189,446)
<b>Cash Flows from Financing Activity</b>		
Contributions restricted for long-term purposes	30,000	20,000
Net cash provided by financing activity	30,000	20,000
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	(766,511)	1,254,763
<b>Cash and Cash Equivalents, beginning of year</b>	4,225,534	2,970,771
<b>Cash and Cash Equivalents, end of year</b>	\$ 3,459,023	\$ 4,225,534
<b>Noncash Investing Activities</b>		
Donated investments	\$ 327,505	\$ 501,528

See accompanying notes.

# NAMI

Notes to Financial Statements  
December 31, 2018 and 2017

## 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. 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. 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's daily operations. As of December 31, 2018 and 2017, there was \$6,056,520 and \$4,414,269, 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.

### 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.

## NAMI

Notes to Financial Statements  
December 31, 2018 and 2017

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

#### 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. Excluded from this definition of cash equivalents are amounts held for investment.

#### Contributions Receivable

Contributions receivable represent unconditional amounts committed to NAMI, including amounts collected by NAMI affiliates on NAMI'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 accounts is recorded as management believes that all contributions receivable at December 31, 2018 and 2017 are fully collectible.

#### Grants and Accounts Receivable

Grants and accounts receivable include amounts due from federal and local governments and other receivables, and are stated at their net realizable value. No allowance for doubtful accounts is recorded at December 31, 2018 and 2017, as management believes that all grants and accounts receivable 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.

#### Investments

Investments are recorded at fair value based on quoted market prices. Unrealized and realized gains and losses are reported in the statements of activities as part of investment (loss) income.

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's policy to sell all donated investments upon receipt.

## NAMI

Notes to Financial Statements  
December 31, 2018 and 2017

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

#### Certificates of Deposit

At December 31, 2018 and 2017, NAMI held certificates of deposit with original maturity dates greater than a period of ninety days that are carried at amortized cost. Interest earned on certificates of deposit is included in the accompanying statements of activities. These certificates of deposit do not qualify as securities as defined in Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 320, *Investments – Debt and Equity Securities*. Therefore, these investments are presented separately on the face of the accompanying statements of financial position, and are not included in the fair value disclosures required by FASB ASC 820, *Fair Value Measurements and Disclosures*.

#### Property and Equipment

Property and equipment valued at over \$2,000 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 seventeen years. 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 FASB 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 software costs are being amortized over a three-year period on a straight-line basis.

#### Charitable Gift Annuities

Annuity obligations arising from split-interest gifts are recognized as charitable gift annuities in the accompanying statements of financial position. The initial liabilities resulting from these gifts are measured at fair value using the present value of the future payments to be made to beneficiaries.

## NAMI

Notes to Financial Statements  
December 31, 2018 and 2017

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

#### Charitable Gift Annuities (continued)

These liabilities are subsequently remeasured at the present value of future payments to beneficiaries based on changes in life expectancy and other actuarial assumptions. Any changes in the market value of the original gifts are reported as restricted gains and losses in the accompanying statements of activities.

#### Revenue Recognition

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.

Contributions are reported as support without donor restrictions 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statements of activities as net assets released from restrictions. Revenue under charitable gift annuity arrangements is reduced by the estimated annuities to be paid by NAMI over the beneficiary's lifetime.

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

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.

## NAMI

Notes to Financial Statements  
December 31, 2018 and 2017

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

#### In-Kind Contributions

Donated services are recognized as revenue in accordance with FASB ASC 958, *Accounting for Contributions Received and Contributions Made*, if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by NAMI. During the years ended December 31, 2018 and 2017, NAMI received donated services consisting of media, legal, and other professional services with an estimated fair value of \$11,290,008 and \$0, respectively.

Donated goods consist of various items contributed to NAMI 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. Donated goods for the years ended December 31, 2018 and 2017 were \$6,700 and \$0, respectively.

#### 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 expenses advertising costs as incurred. Advertising expenses were \$193,677 and \$9,562 for the years ended December 31, 2018 and 2017, respectively.

#### Change in Accounting Principle

On August 18, 2016, the FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment returns. NAMI has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented. The implementation had no impact on the previously reported net assets.

## NAMI

Notes to Financial Statements  
December 31, 2018 and 2017

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

#### Recently Issued Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases*. The update requires a lessee to recognize a right-of-use asset and lease liability, initially measured at the present value of the lease payments, in its statements of financial position. The guidance also expands the required quantitative and qualitative lease disclosures. The guidance is effective beginning in 2020.

#### Subsequent Events

In preparing these financial statements, NAMI has evaluated events and transactions for potential recognition or disclosure through March 18, 2019, the date the financial statements were available to be issued.

### 3. Liquidity and Availability

NAMI has \$6,689,637 of financial assets available within one year of the statement of financial position date. NAMI strives to maintain liquid financial assets on hand to meet 90 days of general expenditures. Management periodically reviews NAMI's liquid asset needs and adjusts the cash and cash equivalent balances as necessary. Amounts in excess of operating liquidity needs are invested in various short-term and highly liquid securities.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash and cash equivalents	\$ 3,459,023
Contributions receivable	110,440
Grants and accounts receivable	51,986
Investments appropriated for current use	8,881,059
Certificates of deposit available for current use	1,068,448
Less: restricted by donors with purpose and time restrictions	<u>(6,881,319)</u>
Total available for general expenditures	<u>\$ 6,689,637</u>



## NAMI

Notes to Financial Statements  
December 31, 2018 and 2017

### 4. Concentrations of Credit Risk

Financial instruments that potentially subject NAMI to significant concentrations of credit risk consist of cash and cash equivalents, certificates of deposit, investments, and receivables. NAMI maintains cash deposit and transaction accounts, along with 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 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 affiliates, and the federal government. Management believes that the credit risk related to these receivables is minimal.

### 5. Investments and Fair Value Measurements

NAMI follows FASB 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 recognizes transfers between levels in the fair value hierarchy at the end of the reporting period.

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

## NAMI

Notes to Financial Statements  
December 31, 2018 and 2017

### 5. Investments and Fair Value Measurements (continued)

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

	Level 1	Level 2	Level 3	Total
<u>2018:</u>				
Money market funds	\$ 333,993	\$ -	\$ -	\$ 333,993
Mutual funds:				
Equity	4,225,613	-	-	4,225,613
Fixed income	4,321,453	-	-	4,321,453
Total investments	<u>\$ 8,881,059</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,881,059</u>
<u>2017:</u>				
Money market funds	\$ 1,090,035	\$ -	\$ -	\$ 1,090,035
Mutual funds:				
Equity	4,154,378	-	-	4,154,378
Fixed income	2,875,265	-	-	2,875,265
Total investments	<u>\$ 8,119,678</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,119,678</u>

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

	2018	2017
Interest and dividends	\$ 209,012	\$ 149,406
Realized gain (loss)	306,769	(343)
Unrealized (loss) gain	(904,497)	618,238
Investment management fees	(41,358)	(35,565)
Total investment (loss) income	<u>\$ (430,074)</u>	<u>\$ 731,736</u>

## NAMI

Notes to Financial Statements  
December 31, 2018 and 2017

### 6. Property and Equipment

Property and equipment consists of the following at December 31:

	<u>2018</u>	<u>2017</u>
Furniture and equipment	\$ 44,342	\$ 44,342
Leasehold improvements	822,994	821,889
Copyright	14,000	14,000
Computer software	2,555,497	2,321,220
Work-in-progress computer software	<u>1,309,884</u>	<u>311,610</u>
Total property and equipment	4,746,717	3,513,061
Less: accumulated depreciation and amortization	<u>(3,098,788)</u>	<u>(2,749,036)</u>
Property and equipment, net	<u><u>\$ 1,647,929</u></u>	<u><u>\$ 764,025</u></u>

### 7. Charitable Gift Annuities

NAMI has entered into charitable gift annuity arrangements with a number of donors. These arrangements require NAMI to make annual fixed payments during the lives of the donors or their specified income beneficiaries. The contributions are treated as contribution revenue when received and are included in unrestricted net assets in the accompanying financial statements. There was no contribution revenue recognized under these arrangements for the years ended December 31, 2018 and 2017. The annuity payment obligations are based on donor life expectancies as presented in actuarial tables discounted at rates ranging from 1.2% to 2.0%.

### 8. Pension Plan

NAMI 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, 2018 and 2017, pension expense totaled \$238,148 and \$225,192, respectively, and is included in personnel costs in the accompanying statements of functional expenses.

## NAMI

### Notes to Financial Statements December 31, 2018 and 2017

#### 9. Net Assets

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

	2018	2017
Subject to expenditure for specified purpose:		
100 Women in Finance	\$ 1,866,745	\$ 812,000
Research	642,280	452,524
Education programs	635,380	642,380
Ending the Silence	580,959	473,273
Homefront	355,000	370,000
Peer-to-Peer	279,638	262,973
State Policy & Advocacy	247,925	122,550
First Episode Psychosis	247,189	268,776
Helpline	190,000	75,000
Crisis Intervention Program	110,000	75,000
Alignment project	97,696	57,212
2019 convention	80,000	-
Broad Institute	70,000	135,000
State Advocacy	56,323	56,323
NAMISmarts	50,000	71,653
NAMIEvents	50,000	-
FaithNet	28,026	25,000
NAMI on Campus	20,028	41,063
EDLE	15,000	-
Research event	10,000	-
In Our Own Voice	-	260,274
Providence Hospital Project	-	209,055
Peer-to-Peer Spanish	-	150,000
2018 convention	-	120,000
Capacity building	-	50,000
Estate of Florence Drake	-	25,000
Strategic Partnerships	-	25,000
Emergency Department Project	-	-
Stigma Free	-	-
Subject to the passage of time:		
Time-restricted	245,000	415,000
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	290,296	260,296
Unappropriated endowment earnings	165,071	245,332
	\$ 6,881,319	\$ 6,249,447
Total net assets with donor restrictions		

## NAMI

Notes to Financial Statements  
December 31, 2018 and 2017

### 9. Net Assets (continued)

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 Research Award stipend given annually at a NAMI 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 reserves the right to use the corpus value to provide the stipend. During the years ended December 31, 2018 and 2017, the amount of the stipend award increased to \$16,000 and \$14,500, respectively, due to additional contributions to the corpus.

### 10. Endowment

NAMI's endowment has been funded by donor-restricted contributions that are required to be retained permanently by explicit donor stipulation. Investment income generated from the endowment can be used for general operations of NAMI. 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 has interpreted the Commonwealth of Virginia's 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 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 restricted net assets is classified as 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.

## NAMI

Notes to Financial Statements  
December 31, 2018 and 2017

### 10. Endowment (continued)

#### 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.

#### 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.

#### Composition of Funds

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>2018:</u>			
Donor-restricted funds	<u>\$ -</u>	<u>\$ 1,004,130</u>	<u>\$ 1,004,130</u>
Total endowment funds	<u><u>\$ -</u></u>	<u><u>\$ 1,004,130</u></u>	<u><u>\$ 1,004,130</u></u>
<u>2017:</u>			
Donor-restricted funds	<u>\$ -</u>	<u>\$ 1,054,391</u>	<u>\$ 1,054,391</u>
Total endowment funds	<u><u>\$ -</u></u>	<u><u>\$ 1,054,391</u></u>	<u><u>\$ 1,054,391</u></u>

## NAMI

Notes to Financial Statements  
December 31, 2018 and 2017

### 10. Endowment (continued)

#### Changes in Endowment Net Assets

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, December 31, 2016	\$ -	\$ 919,301	\$ 919,301
Investment return:			
Interest and dividends	-	20,143	20,143
Net appreciation (realized and unrealized)	-	114,229	114,229
Investment fees	-	(4,782)	(4,782)
Total investment return	-	129,590	129,590
Contributions	-	20,000	20,000
Appropriations	-	(14,500)	(14,500)
Endowment net assets, December 31, 2017	-	1,054,391	1,054,391
Investment return:			
Interest and dividends	-	23,569	23,569
Net depreciation (realized and unrealized)	-	(82,482)	(82,482)
Investment fees	-	(5,348)	(5,348)
Total investment return	-	(64,261)	(64,261)
Contributions	-	30,000	30,000
Appropriations	-	(16,000)	(16,000)
Endowment net assets, December 31, 2018	<u>\$ -</u>	<u>\$ 1,004,130</u>	<u>\$ 1,004,130</u>

## NAMI

Notes to Financial Statements  
December 31, 2018 and 2017

### 10. Endowment (continued)

#### 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 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 unrestricted net assets. There were no fund deficiencies at December 31, 2018 and 2017.

### 11. Commitments and Contingencies

#### Operating Leases

NAMI leases office space in Arlington, Virginia under the terms of a noncancellable operating lease agreement that expires on April 30, 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 \$655,764 and \$631,012 for the years ended December 31, 2018 and 2017, respectively, and is included in occupancy expense in the accompanying statements of functional expenses.

On November 5, 2018, NAMI entered into an operating lease agreement for office space at a different location in Arlington, Virginia. NAMI plans to occupy the space once the lease noted above expires in 2020. The new operating lease is scheduled to commence on February 1, 2020 and expires on September 30, 2036. The terms of the lease contain several lease incentives, including rent abatements, and future fixed rent increases of 2.75% per year.

Additionally, NAMI leases various office equipment under several operating leases that expire in 2020. The leases call for fixed monthly payments during the terms of the leases.



## NAMI

Notes to Financial Statements  
December 31, 2018 and 2017

### 11. Commitments and Contingencies (continued)

#### Operating Leases (continued)

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

2019	\$	778,441
2020		1,086,705
2021		918,282
2022		940,247
2023		966,104
Thereafter		<u>15,379,020</u>
Total future minimum payments	\$	<u>20,068,799</u>

#### Government Contracts

Funds received from the federal government are subject to audit under the provisions of the contract 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 has a signed employment agreement with the Chief Executive Officer through April 30, 2019, which contains terms that require severance payments upon the occurrence of certain contractual events. The agreement automatically extends, on the same terms and conditions, for successive periods of one year, unless either party provides written notice in advance of at least 180 days.

#### Hotel Commitments

NAMI entered into several agreements through 2021 with various hotels for future meeting sites. In the event that NAMI cancels its agreement with the hotels, it can be held liable for liquidated damages or other cancellation fees.

## NAMI

Notes to Financial Statements  
December 31, 2018 and 2017

### **12. Methods Used for Allocation of Expenses from Management and General Activities**

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. Allocated personnel costs include salary expenses, payroll taxes, benefit expenses, and pension expenses.

### **13. 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. Tax expense totaling \$8,260 is recorded in the accompanying financial statements for the year ended December 31, 2018 for NAMI's unrelated business activities, including non-taxable qualified transportation and parking benefits. No tax expense is recorded in the accompanying financial statements for the year ended December 31, 2017. Contributions to NAMI are deductible as provided in IRC Section 170(b)(1)(A)(vi).

Management has evaluated NAMI'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.