

NAMI National

Financial Statements
and Independent Auditors' Report

December 31, 2020 and 2019

NAMI National

Financial Statements
December 31, 2020 and 2019

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
NAMI National

We have audited the accompanying financial statements of NAMI National, which comprise the statements of financial position as of December 31, 2020 and 2019; 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 National as of December 31, 2020 and 2019, 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.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, NAMI National elected to change its method of accounting for leasing transactions due to the adoption of Financial Accounting Standards Board Accounting Standards Update 2016-02, *Leases* (Accounting Standards Codification 842). This change has been applied as of January 1, 2020 using the new transition alternative method, which permits application of the new standard to all leases at the adoption date. The comparative periods presented in the accompanying financial statements were not restated and remained to be disclosed under the provisions of the previous lease standard.



Vienna, Virginia
April 8, 2021

NAMI National

Statements of Financial Position December 31, 2020 and 2019

	2020	2019
Assets		
Cash and cash equivalents	\$ 13,690,036	\$ 4,095,750
Contributions receivable	188	141,296
Government grants receivable	10,507	35,718
Accounts receivable	86	357
Inventory	142,033	218,891
Investments	14,083,601	12,043,357
Certificates of deposit	-	454,643
Prepaid expenses	857,929	721,578
Property and equipment, net	2,135,771	10,184
Intangible assets, net	768,497	1,439,770
Operating lease right-of-use asset, net	8,029,250	-
Deposits	148,764	195,664
	\$ 39,866,662	\$ 19,357,208
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 2,888,855	\$ 1,685,301
Deferred revenue	-	23,980
Deferred rent and lease incentive	-	58,625
Operating lease liability	11,101,430	-
Charitable gift annuities	140,109	141,693
	14,130,394	1,909,599
Total liabilities		
Net Assets		
Without donor restrictions:		
Undesignated	7,062,215	1,618,634
Designated by the Board for operating reserve	10,667,178	9,665,064
	17,729,393	11,283,698
Total without donor restrictions		
With donor restrictions:		
Perpetual in nature	1,500,902	1,186,418
Purpose restricted	6,230,973	4,872,493
Time-restricted for future periods	275,000	105,000
	8,006,875	6,163,911
Total with donor restrictions		
Total net assets	25,736,268	17,447,609
Total liabilities and net assets	\$ 39,866,662	\$ 19,357,208

See accompanying notes.

NAMI National

Statement of Activities
For the Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Grants and contributions	\$ 17,433,763	\$ 7,562,174	\$ 24,995,937
In-kind contributions	684,029	-	684,029
Walks	321,448	-	321,448
Government grants	637,554	-	637,554
Dues	282,581	-	282,581
Investment return	1,078,724	145,761	1,224,485
Change in value of split interests	-	(17,594)	(17,594)
Sales	92,744	-	92,744
Other revenue	61,783	-	61,783
Net assets released from restrictions:			
Satisfaction of program restrictions	5,292,377	(5,292,377)	-
Satisfaction of time restrictions	555,000	(555,000)	-
Total revenue and support	26,440,003	1,842,964	28,282,967
Expenses			
Program services:			
Program and membership support	11,131,881	-	11,131,881
Education services	2,740,794	-	2,740,794
Advocacy	2,449,100	-	2,449,100
Research	121,803	-	121,803
Total program services	16,443,578	-	16,443,578
Supporting services:			
Administration	1,305,744	-	1,305,744
Development	2,244,986	-	2,244,986
Total supporting services	3,550,730	-	3,550,730
Total expenses	19,994,308	-	19,994,308
Change in Net Assets	6,445,695	1,842,964	8,288,659
Net Assets, beginning of year	11,283,698	6,163,911	17,447,609
Net Assets, end of year	\$ 17,729,393	\$ 8,006,875	\$ 25,736,268

See accompanying notes.

NAMI National

Statement of Activities
For the Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Grants and contributions	\$ 11,574,196	\$ 4,748,422	\$ 16,322,618
In-kind contributions	6,368,729	-	6,368,729
Walks	1,138,614	-	1,138,614
Government grants	703,220	-	703,220
Registrations	403,897	-	403,897
Dues	314,918	-	314,918
Investment return	1,341,768	169,788	1,511,556
Change in value of split interests	-	(23,926)	(23,926)
Sales	144,400	-	144,400
Other revenue	141,066	-	141,066
Net assets released from restrictions:			
Satisfaction of program restrictions	4,866,692	(4,866,692)	-
Satisfaction of time restrictions	745,000	(745,000)	-
Total revenue and support	27,742,500	(717,408)	27,025,092
Expenses			
Program services:			
Program and membership support	17,106,094	-	17,106,094
Education services	1,852,698	-	1,852,698
Advocacy	2,150,360	-	2,150,360
Research	123,296	-	123,296
Total program services	21,232,448	-	21,232,448
Supporting services:			
Administration	838,083	-	838,083
Development	2,247,272	-	2,247,272
Total supporting services	3,085,355	-	3,085,355
Total expenses	24,317,803	-	24,317,803
Change in Net Assets	3,424,697	(717,408)	2,707,289
Net Assets, beginning of year	7,859,001	6,881,319	14,740,320
Net Assets, end of year	\$ 11,283,698	\$ 6,163,911	\$ 17,447,609

See accompanying notes.

NAMI National

Statement of Functional Expenses
For the Year Ended December 31, 2020

	Program Services					Supporting Services			Total
	Program and Membership Support	Education Services	Advocacy	Research	Total Program Services	Administration	Development	Total Supporting Services	
Personnel costs	\$ 4,020,093	\$ 1,175,236	\$ 1,341,824	\$ 1,043	\$ 6,538,196	\$ 2,207,682	\$ 748,256	\$ 2,955,938	\$ 9,494,134
Temporary labor	41,595	9,355	-	-	50,950	-	4,314	4,314	55,264
Computer costs	424,593	6,046	102,433	-	533,072	418,182	43,192	461,374	994,446
Occupancy	6,093	-	-	-	6,093	1,113,971	-	1,113,971	1,120,064
Equipment and maintenance	175	-	-	-	175	93,455	-	93,455	93,630
Telephone	17,105	41,450	14,587	-	73,142	19,809	3,799	23,608	96,750
Printing and copying	154,693	8	4,911	-	159,612	2,355	378,268	380,623	540,235
Supplies	219,922	108,366	4,271	-	332,559	178,074	2,387	180,461	513,020
Postage and shipping	144,498	1,214	6,191	-	151,903	4,057	225,547	229,604	381,507
Travel	53,211	11,412	7,644	284	72,551	1,892	13,632	15,524	88,075
Meetings	2,216	1,901	612	-	4,729	1,624	620	2,244	6,973
Grants and scholarships	1,069,361	204,075	16,475	120,000	1,409,911	-	-	-	1,409,911
Professional fees	109,757	115	5,008	-	114,880	60,406	3,425	63,831	178,711
Subcontractors	2,279,351	174,155	197,294	-	2,650,800	445,752	374,642	820,394	3,471,194
Depreciation and amortization	365,139	372,414	-	-	737,553	125,074	-	125,074	862,627
Dues and subscriptions	36,339	17,608	44,073	-	98,020	19,562	6,757	26,319	124,339
Taxes and fees	146,407	-	-	-	146,407	363,263	40,911	404,174	550,581
Miscellaneous	3,655	-	-	-	3,655	9,192	-	9,192	12,847
Overhead allocation	2,037,678	617,439	703,777	476	3,359,370	(3,758,606)	399,236	(3,359,370)	-
Total Expenses	\$ 11,131,881	\$ 2,740,794	\$ 2,449,100	\$ 121,803	\$ 16,443,578	\$ 1,305,744	\$ 2,244,986	\$ 3,550,730	\$ 19,994,308

See accompanying notes.

NAMI National

Statement of Functional Expenses
For the Year Ended December 31, 2019

	Program Services					Supporting Services			Total
	Program and Membership Support	Education Services	Advocacy	Research	Total Program Services	Administration	Development	Total Supporting Services	
Personnel costs	\$ 4,473,298	\$ 800,883	\$ 1,220,249	\$ 1,675	\$ 6,496,105	\$ 1,862,017	\$ 756,192	\$ 2,618,209	\$ 9,114,314
Occupancy	30,004	27	-	-	30,031	692,320	-	692,320	722,351
Subcontractors	7,782,316	58,964	69,157	-	7,910,437	668,184	292,121	960,305	8,870,742
Travel	476,496	74,039	68,206	789	619,530	7,844	73,664	81,508	701,038
Depreciation and amortization	249,060	233,268	5,787	-	488,115	207,902	-	207,902	696,017
Printing and copying	145,099	12,291	4,693	-	162,083	2,274	368,606	370,880	532,963
Meetings	453,250	56,879	12,325	-	522,454	6,391	54,979	61,370	583,824
Postage and shipping	146,106	5,923	2,193	-	154,222	6,189	210,583	216,772	370,994
Computer costs	300,082	21,728	287	-	322,097	377,523	13,475	390,998	713,095
Taxes and fees	118,890	-	-	-	118,890	368,928	-	368,928	487,818
Supplies	197,853	21,291	4,881	-	224,025	175,678	10,702	186,380	410,405
Grants and scholarships	147,790	64,750	10,365	120,000	342,905	-	-	-	342,905
Professional fees	81,596	-	990	-	82,586	60,675	17,790	78,465	161,051
Telephone	23,640	42,940	8,226	-	74,806	7,810	4,603	12,413	87,219
Dues and subscriptions	65,167	18,575	97,940	-	181,682	22,977	40,924	63,901	245,583
Equipment and maintenance	15,243	-	-	-	15,243	95,708	-	95,708	110,951
Miscellaneous	7,140	130	-	-	7,270	18,022	370	18,392	25,662
Temporary labor	82,869	10,900	-	-	93,769	45,134	1,968	47,102	140,871
Overhead allocation	2,310,195	430,110	645,061	832	3,386,198	(3,787,493)	401,295	(3,386,198)	-
Total Expenses	\$ 17,106,094	\$ 1,852,698	\$ 2,150,360	\$ 123,296	\$ 21,232,448	\$ 838,083	\$ 2,247,272	\$ 3,085,355	\$ 24,317,803

See accompanying notes.

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Statements of Cash Flows
For the Years Ended December 31, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities		
Change in net assets	\$ 8,288,659	\$ 2,707,289
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized loss on investments	69,028	3,664
Unrealized gain on investments	(1,154,706)	(1,276,688)
Donated investments	(358,617)	(118,674)
Contributions restricted for long-term purposes	(196,223)	(30,000)
Change in value of charitable gift annuities	-	23,926
Leasehold improvements acquired with landlord allowance	(2,258,340)	-
Loss on disposals of property and equipment	-	21,935
Depreciation and amortization on property and equipment	132,753	117,906
Amortization on intangible assets	729,874	578,111
Change in operating assets and liabilities:		
Decrease (increase) in:		
Contributions receivable	141,108	(30,856)
Government grants receivable	25,211	15,911
Accounts receivable	271	-
Inventory	76,858	(101,752)
Prepaid expenses	(136,351)	(221,840)
Operating lease right-of-use asset	(8,029,250)	-
Deposits	46,900	-
Increase (decrease) in:		
Accounts payable and accrued expenses	1,203,554	310,379
Deferred revenue	(23,980)	8,960
Deferred rent and lease incentive	(58,625)	(161,187)
Operating lease liability	11,101,430	-
Charitable gift annuities	(1,584)	(15,350)
Net cash provided by operating activities	9,597,970	1,831,734
Cash Flows from Investing Activities		
Proceeds from sales of investments	751,953	2,245,490
Purchases of investments	(1,347,902)	(4,016,090)
Maturities of certificates of deposit	454,643	1,328,981
Purchases of certificates of deposit	-	(263,411)
Purchases of intangible assets	(58,601)	(519,977)
Net cash used in investing activities	(199,907)	(1,225,007)
Cash Flows from Financing Activity		
Contributions restricted for long-term purposes	196,223	30,000
Net cash provided by financing activity	196,223	30,000
Net Increase in Cash and Cash Equivalents	9,594,286	636,727
Cash and Cash Equivalents, beginning of year	4,095,750	3,459,023
Cash and Cash Equivalents, end of year	\$ 13,690,036	\$ 4,095,750

See accompanying notes.

NAMI National

Notes to Financial Statements
December 31, 2020 and 2019

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 Internal Revenue Code (IRC) Section 503(c)(3). A merger agreement was signed subsequent to year-end on January 11, 2021. Pursuant to the terms of the merger agreement, NAMI National will continue to operate as the surviving organization, utilizing the assets and resources of NAMI.

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 National's daily operations. As of December 31, 2020 and 2019, there was \$10,667,178 and \$9,665,064, 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.

NAMI National

Notes to Financial Statements
December 31, 2020 and 2019

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 February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2016-02, Accounting Standards Codification (ASC) 842, *Leases*. The update requires a lessee to recognize a right-of-use (ROU) asset and lease liability, initially measured at the present value of the lease payments, in its statements of financial position. NAMI National early adopted ASC 842 on January 1, 2020 using the new transition alternative method, which permits application of the new standard to all leases at the adoption date. The comparative periods presented in the accompanying financial statements were not restated and remained to be disclosed under the provisions of the previous lease standard, ASC 840. The new lease standard provides a number of optional practical expedients in transition. NAMI National elected to apply the package of practical expedients, which permits NAMI National not to reassess under the new standard prior conclusions about lease identification, lease classification, and initial direct costs. NAMI National did not elect the use of hindsight or the practical expedient pertaining to land easements, the latter not being applicable to NAMI National.

Cash Equivalents

NAMI National 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 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, 2020 and 2019 are fully collectible.

NAMI National

Notes to Financial Statements
December 31, 2020 and 2019

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, 2020 and 2019, 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, 2020 and 2019, as management believes that all 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, 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.

Certificates of Deposit

At December 31, 2019, NAMI National 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 FASB 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*.

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

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 seventeen years. Expenditures for major repairs and improvements are capitalized; expenditures for minor repairs and maintenance costs are expensed when incurred.

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.

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Notes to Financial Statements
December 31, 2020 and 2019

2. Summary of Significant Accounting Policies (continued)

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.

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

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. Revenue under charitable gift annuity arrangements is reduced by the estimated annuities to be paid by NAMI National over the beneficiary's lifetime.

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.

NAMI National also organizes affiliate walks to raise awareness of mental health issues. Revenue is recorded as a percentage of funds raised by each walks site at 0% and 10% for the years ended December 31, 2020 and 2019, respectively. A license fee of \$3,500 and \$5,000 was also received for the years ended December 31, 2020 and 2019, respectively, and is included in walks revenue in the accompanying statements of activities.

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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 in Accordance with Contribution Accounting (continued)

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 (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 National. During the years ended December 31, 2020 and 2019, NAMI National received donated services consisting of media, legal, and other professional services with an estimated fair value of \$684,029 and \$6,368,729, 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, 2020 and 2019.

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.

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Notes to Financial Statements
December 31, 2020 and 2019

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Revenue Accounted for as Contracts with Customers (continued)

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 activities.

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

	<u>2020</u>	<u>2019</u>
Deferred revenue, beginning balance	\$ 23,980	\$ 15,020
Revenue recognized	(23,980)	(15,020)
Payments received for future obligations	<u>-</u>	<u>23,980</u>
Deferred revenue, ending balance	<u>\$ -</u>	<u>\$ 23,980</u>

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 \$558,388 and \$211,365 for the years ended December 31, 2020 and 2019, respectively.

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Notes to Financial Statements
December 31, 2020 and 2019

2. Summary of Significant Accounting Policies (continued)

Subsequent Events

In preparing these financial statements, NAMI National has evaluated events and transactions for potential recognition or disclosure through April 8, 2021, 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.

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>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 13,690,036	\$ 4,095,750
Contributions receivable	188	141,296
Government grants receivable	10,507	35,718
Accounts receivable	86	357
Investments	14,083,601	12,043,357
Certificates of deposit	-	454,643
Less: endowment corpus held in perpetuity	<u>(1,065,282)</u>	<u>(869,059)</u>
Total available for general expenditures	<u>\$ 26,719,136</u>	<u>\$ 15,902,062</u>

NAMI National

Notes to Financial Statements
December 31, 2020 and 2019

4. Concentrations of 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 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.

5. Investments and Fair Value Measurements

NAMI National 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 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.

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Notes to Financial Statements
December 31, 2020 and 2019

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, 2020:

	Level 1	Level 2	Level 3	Total
Money market funds	\$ 476,351	\$ -	\$ -	\$ 476,351
Mutual funds:				
Equity	8,109,688	-	-	8,109,688
Fixed income	5,497,562	-	-	5,497,562
Total investments	\$ 14,083,601	\$ -	\$ -	\$ 14,083,601

The following table sets forth by level, within the fair value hierarchy, NAMI National's assets at fair value as of December 31, 2019:

	Level 1	Level 2	Level 3	Total
Money market funds	\$ 281,774	\$ -	\$ -	\$ 281,774
Mutual funds:				
Equity	7,021,049	-	-	7,021,049
Fixed income	4,740,534	-	-	4,740,534
Total investments	\$ 12,043,357	\$ -	\$ -	\$ 12,043,357

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

	2020	2019
Interest and dividends	\$ 192,956	\$ 288,233
Realized loss	(69,028)	(3,664)
Unrealized gain	1,154,706	1,276,688
Investment management fees	(54,149)	(49,701)
Total investment return	\$ 1,224,485	\$ 1,511,556

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Notes to Financial Statements
December 31, 2020 and 2019

6. Property and Equipment

Property and equipment consists of the following at December 31:

	2020	2019
Furniture and equipment	\$ -	\$ 44,342
Computer equipment	169,451	169,451
Leasehold improvements	2,259,445	822,994
 Total property and equipment	 2,428,896	 1,036,787
Less: accumulated depreciation and amortization	(293,125)	(1,026,603)
 Property and equipment, net	 \$ 2,135,771	 \$ 10,184

7. Intangible Assets

Intangible assets consist of the following at December 31:

	2020	2019
Gross carrying amount:		
E-learning software	\$ 1,213,573	\$ 1,162,473
Program, accounting, consulting, and other intangible software	832,277	824,777
Website	265,698	265,698
Copyright	14,000	14,000
 Total intangible assets	 2,325,548	 2,266,948
Accumulated amortization:		
E-learning software	(870,153)	(480,489)
Program, accounting, consulting, and other intangible software	(554,452)	(302,809)
Website	(118,446)	(29,880)
Copyright	(14,000)	(14,000)
 Less: accumulated amortization	 (1,557,051)	 (827,178)
 Intangible assets, net	 \$ 768,497	 \$ 1,439,770

NAMI National

Notes to Financial Statements
December 31, 2020 and 2019

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	Program, Accounting, Consulting, and Other Intangible Software	Website	Total
2021	\$ 250,635	\$ 245,213	\$ 88,567	\$ 584,415
2022	79,657	32,612	58,685	170,954
2023	13,128	-	-	13,128
Future estimated amortization	\$ 343,420	\$ 277,825	\$ 147,252	\$ 768,497

8. Charitable Gift Annuities

NAMI National has entered into charitable gift annuity arrangements with a number of donors. These arrangements require NAMI National 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 net assets without donor restrictions in the accompanying financial statements. There was no contribution revenue recognized under these arrangements for the years ended December 31, 2020 and 2019. 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%.

9. 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, 2020 and 2019, the stipend award increased to \$27,500 and \$17,500, respectively, due to additional contributions to the corpus.

NAMI National

Notes to Financial Statements December 31, 2020 and 2019

9. Net Assets (continued)

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

	2020	2019
Subject to expenditure for specified purpose:		
COVID-19	\$ 798,750	\$ -
100 Women in Finance	680,127	1,076,000
State Policy and Advocacy	675,000	601,239
Capacity building	600,000	-
Homefront	585,000	160,000
Helpline	490,000	175,000
Broad Institute	454,426	497,426
Frontline Wellness	380,000	-
Education programs	364,064	917,860
Mood disorder survey	280,000	-
Research	235,001	385,241
Corporate relations	138,605	-
Peer-to-Peer	120,000	120,000
NAMI on Campus	100,000	-
Crisis Intervention Program	75,000	75,000
NAMISmarts	50,000	-
2021 convention	50,000	-
Strategic Partnerships	45,000	-
Estate of Florence Drake	25,000	33,000
FaithNet	25,000	15,000
Marketing	25,000	-
Research event	15,000	15,000
Finder app	15,000	-
DEI	5,000	-
Ending the Silence	-	475,427
First Episode Psychosis	-	152,189
2020 convention	-	90,000
Alignment project	-	69,111
Communication	-	15,000
Subject to the passage of time:		
Time-restricted	275,000	105,000
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	516,519	320,296
Unappropriated endowment earnings	435,620	317,359
	\$ 8,006,875	\$ 6,163,911
Total net assets with donor restrictions		

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Notes to Financial Statements
December 31, 2020 and 2019

10. 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.

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.

NAMI National

Notes to Financial Statements
December 31, 2020 and 2019

10. Endowment (continued)

Return Objectives and Risk Parameters (continued)

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>2020</u>	<u>2019</u>
Donor-restricted endowment funds	<u>\$ 1,500,902</u>	<u>\$ 1,186,418</u>

Changes in Endowment Net Assets

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

	<u>2020</u>	<u>2019</u>
Endowment net assets, beginning of year	\$ 1,186,418	\$ 1,004,130
Investment return	145,761	169,788
Contributions	196,223	30,000
Appropriations	<u>(27,500)</u>	<u>(17,500)</u>
Endowment net assets, end of year	<u>\$ 1,500,902</u>	<u>\$ 1,186,418</u>

NAMI National

Notes to Financial Statements
December 31, 2020 and 2019

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 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, 2020 and 2019.

11. Leases

Leases Presented Under ASC 840

Operating Leases

Through the beginning of 2020, NAMI National leased office space in Arlington, Virginia under the terms of a noncancellable operating lease agreement that was scheduled to expire on April 30, 2020. Base annual rent was subject to annual rent increases of 3%. Additionally, under the terms of the lease, NAMI National 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 \$644,219 for the year ended December 31, 2019, and is included in occupancy expense in the accompanying statements of functional expenses.

On November 5, 2018, NAMI National entered into an operating lease agreement for office space at a different location in Arlington, Virginia. NAMI National occupied the space in early March 2020. The new operating lease commenced 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 National leases various office equipment under several operating leases that expire in 2022. The leases call for fixed monthly payments during the terms of the leases.

NAMI National

Notes to Financial Statements
December 31, 2020 and 2019

11. Leases (continued)

Leases Presented Under ASC 840 (continued)

Operating Leases (continued)

At December 31, 2019, future minimum rental payments under all operating lease agreements were as follows for the years ending December 31:

2020	\$ 290,270
2021	254,247
2022	946,554
2023	966,104
2024	992,672
Thereafter	<u>13,927,138</u>
Total future minimum payments	<u>\$ 17,376,985</u>

Leases Presented Under ASC 842

NAMI National determines if an arrangement is a lease at inception. Operating leases are included in 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.

At December 31, 2020, 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 operating lease.

NAMI National

Notes to Financial Statements
December 31, 2020 and 2019

11. Leases (continued)

Leases Presented Under ASC 842 (continued)

As indicated above, the operating lease of the office space 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. 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:

2021	\$ 229,282
2022	940,247
2023	966,104
2024	992,672
2025	1,019,970
Thereafter	<u>12,907,162</u>
Total minimum lease payments	17,055,437
Less: discounts and interest	<u>(5,954,007)</u>
Present value of lease liability	<u>\$ 11,101,430</u>

For the year ended December 31, 2020, total lease cost was as follows:

Operating lease cost:	
Fixed rent expense	<u>\$ 938,049</u>
Total lease cost	<u>\$ 938,049</u>
Lease expense:	
Program services	\$ 6,093
Supporting services	<u>931,956</u>
Total lease expense	<u>\$ 938,049</u>

NAMI National

Notes to Financial Statements
December 31, 2020 and 2019

11. Leases (continued)

Leases Presented Under ASC 842 (continued)

Supplemental statement of financial position information related to the lease is as follows at December 31, 2020:

<u>Asset:</u>	
Operating – right of use, net	\$ 8,029,250
	<u>8,029,250</u>
Total lease asset	<u>\$ 8,029,250</u>
<u>Liability:</u>	
Current:	
Operating lease	\$ 70,672
Noncurrent:	
Operating lease	<u>11,030,758</u>
Total lease liability	<u>\$ 11,101,430</u>

Supplemental cash flow information related to the lease is as follows at December 31, 2020:

Cash paid for amounts included in the measurement of lease liability:	
Operating cash flows from operating lease	<u>\$ -</u>
Non-cash investing activity:	
Additions to ROU assets obtained from:	
New operating lease liability	<u>\$ 11,101,430</u>

As of December 31, 2020, the weighted-average remaining lease term for the operating lease is 15.75 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, 2020 was 5%.

NAMI National

Notes to Financial Statements
December 31, 2020 and 2019

12. 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, determined by the amount borrowed against the credit line, currently ranging from 2.875% to 6.5%. There was no outstanding balance on the line of credit at December 31, 2020.

13. 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 Agreements

Through 2019, NAMI National had a signed employment agreement with the Chief Executive Officer through April 30, 2019, which contained terms that require severance payments upon the occurrence of certain contractual events. The agreement was not renewed upon expiration.

NAMI National entered an employment agreement with a new Chief Executive Officer, which commenced on January 20, 2020 and is scheduled to expire on January 19, 2023. The agreement contains terms that require severance payments upon the occurrence of certain contractual events.

NAMI National

Notes to Financial Statements
December 31, 2020 and 2019

13. Commitments and Contingencies (continued)

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.

14. 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.

15. 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, 2020 and 2019, pension expense totaled \$253,163 and \$246,990, respectively, and is included in personnel costs in the accompanying statements of functional expenses.

16. 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, 2020 and 2019, 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.

NAMI National

Notes to Financial Statements
December 31, 2020 and 2019

17. COVID-19 Pandemic

The COVID-19 outbreak in the United States and around the world has caused business disruption due to mandatory lockdowns implemented in most states in order to slow down the spread of virus. NAMI National's management has been monitoring the situation and implementing certain changes in its operations and upcoming events in order to mitigate the impact of this pandemic. While the disruption is currently expected to be temporary, there is considerable uncertainty around its duration, and the full financial impact cannot be reasonably estimated at this time.

18. Supplementary Cash Flow Information

	<u>2020</u>	<u>2019</u>
Noncash Investing Activities		
Donated investments	\$ 358,617	\$ 118,674
Leasehold improvements acquired with landlord allowance	<u>\$ 2,258,340</u>	<u>\$ -</u>