

NAMI National

Financial Statements
and Independent Auditor's Report

December 31, 2023 and 2022

NAMI National

Financial Statements
December 31, 2023 and 2022

Contents

Independent Auditor’s Report.....	1-3
<i>Financial Statements</i>	
Statements of Financial Position.....	4
Statements of Activities	5-6
Statements of Functional Expenses.....	7-8
Statements of Cash Flows	9
Notes to Financial Statements.....	10-29

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
NAMI National

Opinion

We have audited the accompanying financial statements of NAMI National, which comprise the statements of financial position as of December 31, 2023 and 2022; the related statements of activities, functional expenses, and cash flows for the years then ended; and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NAMI National as of December 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter

As discussed in Note 2 to the financial statements, NAMI National adopted Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-13, *Financial Instruments – Credit Losses* (Topic 326), *Measurement of Credit Losses on Financial Instruments*. NAMI National has adopted ASU 2016-13 during the year ended December 31, 2023, and has adjusted the presentation in the financial statements as permitted by ASU 2016-13. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of NAMI National's internal control. Accordingly, no such opinion is expressed.

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

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

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

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

Vienna, Virginia
March 27, 2024

NAMI National

Statements of Financial Position
December 31, 2023 and 2022

	2023	2022
Assets		
Cash and cash equivalents	\$ 9,866,976	\$ 16,631,176
Contributions receivable	-	706
Government grants receivable	19,541	6,898
Accounts receivable	45,462	362
Inventory	130,242	167,151
Investments	51,693,673	45,659,446
Certificates of deposit	6,067,906	4,155,451
Prepaid expenses	1,223,287	1,141,457
Property and equipment, net	1,747,733	1,885,850
Intangible assets, net	1,008,737	1,093,167
Right-of-use assets – operating lease	6,752,206	7,035,774
Deposits	148,625	148,764
	<u>\$ 78,704,388</u>	<u>\$ 77,926,202</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 3,524,018	\$ 4,558,098
Deferred revenue	63,750	63,750
Lease liabilities – operating lease	10,352,230	10,714,077
	<u>13,939,998</u>	<u>15,335,925</u>
Net Assets		
Without donor restrictions:		
Undesignated	21,167,819	24,977,322
Designated by the Board for operating reserve	26,938,202	22,999,907
	<u>48,106,021</u>	<u>47,977,229</u>
With donor restrictions:		
Perpetual in nature	1,080,282	1,080,282
Purpose restricted	15,503,087	13,337,766
Time-restricted for future periods	75,000	195,000
	<u>16,658,369</u>	<u>14,613,048</u>
Total net assets	<u>64,764,390</u>	<u>62,590,277</u>
Total liabilities and net assets	<u>\$ 78,704,388</u>	<u>\$ 77,926,202</u>

See accompanying notes.

NAMI National

Statement of Activities
For the Year Ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Grants and contributions	\$ 20,636,664	\$ 14,421,435	\$ 35,058,099
In-kind contributions	303,747	-	303,747
Government grants	415,989	-	415,989
Book projects	111,563	-	111,563
Registrations	346,655	-	346,655
Dues	238,109	-	238,109
Investment return, net	4,836,442	209,546	5,045,988
Sales	86,475	-	86,475
Other revenue	45,476	-	45,476
Net assets released from restrictions:			
Satisfaction of program restrictions	11,845,660	(11,845,660)	-
Satisfaction of time restrictions	740,000	(740,000)	-
Total revenue and support	39,606,780	2,045,321	41,652,101
Expenses			
Program services:			
Program and membership support	26,017,201	-	26,017,201
Education services	4,560,903	-	4,560,903
Advocacy	3,589,438	-	3,589,438
Total program services	34,167,542	-	34,167,542
Supporting services:			
Administration	913,264	-	913,264
Development	4,397,182	-	4,397,182
Total supporting services	5,310,446	-	5,310,446
Total expenses	39,477,988	-	39,477,988
Change in Net Assets	128,792	2,045,321	2,174,113
Net Assets, beginning of year	47,977,229	14,613,048	62,590,277
Net Assets, end of year	\$ 48,106,021	\$ 16,658,369	\$ 64,764,390

See accompanying notes.

NAMI National

Statement of Activities
For the Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Grants and contributions	\$ 49,577,065	\$ 13,301,196	\$ 62,878,261
In-kind contributions	720,966	-	720,966
Government grants	228,943	-	228,943
Book projects	223,125	-	223,125
Registrations	111,065	-	111,065
Dues	258,763	-	258,763
Investment return, net	(3,344,939)	(238,651)	(3,583,590)
Sales	169,849	-	169,849
Other revenue	153,654	-	153,654
Net assets released from restrictions:			
Satisfaction of program restrictions	11,225,628	(11,225,628)	-
Satisfaction of time restrictions	1,009,300	(1,009,300)	-
Total revenue and support	60,333,419	827,617	61,161,036
Expenses			
Program services:			
Program and membership support	24,169,376	-	24,169,376
Education services	2,177,249	-	2,177,249
Advocacy	3,463,913	-	3,463,913
Total program services	29,810,538	-	29,810,538
Supporting services:			
Administration	1,562,704	-	1,562,704
Development	3,581,653	-	3,581,653
Total supporting services	5,144,357	-	5,144,357
Total expenses	34,954,895	-	34,954,895
Change in Net Assets	25,378,524	827,617	26,206,141
Net Assets, beginning of year	22,598,705	13,785,431	36,384,136
Net Assets, end of year	\$ 47,977,229	\$ 14,613,048	\$ 62,590,277

See accompanying notes.

NAMI National

Statement of Functional Expenses
For the Year Ended December 31, 2023

	Program Services				Supporting Services			
	Program and Membership Support	Education Services	Advocacy	Total Program Services	Administration	Development	Total Supporting Services	Total
Personnel costs	\$ 10,271,514	\$ 2,463,048	\$ 1,873,679	\$ 14,608,241	\$ 2,390,566	\$ 1,503,170	\$ 3,893,736	\$ 18,501,977
Temporary labor	324,858	-	-	324,858	39,741	5,124	44,865	369,723
Grants and scholarships	4,183,317	197,200	368,225	4,748,742	80,000	36,517	116,517	4,865,259
Subcontractors	2,591,987	350,140	502,716	3,444,843	496,132	406,954	903,086	4,347,929
Marketing	2,365,495	160,537	44,030	2,570,062	499	267,643	268,142	2,838,204
Computer costs	1,000,299	468	127,433	1,128,200	186,070	98,073	284,143	1,412,343
Travel	1,067,228	88,423	64,290	1,219,941	46,855	87,201	134,056	1,353,997
Occupancy	-	-	-	-	924,313	-	924,313	924,313
Meetings	700,221	32,740	35,238	768,199	8,631	133,681	142,312	910,511
Printing and copying	73,326	47,506	1,835	122,667	11,880	675,986	687,866	810,533
Postage and shipping	62,527	49,763	796	113,086	104,007	448,943	552,950	666,036
Taxes, fees, and insurance	159,515	5,097	-	164,612	235,394	237,132	472,526	637,138
Depreciation and amortization	193,945	295,429	-	489,374	147,350	-	147,350	636,724
Supplies	414,007	129,334	11,535	554,876	30,963	23,644	54,607	609,483
Professional fees	68,056	28,069	2,624	98,749	135,360	29,769	165,129	263,878
Dues and subscriptions	52,782	46,272	49,733	148,787	33,899	33,472	67,371	216,158
Telephone	50,801	-	-	50,801	9,679	2,885	12,564	63,365
Equipment and maintenance	18,745	-	-	18,745	18,418	-	18,418	37,163
Miscellaneous	12,717	-	-	12,717	537	-	537	13,254
Overhead allocation	2,405,861	666,877	507,304	3,580,042	(3,987,030)	406,988	(3,580,042)	-
Total Expenses	\$ 26,017,201	\$ 4,560,903	\$ 3,589,438	\$ 34,167,542	\$ 913,264	\$ 4,397,182	\$ 5,310,446	\$ 39,477,988

See accompanying notes.

NAMI National

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

	Program Services				Supporting Services			
	Program and Membership Support	Education Services	Advocacy	Total Program Services	Administration	Development	Total Supporting Services	Total
Personnel costs	\$ 7,348,695	\$ 1,232,304	\$ 1,632,699	\$ 10,213,698	\$ 3,027,898	\$ 1,323,217	\$ 4,351,115	\$ 14,564,813
Temporary labor	193,444	-	-	193,444	64,272	41,287	105,559	299,003
Grants and scholarships	6,274,291	32,956	105,350	6,412,597	25	-	25	6,412,622
Subcontractors	3,379,348	106,453	575,301	4,061,102	141,438	404,569	546,007	4,607,109
Marketing	1,818,520	49,149	294,895	2,162,564	73,724	221,171	294,895	2,457,459
Computer costs	385,645	5,500	94,273	485,418	547,361	74,642	622,003	1,107,421
Travel	391,656	13,266	33,804	438,726	70,419	37,297	107,716	546,442
Occupancy	-	-	-	-	919,516	-	919,516	919,516
Meetings	535,013	1,247	3,901	540,161	36,800	1,995	38,795	578,956
Printing and copying	206,402	23,967	214	230,583	6,878	521,284	528,162	758,745
Postage and shipping	226,959	23,064	3,520	253,543	34,794	203,580	238,374	491,917
Taxes, fees, and insurance	117,132	-	-	117,132	347,760	158,466	506,226	623,358
Depreciation and amortization	312,584	157,202	210	469,996	138,118	-	138,118	608,114
Supplies	378,702	16,774	6,977	402,453	42,558	11,083	53,641	456,094
Professional fees	45,295	7,027	3,575	55,897	115,852	35,598	151,450	207,347
Dues and subscriptions	53,272	21,553	63,829	138,654	19,885	20,166	40,051	178,705
Telephone	45,786	2	-	45,788	9,070	2,464	11,534	57,322
Equipment and maintenance	-	-	-	-	59,946	-	59,946	59,946
Miscellaneous	5,621	-	-	5,621	14,385	-	14,385	20,006
Overhead allocation	2,451,011	486,785	645,365	3,583,161	(4,107,995)	524,834	(3,583,161)	-
Total Expenses	\$ 24,169,376	\$ 2,177,249	\$ 3,463,913	\$ 29,810,538	\$ 1,562,704	\$ 3,581,653	\$ 5,144,357	\$ 34,954,895

See accompanying notes.

NAMI National

Statements of Cash Flows For the Years Ended December 31, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities		
Change in net assets	\$ 2,174,113	\$ 26,206,141
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Realized (gain) loss on investments	(15,247)	72,160
Unrealized (gain) loss on investments	(3,301,310)	4,064,009
Donated investments	(77,392)	(120,464)
Depreciation and amortization on property and equipment	138,117	138,118
Amortization on intangible assets	498,607	469,996
Amortization of right-of-use assets – operating lease	283,568	264,260
Change in operating assets and liabilities:		
Decrease (increase) in:		
Contributions receivable	706	(706)
Government grants receivable	(12,643)	9,116
Accounts receivable	(45,100)	647
Inventory	36,909	7,592
Prepaid expenses	(81,830)	47,422
Deposits	139	-
(Decrease) increase in:		
Accounts payable and accrued expenses	(1,034,080)	1,682,952
Deferred revenue	-	(47,813)
Lease liabilities – operating lease, net	(361,847)	(316,681)
Net cash (used in) provided by operating activities	(1,797,290)	32,476,749
Cash Flows from Investing Activities		
Proceeds from sales of investments	9,970,145	2,676,027
Purchases of investments	(12,610,423)	(22,021,056)
Maturities of certificates of deposit	34,300,000	-
Purchases of certificates of deposit	(36,212,455)	(4,155,451)
Purchases of intangible assets	(414,177)	(561,601)
Net cash used in investing activities	(4,966,910)	(24,062,081)
Net (Decrease) Increase in Cash and Cash Equivalents	(6,764,200)	8,414,668
Cash and Cash Equivalents, beginning of year	16,631,176	8,216,508
Cash and Cash Equivalents, end of year	\$ 9,866,976	\$ 16,631,176

See accompanying notes.

NAMI National

Notes to Financial Statements
December 31, 2023 and 2022

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.

2. Summary of Significant Accounting Policies

Basis of Accounting and Presentation

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

- *Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor or certain grantor restrictions. Included in net assets without donor restrictions are Board-designated net assets, which are currently available to support NAMI National's daily operations. As of December 31, 2023 and 2022, there was \$26,938,202 and \$22,999,907, 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 National

Notes to Financial Statements
December 31, 2023 and 2022

2. Summary of Significant Accounting Policies (continued)

Cash Equivalents

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

Contributions Receivable

Contributions receivable represent unconditional amounts committed to NAMI National, including amounts collected by NAMI National affiliates on NAMI National's behalf, and are recognized as contribution revenue in the period promised or received. Management determines the need for an allowance for doubtful accounts by identifying troubled accounts and by using historical experience. No allowance for doubtful promises is recorded as management believes that all contributions receivable at December 31, 2023 and 2022 are fully collectible.

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, 2023 and 2022, as management believes that all government grants receivable are fully collectible.

Accounts Receivable

Accounts receivable are stated at their net realizable value. All amounts are collectible within one year and are recorded at net realizable value. The allowance for credit losses is based upon historical loss experience in combination with current economic conditions and a forecast of future economic conditions. Any change in the assumptions used in analyzing a specific account receivable might result in an additional allowance for credit losses being recognized in the period in which the change occurs. However, no allowance for doubtful accounts is provided, as NAMI National historically had insignificant write-offs due to bad debts, and current conditions indicate all receivables are fully collectible. Therefore, no allowance for credit losses has been recognized. Amounts due from employees included in accounts receivable totaled \$32 and \$362 at December 31, 2023 and 2022, respectively.

NAMI National

Notes to Financial Statements
December 31, 2023 and 2022

2. Summary of Significant Accounting Policies (continued)

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 net investment return. Donated investments are recorded at fair value based on quoted market prices at the time of receipt. Unless restricted by the donor, it is NAMI National's policy to sell all donated investments upon receipt.

Property and Equipment

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

NAMI National

Notes to Financial Statements
December 31, 2023 and 2022

2. Summary of Significant Accounting Policies (continued)

Intangible Assets

E-Learning Software

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

Program, Accounting, Consulting, and Other Intangible Software

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

Website Development Costs

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

Book Projects

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

NAMI National

Notes to Financial Statements
December 31, 2023 and 2022

2. Summary of Significant Accounting Policies (continued)

Operating Lease

NAMI National determines if an arrangement is a lease at inception. Operating lease is included in the right-of-use (“ROU”) assets, which represent NAMI National’s right to use an underlying asset for the lease terms, and lease liabilities represent NAMI National’s obligation to make lease payments arising from the lease. Operating ROU lease assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. As NAMI National’s lease does not provide an implicit rate, NAMI National used a risk-free rate based on the information available at the commencement date in determining the present value of lease payments.

The ROU assets also include any lease payments made and exclude 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 in a straight-line basis over the lease term.

Revenue Recognition

Revenue Accounted for in Accordance with Contribution Accounting

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

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

NAMI National also organizes affiliate walks to raise awareness of mental health issues. Revenue is recorded as a percentage of funds raised by each walk’s site. There was no walk revenue or associated license fees for the years ended December 31, 2023 and 2022.

NAMI National

Notes to Financial Statements
December 31, 2023 and 2022

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.

Revenue Accounted for as Contracts with Customers

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

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

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

NAMI National

Notes to Financial Statements
December 31, 2023 and 2022

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Revenue Accounted for as Contracts with Customers (continued)

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

In-Kind Contributions

The value of contributions that enhance a nonfinancial asset, which are considered specialized and can be estimated, and would have been purchased if not donated, are reflected in the accompanying statements of activities as in-kind contributions. In-kind contributions consist of contributed services, principally consulting and media services. In-kind contributions are recognized as revenue and expense in the accompanying statements of activities at their estimated fair value, as provided by the donor, at the date of receipt.

Functional Allocation of Expenses

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

Advertising Expenses

NAMI National expenses advertising costs as incurred. Advertising expenses were \$2,838,204 and \$2,457,459 for the years ended December 31, 2023 and 2022, respectively.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. In particular, during the current year, prior year net assets without donor restrictions in the amount of \$1,145,000 were reclassified to net assets with donor restrictions in accordance with updated donor restrictions. The reclassification had no impact on the previously reported change in net assets.

NAMI National

Notes to Financial Statements
December 31, 2023 and 2022

2. Summary of Significant Accounting Policies (continued)

Adopted Accounting Pronouncement

In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-13, *Financial Instruments – Credit Losses* (Topic 326), *Measurement of Credit Losses on Financial Instruments*. This ASU addresses measurement and reporting of credit losses related to accounts receivable, notes receivable, leases receivable, and held-to-maturity debt securities. The ASU mandates the current expected credit loss (CECL) model, which measures and reports expected losses over the contractual life of an asset. The measurement of expected life credit losses will be based on relevant information, not just past events (including historical experience and current conditions), but also the “reasonable and supportable” forecasts that affect collectability of the reported amount. This guidance is effective for NAMI National for the year ended December 31, 2023. NAMI National adopted ASU 2016-13 during the year ended December 31, 2023, and has adjusted the presentation in the financial statements as permitted by ASU 2016-13.

Subsequent Events

In preparing these financial statements, NAMI National has evaluated events and transactions for potential recognition or disclosure through March 27, 2024, the date the financial statements were available to be issued.

3. Liquidity and Availability

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

Additionally, NAMI National considers net assets with donor restrictions for use in current programs that are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The governing Board’s designated operating reserves are also available for general expenditures. Excluded from total available for general expenditures is the portion of the endowments that is donor-restricted and held in perpetuity.

NAMI National

Notes to Financial Statements
December 31, 2023 and 2022

3. Liquidity and Availability (continued)

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

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 9,866,976	\$ 16,631,176
Contributions receivable	-	706
Government grants receivable	19,541	6,898
Accounts receivable	45,462	362
Investments	51,693,673	45,659,446
Certificates of deposit	6,067,906	4,155,451
Less: endowment corpus held in perpetuity	<u>(1,080,282)</u>	<u>(1,080,282)</u>
Total available for general expenditures	<u>\$ 66,613,276</u>	<u>\$ 65,373,757</u>

4. Concentrations of Risk

Credit Risk

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

Revenue Risk

For the year ended December 31, 2022, NAMI National received 49% of its total revenue and support from one donor. There was no revenue concentration in donors for the year ended December 31, 2023.

NAMI National

Notes to Financial Statements
December 31, 2023 and 2022

5. Investments and Fair Value Measurements

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

The inputs used in measuring fair value are categorized into three levels. Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and liabilities and have the highest priority. Level 2 is based upon observable inputs other than quoted market prices, and Level 3 is based on unobservable inputs. NAMI National recognizes transfers between levels in the fair value hierarchy at the end of the reporting period.

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

The following table sets forth by level, within the fair value hierarchy, NAMI National's assets at fair value as of December 31, 2023:

	Level 1	Level 2	Level 3	Total
Money market funds	\$ 4,973,153	\$ -	\$ -	\$ 4,973,153
Government securities	17,221,516	-	-	17,221,516
Mutual funds:				
Equity	17,845,879	-	-	17,845,879
Fixed income	11,653,125	-	-	11,653,125
Total investments	\$ 51,693,673	\$ -	\$ -	\$ 51,693,673

NAMI National

Notes to Financial Statements
December 31, 2023 and 2022

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, 2022:

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

Net investment return consists of the following for the years ended December 31:

	2023	2022
Interest and dividends	\$ 1,838,596	\$ 656,217
Realized gain (loss)	15,247	(72,160)
Unrealized gain (loss)	3,301,310	(4,064,009)
Less: investment management fees	(109,165)	(103,638)
Total investment return, net	\$ 5,045,988	\$ (3,583,590)

6. Property and Equipment

Property and equipment consists of the following at December 31:

	2023	2022
Leasehold improvements	\$ 2,284,513	\$ 2,284,513
Computer equipment	169,451	169,451
Total property and equipment	2,453,964	2,453,964
Less: accumulated depreciation and amortization	(706,231)	(568,114)
Property and equipment, net	\$ 1,747,733	\$ 1,885,850

NAMI National

Notes to Financial Statements
December 31, 2023 and 2022

7. Intangible Assets

Intangible assets consist of the following at December 31:

	<u>2023</u>	<u>2022</u>
Gross carrying amount:		
E-learning software	\$ 1,800,285	\$ 1,556,660
Program, accounting, consulting, and other intangible software	894,302	864,392
Website	332,208	265,698
Book projects	337,076	262,944
Copyright	<u>14,000</u>	<u>14,000</u>
Total intangible assets	<u>3,377,871</u>	<u>2,963,694</u>
Accumulated amortization:		
E-learning software	(1,136,160)	(739,397)
Program, accounting, consulting, and other intangible software	(851,550)	(832,277)
Website	(271,651)	(265,698)
Book projects	(95,773)	(19,155)
Copyright	<u>(14,000)</u>	<u>(14,000)</u>
Less: accumulated amortization	<u>(2,369,134)</u>	<u>(1,870,527)</u>
Intangible assets, net	<u>\$ 1,008,737</u>	<u>\$ 1,093,167</u>

NAMI National

Notes to Financial Statements
December 31, 2023 and 2022

7. Intangible Assets (continued)

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

	E-Learning Software	Other Intangible Software	Website	Book Projects	Total
2024	\$ 423,309	\$ 20,675	\$ 22,170	\$ 112,359	\$ 578,513
2025	162,927	20,675	22,170	93,204	298,976
2026	77,889	1,402	16,217	24,711	120,219
2027	-	-	-	11,029	11,029
Future estimated amortization	<u>\$ 664,125</u>	<u>\$ 42,752</u>	<u>\$ 60,557</u>	<u>\$ 241,303</u>	<u>\$ 1,008,737</u>

8. Net Assets

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

The Peter Corbin Kohn Endowment consists of funds restricted to support the NAMI National Research Award stipend given annually at a NAMI National event highlighting research into perpetuity. The amount of the stipend award each year is \$28,400 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. The stipend award was \$28,400 for both years ended December 31, 2023 and 2022.

NAMI National

Notes to Financial Statements December 31, 2023 and 2022

8. Net Assets (continued)

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

	2023	2022
Subject to expenditure for specified purpose:		
Kohl's Support Groups	\$ 2,156,751	\$ 811,667
Workplace Mental Health	1,905,000	290,000
Youth and Young Adults (YYA)	1,523,981	716,271
Build Better Lives	1,230,953	3,207,600
Research	968,169	2,035,155
The Community Health Equity Alliance	780,000	1,500,000
Arthur Blank Family Foundation	650,000	-
Helpline	635,000	450,000
Crisis Intervention Program	625,000	800,000
FaithNet	512,500	755,000
Reed Family Foundation	500,000	-
Homefront	457,500	402,500
Salesforce Foundation	455,000	-
Website	400,000	-
Broad Institute	379,426	504,426
Hearts & Minds	300,000	420,000
State Policy and Advocacy	273,660	125,000
Education programs	250,000	10,000
NAMI Provider	228,750	100,000
Convention	185,000	50,000
Ending the Silence (ETS)	175,000	-
Train the Trainers	125,000	-
Frontline Wellness	87,500	232,500
Book Projects	75,000	300,000
Cross-Cultural Innovation and Engagement (CCIE)	60,994	-
Girl Scouts USA	40,000	60,000
Medical Director	15,000	10,000
Sharing Hope	-	180,890
988 Crisis Response	-	50,000
Subject to the passage of time:		
Time-restricted	75,000	195,000
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	531,519	531,519
Unappropriated endowment earnings	507,903	326,757
Total net assets with donor restrictions	\$ 16,658,369	\$ 14,613,048

NAMI National

Notes to Financial Statements
December 31, 2023 and 2022

9. Endowment

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

Interpretation of Relevant Law

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

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

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, 2023 and 2022

9. 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.

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>2023</u>	<u>2022</u>
Donor-restricted endowment funds	<u>\$ 1,588,185</u>	<u>\$ 1,407,039</u>

Changes in Endowment Net Assets

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

	<u>2023</u>	<u>2022</u>
Endowment net assets, beginning of year	\$ 1,407,039	\$ 1,674,090
Investment return, net	209,546	(238,651)
Appropriations	<u>(28,400)</u>	<u>(28,400)</u>
Endowment net assets, end of year	<u>\$ 1,588,185</u>	<u>\$ 1,407,039</u>

NAMI National

Notes to Financial Statements
December 31, 2023 and 2022

9. 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, 2023 and 2022.

10. Operating Lease

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

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.

Supplemental qualitative information related to the office lease was as follows at December 31:

	<u>2023</u>	<u>2022</u>
Operating lease cost	\$ 1,023,326	\$ 1,023,326
Cash paid for amounts included in the measurement of lease liabilities – operating cash flows	\$ 361,847	\$ 316,681
Weighted-average remaining lease term (in years)	8	9
Weighted-average discount rate	5%	5%

NAMI National

Notes to Financial Statements
December 31, 2023 and 2022

10. Operating Lease (continued)

Maturities of the lease liabilities under NAMI National's office lease are as follows for the years ending December 31:

2024	\$	992,672
2025		1,019,970
2026		1,048,019
2027		1,076,840
2028		1,106,453
Thereafter		<u>9,675,850</u>
Total minimum lease payments		14,919,804
Less: discount to present value at 5%		<u>(4,567,574)</u>
Present value of operating lease liabilities	\$	<u><u>10,352,230</u></u>

11. Line of Credit

On November 12, 2020, NAMI National opened an express line of credit with a financial institution with an available credit limit of \$1,000,000. NAMI National's short-term investment account held with the financial institution is pledged as collateral under this agreement. Interest rates are variable based on current market rates, and are determined by the amount borrowed against the credit line. There was no outstanding balance on the line of credit at December 31, 2023 and 2022.

12. Commitments and Contingencies

Letter of Credit

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

Employment Agreement

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

NAMI National

Notes to Financial Statements
December 31, 2023 and 2022

12. Commitments and Contingencies (continued)

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.

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.

13. Functionalized Expenses

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

14. Retirement Plan

NAMI National has a defined contribution 403(b) pension plan ("the Plan") covering all full-time employees that meet certain eligibility and length of service requirements. Contributions to the Plan are made in amounts equal to 4.5% of the eligible employee's compensation. For the years ended December 31, 2023 and 2022, pension expense totaled \$484,847 and \$349,406, respectively, and is included in personnel costs in the accompanying statements of functional expenses.

NAMI National

Notes to Financial Statements
December 31, 2023 and 2022

15. Income Taxes

NAMI National is recognized as a tax-exempt organization under IRC Section 501(c)(3), and is exempt from income taxes except for taxes on unrelated business activities. No tax expense is recorded in the accompanying financial statements for the years ended December 31, 2023 and 2022, as there was no significant unrelated business income. Contributions to NAMI National are deductible as provided in IRC Section 170(b)(1)(A)(vi). Management has evaluated NAMI National's tax positions and concluded that there are no significant uncertain tax positions that qualify for either recognition or disclosure in the accompanying financial statements.

16. Supplementary Cash Flow Information

	<u>2023</u>	<u>2022</u>
Noncash Investing Activities		
Donated investments	<u>\$ 77,392</u>	<u>\$ 120,464</u>