

NAMI

Financial Statements
and Independent Auditors' Report

December 31, 2015 and 2014

NAMI

Financial Statements
December 31, 2015 and 2014

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
NAMI

We have audited the accompanying financial statements of NAMI, which comprise the statements of financial position as of December 31, 2015 and 2014; 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 of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NAMI as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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

Vienna, Virginia
April 4, 2016

NAMI

Statements of Financial Position December 31, 2015 and 2014

	2015	2014
Assets		
Cash and cash equivalents	\$ 2,639,346	\$ 4,697,929
Contributions receivable	169,564	284,060
Grants and accounts receivable	174,920	95,320
Inventory	86,287	87,341
Investments	7,502,723	6,995,977
Prepaid expenses	307,899	246,642
Property and equipment, net	805,934	1,004,305
Deposits	46,900	46,900
Total assets	<u>\$ 11,733,573</u>	<u>\$ 13,458,474</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 1,061,600	\$ 1,415,632
Deferred revenue	20,135	93,170
Deferred rent and lease incentive	549,526	632,228
Charitable gift annuities	191,074	204,729
Total liabilities	<u>1,822,335</u>	<u>2,345,759</u>
Net Assets		
Unrestricted	5,836,990	5,790,895
Temporarily restricted	3,285,189	4,521,761
Permanently restricted	789,059	800,059
Total net assets	<u>9,911,238</u>	<u>11,112,715</u>
Total liabilities and net assets	<u>\$ 11,733,573</u>	<u>\$ 13,458,474</u>

See accompanying notes.

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Statement of Activities
For the Year Ended December 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and Support				
Contributions	\$ 5,472,099	\$ 2,122,115	\$ 1,500	\$ 7,595,714
Walks	1,004,569	-	-	1,004,569
Government grants and contracts	536,142	-	-	536,142
Registrations	460,606	-	-	460,606
Dues	338,355	-	-	338,355
Investment loss	(20,925)	-	-	(20,925)
Sales	149,188	-	-	149,188
Other revenue	64,745	-	-	64,745
Transfer from permanently restricted to temporarily restricted	-	12,500	(12,500)	-
Net assets released from restrictions:				
Satisfaction of program restrictions	2,536,187	(2,536,187)	-	-
Satisfaction of time restrictions	835,000	(835,000)	-	-
Total revenue and support	11,375,966	(1,236,572)	(11,000)	10,128,394
Expenses				
Program services:				
Program and membership support	5,379,020	-	-	5,379,020
Education services	1,229,380	-	-	1,229,380
Advocacy	1,693,117	-	-	1,693,117
Total program services	8,301,517	-	-	8,301,517
Supporting services:				
Administration	1,621,480	-	-	1,621,480
Development	1,406,874	-	-	1,406,874
Total supporting services	3,028,354	-	-	3,028,354
Total expenses	11,329,871	-	-	11,329,871
Change in Net Assets	46,095	(1,236,572)	(11,000)	(1,201,477)
Net Assets, beginning of year	5,790,895	4,521,761	800,059	11,112,715
Net Assets, end of year	\$ 5,836,990	\$ 3,285,189	\$ 789,059	\$ 9,911,238

See accompanying notes.

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Statement of Activities
For the Year Ended December 31, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and Support				
Contributions	\$ 5,650,272	\$ 5,024,203	\$ 161,125	\$ 10,835,600
Walks	956,732	-	-	956,732
Government grants and contracts	409,677	-	-	409,677
Registrations	412,051	-	-	412,051
Dues	390,525	-	-	390,525
Investment income	170,922	-	-	170,922
Sales	106,931	-	-	106,931
Other revenue	54,679	-	-	54,679
Transfer from temporarily restricted to permanently restricted	-	(91,671)	91,671	-
Net assets released from restrictions:				
Satisfaction of program restrictions	2,308,577	(2,308,577)	-	-
Satisfaction of time restrictions	885,000	(885,000)	-	-
Total revenue and support	11,345,366	1,738,955	252,796	13,337,117
Expenses				
Program services:				
Program and membership support	5,359,464	-	-	5,359,464
Education services	1,256,255	-	-	1,256,255
Advocacy	1,496,845	-	-	1,496,845
Total program services	8,112,564	-	-	8,112,564
Supporting services:				
Administration	1,321,654	-	-	1,321,654
Development	1,376,853	-	-	1,376,853
Total supporting services	2,698,507	-	-	2,698,507
Total expenses	10,811,071	-	-	10,811,071
Change in Net Assets	534,295	1,738,955	252,796	2,526,046
Net Assets, beginning of year	5,256,600	2,782,806	547,263	8,586,669
Net Assets, end of year	\$ 5,790,895	\$ 4,521,761	\$ 800,059	\$ 11,112,715

See accompanying notes.

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Statement of Functional Expenses
For the Year Ended December 31, 2015

	Program Services			Total Program Services	Supporting Services		Total Supporting Services	Total
	Program and Membership Support	Education Services	Advocacy		Administration	Development		
Personnel costs	\$ 2,730,300	\$ 765,247	\$ 1,153,893	\$ 4,649,440	\$ 1,157,228	\$ 700,358	\$ 1,857,586	\$ 6,507,026
Occupancy	10,573	-	2,275	12,848	708,813	-	708,813	721,661
Subcontractors	679,779	124,233	125,972	929,984	64,845	116,873	181,718	1,111,702
Travel	298,185	116,282	98,140	512,607	22,332	52,166	74,498	587,105
Depreciation and amortization	-	-	-	-	361,180	-	361,180	361,180
Printing and copying	149,125	11,776	2,857	163,758	-	150,196	150,196	313,954
Meetings	233,854	2,173	11,415	247,442	6,757	17,881	24,638	272,080
Postage and shipping	141,660	1,291	1,356	144,307	7,944	94,938	102,882	247,189
Computer costs	47,043	1,425	20,225	68,693	216,446	3,485	219,931	288,624
Taxes and fees	51,327	-	20	51,347	119,071	50	119,121	170,468
Supplies	159,719	6,097	3,571	169,387	18,399	40,171	58,570	227,957
Grants and scholarships	73,700	16,500	14,777	104,977	-	-	-	104,977
Professional fees	28,488	-	250	28,738	78,220	300	78,520	107,258
Telephone	31,014	7,383	6,701	45,098	17,931	5,914	23,845	68,943
Dues and subscriptions	16,850	4,483	4,924	26,257	30,802	19,345	50,147	76,404
Equipment and maintenance	-	-	-	-	37,714	313	38,027	38,027
Miscellaneous	5,978	4,801	7,152	17,931	3,889	15,880	19,769	37,700
Temporary labor	26,514	-	121	26,635	51,845	9,136	60,981	87,616
Overhead allocation	694,911	167,689	239,468	1,102,068	(1,281,936)	179,868	(1,102,068)	-
Total Expenses	\$ 5,379,020	\$ 1,229,380	\$ 1,693,117	\$ 8,301,517	\$ 1,621,480	\$ 1,406,874	\$ 3,028,354	\$ 11,329,871

See accompanying notes.

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Statement of Functional Expenses
For the Year Ended December 31, 2014

	Program Services				Supporting Services			
	Program and Membership Support	Education Services	Advocacy	Total Program Services	Administration	Development	Total Supporting Services	Total
Personnel costs	\$ 3,046,887	\$ 786,123	\$ 1,098,716	\$ 4,931,726	\$ 1,149,856	\$ 720,025	\$ 1,869,881	\$ 6,801,607
Occupancy	10,540	-	-	10,540	661,783	-	661,783	672,323
Subcontractors	377,895	130,998	51,225	560,118	37,240	60,764	98,004	658,122
Travel	269,103	70,677	54,971	394,751	1,603	50,407	52,010	446,761
Depreciation and amortization	-	-	-	-	359,358	-	359,358	359,358
Printing and copying	265,124	9,798	7,460	282,382	(115,894)	166,913	51,019	333,401
Meetings	212,751	30,275	20,628	263,654	786	29,487	30,273	293,927
Postage and shipping	148,662	987	2,426	152,075	1	119,716	119,717	271,792
Computer costs	56,527	4,647	8,030	69,204	136,539	8,035	144,574	213,778
Taxes and fees	13,078	-	-	13,078	150,777	1,514	152,291	165,369
Supplies	111,014	9,730	5,071	125,815	19,110	2,696	21,806	147,621
Grants and scholarships	83,550	21,650	16,000	121,200	-	-	-	121,200
Professional fees	6,006	7,268	-	13,274	100,016	-	100,016	113,290
Telephone	32,638	10,061	6,514	49,213	25,391	4,468	29,859	79,072
Dues and subscriptions	16,250	3,604	10,280	30,134	4,284	27,741	32,025	62,159
Equipment and maintenance	-	190	-	190	36,530	316	36,846	37,036
Miscellaneous	18,925	25	848	19,798	1,130	4,839	5,969	25,767
Temporary labor	6,072	-	-	6,072	-	2,416	2,416	8,488
Overhead allocation	684,442	170,222	214,676	1,069,340	(1,246,856)	177,516	(1,069,340)	-
Total Expenses	\$ 5,359,464	\$ 1,256,255	\$ 1,496,845	\$ 8,112,564	\$ 1,321,654	\$ 1,376,853	\$ 2,698,507	\$ 10,811,071

See accompanying notes.

NAMI

Statements of Cash Flows
For the Years Ended December 31, 2015 and 2014

	2015	2014
Cash Flows from Operating Activities		
Change in net assets	\$ (1,201,477)	\$ 2,526,046
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Realized gain on investments	(126,559)	(103,984)
Unrealized loss on investments	254,333	36,754
Donated investments	(73,299)	(227,061)
Contributions restricted for long-term purposes	(1,500)	(161,125)
Change in value of charitable gift annuities	10,007	9,875
Depreciation and amortization	361,180	359,358
Change in operating assets and liabilities:		
(Increase) decrease in:		
Contributions receivable	114,496	349,529
Grants and accounts receivable	(79,600)	71,679
Inventory	1,054	(40,640)
Prepaid expenses	(61,257)	13,109
Decrease in:		
Accounts payable and accrued expenses	(354,032)	(91,504)
Deferred revenue	(73,035)	(18,060)
Deferred rent and lease incentive	(82,702)	(63,510)
Charitable gift annuity	(23,662)	(23,851)
Net cash (used in) provided by operating activities	(1,336,053)	2,636,615
Cash Flows from Investing Activities		
Proceeds from sales of investments	318,853	828,287
Purchases of investments	(880,074)	(1,653,275)
Purchases of property and equipment	(162,809)	(342,118)
Net cash used in investing activities	(724,030)	(1,167,106)
Cash Flows from Financing Activity		
Contributions restricted for long-term purposes	1,500	161,125
Net cash provided by financing activity	1,500	161,125
Net (Decrease) Increase in Cash and Cash Equivalents	(2,058,583)	1,630,634
Cash and Cash Equivalents, beginning of year	4,697,929	3,067,295
Cash and Cash Equivalents, end of year	\$ 2,639,346	\$ 4,697,929
Noncash Investing Activities		
Donated investments	\$ 73,299	\$ 227,061

See accompanying notes.

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Notes to Financial Statements
December 31, 2015 and 2014

1. Nature of Operations

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

2. Summary of Significant Accounting Policies

Basis of Accounting and Presentation

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

- *Unrestricted net assets* represent funds that are not subject to donor-imposed stipulations and are available for support of NAMI's operations. Included in unrestricted net assets are Board-designated net assets, which are currently available to support NAMI's daily operations. As of December 31, 2015 and 2014, there was \$3,415,067 and \$3,502,103, respectively, in the Board-designated operating reserve.
- *Temporarily restricted net assets* represent funds subject to donor-imposed restrictions that are met either by actions of NAMI or the passage of time.
- *Permanently restricted net assets* represent funds in which the principal must be held in perpetuity, while the earnings may be available for the general operations of NAMI or the restricted purpose imposed by the donors. NAMI's donor-restricted endowment is subject to the authoritative guidance issued by the Financial Accounting Standards Board (FASB) on net asset classifications of endowment funds, such that earnings on donor-restricted endowment funds for not-for-profit organizations that are subject to the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) are classified as temporarily restricted net assets until such amounts are appropriated for expenditure.

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.

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Notes to Financial Statements
December 31, 2015 and 2014

2. Summary of Significant Accounting Policies (continued)

Cash Equivalents

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

Contributions Receivable

Contributions receivable represent unconditional amounts committed to NAMI, including amounts collected by NAMI affiliates on NAMI's behalf, and are recognized as contribution revenue in the period promised or received. Management determines the need for an allowance for doubtful accounts by identifying troubled accounts and by using historical experience. No allowance for doubtful accounts is recorded as management believes that all contributions receivable at December 31, 2015 and 2014 are fully collectible.

Grants and Accounts Receivable

Grants and accounts receivable include amounts due from federal and local governments and other receivables and are stated at their net realizable value. No allowance for doubtful accounts is recorded at December 31, 2015 and 2014, as management believes that all grants and accounts receivable are fully collectible.

Inventory

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

Investments

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

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

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Notes to Financial Statements
December 31, 2015 and 2014

2. Summary of Significant Accounting Policies (continued)

Property and Equipment

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

Capitalized Software Costs

NAMI capitalizes certain costs associated with computer software developed or obtained for internal use in accordance with the provisions of FASB Accounting Standards Codification (ASC) 350-40, *Internal Use Software*. NAMI's policy provides for the capitalization of external direct costs of materials and services. Costs associated with preliminary project state activities, training, maintenance, and post-implementation stage activities are expensed as incurred. Capitalized software costs are being amortized over a three-year period on a straight-line basis.

Charitable Gift Annuities

Annuity obligations arising from split-interest gifts are recognized as charitable gift annuities in the accompanying statements of financial position. The initial liabilities resulting from these gifts are measured at fair value using the present value of the future payments to be made to beneficiaries. These liabilities are subsequently remeasured at the present value of future payments to beneficiaries based on changes in life expectancy and other actuarial assumptions.

Revenue Recognition

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

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Notes to Financial Statements
December 31, 2015 and 2014

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Contributions are reported as unrestricted support available for general operations unless specifically restricted by the donor. NAMI reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statements of activities as net assets released from restrictions. Membership dues are considered contributions and are recorded when promised or received. Revenue under charitable gift annuity arrangements is reduced by the estimated annuities to be paid by NAMI over the beneficiary's lifetime.

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

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

Revenue from all other sources is recognized when earned.

Functional Allocation of Expenses

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

Subsequent Events

In preparing these financial statements, NAMI has evaluated events and transactions for potential recognition or disclosure through April 4, 2016, the date the financial statements were available to be issued.

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Notes to Financial Statements
December 31, 2015 and 2014

3. Concentrations of Credit Risk

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

4. Investments and Fair Value Measurements

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

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

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

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

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Notes to Financial Statements
December 31, 2015 and 2014

4. Investments and Fair Value Measurements (continued)

The following table sets forth by level, within the fair value hierarchy, NAMI's assets at fair value as of December 31, 2015:

	Level 1	Level 2	Level 3	Total
Money market funds and cash equivalents	\$ 1,738,483	\$ -	\$ -	\$ 1,738,483
Mutual funds:				
Equity	3,065,478	-	-	3,065,478
Fixed income	2,698,762	-	-	2,698,762
Total investments	\$ 7,502,723	\$ -	\$ -	\$ 7,502,723

The following table sets forth by level, within the fair value hierarchy, NAMI's assets at fair value as of December 31, 2014:

	Level 1	Level 2	Level 3	Total
Money market funds and cash equivalents	\$ 1,552,424	\$ -	\$ -	\$ 1,552,424
Mutual funds:				
Equity	2,159,037	-	-	2,159,037
Fixed income	3,284,516	-	-	3,284,516
Total investments	\$ 6,995,977	\$ -	\$ -	\$ 6,995,977

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

	2015	2014
Interest and dividends	\$ 106,849	\$ 103,692
Realized gain	126,559	103,984
Unrealized loss	(254,333)	(36,754)
Total investment (loss) income	\$ (20,925)	\$ 170,922

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Notes to Financial Statements
December 31, 2015 and 2014

5. Property and Equipment

Property and equipment consists of the following at December 31:

	<u>2015</u>	<u>2014</u>
Furniture and equipment	\$ 1,629,848	\$ 1,548,694
Leasehold improvements	804,900	804,900
Copyright	14,000	14,000
Work-in-progress computer software	<u>434,771</u>	<u>353,116</u>
Total property and equipment	2,883,519	2,720,710
Less: accumulated depreciation and amortization	<u>(2,077,585)</u>	<u>(1,716,405)</u>
Property and equipment, net	<u><u>\$ 805,934</u></u>	<u><u>\$ 1,004,305</u></u>

6. Charitable Gift Annuities

NAMI has entered into charitable gift annuity arrangements with a number of donors. These arrangements require NAMI to make annual fixed payments during the lives of the donors or their specified income beneficiaries. The contributions are treated as contribution revenue when received and are included in unrestricted net assets in the accompanying financial statements. There was no contribution revenue recognized under these arrangements for the years ended December 31, 2015 and 2014.

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%.

7. Pension Plans

NAMI has a defined contribution 403(b) pension plan covering all full-time employees that meet certain eligibility and length of service requirements. Contributions to the plan are made in amounts equal to 4.5% of the eligible employee's compensation. For the years ended December 31, 2015 and 2014, pension expense totaled \$203,596 and \$213,183, respectively, and is included in personnel costs in the accompanying statements of functional expenses. NAMI also maintains a second, noncontributory 403(b) pension plan, which accepts only eligible employees' elective contributions. Accordingly, no pension expense is incurred under this plan.

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Notes to Financial Statements
December 31, 2015 and 2014

8. Net Assets

Temporarily Restricted Net Assets

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

	<u>2015</u>	<u>2014</u>
Time-restricted	\$ 295,000	\$ 460,000
Research	685,008	685,008
Education programs	545,333	920,000
Homefront	482,109	722,347
State Advocacy	299,178	535,500
Emergency Department Project	184,321	99,288
NAMI App	127,985	124,839
Children & Adolescent Action Center	103,000	33,000
Connect4 Mental Health	100,000	-
State Policy & Advocacy	95,268	150,000
Helpline	75,000	50,000
Estate of Florence Drake	69,156	285,348
Multicultural Action Center	55,000	102,548
Resiliency Project	47,328	49,676
FaithNet	38,585	5,664
Illness Awareness	25,000	80,928
Crisis Intervention Program	25,000	50,000
Stigma Free	25,000	-
NAMI on Campus	7,918	69,374
Education research	-	41,754
NAMI Youth Resource Center	-	35,000
NAMIWalks	-	12,000
Rodwell Dart Foundation	-	9,487
Total temporarily restricted net assets	<u>\$ 3,285,189</u>	<u>\$ 4,521,761</u>

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Notes to Financial Statements
December 31, 2015 and 2014

8. Net Assets (continued)

Permanently Restricted Net Assets

Permanently restricted net assets were held for the following purposes at December 31:

	<u>2015</u>	<u>2014</u>
General	\$ 515,763	\$ 514,263
Advocacy	10,000	10,000
Research	23,000	23,000
Peter Corbin Kohn Endowment	<u>240,296</u>	<u>252,796</u>
Total permanently restricted net assets	<u>\$ 789,059</u>	<u>\$ 800,059</u>

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 consist of funds restricted to support the NAMI Research Award stipend given annually at a NAMI event highlighting research into perpetuity. The amount of the stipend award each year is \$12,500 based on 5% interest. In the event the interest in the Peter Corbin Kohn Endowment does not equal 5% in any year, NAMI reserves the right to use the corpus value to provide the stipend.

9. Endowment

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

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Notes to Financial Statements
December 31, 2015 and 2014

9. Endowment (continued)

Interpretation of Relevant Law

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

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

Return Objectives and Risk Parameters

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

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

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Notes to Financial Statements
December 31, 2015 and 2014

9. Endowment (continued)

Strategies Employed for Achieving Objectives

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

Composition of Funds

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

	December 31, 2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted funds	\$ (34,789)	\$ -	\$ 789,059	\$ 754,270
Total endowment funds	\$ (34,789)	\$ -	\$ 789,059	\$ 754,270
	December 31, 2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted funds	\$ -	\$ -	\$ 800,059	\$ 800,059
Total endowment funds	\$ -	\$ -	\$ 800,059	\$ 800,059

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Notes to Financial Statements
December 31, 2015 and 2014

9. Endowment (continued)

Changes in Endowment Net Assets

Changes in endowment net assets were as follows for the year ended December 31, 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, December 31, 2014	\$ -	\$ -	\$ 800,059	\$ 800,059
Investment return:				
Interest and dividends	-	17,086	-	17,086
Net depreciation (realized and unrealized)	(34,789)	-	-	(34,789)
Total investment return	(34,789)	17,086	-	(17,703)
Contributions	-	-	1,500	1,500
Transfer from permanently restricted endowment to temporarily restricted non-endowment	-	-	(12,500)	(12,500)
Appropriations	-	(17,086)	-	(17,086)
Endowment net assets, December 31, 2015	\$ (34,789)	\$ -	\$ 789,059	\$ 754,270

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Notes to Financial Statements
December 31, 2015 and 2014

9. Endowment (continued)

Changes in Endowment Net Assets (continued)

Changes in endowment net assets were as follows for the year ended December 31, 2014:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, December 31, 2013	\$ -	\$ -	\$ 547,263	\$ 547,263
Investment return:				
Interest and dividends	-	15,356	-	15,356
Net appreciation (realized and unrealized)	-	7,797	-	7,797
Total investment return	-	23,153	-	23,153
Contributions	-	-	161,125	161,125
Transfer from temporarily restricted non-endowment to permanently restricted endowment	-	-	91,671	91,671
Appropriations	-	(23,153)	-	(23,153)
Endowment net assets, December 31, 2014	\$ -	\$ -	\$ 800,059	\$ 800,059

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA require NAMI to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature are reported in unrestricted net assets. There was no fund deficiency at December 31, 2014. There was a deficiency of \$34,789 at December 31, 2015. As the funds appreciate, the deficiency will be reclassified to temporarily restricted net assets.

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Notes to Financial Statements
December 31, 2015 and 2014

10. Commitment and Contingency

Lease Commitment

NAMI leases office space in Arlington, Virginia under the terms of a noncancellable operating lease agreement that expires on January 31, 2020. Base annual rent is subject to annual rent increases of 3%. Additionally, under the terms of the lease, NAMI received a build-out allowance of \$764,294 from the landlord.

The cumulative difference between actual rent paid and rent expense is recognized as deferred rent in the accompanying statements of financial position. Rent expense was \$644,148 and \$613,144 for the years ended December 31, 2015 and 2014, respectively, and is included in occupancy expense in the accompanying statements of functional expenses.

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

2016	\$	678,736
2017		699,098
2018		720,071
2019		743,673
2020		<u>63,030</u>
Total future minimum payments	\$	<u><u>2,904,608</u></u>

Government Contracts

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

11. Income Taxes

NAMI is recognized as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (IRC), and is exempt from income taxes except for taxes on unrelated business activities. No tax expense is recorded in the accompanying financial statements for the years ended December 31, 2015 and 2014, as NAMI did not engage in any unrelated business activities. Contributions to NAMI are deductible as provided in IRC Section 170(b)(1)(A)(vi).

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Notes to Financial Statements
December 31, 2015 and 2014

11. Income Taxes (continued)

Management has evaluated NAMI's tax positions and concluded that there are no significant uncertain tax positions that qualify for either recognition or disclosure in the accompanying financial statements.