

NAMI MERCER NJ, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

NAMI Mercer NJ, Inc.
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December 31, 2019 and 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
NAMI Mercer NJ, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of NAMI Mercer NJ, Inc. (a not-for-profit organization), which comprise the statement of financial position - modified cash basis as of December 31, 2019, and the related statements of activities - modified cash basis and functional expenses - modified cash basis for the year 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 the modified cash basis of accounting as described in Note 1; 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 audit. We conducted our audit 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 organization'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 organization'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 Mercer NJ, Inc. as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with the modified cash basis of accounting as described in Note 1.

Princeton

791 Alexander Road, Princeton, NJ 08540
T +1 609 452 2200
F +1 609 452 1065

Hamilton

2277 State Hwy #33, Suite 408, Hamilton, NJ 08690
T +1 609 807 2200
F +1 609 981 7373

Newtown

27 Cambridge Ln, Newtown, PA 18940
T +1 609 452 2200
F +1 609 452 1065

Basis of accounting

We draw attention to Note 1 of the financial statements which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

December 31, 2018 Financial Statements

The financial statements of NAMI Mercer NJ, Inc. as of and for the year ended December 31, 2018, were audited by other auditors whose report thereon, dated June 3, 2019, expressed an unqualified opinion.

Lear & Pannepacker, LLP

Princeton, New Jersey

July 28, 2020

NAMI Mercer NJ, Inc.
Statements of Financial Position - Modified Cash Basis
December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Assets		
Cash and cash equivalents	\$ 137,804	\$ 96,450
Certificates of deposit	74,268	74,125
Investments	174,980	137,447
Property and equipment, net	29,066	41,495
Security deposit	<u>2,718</u>	<u>2,718</u>
Total assets	<u>\$ 418,836</u>	<u>\$ 352,235</u>
Net assets		
Net assets without donor restrictions		
Undesignated	\$ 243,856	\$ 214,788
Board designated	<u>174,980</u>	<u>137,447</u>
Total net assets without donor restrictions	418,836	352,235
Net assets with donor restrictions	<u> --</u>	<u> --</u>
Total net assets	<u>\$ 418,836</u>	<u>\$ 352,235</u>

See notes to financial statements

NAMI Mercer NJ, Inc.
Statement of Activities - Modified Cash Basis
Year Ended December 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue, gains, losses and other support			
Fundraising events	\$ 262,689	\$ --	\$ 262,689
Contributions	171,336	--	171,336
Investment income	30,569	--	30,569
Grants	32,598	--	32,598
Memberships	9,364	--	9,364
Loss on disposal of assets	(8,051)	--	(8,051)
	498,505	--	498,505
Net assets released from restrictions	--	--	--
Total revenue, gains, losses and other support	<u>498,505</u>	<u>--</u>	<u>498,505</u>
Expenses			
Program services	283,626	--	283,626
Management and general	46,390	--	46,390
Fundraising	<u>101,888</u>	<u>--</u>	<u>101,888</u>
Total expenses	<u>431,904</u>	<u>--</u>	<u>431,904</u>
Change in net assets	66,601	--	66,601
Net assets – Beginning of year	<u>352,235</u>	<u>--</u>	<u>352,235</u>
Net assets – End of year	<u>\$ 418,836</u>	<u>\$ --</u>	<u>\$ 418,836</u>

See notes to financial statements

NAMI Mercer NJ, Inc.
Statement of Activities - Modified Cash Basis
Year Ended December 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue, gains, losses and other support			
Fundraising events	\$ 252,004	\$ --	\$ 252,004
Contributions	140,343	--	140,343
Loss on investments	(7,630)	--	(7,630)
Grants	10,392	--	10,392
Memberships	<u>10,105</u>	<u>--</u>	<u>10,105</u>
	405,214	--	405,214
Net assets released from restrictions	<u>2,046</u>	<u>(2,046)</u>	<u>--</u>
Total revenue, gains, losses and other support	<u>407,260</u>	<u>(2,046)</u>	<u>405,214</u>
Expenses			
Program services	289,847	--	289,847
Management and general	46,656	--	46,656
Fundraising	<u>96,522</u>	<u>--</u>	<u>96,522</u>
Total expenses	<u>433,025</u>	<u>--</u>	<u>433,025</u>
Change in net assets	(25,765)	(2,046)	(27,811)
Net assets – Beginning of year	<u>378,000</u>	<u>2,046</u>	<u>380,046</u>
Net assets – End of year	<u>\$ 352,235</u>	<u>\$ --</u>	<u>\$ 352,235</u>

See notes to financial statements

NAMI Mercer NJ, Inc.
Statement of Functional Expenses - Modified Cash Basis
Year Ended December 31, 2019

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and benefits	\$ 146,900	\$ 29,088	\$ 52,414	\$ 228,402
Occupancy costs	46,746	7,012	4,675	58,433
Membership dues	11,180	868	10,065	22,113
Computer supplies and website	13,687	2,053	1,369	17,109
Food and beverages	791	--	11,797	12,588
Insurance	8,807	1,321	881	11,009
Professional fees	8,730	1,310	873	10,913
Office equipment rental and maintenance	7,359	860	736	8,955
Supplies	4,972	348	2,995	8,315
Harvest of Hope conference	7,449	--	--	7,449
Client activities	5,901	--	--	5,901
Staff and volunteer development	4,370	656	437	5,463
Utilities	4,187	628	419	5,234
Equipment rental	2,048	--	3,072	5,120
Depreciation	3,503	525	350	4,378
Promotional items	1,765	53	2,422	4,240
Entertainment	--	--	3,873	3,873
Venue costs	--	--	3,696	3,696
Postage	2,741	411	274	3,426
Bank and processing fees	--	--	1,540	1,540
Public outreach	1,330	--	--	1,330
Hospitality	1,160	--	--	1,160
Board development	--	1,043	--	1,043
Licenses and permits	--	214	--	214
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total expenses	\$ <u>283,626</u>	\$ <u>46,390</u>	\$ <u>101,888</u>	\$ <u>431,904</u>

See notes to financial statements

NAMI Mercer NJ, Inc.
Statement of Functional Expenses - Modified Cash Basis
Year Ended December 31, 2018

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and benefits	\$ 145,193	\$ 28,651	\$ 51,972	\$ 225,816
Occupancy costs	51,038	7,655	5,103	63,796
Membership dues	12,215	979	9,182	22,376
Computer supplies and website	15,002	2,250	1,501	18,753
Food and beverages	307	--	12,272	12,579
Insurance	10,498	1,575	1,050	13,123
Professional fees	978	147	97	1,222
Office equipment rental and maintenance	7,738	1,117	799	9,654
Supplies	5,736	480	3,436	9,652
Harvest of Hope conference	9,413	--	--	9,413
Client activities	8,234	--	--	8,234
Staff and volunteer development	4,894	734	489	6,117
Utilities	3,634	545	363	4,542
Equipment rental	1,676	--	2,514	4,190
Depreciation	2,926	439	293	3,658
Promotional items	574	--	862	1,436
Entertainment	--	--	1,170	1,170
Venue costs	--	--	3,698	3,698
Postage	1,058	159	106	1,323
Bank and processing fees	--	--	1,282	1,282
Public outreach	5,570	--	--	5,570
Hospitality	1,145	--	--	1,145
Board development	--	1,632	--	1,632
Licenses and permits	324	39	164	527
Repairs and maintenance	1,694	254	169	2,117
	<u>1,694</u>	<u>254</u>	<u>169</u>	<u>2,117</u>
Total expenses	\$ <u>289,847</u>	\$ <u>46,656</u>	\$ <u>96,522</u>	\$ <u>433,025</u>

See notes to financial statements

NAMI Mercer NJ, Inc.
Notes to Financial Statements
December 31, 2019 and 2018

Note 1 – Summary of significant accounting policies

Significant accounting policies followed by NAMI Mercer NJ, Inc. (the "Organization") in the preparation of the accompanying financial statements are summarized below:

Nature of the Organization

NAMI Mercer NJ, Inc. was incorporated in the state of New Jersey as a not-for-profit organization in 1984. The Organization is a robust local affiliate of the National Alliance on Mental Illness (NAMI), the nation's largest grassroots mental health organization. NAMI Mercer NJ, Inc. listens, leads, educates, and advocates, empowering families and individuals affected by mental illness to build better lives, free of stigma and discrimination. NAMI Mercer NJ, Inc. relies on the talents and dedication of a small paid staff and large team of volunteers to fulfill its mission.

Basis of financial statement presentation

The accompanying financial statements have been prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Under the modified cash basis of accounting, certain revenues and related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when the obligation is incurred. Consequently, the Organization has not recognized accounts and contributions receivable, accounts payable to vendors, in-kind contributions or their related effects on the change in net assets in the accompanying financial statements.

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. The Organization uses the following classifications to distinguish among restrictions:

Net assets without donor restrictions

Net assets without donor restrictions include all net assets that are not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Directors or may otherwise be limited by contractual agreements with outside parties. Contributions with donor-imposed restrictions that are met during the same year as the contribution is received are included in net assets without donor restrictions.

Net assets with donor restrictions

Net assets with donor restrictions include donor-restricted contributions which are required to be held in perpetuity, with all or part of the income earned to be used for general or specific purposes. Other contributions are subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions.

The Organization did not have any net assets with donor restrictions at December 31, 2019 and 2018.

NAMI Mercer NJ, Inc.
Notes to Financial Statements
December 31, 2019 and 2018

Note 1 – Summary of significant accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents consist of checking and money market accounts maintained with financial institutions and a PayPal account. For purposes of the financial statements, the Organization considers all investments with original maturities of three months or less to be cash equivalents. There were no cash equivalents at December 31, 2019 and 2018.

Certificates of deposit

At December 31, 2019 and 2018, the Organization held certificates of deposit with original maturity dates greater than ninety days that are carried at amortized cost. Interest earned on certificates of deposit is included in the accompanying statements of activities - modified cash basis. These certificates of deposit do not qualify as securities as defined in Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 320, *Investments - Debt and Equity Securities*. Therefore, these investments are presented separately on the face of the accompanying statements of financial position - modified cash basis, and are not included in the fair value disclosures required by FASB ASC 820, *Fair Value Measurements and Disclosures*.

Investments

Investments in marketable securities with readily determinable fair values are stated at their fair values in the statements of financial position - modified cash basis. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities - modified cash basis. Interest and dividend income is recognized when received.

Property and equipment

Property and equipment are recorded at cost. Depreciation is provided over the estimated useful lives of the assets of seven to thirty-nine years using the straight-line method. At the time of retirement or other disposition of assets, the cost and accumulated depreciation are removed from the accounts and any gains or losses are reflected in revenues or expenses. Expenditures for maintenance, repairs and renewals of a minor nature are charged against operations when paid.

Functional expenses

The costs of providing programs and other activities are summarized in the statement of functional expenses - modified cash basis. Accordingly, certain costs have been allocated among the programs, fundraising, and general areas. Costs are allocated as follows:

- Personnel costs are allocated based on estimated time and effort between program services, management and general and fundraising.
- Rent and occupancy costs are allocated based on the percentage of space used for services, management and general and fundraising.
- Other expenses, including programming and development are based on identification of specific costs, as well as a percentage of occupancy costs.

NAMI Mercer NJ, Inc.
Notes to Financial Statements
December 31, 2019 and 2018

Note 1 – Summary of significant accounting policies (continued)

Income taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and comparable state law. The Organization is classified as a publicly supported organization which is not a private foundation as defined by Section 509(a) of the Code.

In accordance with ASC Topic 740 “*Accounting for Uncertainty in Income Taxes*”, the Organization has evaluated its tax positions. A tax position is recognized as a benefit only if it is “more-likely-than-not” that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that has a likelihood of being realized on examination of more than fifty percent. For tax positions not meeting the “more-likely-than-not” test, no tax benefit is recorded. Under the “more-likely-than-not” threshold guidelines, the Organization believes no significant uncertain tax positions exist, either individually or in the aggregate, that would give rise to the non-recognition of an existing tax benefit. In addition, the Organization had no material unrecognized tax benefits or interest and penalties.

The Organization’s policy is to recognize interest related to unrecognized tax benefits in interest expense and penalties in income tax expense.

Use of estimates

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Reclassifications

Certain amounts previously reported in the financial statements for the year ended December 31, 2018 have been reclassified to conform to the December 31, 2019 classifications.

Note 2 – Investments and fair value measurements

Investments consist of marketable securities managed by the Princeton Area Community Foundation.

The fair value measurements accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of quoted prices in active or non-active markets for similar assets, and Level 3 inputs have the lowest priority. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value, followed by Level 2 and Level 3 inputs.

Level 1 fair value measurements

The fair value of the investments is based on quoted net asset values and stock prices of the shares held by the Organization at year-end.

Level 2 fair value measurements

The fair value of the investments is based on quoted net asset values and market prices in active markets for similar assets.

NAMI Mercer NJ, Inc.
Notes to Financial Statements
December 31, 2019 and 2018

Note 2 – Investments and fair value measurements (continued)

Level 3 fair value measurements

The fair value of the investments is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in methodologies used at December 31, 2019.

Investments in funds that are valued using the net asset values (NAV) of the underlying investee fund as a practical expedient have been excluded from the fair value hierarchy and are shown as a separate column in the fair value leveling table. Where the Organization has the ability to redeem its investment with the investee at net asset value per share (or its equivalent) using the practical expedient, such investments have been excluded from the fair value hierarchy.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value could result in a different fair value measurement at the reporting date.

The following tables set forth, by level within the fair value hierarchy, the Organization's investments at fair value at December 31, 2019 and 2018 are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>December 31, 2019</u>				
Investments measured at net asset value				
Managed investment accounts	\$ <u> --</u>	\$ <u> --</u>	\$ <u> --</u>	\$ <u> 174,980</u>
Total	\$ <u> --</u>	\$ <u> --</u>	\$ <u> --</u>	\$ <u> 174,980</u>
<u>December 31, 2018</u>				
Investments measured at net asset value				
Managed investment accounts	\$ <u> --</u>	\$ <u> --</u>	\$ <u> --</u>	\$ <u> 137,447</u>
Total	\$ <u> --</u>	\$ <u> --</u>	\$ <u> --</u>	\$ <u> 137,447</u>

Investment income (loss) for the years ended December 31, 2019 and 2018 is summarized as follows:

	<u>2019</u>	<u>2018</u>
Interest and dividends	\$ 2,660	\$ 2,536
Realized and unrealized gains and losses	28,992	(9,139)
Investment fees	<u>(1,083)</u>	<u>(1,027)</u>
Total investment income (loss)	\$ <u>30,569</u>	\$ <u>(7,630)</u>

The Organization receives donations of marketable securities and maintains a policy to sell these securities at the earliest possible opportunity.

NAMI Mercer NJ, Inc.
Notes to Financial Statements
December 31, 2019 and 2018

Note 3 – Property and equipment

Property and equipment consisted of the following at December 31, 2019 and 2018:

	Useful Lives (yrs)	<u>2019</u>	<u>2018</u>
Furniture	7 - 10	\$ 15,278	\$ 34,384
Leasehold Improvements	39	<u>35,106</u>	<u>50,806</u>
Total property and equipment		50,384	85,190
Less: accumulated depreciation		<u>21,318</u>	<u>43,695</u>
Property and equipment, net		<u>\$ 29,066</u>	<u>\$ 41,495</u>

Depreciation expense for the years ended December 31, 2019 and 2018 amounted to \$4,378 and \$3,658, respectively.

Note 4 – Liquidity and availability of financial assets

The Organization manages its liquid resources by focusing on investing excess cash in interest-bearing bank accounts to maximize earnings potential balanced with the amount of risk the Organization's Board of Directors has decided can be tolerated. This policy is designed to ensure adequate financial assets are available to meet general expenditures, liabilities, and other obligations as they become due.

The Organization prepares a detailed budget to ensure adequate resources to cover programs. The Organization focuses on scheduling vendor payments to maximize the time they have access to the cash. The following reflects the Organization's financial assets available to be used for general expenditures within one year of December 31, 2019:

Cash and cash equivalents	\$ 137,804
Certificates of deposit	74,268
Investments	<u>174,980</u>
Total financial assets	<u>\$ 387,052</u>

Note 5 – Joint costs

The Organization incurs joint costs in connection with its annual event, NAMIWalks Your Way. This event is used as a fundraising opportunity for the Organization and also raises awareness of mental health issues and available resources for participants. The costs of this event were allocated for the years ended December 31, 2019 and 2018 as follows:

	<u>2019</u>	<u>2018</u>
Program services	\$ 11,453	\$ 9,550
Fundraising	<u>17,180</u>	<u>14,326</u>
	<u>\$ 28,633</u>	<u>\$ 23,876</u>

NAMI Mercer NJ, Inc.
Notes to Financial Statements
December 31, 2019 and 2018

Note 6 – Net assets without donor restrictions - board designated

The Organization's Board of Directors established *The Fund for the Future* with the Princeton Area Community Foundation. The purpose of the fund is to segregate certain contributions to cover unexpected future needs. The balances in this board designated fund were \$174,980 and \$137,447 at December 31, 2019 and 2018, respectively.

Note 7 – Commitments

The Organization leases office space under a non-cancelable agreement through July 2024. Monthly rent is \$2,718, with annual increases. Rent expense for the years ended December 31, 2019 and 2018 totaled \$31,273 and \$32,915, respectively, and is included in occupancy costs in the accompanying statements of functional expenses - modified cash basis.

The Organization also leases various equipment. These leases expire at various dates through April 2024 and require monthly payments which total \$380.

Future minimum lease payments under these leases are as follows:

<u>Year ending December 31:</u>	
2020	\$ 40,015
2021	41,189
2022	41,748
2023	42,866
2024	<u>24,110</u>
	<u>\$ 189,928</u>

Note 8 – Retirement plan

The Organization offers a tax deferred savings plan covering all eligible employees. The plan includes a deferred arrangement under section 403(b) of the Internal Revenue Code. The elective contributions to the 403(b) portion of the plan are funded by salary reductions of the participants. The Organization does not make contributions to the plan.

Note 9 – Contributed services

Many individuals volunteer their time and perform a variety of tasks that assist the Organization with the operation of its programs and events. The value of these contributed services is not reflected on the Organization's financial statements since they do not meet the criteria for recognition under U.S. GAAP.

NAMI Mercer NJ, Inc.
Notes to Financial Statements
December 31, 2019 and 2018

Note 10 – Subsequent events

The Organization evaluated subsequent events through July 28, 2020, which is the date the financial statements were available for issuance.

In March 2020, the World Health Organization (WHO) declared COVID-19 a global pandemic. This pandemic event has resulted in significant business disruption and uncertainty in both global and U.S. markets. While management believes the Organization is in an appropriate position to weather the potential short-term effects of these world-wide events, the direct and long-term impact to the Organization and its financial statements is undetermined at this time.

In April 2020, the Organization received a loan from a financial institution authorized through the Paycheck Protection Program authorized by the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act") in the amount of \$44,200. The loan may be forgiven by the financial institution based on the use of the loan proceeds in accordance with the CARES Act. If it is determined by the financial institution that the criteria for debt forgiveness has not been met, the loan will mature 5 years from the date of the loan and interest will accrue at 1% annually. Any debt forgiveness will be recognized as expenses are incurred that comply with the allowable costs under the loan agreement. Based on the current estimates, management has determined that a substantial portion of the loan will be forgiven.