

NAMI MERCER NJ, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

NAMI Mercer NJ, Inc.
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
NAMI Mercer NJ, Inc.

Opinion

We have audited the accompanying financial statements of NAMI Mercer NJ, Inc. (a not-for-profit organization), which comprise the statements of financial position - modified cash basis as of December 31, 2021 and 2020, and the related statements of activities - modified cash basis and functional expenses - modified cash basis for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of NAMI Mercer NJ, Inc. as of December 31, 2021 and 2020, and the changes in its net assets for the years then ended in accordance with the modified cash basis of accounting as described in Note 1.

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 Mercer NJ, Inc. 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.

Basis of accounting

We draw attention to Note 1 of the accompanying 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting described in Note 1, and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

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INDEPENDENT AUDITOR'S REPORT (continued)

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 Mercer NJ, Inc.'s internal control. Accordingly, no such opinion is expressed.
- 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 Mercer NJ, Inc.'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 audits, significant audit findings, and certain internal control related matters that we identified during the audits.

Lear & Pannepacker, LLP

Princeton, New Jersey
September 8, 2022



Accountants and Advisors for Entrepreneurial Minds

NAMI Mercer NJ, Inc.
Statements of Financial Position - Modified Cash Basis
December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Assets		
Cash and cash equivalents	\$ 266,296	\$ 157,338
Certificates of deposit	74,566	74,423
Investments	240,954	219,937
Property and equipment, net	28,799	30,852
Security deposit	2,718	2,718
Other assets	<u>6,181</u>	<u>6,395</u>
Total assets	\$ <u>619,514</u>	\$ <u>491,663</u>
Net assets		
Net assets without donor restrictions		
Undesignated	\$ 378,560	\$ 271,726
Board designated	<u>240,954</u>	<u>219,937</u>
Total net assets	\$ <u>619,514</u>	\$ <u>491,663</u>

See notes to financial statements

NAMI Mercer NJ, Inc.
Statements of Activities - Modified Cash Basis
Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Revenue, gains, and other support		
Fundraising events	\$ 230,925	\$ 169,016
Contributions	193,955	163,012
PPP loan forgiveness	43,862	44,210
Grants	46,333	40,000
Investment income	18,813	32,417
Memberships	4,893	7,318
Conferences	<u>5,784</u>	<u>4,450</u>
Total revenue, gains and other support	544,565	460,423
Expenses		
Program services	292,181	271,158
Management and general	51,542	49,448
Fundraising	<u>72,991</u>	<u>66,990</u>
Total expenses	<u>416,714</u>	<u>387,596</u>
Change in net assets without donor restrictions	127,851	72,827
Net assets without donor restrictions – beginning of year	<u>491,663</u>	<u>418,836</u>
Net assets without donor restrictions – end of year	<u>\$ 619,514</u>	<u>\$ 491,663</u>

See notes to financial statements

NAMI Mercer NJ, Inc.
Statement of Functional Expenses - Modified Cash Basis
Year Ended December 31, 2021

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and benefits	\$ 158,371	\$ 31,587	\$ 57,240	\$ 247,198
Occupancy costs	52,702	7,906	5,270	65,878
Computer supplies and website	15,209	2,281	2,042	19,532
Insurance	9,791	1,468	979	12,238
Harvest of Hope conference	9,318	--	--	9,318
Professional fees	7,284	1,093	728	9,105
Promotional items	6,829	474	1,233	8,536
Supplies	4,761	714	653	6,128
Copier lease and service agreement	4,500	675	450	5,625
Client activities	5,379	--	--	5,379
Utilities	4,095	615	410	5,120
Staff and volunteer development	3,866	580	386	4,832
Depreciation	3,790	568	379	4,737
Food and beverages	2,169	--	1,444	3,613
Membership dues	2,800	420	280	3,500
Bank fees	--	2,912	11	2,923
Postage	829	124	598	1,551
Entertainment	--	--	888	888
Hospitality	488	--	--	488
Board development	--	125	--	125
Total expenses	<u>\$ 292,181</u>	<u>\$ 51,542</u>	<u>\$ 72,991</u>	<u>\$ 416,714</u>

See notes to financial statements

NAMI Mercer NJ, Inc.
Statement of Functional Expenses - Modified Cash Basis
Year Ended December 31, 2020

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and benefits	\$ 144,211	\$ 28,429	\$ 49,289	\$ 221,929
Occupancy costs	53,536	8,030	5,354	66,920
Computer supplies and website	12,774	1,916	1,277	15,967
Insurance	9,144	1,372	914	11,430
Harvest of Hope conference	8,349	--	--	8,349
Professional fees	7,126	1,069	713	8,908
Promotional items	3,552	533	355	4,440
Supplies	5,547	832	555	6,934
Copier lease and service agreement	4,570	686	457	5,713
Client activities	2,374	--	--	2,374
Utilities	3,750	562	375	4,687
Staff and volunteer development	2,681	402	268	3,351
Depreciation	3,332	500	333	4,165
Food and beverages	1,146	--	2,244	3,390
Membership dues	6,706	1,006	671	8,383
Bank fees	--	1,628	1,735	3,363
Postage	2,019	303	202	2,524
Entertainment	--	--	2,248	2,248
Hospitality	341	--	--	341
Board development	--	2,180	--	2,180
Total expenses	<u>\$ 271,158</u>	<u>\$ 49,448</u>	<u>\$ 66,990</u>	<u>\$ 387,596</u>

See notes to financial statements

NAMI Mercer NJ, Inc.
Notes to Financial Statements
December 31, 2021 and 2020

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, 2021 and 2020.

NAMI Mercer NJ, Inc.
Notes to Financial Statements
December 31, 2021 and 2020

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. 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, 2021 and 2020.

Certificates of deposit

At December 31, 2021 and 2020, 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 computed over the estimated useful lives of the assets which range between 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 expensed when paid.

Functional expenses

The costs of providing programs and other activities are summarized in the statements 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 program 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, 2021 and 2020

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.

Advertising

The Organization expenses advertising costs when paid. Advertising expenses amounted to \$3,951 and \$2,001 for the years ended December 31, 2021 and 2020, respectively.

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.

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, 2021 and 2020

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, 2021 and 2020.

Investments in investee funds that are valued using the net asset values (NAV) of the underlying investee fund as a practical expedient are not categorized within the fair value hierarchy. The Organization has determined that all of its investments are valued using NAV as a practical expedient.

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.

Investment income for the years ended December 31, 2021 and 2020 is summarized as follows:

	<u>2021</u>	<u>2020</u>
Interest and dividends	\$ 3,075	\$ 2,505
Realized and unrealized gains	17,173	31,150
Investment fees	(1,435)	(1,238)
Total investment income	<u>\$ 18,813</u>	<u>\$ 32,417</u>

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

Note 3 – Property and equipment

Property and equipment consists of the following at December 31:

	<u>Useful Lives</u>	<u>2021</u>	<u>2020</u>
Furniture	5 - 7 Years	\$ 23,914	\$ 21,230
Leasehold improvements	5 - 17 Years	<u>35,106</u>	<u>35,106</u>
Total property and equipment		59,020	56,336
Less: accumulated depreciation		<u>30,221</u>	<u>25,484</u>
Property and equipment, net		<u>\$ 28,799</u>	<u>\$ 30,852</u>

Depreciation expense for the years ended December 31, 2021 and 2020 amounted to \$4,737 and \$4,165, respectively.

NAMI Mercer NJ, Inc.
Notes to Financial Statements
December 31, 2021 and 2020

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, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 266,296	\$ 157,338
Certificates of deposit	74,566	74,423
Investments	<u>240,954</u>	<u>219,937</u>
Total financial assets available for general expenditure within one year	<u>\$ 581,816</u>	<u>\$ 451,698</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, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Program services	\$ 3,668	\$ 4,751
Fundraising	<u>3,420</u>	<u>2,804</u>
	<u>\$ 7,088</u>	<u>\$ 7,555</u>

Note 6 – Concentrations of risk

The Organization places its cash in high quality financial institutions. At times, cash balances may be in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limit. The Organization has not experienced any losses and believes it is not exposed to any significant credit risk on such funds.

Note 7 – 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 \$240,954 and \$219,937 at December 31, 2021 and 2020, respectively.

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.

NAMI Mercer NJ, Inc.
Notes to Financial Statements
December 31, 2021 and 2020

Note 9 – Commitments

The Organization leases office space under a non-cancelable agreement through July 2024. Monthly rent is \$3,012, with annual increases. Rent expense for the years ended December 31, 2021 and 2020 totaled \$36,437 and \$35,264, 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 \$413.

Future minimum lease payments under these leases are as follows:

<u>Year ending December 31:</u>	
2022	\$ 42,229
2023	43,269
2024	<u>24,111</u>
	<u>\$ 109,609</u>

Note 10 – 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 the modified cash basis of accounting.

Note 11 – COVID-19

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 US markets. The Organization, like any other entity, is dependent upon sustained donor and volunteer support. 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 May 2020, the Organization received a loan of \$44,210, which is guaranteed by the U.S. Small Business Administration (SBA) under the Paycheck Protection Program (PPP). This loan is forgivable when the Organization expends the funds for allowable expenses as defined by the PPP. In April 2021, the Organization received formal acknowledgment that the loan was forgiven. The Organization has recorded \$44,210 as revenue in the year ended December 31, 2020 as allowable expenses were incurred in that year.

In March 2021, the Organization received a second loan of \$43,862 which is guaranteed by the U.S. Small Business Administration (SBA) under second round of the Paycheck Protection Program (PPP). This loan is forgivable when the Organization expends the funds for allowable expenses as defined by the PPP. In October 2021, this loan was fully forgiven and is recognized as revenue in the accompanying financial statements.

Note 12 – Subsequent events

The Organization has evaluated subsequent events through September 8, 2022, which is the date the financial statements were available to be issued and has not noted any events to be disclosed.