

National Association for Behavioral Healthcare and Affiliates

Audited Consolidated Financial Statements and Supplementary Information

*Years ended December 31, 2019 and 2018
with Report of Independent Auditors*

National Association for Behavioral Healthcare and Affiliates

Audited Consolidated Financial Statements
and Supplementary Information

Years ended December 31, 2019 and 2018

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Report of Independent Auditors

Board of Trustees
National Association for Behavioral Healthcare and Affiliates
Washington, DC

We have audited the accompanying consolidated financial statements of the National Association for Behavioral Healthcare and Affiliates (collectively, the Organization), which comprise the consolidated statements of financial position as of December 31, 2019 and 2018 and the related consolidated statements of activities, functional expenses and cash flows for the years then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the National Association for Behavioral Healthcare and Affiliates as of December 31, 2019 and 2018, and the changes in their net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statements of financial position and consolidating statements of activities on pages 16 - 17 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

A handwritten signature in black ink that reads "Johnson Lambert LLP". The signature is written in a cursive, flowing style.

Vienna, Virginia
March 2, 2020

National Association for Behavioral Healthcare and Affiliates

Consolidated Statements of Financial Position

	December 31,	
	2019	2018
Assets		
Cash and cash equivalents, including balances restricted in support of letter of credit of \$15,000 and \$30,000 in 2019 and 2018, respectively	\$ 2,242,022	\$ 2,198,920
Investments	2,965,924	2,204,846
Accounts receivable	-	16,623
Dues receivable	59,750	107,000
Prepaid expenses	71,281	61,737
Deferred compensation investments	263,528	206,860
Fixed assets, net	<u>299,318</u>	<u>264,150</u>
Total assets	<u>\$ 5,901,823</u>	<u>\$ 5,060,136</u>
Liabilities and net assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 759,465	\$ 870,028
Deferred revenue	1,671,141	1,087,926
Deferred rent	53,374	78,106
Deferred compensation	<u>263,528</u>	<u>206,860</u>
Total liabilities	2,747,508	2,242,920
Net assets:		
Net assets without donor restrictions	3,089,946	2,749,886
Net assets with donor restrictions	<u>64,369</u>	<u>67,330</u>
Total net assets	<u>3,154,315</u>	<u>2,817,216</u>
Total liabilities and net assets	<u>\$ 5,901,823</u>	<u>\$ 5,060,136</u>

See accompanying notes to the consolidated financial statements.

National Association for Behavioral Healthcare and Affiliates

Consolidated Statements of Activities

	Years ended December 31,	
	2019	2018
Change in net assets without donor restrictions		
Revenue:		
Membership dues	\$ 3,462,694	\$ 3,208,146
Annual meeting	458,803	471,767
Investment income, net	101,255	72,650
Publications	1,354	58,541
AHA consultants	<u>10,000</u>	<u>10,000</u>
	4,034,106	3,821,104
Net assets released from restrictions	<u>63,488</u>	<u>82,627</u>
Total support and revenue without donor restrictions	4,097,594	3,903,731
Expenses:		
Program services:		
Legislative	906,328	903,317
Regulatory	871,372	816,748
Communications	670,192	702,632
Policy	485,543	408,813
Annual Meeting	539,380	473,084
Political Action Committee	218,661	233,787
Membership Services	<u>77,586</u>	<u>75,580</u>
Total program services	3,769,062	3,613,961
Supporting services:		
Management and General	197,486	194,999
Membership Development	<u>77,586</u>	<u>75,580</u>
Total supporting services	<u>275,072</u>	<u>270,579</u>
Total expenses	<u>4,044,134</u>	<u>3,884,540</u>
Change in net assets without donor restrictions before		
change in fair value of investments	53,460	19,191
Change in fair value of investments	<u>286,600</u>	<u>(163,151)</u>
Change in net assets without donor restrictions	340,060	(143,960)
Change in net assets with donor restrictions		
Investment income, net	136	165
Contributions	60,391	58,050
Net assets released from restrictions	<u>(63,488)</u>	<u>(82,627)</u>
Change in net assets with donor restrictions	<u>(2,961)</u>	<u>(24,412)</u>
Change in net assets	337,099	(168,372)
Net assets, beginning of year	<u>2,817,216</u>	<u>2,985,588</u>
Net assets, end of year	<u>\$ 3,154,315</u>	<u>\$ 2,817,216</u>

See accompanying notes to the consolidated financial statements.

National Association for Behavioral Healthcare and Affiliates

Consolidated Statements of Functional Expenses

Year ended December 31, 2019												
	Program Services								Supporting Services			Total Functional Expenses
	Legislative	Regulatory	Communications	Policy	Annual Meeting	Political Action Committee	Membership Services	Total	Management and General	Membership Development	Total	
Salaries and Benefits	\$ 566,913	\$ 566,913	\$ 453,531	\$ 226,765	\$ 113,383	\$ 113,383	\$ 56,691	\$ 2,097,579	\$ 113,383	\$ 56,691	\$ 170,074	\$ 2,267,653
Office and Depreciation	86,480	86,480	69,184	34,592	17,296	17,296	8,648	319,976	17,296	8,648	25,944	345,920
Accounting, HR and Legal	38,117	38,117	30,494	15,247	7,624	7,624	3,811	141,034	49,937	3,811	53,748	194,782
Printing, Production and Postage	26,626	26,626	70,803	10,650	102,136	5,325	2,663	244,829	5,325	2,663	7,988	252,817
Consultants	113,111	44,630	20,489	185,443	5,122	5,122	2,561	376,478	5,122	2,561	7,683	384,161
Meeting and Travel	51,877	87,020	8,423	4,212	255,009	2,106	1,053	409,700	2,106	1,053	3,159	412,859
Contributions, Dues and Subscriptions	5,428	5,428	4,342	2,171	1,086	60,585	543	79,583	1,085	543	1,628	81,211
Other	17,776	16,158	12,926	6,463	37,724	7,220	1,616	99,883	3,232	1,616	4,848	104,731
Total	<u>\$ 906,328</u>	<u>\$ 871,372</u>	<u>\$ 670,192</u>	<u>\$ 485,543</u>	<u>\$ 539,380</u>	<u>\$ 218,661</u>	<u>\$ 77,586</u>	<u>\$ 3,769,062</u>	<u>\$ 197,486</u>	<u>\$ 77,586</u>	<u>\$ 275,072</u>	<u>\$ 4,044,134</u>
Year ended December 31, 2018												
	Program Services								Supporting Services			Total Functional Expenses
	Legislative	Regulatory	Communications	Policy	Annual Meeting	Political Action Committee	Membership Services	Total	Management and General	Membership Development	Total	
Salaries and Benefits	\$ 576,130	\$ 576,130	\$ 460,904	\$ 230,452	\$ 115,226	\$ 115,226	\$ 57,613	\$ 2,131,681	\$ 115,226	\$ 57,613	\$ 172,839	\$ 2,304,520
Office and Depreciation	68,678	68,678	54,942	27,471	13,736	13,736	6,868	254,109	13,736	6,868	20,604	274,713
Accounting, HR and Legal	23,966	23,966	19,173	9,587	4,793	4,793	2,397	88,675	48,631	2,397	51,028	139,703
Printing, Production and Postage	31,152	31,152	121,913	12,461	100,388	6,230	3,115	306,411	6,230	3,115	9,345	315,756
Consultants	93,520	20,500	16,401	114,692	4,100	4,100	2,050	255,363	4,100	2,050	6,150	261,513
Meeting and Travel	84,492	67,405	9,166	4,583	212,448	2,292	1,146	381,532	2,292	1,146	3,438	384,970
Contributions, Dues and Subscriptions	10,463	15,463	9,370	4,185	2,093	82,092	1,046	124,712	2,093	1,046	3,139	127,851
Other	14,916	13,454	10,763	5,382	20,300	5,318	1,345	71,478	2,691	1,345	4,036	75,514
Total	<u>\$ 903,317</u>	<u>\$ 816,748</u>	<u>\$ 702,632</u>	<u>\$ 408,813</u>	<u>\$ 473,084</u>	<u>\$ 233,787</u>	<u>\$ 75,580</u>	<u>\$ 3,613,961</u>	<u>\$ 194,999</u>	<u>\$ 75,580</u>	<u>\$ 270,579</u>	<u>\$ 3,884,540</u>

See accompanying notes to the consolidated financial statements.

National Association for Behavioral Healthcare and Affiliates

Consolidated Statements of Cash Flows

	Years ended December 31, 2019	2018
Cash flows from operating activities		
Change in net assets	\$ 337,099	\$ (168,372)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	122,320	56,109
Change in fair value of investments, net	(286,600)	163,151
Changes in operating assets and liabilities:		
Accounts and dues receivable	63,873	22,558
Prepaid expenses	(9,544)	42,013
Accounts payable and accrued expenses	(110,562)	256,613
Deferred revenue	583,215	57,666
Deferred rent	(24,732)	(19,133)
Deferred compensation liability	<u>56,668</u>	<u>11,670</u>
Net cash provided by operating activities	731,737	422,275
Cash flows from investing activities		
Purchases of fixed assets	(157,488)	(282,987)
Purchases of investments	(638,086)	(472,346)
Sales and maturities of investments	<u>106,939</u>	<u>320,519</u>
Net cash used in investing activities	<u>(688,635)</u>	<u>(434,814)</u>
Net change in cash and cash equivalents	43,102	(12,539)
Cash and cash equivalents, beginning of year	<u>2,198,920</u>	<u>2,211,459</u>
Cash and cash equivalents, end of year	<u><u>\$ 2,242,022</u></u>	<u><u>\$ 2,198,920</u></u>

See accompanying notes to the consolidated financial statements.

National Association for Behavioral Healthcare and Affiliates

Notes to Consolidated Financial Statements

Years ended December 31, 2019 and 2018

Note A - Organization and Summary of Significant Accounting Policies

Organization

The National Association for Behavioral Healthcare and Affiliates (NABH or the Organization), formerly known as the National Association of Psychiatric Health Systems until March 19, 2018, is a non-profit organization that advocates for behavioral health and represents provider systems that are committed to the delivery of responsive, accountable, and clinically effective prevention, treatment, and care for children, adolescents, adults, and older adults with mental and substance use disorders. The NABH Education and Research Foundation (Foundation) is a non-profit organization that engages in the critical debates that affect behavioral health. Outcomes, the prospective payment system, consumer advocacy, quality assurance, ethics and public attitudes about mental illnesses are just some of the key challenges that the Foundation has addressed through hands-on research, conferences, and nationally distributed publications. The NABH Political Action Committee (PAC) is a non-partisan committee designed to help behavioral healthcare providers deliver high-quality behavioral health services through legislation. NABH fulfills its mission by focusing its efforts in the following program areas:

Legislative: NABH supports behavioral healthcare legislation and works with members of congress to help them pass bills to improve access, coverage and fair payment.

Regulatory: Federal agencies periodically issue regulations that impact the behavioral healthcare industry and NABH writes comments to these agencies representing our views on these regulations. NABH's goal is to support a balanced approach to regulatory requirements so that patients have access to care but providers are able to deliver that care in a cost efficient, high quality manner.

Communications: This program area focuses on getting the behavioral healthcare industry's message out to Capitol Hill, federal agencies, media, and other stakeholders. The Organization also regularly communicates to the NABH membership on activities and legislative and regulatory initiatives impacting the industry.

Policy: The NABH team conducts research and analyzes issues related to behavioral healthcare to help inform the advocacy positions we take on regulations and legislation. Policy development is also used to help establish new advocacy initiatives for the association, which can be promoted through legislative and/ or regulatory strategies.

Membership: Membership focuses on behavioral healthcare advocacy that achieves results. Members include top decision-makers and senior executives within the behavioral healthcare systems in order to develop and lead behavioral healthcare coalitions. Membership dues are used to commit money and resources to advocacy and operate an effective political action committee, as well as to invest in studies and analyses needed to win advocacy issues.

National Association for Behavioral Healthcare and Affiliates

Notes to Consolidated Financial Statements (Continued)

Note A - Organization and Summary of Significant Accounting Policies (Continued)

Organization (continued)

Annual Meeting: NABH holds an annual conference for its members to update the members on the latest trends in the industry. The conference is also an opportunity for members to network with each other. The NABH team works with its Program Committee to develop the agenda for the meeting, invite speakers, and handle all various logistics related to holding an Annual Meeting.

Political Action Committee (PAC): The Organization has a PAC, which contributes to congressional candidates that support our industry priorities. As part of this process, the NABH team solicits contributions from their membership to support the PAC activities. The NABH team also handles the numerous administrative activities that are required as part of the federal requirements to operate a PAC.

Management and General: This function provides oversight of all of the day to day operations of the Organization.

Membership Development: The membership program focuses on retention and recruitment of new members. Some key functions of membership include maintaining and updating the membership data base, managing the Board of Trustees and the various association committees, recruiting new members through outreach initiatives, and ensuring that the membership is receiving all the services entitled to them through membership in the association.

Principles of Consolidation

The consolidated financial statements include the accounts of NABH, the Foundation and the PAC (collectively, the Organization). There are no significant intercompany transactions between these organizations.

Basis of Accounting

The Organization prepares its consolidated financial statements in accordance with accounting principles generally accepted in the United States (U.S. GAAP). Consequently, revenue is recognized when earned and expenses are recognized when the obligation is incurred.

Measure of Operations

The consolidated statements of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to NABH's ongoing program services. Nonoperating activities is limited to the change in fair value from investments.

National Association for Behavioral Healthcare and Affiliates

Notes to Consolidated Financial Statements (Continued)

Note A - Organization and Summary of Significant Accounting Policies (Continued)

Income Tax Status

NABH is exempt from the payment of income taxes on its exempt activities under Section 501(c)(6) of the Internal Revenue Code (IRC). However, certain activity of NABH is subject to unrelated business income tax. The Foundation is exempt from payment of income taxes on its exempt activities under IRC Section 501(c)(3). The Foundation has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of IRC Section 509(a). The PAC is subject to income taxes on its interest income, less directly related costs and expenses, under IRC Section 527. Management has concluded that all three of the entities have properly maintained their respective tax status. Additionally, management has concluded that there are no uncertain tax positions as of December 31, 2019.

Subsequent Events

The Organization has performed an evaluation of subsequent events through March 2, 2020, which is the date the consolidated financial statements were available to be issued and has considered any relevant matters in the preparation of the consolidated financial statements and footnotes.

Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

All money market accounts and highly liquid debt instruments purchased with a maturity of twelve months or less are considered cash equivalents. The Federal Deposit Insurance Corporation (FDIC) insures amounts on deposit with each financial institution up to limits as prescribed by law. The Organization holds funds with financial institutions in excess of the FDIC insured amount; however, the Organization has not experienced any losses in such accounts, and management believes it is not exposed to any significant credit risk on cash and cash equivalents.

A letter of credit is established in favor of the Organization's office landlord to serve as a deposit for any damages incurred to the property at 900 17th Street, NW, Washington, DC.

Investments and Fair Value Measurements

U.S. GAAP establishes a three-level hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

Level 1 – Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities traded in active markets that the Organization has the ability to access.

National Association for Behavioral Healthcare and Affiliates

Notes to Consolidated Financial Statements (Continued)

Note A - Organization and Summary of Significant Accounting Policies (Continued)

Investments and Fair Value Measurements (continued)

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable, for substantially the entire period, for the asset or liability and market-corroborated inputs.

Level 3 – Inputs to the valuation methodology are unobservable for the asset or liability and are significant to the fair value measurement.

Investments are reported at fair value based on quoted market prices with the net change in fair value reported in the consolidated statements of activities. Net change in fair value consists of total realized and unrealized gains and losses, net from investments. Investment income, net consists of interest and dividends earned from cash, cash equivalents and investments and any material external or internal investment management expenses. Gains and losses arising from the sale, maturity and other dispositions are accounted for on a specific identification basis calculated as of the trade date. The Organization recognizes transfers between levels of the fair value hierarchy at the end of the period in which events occur impacting the availability of inputs to the fair value methodology. No transfers occurred during 2019 or 2018.

Fixed Assets

Depreciable assets including furniture, computer software and equipment are recorded at cost and are depreciated over the estimated useful lives of the assets (3 to 5 years) using the straight line method. A capitalization threshold of \$1,000 was established for assets purchased, including leasehold improvements. Leasehold improvements are depreciated over the lease period.

Net Assets

In the accompanying consolidated financial statements, net assets and revenue have been classified based on the existence or absence of donor-imposed restrictions in accordance with U.S. GAAP for non-profit organizations. The classes of net assets and the changes therein are as follows:

- Net assets without donor restrictions - Net assets available for use in general operations and not subject to donor restrictions.
- Net assets with donor restrictions - Net assets subject to donor-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. Donor-imposed restrictions are released when a restriction is satisfied, that is, when the stipulated time has elapsed, when the stipulated purpose has been fulfilled, or both.

National Association for Behavioral Healthcare and Affiliates

Notes to Consolidated Financial Statements (Continued)

Note A - Organization and Summary of Significant Accounting Policies (Continued)

Revenue Recognition

Membership dues: The Organization recognizes revenue from membership dues over the membership cycle, which is generally one year, during which time members have continuous access to advocacy services for substance use and access to the NABH Membership Directory and Annual Survey, which are considered to be one performance obligation for financial reporting purposes. Amounts received in advance of a given membership period for membership dues are recorded as deferred revenue when received and recognized as revenue over the course of the applicable membership period.

Annual Meeting: The Organization holds an annual conference during the year. The proceeds from registration and booth sales are recognized as revenue at a point in time at the date of the meeting when goods or services are provided. Amounts received in advance for meetings are recorded as deferred revenue when received and recognized as revenue when the meeting takes place.

Contributions: Contributions are recognized when the intent to give is received.

Functional Allocation of Expenses

The Organization's expenses have been reported on a functional basis. Accordingly, salaries and benefits, office rent and depreciation, accounting, HR and legal, printing, production and postage, consultants, meeting and travel, contributions, dues and subscriptions and other expenses have been allocated based upon an estimate of salaries and employee time spent on each program.

Recent Accounting Pronouncements

Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic 606, Revenue from Contracts with Customers, as amended, supersedes or replaces nearly all U.S. GAAP revenue recognition guidance. This standard establishes a new contract and control-based revenue recognition model, changes the basis for deciding when revenue is recognized over time or at a point in time, and expands disclosures about revenue. The Organization has implemented ASU 2014-09 and its related amendments and has adjusted the presentation in these consolidated financial statements accordingly. The ASU has been applied retrospectively to all periods presented, with no effect on net assets.

In June 2018, the FASB issued ASU 2018-08, Clarifying the Scope and Accounting for Contributions Received and Contributions Made (topic 958). The core principle of ASU 2018-08 is to clarify when the transfer of an asset or the extinguishment of a liability (the transaction) meets the definition of an exchange transaction or a contribution. When the transaction is an exchange transaction, an entity must apply Topic 606, Revenue from Contracts with Customers or other applicable Topics. When the transaction is a contribution, the ASU clarifies when the contribution is conditional and when revenue should be recognized. The Organization has implemented ASU 2018-08 and has adjusted the presentation in the consolidated financial statements accordingly. The adoption of the ASU did not have an effect on the amounts reported in the consolidated financial statements.

National Association for Behavioral Healthcare and Affiliates

Notes to Consolidated Financial Statements (Continued)

Note B - Liquidity and Availability of Resources

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date of the consolidated statement of financial position, comprise the following:

	2019	2018
Cash and cash equivalents	\$ 2,072,698	\$ 2,037,051
Accounts receivable	59,750	123,623
Long-term investments appropriated for current use	2,965,924	2,204,846
	<u>\$ 5,098,372</u>	<u>\$ 4,365,520</u>

The Organization is not substantially supported by restricted contributions. Restricted contributions are maintained in separate segregated funds, and are not considered to be available for general expenditure. As part of the Organization's liquidity management, the Organization has a policy to invest funds that are not anticipated to be needed for general expenditure within one year in long-term investments. Certificates of deposit held by the Organization with a maturity date less than one year from the date of issuance are included in cash and cash equivalents. Long-term investments including mutual funds, common stocks, and bonds which are invested in a diversified portfolio with underlying holdings that have an asset mix that is approximately 65% equities and 35% fixed income. Although the Organization does not intend to use the long-term investments for general expenditure, they are unrestricted liquid assets that could be used, should the need arise, and therefore are included in the financial assets available for general expenditure. As deferred compensation investments are intended for the retirement benefit of employees, they are not included in the amounts shown above.

Note C - Investments and Fair Value Measurements

At December 31, the fair value measurements and classifications of investments are as follows:

	2019	2018	Level
Mutual funds and exchange traded funds	\$ 2,384,193	\$ 1,712,116	1
Common stocks	460,005	372,646	1
Government bonds	78,520	77,400	2
Corporate bonds	43,206	42,684	2
Total investments	<u>\$ 2,965,924</u>	<u>\$ 2,204,846</u>	

National Association for Behavioral Healthcare and Affiliates

Notes to Consolidated Financial Statements (Continued)

Note C - Investments and Fair Value Measurements (Continued)

At December 31, the fair value measurements and classification of deferred compensation investments are as follows:

	2019	2018	Level
Deferred compensation investments:			
Mutual funds	\$ 95,925	\$ 81,062	1
Exchange traded products	159,731	120,250	1
Cash and cash equivalents	7,872	5,548	N/A
Total deferred compensation investments	<u>\$ 263,528</u>	<u>\$ 206,860</u>	

Total return (loss) on investments consists of the following:

	2019	2018
Investment income, net	\$ 101,391	\$ 72,815
Unrealized gains (losses), net	285,857	(210,895)
Realized gains, net	743	47,744
Change in fair value of investments	286,600	(163,151)
Total return (loss) on investments	<u>\$ 387,991</u>	<u>\$ (90,336)</u>

Note D - Fixed Assets

Fixed assets, net consisted of the following at December 31:

	2019	2018
Furniture and fixtures	\$ 135,577	\$ 125,178
Computer software and equipment	815,691	668,602
Leasehold improvements	63,136	63,136
Total fixed assets	1,014,404	856,916
Accumulated depreciation	(715,086)	(592,766)
Total fixed assets, net	<u>\$ 299,318</u>	<u>\$ 264,150</u>

Note E - Deferred Compensation

The Organization adopted a deferred compensation plan during 2010 under section 457(b) of the Internal Revenue Code (IRC) for the President and Chief Executive Officer (CEO). During 2017, the Organization established a deferred compensation plan under 457(f) of the IRC. The President and CEO may choose to have compensation deferred by the amount equal to the maximum percentage allowable under the limits of Section 457 of the Code.

National Association for Behavioral Healthcare and Affiliates

Notes to Consolidated Financial Statements (Continued)

Note E - Deferred Compensation (Continued)

Employer contributions to these plans were \$29,682 and \$27,250 during the years ended December 31, 2019 and 2018, respectively. The deferred compensation investments and related liabilities on the consolidated statements of financial position at December 31, 2019 and 2018 for these plans reflect the combined deferred compensation plans mentioned above.

Note F - Net Assets With Donor Restrictions

Net assets with donor restrictions for the Organization was as follows for the years ended December 31, 2019 and 2018:

	2019	2018
Specific Purpose - PAC	<u>\$ 64,369</u>	<u>\$ 67,330</u>

Net assets released from net assets with donor restrictions for the Organization are as follows for the years ended December 31, 2019 and 2018:

	2019	2018
Specific Purpose - PAC	<u>\$ 63,488</u>	<u>\$ 82,627</u>

Note G - Retirement Plan

The Organization sponsors a 401(k) profit sharing plan for eligible employees that allows for immediate employee eligibility. The Organization also makes discretionary matching contributions for eligible employees each year. Retirement plan expense totaled \$204,547 and \$198,746 for the years ended December 31, 2019 and 2018, respectively.

Note H - Operating Lease

The Organization entered into a non-cancelable lease for office space at 900 17th Street, NW, Washington DC, on September 1, 2009. This lease is for 3,000 square feet of office space. In March 2019, the Organization executed a new lease, which is effective on January 1, 2020 and expires on February 28, 2027. The lease provides for annual rate increases over the life of the lease and provided for certain allowances for leasehold improvements and rent abatements. U.S. GAAP requires recording rent expense, abatements and allowances on a straight-line basis over the term of the lease. The difference in accounting treatment between the accrual basis of accounting and the cash outlay requirements is reported as deferred rent in the consolidated statements of financial position.

National Association for Behavioral Healthcare and Affiliates

Notes to Consolidated Financial Statements (Continued)

Note H - Operating Lease (Continued)

Future minimum lease payments under this operating lease are as follows as of December 31, 2019:

2020	\$	183,000
2021		187,590
2022		192,270
2023		197,070
2024		201,990
2025 and thereafter		<u>455,535</u>
Total	\$	<u>1,417,455</u>

Rent expense for the years ended December 31, 2019 and 2018 was \$211,164 and \$210,756, respectively.

Note I - Hotel Commitment

The Organization has contracts with Mandarin Oriental for the annual meetings in 2020 and 2021. The contracts contain a clause whereby the Organization is responsible for costs in the event of cancellation. The extent of these costs are dependent on the number of days the cancellation is made prior to the scheduled event. The potential liability for canceling the meeting contracts as of December 31, 2019 is approximately \$368,000. Cancellation insurance is available, but management believes it is not cost effective to purchase for these meetings as cancellation is unlikely to occur.

Note J - Concentration of Membership Dues

The Organization receives a large portion of its membership dues from two members. For the years ended December 31, 2019 and 2018, combined dues from these members represented 47% and 51% of total membership dues for the Organization, respectively.

Note K - Retention Bonus

In June 2018, the CEO amended his June 1, 2016 employment agreement with the Organization. In addition to any other bonus or compensation, the Organization agreed to pay the CEO the sum of \$200,000, as a retention bonus on December 31, 2019. Accordingly, the Organization accrued an expense on an annual basis at \$50,000 per year. For both of the years ended December 31, 2019 and 2018, \$50,000 in expenses was accrued with respect to the retention bonus. The CEO's retention bonus was paid out subsequent to December 31, 2019.

National Association for Behavioral Healthcare and Affiliates

Consolidating Statements of Financial Position

	December 31, 2019				December 31, 2018			
	NABH	Foundation	PAC	Total	NABH	Foundation	PAC	Total
Assets								
Cash and cash equivalents, including restricted cash balances	\$ 2,144,878	\$ 32,775	\$ 64,369	\$ 2,242,022	\$ 2,098,863	\$ 32,727	\$ 67,330	\$ 2,198,920
Investments	2,965,924	-	-	2,965,924	2,204,846	-	-	2,204,846
Accounts receivable	-	-	-	-	16,623	-	-	16,623
Dues receivable	59,750	-	-	59,750	107,000	-	-	107,000
Prepaid expenses	71,281	-	-	71,281	61,737	-	-	61,737
Deferred compensation investments	263,528	-	-	263,528	206,860	-	-	206,860
Fixed assets, net	299,318	-	-	299,318	264,150	-	-	264,150
Total assets	<u>\$ 5,804,679</u>	<u>\$ 32,775</u>	<u>\$ 64,369</u>	<u>\$ 5,901,823</u>	<u>\$ 4,960,079</u>	<u>\$ 32,727</u>	<u>\$ 67,330</u>	<u>\$ 5,060,136</u>
Liabilities and net Assets								
Liabilities:								
Accounts payable and accrued expense	\$ 759,465	\$ -	\$ -	\$ 759,465	\$ 870,028	\$ -	\$ -	\$ 870,028
Deferred revenue	1,671,141	-	-	1,671,141	1,087,926	-	-	1,087,926
Deferred rent	53,374	-	-	53,374	78,106	-	-	78,106
Deferred compensation	263,528	-	-	263,528	206,860	-	-	206,860
Total liabilities	2,747,508	-	-	2,747,508	2,242,920	-	-	2,242,920
Net assets:								
Net assets without donor restrictions	3,057,171	32,775	-	3,089,946	2,717,159	32,727	-	2,749,886
Net assets with donor restrictions	-	-	64,369	64,369	-	-	67,330	67,330
Total net assets	<u>3,057,171</u>	<u>32,775</u>	<u>64,369</u>	<u>3,154,315</u>	<u>2,717,159</u>	<u>32,727</u>	<u>67,330</u>	<u>2,817,216</u>
Total liabilities and net assets	<u>\$ 5,804,679</u>	<u>\$ 32,775</u>	<u>\$ 64,369</u>	<u>\$ 5,901,823</u>	<u>\$ 4,960,079</u>	<u>\$ 32,727</u>	<u>\$ 67,330</u>	<u>\$ 5,060,136</u>

National Association for Behavioral Healthcare and Affiliates

Consolidating Statements of Activities

	Year ended December 31, 2019				Year ended December 31, 2018			
	NABH	Foundation	PAC	Total	NABH	Foundation	PAC	Total
Changes in net assets without donor restrictions								
Revenue:								
Membership dues	\$ 3,462,694	\$ -	\$ -	\$ 3,462,694	\$ 3,208,146	\$ -	\$ -	\$ 3,208,146
Annual meeting	458,803	-	-	458,803	471,767	-	-	471,767
Investment income, net	101,207	48	-	101,255	72,598	52	-	72,650
Publications	1,354	-	-	1,354	58,541	-	-	58,541
AHA consultants	10,000	-	-	10,000	10,000	-	-	10,000
	<u>4,034,058</u>	<u>48</u>	<u>-</u>	<u>4,034,106</u>	<u>3,821,052</u>	<u>52</u>	<u>-</u>	<u>3,821,104</u>
Net assets released from restrictions	-	-	63,488	63,488	-	-	82,627	82,627
Total support and revenue without donor restrictions	<u>4,034,058</u>	<u>48</u>	<u>63,488</u>	<u>4,097,594</u>	<u>3,821,052</u>	<u>52</u>	<u>82,627</u>	<u>3,903,731</u>
Expenses:								
Program services:								
Legislation	906,328	-	-	906,328	903,317	-	-	903,317
Regulatory	871,372	-	-	871,372	816,748	-	-	816,748
Communications	670,192	-	-	670,192	702,632	-	-	702,632
Policy	485,543	-	-	485,543	408,813	-	-	408,813
Annual Meeting	539,380	-	-	539,380	473,084	-	-	473,084
Political Action Committee	155,173	-	63,488	218,661	151,160	-	82,627	233,787
Membership Services	77,586	-	-	77,586	75,580	-	-	75,580
Total program services	<u>3,705,574</u>	<u>-</u>	<u>63,488</u>	<u>3,769,062</u>	<u>3,531,334</u>	<u>-</u>	<u>82,627</u>	<u>3,613,961</u>
Supporting services:								
Management and General	197,486	-	-	197,486	194,999	-	-	194,999
Membership Development	77,586	-	-	77,586	75,580	-	-	75,580
Total supporting services	<u>275,072</u>	<u>-</u>	<u>-</u>	<u>275,072</u>	<u>270,579</u>	<u>-</u>	<u>-</u>	<u>270,579</u>
Total expenses	<u>3,980,646</u>	<u>-</u>	<u>63,488</u>	<u>4,044,134</u>	<u>3,801,913</u>	<u>-</u>	<u>82,627</u>	<u>3,884,540</u>
Change in net assets without donor restrictions before change in fair value of investments	53,412	48	-	53,460	19,139	52	-	19,191
Change in fair value of investments	<u>286,600</u>	<u>-</u>	<u>-</u>	<u>286,600</u>	<u>(163,151)</u>	<u>-</u>	<u>-</u>	<u>(163,151)</u>
Change in net assets without donor restrictions	<u>340,012</u>	<u>48</u>	<u>-</u>	<u>340,060</u>	<u>(144,012)</u>	<u>52</u>	<u>-</u>	<u>(143,960)</u>
Changes in net assets with donor restrictions								
Investment income, net	-	-	136	136	-	-	165	165
Contributions	-	-	60,391	60,391	-	-	58,050	58,050
Net assets released from restrictions	-	-	(63,488)	(63,488)	-	-	(82,627)	(82,627)
Change in net assets with donor restrictions	<u>-</u>	<u>-</u>	<u>(2,961)</u>	<u>(2,961)</u>	<u>-</u>	<u>-</u>	<u>(24,412)</u>	<u>(24,412)</u>
Change in net assets	340,012	48	(2,961)	337,099	(144,012)	52	(24,412)	(168,372)
Net assets, beginning of year	<u>2,717,159</u>	<u>32,727</u>	<u>67,330</u>	<u>2,817,216</u>	<u>2,861,171</u>	<u>32,675</u>	<u>91,742</u>	<u>2,985,588</u>
Net assets, end of year	<u>\$ 3,057,171</u>	<u>\$ 32,775</u>	<u>\$ 64,369</u>	<u>\$ 3,154,315</u>	<u>\$ 2,717,159</u>	<u>\$ 32,727</u>	<u>\$ 67,330</u>	<u>\$ 2,817,216</u>