

**NATIONAL ALLIANCE ON MENTAL ILLNESS OF
MASSACHUSETTS, INC.**

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2011

**NATIONAL ALLIANCE ON MENTAL ILLNESS OF MASSACHUSETTS, INC.
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YEAR ENDED JUNE 30, 2011**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
National Alliance on Mental Illness of Massachusetts, Inc.
Woburn, Massachusetts

We have audited the accompanying statement of financial position of National Alliance on Mental Illness of Massachusetts, Inc. as of June 30, 2011, and the related statement of activities, changes in net assets, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of National Alliance on Mental Illness of Massachusetts, Inc. as of June 30, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

LarsonAllen LLP
LarsonAllen LLP

Quincy, Massachusetts
October 28, 2011



(1)

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NATIONAL ALLIANCE ON MENTAL ILLNESS OF MASSACHUSETTS, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2011

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$	653,761
Accounts Receivable		80,047
Prepaid Expenses		2,307
Total Current Assets		736,115

EQUIPMENT

Equipment		35,741
Less: Accumulated Depreciation		4,792
Total Equipment, Net		30,949

OTHER ASSETS

Investments		2,710
Security Deposits		6,200
Total Other Assets		8,910

Total Assets	\$	775,974
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable	\$	47,627
Accrued Expenses		26,247
Other Current Liabilities		83,895
Total Current Liabilities		157,769

NET ASSETS

Unrestricted		582,639
Temporarily Restricted		35,566
Total Net Assets		618,205

Total Liabilities and Net Assets	\$	775,974
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See accompanying Notes to Financial Statements.

NATIONAL ALLIANCE ON MENTAL ILLNESS OF MASSACHUSETTS, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011

UNRESTRICTED NET ASSETS

REVENUE AND SUPPORT

DMH Grant	\$ 244,738
Special Event - NAMIWalks	328,412
Special Event - Other	7,768
Contributions	97,283
In Kind Donations	54,343
Other Operating Income	37,294
Interest Income	2,922
Net Assets Released from Restrictions Used for Operations	52,943
Total Revenue and Support	<u>825,703</u>

OPERATING EXPENSES

Salaries and Related Expenses	350,024
Employee Benefits	63,139
Professional Fees	77,456
Occupancy Costs	42,622
Operating Supplies and Expenses	147,282
Insurance, Other	5,165
Travel Expenses	18,589
Training and Education Expenses	20,222
Donation Expenses	1,075
Dues	7,899
Depreciation	4,792
Total Operating Expenses	<u>738,265</u>

INCREASE IN UNRESTRICTED NET ASSETS

\$ 87,438

See accompanying Notes to Financial Statements.

NATIONAL ALLIANCE ON MENTAL ILLNESS OF MASSACHUSETTS, INC.
STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Net Assets - Beginning of Year	\$ 495,201	\$ 46,840	\$ 542,041
Increase in Net Assets from Operations	87,438	-	87,438
Net Assets Released from Restriction Used for Operations	-	(52,943)	(52,943)
Restricted Contribution Income	-	41,669	41,669
Change in Net Assets	<u>87,438</u>	<u>(11,274)</u>	<u>76,164</u>
NET ASSETS - END OF YEAR	<u><u>\$ 582,639</u></u>	<u><u>\$ 35,566</u></u>	<u><u>\$ 618,205</u></u>

See accompanying Notes to Financial Statements.

NATIONAL ALLIANCE ON MENTAL ILLNESS OF MASSACHUSETTS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2011

	<u>Program Costs</u>	<u>General and Administrative</u>	<u>Fund Raising</u>	<u>Total</u>
Salaries and Related Expenses	\$ 290,207	\$ 27,590	\$ 32,227	\$ 350,024
Employee Benefits	51,906	3,421	7,812	63,139
Professional Fees	63,856	11,800	1,800	77,456
Occupancy Costs	39,016	1,803	1,803	42,622
Operating Supplies and Expenses	132,356	8,242	6,684	147,282
Insurance, Other	-	5,165	-	5,165
Travel Expenses	18,589	-	-	18,589
Training and Education Expenses	20,222	-	-	20,222
Donation Expenses	1,075	-	-	1,075
Dues	7,899	-	-	7,899
Depreciation	-	4,792	-	4,792
Total Expenses	<u>\$ 625,126</u>	<u>\$ 62,813</u>	<u>\$ 50,326</u>	<u>\$ 738,265</u>

See accompanying Notes to Financial Statements.

NATIONAL ALLIANCE ON MENTAL ILLNESS OF MASSACHUSETTS, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2011

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$	76,164
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided by Operating Activities:		
Donated Investments		(1,050)
Donated Equipment		(27,354)
Depreciation		4,792
(Increase) Decrease in:		
Accounts Receivable		(21,318)
Prepaid Expenses		(1,764)
Increase (Decrease) in:		
Accounts Payable		11,197
Accrued Expenses		8,468
Other Current Liabilities		2,323
Net Cash Provided by Operating Activities		51,458

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of Equipment		(8,386)
Net Cash Used by Investing Activities		(8,386)

NET INCREASE IN CASH AND CASH EQUIVALENTS

43,072

Cash and Cash Equivalents - Beginning

610,689

CASH AND CASH EQUIVALENTS - ENDING

\$ 653,761

See accompanying Notes to Financial Statements.

NATIONAL ALLIANCE ON MENTAL ILLNESS OF MASSACHUSETTS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The National Alliance on Mental Illness of Massachusetts, Inc. (the Organization) is a Massachusetts corporation exempt from tax under Section 501(c)(3) of the Internal Revenue Code as a public charity. The Organization changed its name effective September 1, 2009 from National Alliance for the Mentally Ill of Massachusetts, Inc. The purpose of the Organization is to improve the quality of life both for people with mental illnesses and for their families. The Organization's activities are funded primarily through grants, contributions and dues.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates.

Net Assets and Recognition of Donor Restrictions

Contributions received are recorded as an increase in unrestricted or temporarily restricted net assets, depending on the existence or nature of any donor restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted - Those resources over which the Board of Directors has discretionary control. Designated amounts represent those revenues that the Board has set aside for a particular purpose.

Temporarily Restricted - Those resources subject to donor imposed restrictions that will be satisfied by actions of the Organization or passage of time.

Permanently Restricted Net Assets - Include contributions which require by donor restriction that the corpus be invested in perpetuity and only the income be made available for operations in accordance with donor restrictions.

When a donor restriction is satisfied, net assets are released and reported as an increase in unrestricted net assets.

Program Service Revenue – State Grant

The Organization has contracted with the Commonwealth of Massachusetts to provide services to the mentally ill. Revenue for this grant is recognized as costs are incurred and services are provided.

Cash and Cash Equivalents

For purposes of reporting cash flows, the Organization considers all highly liquid debt instruments with an initial maturity of less than three months to be cash equivalents. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to certain limits. At times, cash in bank may exceed FDIC insurable limits.

NATIONAL ALLIANCE ON MENTAL ILLNESS OF MASSACHUSETTS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Equipment

Equipment is recorded at cost. Assets with an estimated life of more than one year and a historical cost in excess of \$1,000 are capitalized. Gifts of long-lived assets are reported as unrestricted support unless explicit donor stipulations specify how the assets are to be used, and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulation about how long those assets must be maintained, expiration of donor restrictions are reported when the donated or acquired long-lived assets are placed into service. Depreciation is computed using the straight-line method over the estimated useful life of the assets.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis on the statement of functional expenses. Accordingly, costs have been allocated among the programs, fundraising, and supporting services provided.

Income Taxes

The financial statements do not include a provision for income taxes because the Organization has been granted exempt status relative to federal and state corporate income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state codes. The Organizations 2008 through 2011 tax years are open for examination by the federal and state taxing authorities.

Method of Accounting

The financial statements of the Organization have been prepared on the accrual method of accounting. Accordingly, assets are recorded when the Organization obtains the rights of ownership or is entitled to claims for receipt and liabilities are recorded when the obligation is incurred.

Donated Assets

Donated marketable securities and other noncash donations are recorded at their fair value on the date of donation.

Donated Services

Donated services are recognized in the financial statements if the services enhance or create non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Accounts Receivable

Accounts receivable are recorded at net realizable value. Management considers all amounts to be fully collectible. Accordingly, no provision for uncollectible accounts has been established. The Organization determines delinquent accounts based on individual facts and circumstances. Historically, the Organization has not charged interest on accounts that are deemed to be delinquent.

NATIONAL ALLIANCE ON MENTAL ILLNESS OF MASSACHUSETTS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Investments

Investments in marketable equity securities with readily determinable fair values are stated at fair value.

Advertising

Advertising costs are expensed as incurred. Advertising expense paid for by the Organization amounted to \$565 for the year ended June 30, 2011.

Fair Value of Financial Instruments

The Organization categorize its assets and liabilities measured at fair value into three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active market for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement. Assets and liabilities valued at fair value are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the organization has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through October 28, 2011 the date the financial statements were available to be issued.

NOTE 2 ACCOUNTS RECEIVABLE

Accounts receivable is comprised of the following at June 30, 2011 as follows:

DMH Grant	\$	37,638
Contributions		42,409
Total Accounts Receivable	\$	<u>80,047</u>

NATIONAL ALLIANCE ON MENTAL ILLNESS OF MASSACHUSETTS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 3 CERTIFICATE OF DEPOSIT

A certificate of deposit totaling \$259,488 is included in cash in the accompanying financial statements. The certificate bears an interest rate of 0.75%.

NOTE 4 RELATED PARTY TRANSACTIONS

The Organization has entered into the following transactions with related parties:

National Affiliation

The Organization is a member of the National Alliance on Mental Illness, Inc. (NAMI – National). In addition, the Organization assists local affiliate chapters in their effort to support and advocate for the mentally ill. The relationship of the Organization with both NAMI – National and the local affiliates does not contain an element of control or represent a significant economic interest for the parties.

Dues

The Organization is required to pay dues to NAMI – National and also collects dues from the local affiliates. Dues paid to NAMI – National were \$7,899 for the year ended June 30, 2011. Dues collected from local affiliates were \$1,689 for the year ended June 30, 2011.

NAMI-Walk

In addition, the Organization, NAMI – National and the local affiliates participate in a shared fundraising event the NAMI – Walk. Contributions from the walk are shared among the organizations based on a predetermined formula. The walk grossed a total of approximately \$439,000 with approximately \$111,000 being paid to NAMI – National and the local affiliates and the Organization retaining approximately \$328,000. As of June 30, 2011 the Organization owes the local affiliates approximately \$84,000 for their share of funds from the walk.

As of June 30, 2011 the Organization has unpaid dues, walk obligations and other various obligations outstanding to NAMI – National of approximately \$34,000 which are included under the caption Accounts Payable on the statement of financial position.

NOTE 5 PENSION PLAN

The Organization sponsors a defined contribution plan (the Plan) covering all eligible employees over the age of 18. The Plan allows, but does not require, the Organization to make discretionary matching and profit sharing contributions. A discretionary profit sharing contribution of \$3,353 was approved and charged to operations in 2011. Pension administrative costs charged to operations of the Plan amounted to \$1,740 for the year ended June 30, 2011.

NOTE 6 CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of the following:

NATIONAL ALLIANCE ON MENTAL ILLNESS OF MASSACHUSETTS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 6 CONCENTRATION OF CREDIT RISK (CONTINUED)

Cash and Cash Equivalents

The Organization maintains its cash and cash equivalents, in federally insured financial institutions in the same geographic area. Cash and cash equivalents exceeding federally insured limits at June 30, 2011 amounted to approximately \$412,000.

Major Customers

The Organization receives significant funding from the Commonwealth of Massachusetts Department of Mental Health, which represents approximately 30% of its revenue in 2011. At June 30, 2011, approximately 47% of accounts receivable was due from the Department of Mental Health.

NOTE 7 OPERATING LEASES

Leases – Copier Lease

The Organization leases a photocopier under an operating lease agreement which expires on April 15, 2013.

Leases – Office Lease

The Organization leases office space from Cummings Property, LLC under the terms of a lease which as amended expires on September 30, 2013. In addition, the lease contains a mutual option to renew for an additional three years at the expiration of the current term. The lease calls for annual minimum base rental payments, payable in monthly installments of \$2,848 per month. In addition, contingent rentals are paid by the Organization based on their percentage share of operating costs and real estate taxes.

Future minimum lease payments under these agreements are as follows:

<u>Years Ending June 30,</u>	<u>Office</u>	<u>Copier</u>	<u>Total</u>
2012	\$ 34,175	\$ 6,384	\$ 40,559
2013	34,175	4,788	38,963
2014	8,544	-	8,544
2015	-	-	-
Thereafter	-	-	-
Total	<u>\$ 76,894</u>	<u>\$ 11,172</u>	<u>\$ 88,066</u>

Related rent expense was approximately \$43,000, including contingent rentals of approximately \$1,500, for the year ended June 30, 2011.

NOTE 8 CONTRIBUTED PROPERTY AND SERVICES

The Organization received donated services related to the redesign of the Organization website amounting to \$16,450 during the year ended June 30, 2011. In addition, the Organization received donated office furniture and software amounting to \$27,354 and \$10,540, respectively, for the year ended June 30, 2011. The donations are included under the caption "In-Kind Donations" in the statement of activities.

