

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

**FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2013**

**NATIONAL ALLIANCE ON MENTAL ILLNESS OF MASSACHUSETTS, INC.  
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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 financial statements of National Alliance on Mental Illness of Massachusetts, Inc., which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, changes in net assets, functional expenses, and cash flows 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

***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, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



**CliftonLarsonAllen LLP**

Quincy, Massachusetts  
December 4, 2013

**NATIONAL ALLIANCE ON MENTAL ILLNESS OF MASSACHUSETTS, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2013**

**ASSETS**

**CURRENT ASSETS**

Cash and Cash Equivalents	\$ 1,022,232
Accounts Receivable	58,370
Prepaid Expenses	<u>26,607</u>
Total Current Assets	1,107,209

**EQUIPMENT**

Equipment	36,797
Less: Accumulated Depreciation	<u>15,022</u>
Total Equipment, Net	21,775

**OTHER ASSETS**

Investments	23,542
Security Deposits	<u>25,430</u>
Total Other Assets	<u>48,972</u>

Total Assets	<u><u>\$ 1,177,956</u></u>
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**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts Payable	\$ 81,629
Accrued Expenses	32,771
Other Current Liabilities	<u>88,747</u>
Total Current Liabilities	203,147

**NET ASSETS**

Unrestricted	732,607
Temporarily Restricted	<u>242,202</u>
Total Net Assets	<u>974,809</u>

Total Liabilities and Net Assets	<u><u>\$ 1,177,956</u></u>
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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, 2013**

**UNRESTRICTED NET ASSETS**

**REVENUE AND SUPPORT**

DMH Grant	\$ 244,738
Special Event - NAMIWalks	420,495
Special Event - Other	70,273
Contributions	109,715
In Kind Donations	215
Other Operating Income	38,727
Interest Income	2,956
Net Assets Released from Restrictions Used for Operations	<u>87,637</u>
Total Revenue and Support	<u>974,756</u>

**OPERATING EXPENSES**

Salaries and Related Expenses	394,678
Employee Benefits	66,417
Professional Fees	179,226
Occupancy Costs	47,789
Operating Supplies and Expenses	135,567
Insurance, Other	5,731
Travel Expenses	39,092
Training and Education Expenses	26,427
Donation Expenses	1,835
Dues	5,700
Depreciation	<u>5,380</u>
Total Operating Expenses	<u>907,842</u>

**INCOME FROM OPERATIONS**

66,914

Unrealized Loss on Investments

(850)

**INCREASE IN UNRESTRICTED NET ASSETS**

\$ 66,064

*See accompanying Notes to Financial Statements.*

**NATIONAL ALLIANCE ON MENTAL ILLNESS OF MASSACHUSETTS, INC.**  
**STATEMENT OF CHANGES IN NET ASSETS**  
**YEAR ENDED JUNE 30, 2013**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Net Assets - Beginning of Year	\$ 666,543	\$ 156,089	\$ 822,632
Increase in Unrestricted Net Assets	66,064	-	66,064
Net Assets Released from Restriction Used for Operations	-	(87,637)	(87,637)
Restricted Contribution Income	-	173,750	173,750
Change in Net Assets	<u>66,064</u>	<u>86,113</u>	<u>152,177</u>
<b>NET ASSETS - END OF YEAR</b>	<u><u>\$ 732,607</u></u>	<u><u>\$ 242,202</u></u>	<u><u>\$ 974,809</u></u>

*See accompanying Notes to Financial Statements.*

**NATIONAL ALLIANCE ON MENTAL ILLNESS OF MASSACHUSETTS, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2013**

	<u>Program Costs</u>	<u>General and Administrative</u>	<u>Fund Raising</u>	<u>Total</u>
Salaries and Related Expenses	\$ 329,351	\$ 28,870	\$ 36,457	\$ 394,678
Employee Benefits	54,158	3,455	8,804	66,417
Professional Fees	122,876	10,419	45,931	179,226
Occupancy Costs	37,517	5,136	5,136	47,789
Operating Supplies and Expenses	96,768	5,026	33,773	135,567
Insurance, Other	-	5,731	-	5,731
Travel Expenses	34,324	-	4,768	39,092
Training and Education Expenses	26,427	-	-	26,427
Donation Expenses	-	1,835	-	1,835
Dues	5,700	-	-	5,700
Depreciation	-	5,380	-	5,380
	<u>\$ 707,121</u>	<u>\$ 65,852</u>	<u>\$ 134,869</u>	<u>\$ 907,842</u>

*See accompanying Notes to Financial Statements.*



**NATIONAL ALLIANCE ON MENTAL ILLNESS OF MASSACHUSETTS, INC.**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 2013**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Change in Net Assets	\$ 152,177
Adjustments to Reconcile Change in Net Assets to	
Net Cash Provided by Operating Activities:	
Donated Investments	(5,788)
Depreciation	5,380
Unrealized Loss on Investments	850
(Increase) Decrease in:	
Accounts Receivable	15,763
Prepaid Expenses	(21,474)
Increase (Decrease) in:	
Accounts Payable	26,756
Accrued Expenses	(10,097)
Other Current Liabilities	(1,361)
Net Cash Provided by Operating Activities	<u>162,206</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Security Deposits	(19,230)
Purchases of Equipment	(1,057)
Net Cash Used by Investing Activities	<u>(20,287)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	141,919
Cash and Cash Equivalents - Beginning	<u>880,313</u>
<b>CASH AND CASH EQUIVALENTS - ENDING</b>	<u><u>\$ 1,022,232</u></u>

See accompanying Notes to Financial Statements.

**NATIONAL ALLIANCE ON MENTAL ILLNESS OF MASSACHUSETTS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**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 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, 2013**

**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 Organization's 2010 through 2013 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, 2013**

**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. Investment income or loss (including realized gains and losses on investments, interest and dividends) is included in the change in unrestricted net assets unless restricted by donor or law. Unrealized gains and losses on investments are recorded as changes in the respective category of net assets, depending on the existence or absences of donor restrictions.

**Advertising**

Advertising costs are expensed as incurred. Advertising costs charged to operations amounted to \$565 for the year ended June 30, 2013.

**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.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. There have been no changes in the valuation methodologies used at June 30, 2013.

**Subsequent Events**

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through December 4, 2013 the date the financial statements were available to be issued.

**NATIONAL ALLIANCE ON MENTAL ILLNESS OF MASSACHUSETTS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 2 ACCOUNTS RECEIVABLE**

Accounts receivable is comprised of the following at June 30, 2013 as follows:

DMH Grant	\$ 33,932
Contributions	24,438
Total Accounts Receivable	<u>\$ 58,370</u>

**NOTE 3 CERTIFICATE OF DEPOSIT**

A certificate of deposit totaling \$261,932 is included in cash in the accompanying financial statements. The certificate bears an interest rate of 0.40%.

**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 \$5,700 for the year ended June 30, 2013. Dues collected from local affiliates were \$16,686 for the year ended June 30, 2013.

**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 \$557,000 with approximately \$137,000 being paid to NAMI – National and the local affiliates and the Organization retaining approximately \$420,000. As of June 30, 2013 the Organization owes the local affiliates approximately \$89,000 for their share of funds from the walk and other various obligations.

As of June 30, 2013 the Organization has unpaid dues, walk obligations and other various obligations outstanding to NAMI – National of approximately \$50,000 which are included under the caption Accounts Payable on the statement of financial position.

**NATIONAL ALLIANCE ON MENTAL ILLNESS OF MASSACHUSETTS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**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 \$5,212 was approved and charged to operations in 2013. Pension administrative costs charged to operations of the Plan amounted to \$1,865 for the year ended June 30, 2013.

**NOTE 6 CONCENTRATION OF CREDIT RISK**

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

**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, 2013 amounted to approximately \$787,000.

**Major Customers**

The Organization receives significant funding from the Commonwealth of Massachusetts Department of Mental Health, which represents approximately 23% of its revenue and support in 2013. At June 30, 2013, approximately 58% of accounts receivable was due from the Department of Mental Health.

**Investments**

Investments consisted of shares of common stock with a carrying value of \$23,542 at June 30, 2013. In general, investments are exposed to various risks including overall market volatility risk. Thus, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect account balances.

**NOTE 7 OPERATING LEASES**

**Leases – Copier Lease**

The Organization leased a photocopier under an operating lease agreement which expired on April 15, 2013. The Organization is currently making payments under a month to month arrangement.

**Leases – Office Leases**

The Organization leases office space from Cummings Property, LLC under the terms of a lease which as amended expires on September 30, 2013. The lease calls for annual minimum base rental payments, payable in monthly installments of \$3,009 per month. In addition contingent rentals are paid by the Organization based on their percentage share of operating costs and real estate taxes.

**NATIONAL ALLIANCE ON MENTAL ILLNESS OF MASSACHUSETTS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 7 OPERATING LEASES (CONTINUED)**

On January 25, 2013, the Organization signed a lease with Margolis & Bloom, LLP for additional office space, expiring on September 30, 2013. The lease calls for monthly payments of \$1,100.

On March 28, 2013, the Organization signed a lease with Schrafft Center, LLC for new office space. The lease will commence on October 1, 2013 with a term of seven years, with one option to extend for an additional five years. The lease calls for annual minimum base rental payments, payable in monthly installments of \$6,043 per month. In addition contingent rentals will be 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>
2014	\$ 42,543
2015	74,725
2016	77,665
2017	81,340
2018	85,260
Thereafter	205,800
Total	<u>\$ 567,333</u>

Related rent expense was approximately \$49,000, including contingent rentals of approximately \$1,500, for the year ended June 30, 2013.

**NOTE 8 FAIR VALUE MEASUREMENTS**

The Organization uses fair value measurements to record fair value adjustments to certain assets to determine fair value disclosures. For additional information on how the Organization measures fair value refer to Note 1 – Organization and Summary of Significant Accounting Policies.

The following table presents the Organization’s fair value hierarchy for those assets measured at fair value on a recurring basis as of June 30, 2013:

	<u>Total</u>	<u>Quoted Prices in Active Markets for Identical Assets Level 1</u>	<u>Significant Other Observable Inputs Level 2</u>	<u>Significant Unobservable Inputs Level 3</u>
Marketable Securities	\$ 23,542	\$ 23,542	\$ -	\$ -
Total	<u>\$ 23,542</u>	<u>\$ 23,542</u>	<u>\$ -</u>	<u>\$ -</u>

**NATIONAL ALLIANCE ON MENTAL ILLNESS OF MASSACHUSETTS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 9 TEMPORARILY RESTRICTED NET ASSETS**

The Organization's temporarily restricted net assets consist of contributions received from foundations and corporations restricted for specific activities and programs all related to the Organizations mission. Management expects to use the funds for the designated purposes in the near future.

**NOTE 10 EQUIPMENT**

The useful lives and cost of equipment for purposes of computing depreciation is:

Equipment	7 years
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Depreciation expense charged to operations was \$5,380 for 2013.

**NOTE 11 CONTINGENCIES**

A significant portion of the Organization's revenues are derived from a state contract. Due to budgetary constraints at the state level, the Organization cannot determine whether there will be any changes in funding in the near term.