

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

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

**NATIONAL ALLIANCE ON MENTAL ILLNESS OF MASSACHUSETTS, INC.
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YEAR ENDED JUNE 30, 2015**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
National Alliance on Mental Illness of Massachusetts, Inc.
Boston, 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, 2015, 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, 2015, 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

CliftonLarsonAllen LLP

Boston, Massachusetts
October 21, 2015

NATIONAL ALLIANCE ON MENTAL ILLNESS OF MASSACHUSETTS, INC.
STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
NET ASSETS - BEGINNING OF YEAR	\$ 782,353	\$ 368,869	\$ 1,151,222
Increase in Unrestricted Net Assets	106,788	-	106,788
Net Assets Released from Restriction Used for Operations	-	(111,035)	(111,035)
Restricted Contribution Income	<u>-</u>	<u>18,005</u>	<u>18,005</u>
Change in Net Assets	<u>106,788</u>	<u>(93,030)</u>	<u>13,758</u>
NET ASSETS - END OF YEAR	<u><u>\$ 889,141</u></u>	<u><u>\$ 275,839</u></u>	<u><u>\$ 1,164,980</u></u>

See accompanying Notes to Financial Statements.

NATIONAL ALLIANCE ON MENTAL ILLNESS OF MASSACHUSETTS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2015

	Program Costs	General and Administrative	Fundraising	Total
Salaries and Related Expenses	\$ 516,253	\$ 18,445	\$ 38,015	\$ 572,713
Employee Benefits	93,539	4,152	8,478	106,169
Professional Fees	275,045	12,914	29,849	317,808
Occupancy Costs	66,201	8,351	8,953	83,505
Operating Supplies and Expenses	148,622	6,095	22,597	177,314
Insurance, Other	-	6,799	-	6,799
Travel Expenses	28,075	-	3,433	31,508
Training and Education Expenses	24,357	-	-	24,357
Donation Expenses	-	1,755	-	1,755
Dues	5,316	-	-	5,316
Depreciation	-	8,566	-	8,566
Total Expenses	<u>\$ 1,157,408</u>	<u>\$ 67,077</u>	<u>\$ 111,325</u>	<u>\$ 1,335,810</u>

See accompanying Notes to Financial Statements.

NATIONAL ALLIANCE ON MENTAL ILLNESS OF MASSACHUSETTS, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in Net Assets	\$ 13,758
Adjustments to Reconcile Change in Net Assets to	
Net Cash Used by Operating Activities:	
Donated Investments	(23,915)
Depreciation	8,566
Unrealized Gain on Investments	(7,519)
Straight-Line Rent Deferral	4,562
(Increase) Decrease in:	
Accounts Receivable	(41,483)
Prepaid Expenses	(1,598)
Increase (Decrease) in:	
Accounts Payable	(732)
Accrued Expenses	30,579
Due to Affiliates	(37,342)
Deferred Revenue	32,322
Net Cash Used by Operating Activities	<u>(22,802)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of Equipment	<u>(1,150)</u>
NET DECREASE IN CASH	(23,952)
Cash - Beginning of Year	<u>1,095,542</u>
CASH - END OF YEAR	<u><u>\$ 1,071,590</u></u>

See accompanying Notes to Financial Statements.

NATIONAL ALLIANCE ON MENTAL ILLNESS OF MASSACHUSETTS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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 accounting principles generally accepted in the United States of America 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.

Revenue Recognition

Grants are recorded over the period covered by the grant as services are provided. Contributions are recorded when unconditionally pledged by the donors or upon receipt. Bequests are recognized when amounts to be received are known or reasonably estimable and collection is assured.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

NATIONAL ALLIANCE ON MENTAL ILLNESS OF MASSACHUSETTS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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

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.

Property and Equipment

Property and 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 2012 through 2015 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.

NATIONAL ALLIANCE ON MENTAL ILLNESS OF MASSACHUSETTS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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

Deferred Rent

Rent expense is recognized on a straight-line basis over the term of the lease (See Note 7).

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.

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 \$380 for the year ended June 30, 2015.

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.

NATIONAL ALLIANCE ON MENTAL ILLNESS OF MASSACHUSETTS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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

Fair Value of Financial Instruments (Continued)

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, 2015.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through October 21, 2015 the date the financial statements were available to be issued.

NOTE 2 ACCOUNTS RECEIVABLE

Accounts receivable is comprised of the following at June 30, 2015 as follows:

DMH Grant	\$ 50,301
Walk Contributions and Other Receivables	138,987
Total Accounts Receivable	<u>\$ 189,288</u>

NOTE 3 PROMISES TO GIVE

Promises to give consist of pledges made to the Organization which are payable in future years. The Organizations promises to give at June 30, 2015, are as follows:

Promises to Give	\$ 53,334
Less: Reserve for Uncollectible Promises	-
Total	<u>\$ 53,334</u>

The reserve for uncollectible promises is based on collection experience and other circumstances that may affect the ability of donors to meet their obligations. Amounts are written off when they are determined to be uncollectible.

Promises to give are estimated to be collected as follows:

Year 1	\$ 53,334
Years 2-5	-
Total	<u>\$ 53,334</u>

NATIONAL ALLIANCE ON MENTAL ILLNESS OF MASSACHUSETTS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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 \$5,316 for the year ended June 30, 2015. Dues collected from local affiliates were \$17,702 for the year ended June 30, 2015.

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 \$623,000 with approximately \$166,000 being paid to NAMI – National and the local affiliates and the Organization retaining approximately \$457,000. As of June 30, 2015 the Organization owes the local affiliates approximately \$138,000 for their share of funds from the walk and other various obligations, the amounts are included under the caption Due to Affiliates 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 \$8,314 was approved and charged to operations in 2015. Pension administrative costs charged to operations of the Plan amounted to \$1,860 for the year ended June 30, 2015.

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, 2015 amounted to approximately \$833,000.

NATIONAL ALLIANCE ON MENTAL ILLNESS OF MASSACHUSETTS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 6 CONCENTRATION OF CREDIT RISK (CONTINUED)

Major Customers

The Organization receives significant funding from the Commonwealth of Massachusetts Department of Mental Health and the Office of the Attorney General which represents approximately 22% and 10%, respectively, of its revenue and support in 2015. At June 30, 2015, approximately 27% of accounts receivable was due from the Department of Mental Health.

Investments

Investments consisted of shares of common stock with a carrying value of \$67,908 at June 30, 2015. 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

The Organization leased a photocopier under an operating lease agreement which expires on May 1, 2017. Future minimum lease payments are \$2,793 and \$2,328 for the fiscal years 2016 and 2017, respectively.

Leases – Postage Meter

The Organization leased a postage meter under an operating lease agreement which expires on October 1, 2020. Future minimum lease payments are \$1,500 for fiscal years 2016 through 2019, and \$375 for fiscal year 2020.

Leases – Office

The Organization leases office space from Schrafft Center, LLC under an operating lease agreement. The lease commenced on October 1, 2013 and expires on September 30, 2020, with one option to extend for an additional five years. The lease included four rent free months and calls for annual minimum base rental payments, adjusted annually, and payable in monthly installments from \$6,043 to \$7,840 per month. In addition contingent rentals will be paid by the Organization based on their percentage share of operating costs and real estate taxes.

Under the above lease, rent expense has been recognized on a straight-line basis using the total non contingent rent payments over the term of the lease. This method results in rental expense in the early years of the lease being higher than actual cash paid, creating a deferred rent liability under the caption Deferred Rent on the statement of financial position. The deferred rent as of June 30, 2015 amounted to \$33,810.

NATIONAL ALLIANCE ON MENTAL ILLNESS OF MASSACHUSETTS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 7 OPERATING LEASES (CONTINUED)

Leases – Office Leases (Continued)

The Organization also leases two storage spaces from the Schrafft Center, LLC for payments of \$83 per month. The payments for these storage spaces are on a month to month basis.

Future minimum lease payments under these agreements are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2016	\$ 77,665
2017	81,340
2018	85,260
2019	89,180
2020	93,100
Thereafter	23,520
Total	<u>\$ 450,065</u>

Related rent expense charged to operations for all of the above noted leases was approximately \$88,000, including contingent rentals of approximately \$1,400, for the year ended June 30, 2015.

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, 2015:

	<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>
Equities	<u>\$ 67,908</u>	<u>\$ 67,908</u>	<u>\$ -</u>	<u>\$ -</u>
Total	<u>\$ 67,908</u>	<u>\$ 67,908</u>	<u>\$ -</u>	<u>\$ -</u>

NATIONAL ALLIANCE ON MENTAL ILLNESS OF MASSACHUSETTS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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 Organization's mission. Management expects to use the funds for the designated purposes in the near future.

NOTE 10 PROPERTY AND EQUIPMENT

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

Leasehold Improvements	Life of the Lease
Equipment	5-7 years

Depreciation expense charged to operations was \$8,566 for 2015.

NOTE 11 CONTINGENCIES

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