

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

**FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2016**

**NATIONAL ALLIANCE ON MENTAL ILLNESS OF MASSACHUSETTS, INC.  
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CliftonLarsonAllen LLP  
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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, 2016, 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, 2016, 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  
January 5, 2017

**NATIONAL ALLIANCE ON MENTAL ILLNESS OF MASSACHUSETTS, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2016**

**ASSETS**

**CURRENT ASSETS**

Cash	\$ 1,170,814
Investments	79,295
Accounts Receivable	127,477
Prepaid Expenses	15,743
Total Current Assets	1,393,329

**PROPERTY AND EQUIPMENT**

Leasehold Improvements	1,050
Equipment	60,625
Total Property and Equipment	61,675
Less: Accumulated Depreciation	37,480
Total Property and Equipment, Net	24,195

**OTHER ASSETS**

Security Deposits	18,130
Total Assets	\$ 1,435,654

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts Payable	\$ 36,011
Accrued Expenses	46,661
Deferred Revenue	40,000
Due to Affiliates	164,614
Total Current Liabilities	287,286

**DEFERRED RENT**

	35,432
Total Liabilities	322,718

**NET ASSETS**

Unrestricted	970,547
Temporarily Restricted	142,389
Total Net Assets	1,112,936
Total Liabilities and Net Assets	\$ 1,435,654

*See accompanying Notes to Financial Statements.*

**NATIONAL ALLIANCE ON MENTAL ILLNESS OF MASSACHUSETTS, INC.  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2016**

<b>UNRESTRICTED NET ASSETS REVENUE AND SUPPORT</b>	
Grant Income	\$ 484,010
Special Event - NAMIWalks	498,398
Special Event - Other	80,035
Contributions	299,689
Other Operating Income	32,477
Interest Income	4,053
Net Assets Released from Restrictions Used for Operations	139,030
Total Revenue and Support	<u>1,537,692</u>
<b>OPERATING EXPENSES</b>	
Salaries and Related Expenses	642,423
Employee Benefits	118,673
Professional Fees	283,379
Occupancy Costs	87,021
Operating Supplies and Expenses	237,218
Insurance, Other	7,347
Travel Expenses	35,246
Training and Education Expenses	18,972
Donation Expenses	1,950
Dues	4,687
Depreciation	8,896
Total Operating Expenses	<u>1,445,812</u>
<b>INCOME FROM OPERATIONS</b>	91,880
<b>REALIZED GAIN ON INVESTMENTS</b>	<u>2,869</u>
<b>EXCESS OF REVENUE AND GAIN OVER EXPENSES</b>	94,749
<b>UNREALIZED LOSS ON INVESTMENTS</b>	<u>(13,343)</u>
<b>INCREASE IN UNRESTRICTED NET ASSETS</b>	<u><u>\$ 81,406</u></u>

See accompanying Notes to Financial Statements.

**NATIONAL ALLIANCE ON MENTAL ILLNESS OF MASSACHUSETTS, INC.**  
**STATEMENT OF CHANGES IN NET ASSETS**  
**YEAR ENDED JUNE 30, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>NET ASSETS - BEGINNING OF YEAR</b>	\$ 889,141	\$ 275,839	\$ 1,164,980
Increase in Unrestricted Net Assets	81,406	-	81,406
Net Assets Released from Restriction Used for Operations	-	(139,030)	(139,030)
Restricted Contribution Income	<u>-</u>	<u>5,580</u>	<u>5,580</u>
Change in Net Assets	<u>81,406</u>	<u>(133,450)</u>	<u>(52,044)</u>
<b>NET ASSETS - END OF YEAR</b>	<u><u>\$ 970,547</u></u>	<u><u>\$ 142,389</u></u>	<u><u>\$ 1,112,936</u></u>

*See accompanying Notes to Financial Statements.*

**NATIONAL ALLIANCE ON MENTAL ILLNESS OF MASSACHUSETTS, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2016**

	<u>Program Costs</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and Related Expenses	\$ 556,467	\$ 41,666	\$ 44,290	\$ 642,423
Employee Benefits	101,431	7,208	10,034	118,673
Professional Fees	244,729	12,581	26,069	283,379
Occupancy Costs	69,617	8,702	8,702	87,021
Operating Supplies and Expenses	208,205	6,388	22,625	237,218
Insurance, Other	-	7,347	-	7,347
Travel Expenses	32,100	-	3,146	35,246
Training and Education Expenses	18,972	-	-	18,972
Donation Expenses	-	1,950	-	1,950
Dues	4,687	-	-	4,687
Depreciation	-	8,896	-	8,896
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Expenses	<u>\$ 1,236,208</u>	<u>\$ 94,738</u>	<u>\$ 114,866</u>	<u>\$ 1,445,812</u>

See accompanying Notes to Financial Statements.



**NATIONAL ALLIANCE ON MENTAL ILLNESS OF MASSACHUSETTS, INC.**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 2016**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in Net Assets	\$	(52,044)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Donated Investments		(21,861)
Depreciation		8,896
Realized Gain on Investments		(2,869)
Unrealized Loss on Investments		13,343
Straight-Line Rent Deferral		1,622
(Increase) Decrease in:		
Accounts Receivable		61,811
Promises to Give		53,334
Prepaid Expenses		(1,676)
Increase (Decrease) in:		
Accounts Payable		17,114
Accrued Expenses		(11,167)
Due to Affiliates		26,129
Deferred Revenue		7,678
Net Cash Provided by Operating Activities		100,310

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchases of Equipment		(1,086)
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**NET INCREASE IN CASH**

99,224

Cash - Beginning of Year

1,071,590

**CASH - END OF YEAR**

\$ 1,170,814

*See accompanying Notes to Financial Statements.*

**NATIONAL ALLIANCE ON MENTAL ILLNESS OF MASSACHUSETTS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**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, 2016**

**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 tax years are generally open for examination by the federal and state taxing authorities for three years following the date filed.

**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, 2016**

**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 6).

**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 and Investment Income**

Investments in marketable equity securities with readily determinable fair values are stated at fair value. Investment income (interest and dividends) and realized gains are included within excess of revenues over expenses and realized gain. Unrealized losses on investments are excluded from the excess of revenue over expenses and realized gain, and reported as a separate change in net assets.

**Advertising**

Advertising costs are expensed as incurred. Advertising costs charged to operations amounted to \$3,083 for the year ended June 30, 2016.

**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, 2016**

**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, 2016.

**Statement of Activities**

The statement of activities includes operating income and realized gains. Changes in unrestricted net assets which are excluded from excess of revenues and gain over expenses include unrealized gains.

**Subsequent Events**

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through January 5, 2017, the date the financial statements were available to be issued.

**NOTE 2 ACCOUNTS RECEIVABLE**

Accounts receivable is comprised of the following at June 30, 2016 as follows:

DMH Grant	\$ 41,703
Walk Contributions and Other Receivables	85,774
Total Accounts Receivable	<u>\$ 127,477</u>

**NOTE 3 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 approximately \$4,700 for the year ended June 30, 2016. Dues collected from local affiliates were approximately \$15,400 for the year ended June 30, 2016.

**NATIONAL ALLIANCE ON MENTAL ILLNESS OF MASSACHUSETTS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 3 RELATED PARTY TRANSACTIONS (CONTINUED)**

**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 \$661,000 with approximately \$163,000 being paid to NAMI – National and the local affiliates and the Organization retaining approximately \$498,000. As of June 30, 2016, the Organization owes the local affiliates approximately \$165,000 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 4 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 \$5,683 was approved and charged to operations in 2016. Pension administrative costs charged to operations of the Plan amounted to \$1,860 for the year ended June 30, 2016.

**NOTE 5 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, 2016 amounted to approximately \$919,000.

**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 19% and 10%, respectively, of its revenue and support in 2016. At June 30, 2016, approximately 33% of accounts receivable was due from the Department of Mental Health.

**Investments**

Investments consisted of shares of common stock with a carrying value of \$79,295 at June 30, 2016. 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.

**NATIONAL ALLIANCE ON MENTAL ILLNESS OF MASSACHUSETTS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 6 OPERATING LEASES**

**Leases – Copier**

The Organization leases a photocopier under an operating lease agreement which expires on December 31, 2019. Future minimum lease payments are \$4,308 for fiscal years 2017 through 2019, and \$2,154 in fiscal year 2020.

**Leases – Postage Meter**

The Organization leases a postage meter under an operating lease agreement which expires on October 1, 2020. Future minimum lease payments are \$1,500 for fiscal years 2017 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, 2016 amounted to \$35,432.

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>
2017	81,340
2018	85,260
2019	89,180
2020	93,100
2021	23,520
Total	<u>\$ 372,400</u>

Related rent expense charged to operations for all of the above noted leases was approximately \$93,000, including contingent rentals of approximately \$5,600, for the year ended June 30, 2016.

**NATIONAL ALLIANCE ON MENTAL ILLNESS OF MASSACHUSETTS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 7 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, 2016:

	Total	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Equities	\$ 79,295	\$ 79,295	\$ -	\$ -
Total	\$ 79,295	\$ 79,295	\$ -	\$ -

**NOTE 8 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 9 PROPERTY AND EQUIPMENT**

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

Leasehold Improvements Equipment	Life of the Lease 5-7 years
-------------------------------------	--------------------------------

Depreciation expense charged to operations was \$8,896 for 2016.

**NOTE 10 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.