

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

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

**NATIONAL ALLIANCE ON MENTAL ILLNESS OF MASSACHUSETTS, INC.
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2010**

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
STATEMENT OF FINANCIAL POSITION	2
STATEMENT OF ACTIVITIES	3
STATEMENT OF CHANGES IN NET ASSETS	4
STATEMENT OF FUNCTIONAL EXPENSES	5
STATEMENT OF CASH FLOWS	6
NOTES TO FINANCIAL STATEMENTS	7



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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, 2010, and the related statements 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, 2010, 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.

As discussed in Note 10 to the financial statements, certain errors related to the omission of a provision for compensated absences and classification of liabilities and temporarily restricted net assets previously reported in the National Alliance on Mental Illness of Massachusetts, Inc.'s June 30, 2009 financial statements were discovered by management during the year. Accordingly, an adjustment has been made to net assets as of July 1, 2009 to correct the error.

LarsonAllen LLP
LarsonAllen LLP

Quincy, Massachusetts
October 14, 2010



(1)

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NATIONAL ALLIANCE ON MENTAL ILLNESS OF MASSACHUSETTS, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2010

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$	610,689
Accounts Receivable		58,729
Prepaid Expenses		543
Total Current Assets		669,961

OTHER ASSETS

Investments		1,660
Security Deposits		6,200
Total Other Assets		7,860

Total Assets	\$	677,821
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable	\$	36,429
Accrued Expenses		17,779
Other Current Liabilities - Walk Funds Payable		81,572
Total Current Liabilities		135,780

NET ASSETS

Unrestricted		495,201
Temporarily Restricted		46,840
Total Net Assets		542,041

Total Liabilities and Net Assets	\$	677,821
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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, 2010**

UNRESTRICTED NET ASSETS

REVENUE AND SUPPORT

DMH Grant	\$ 244,738
Special Event - NAMIWalks	278,362
Contributions	104,186
Other Operating Income	49,882
Interest Income	3,846
Net Assets Released from Restrictions Used for Operations	<u>58,963</u>
Total Revenue and Support	<u>739,977</u>

OPERATING EXPENSES

Salaries and Related Expenses	352,259
Employee Benefits	59,200
Professional Fees	37,781
Occupancy Costs	45,162
Operating Supplies and Expenses	122,536
Insurance, Other	4,962
Travel Expenses	22,517
Training and Education Expenses	31,307
Donation Expenses	2,105
Dues	<u>7,501</u>
Total Operating Expenses	<u>685,330</u>

INCREASE IN UNRESTRICTED NET ASSETS

\$ 54,647

See accompanying Notes to Financial Statements.

NATIONAL ALLIANCE ON MENTAL ILLNESS OF MASSACHUSETTS, INC.
STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Net Assets - Beginning of Year	\$ 450,031	\$ 48,797	\$ 498,828
Prior Period Adjustment	<u>(9,477)</u>	<u>(28,197)</u>	<u>(37,674)</u>
Net Assets - Beginning of Year, as Restated	440,554	20,600	461,154
Increase in Net Assets from Operations	54,647	-	54,647
Net Assets Released from Restriction Used for Operations	-	(58,963)	(58,963)
Restricted Contribution Income	<u>-</u>	<u>85,203</u>	<u>85,203</u>
Change in Net Assets	<u>54,647</u>	<u>26,240</u>	<u>80,887</u>
NET ASSETS - END OF YEAR	<u><u>\$ 495,201</u></u>	<u><u>\$ 46,840</u></u>	<u><u>\$ 542,041</u></u>

See accompanying Notes to Financial Statements.

NATIONAL ALLIANCE ON MENTAL ILLNESS OF MASSACHUSETTS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2010

	<u>Program Costs</u>	<u>General and Administrative</u>	<u>Fund Raising</u>	<u>Total</u>
Salaries and Related Expenses	\$ 300,236	\$ 21,554	\$ 30,469	\$ 352,259
Employee Benefits	50,023	2,690	6,487	59,200
Professional Fees	30,208	7,459	114	37,781
Occupancy Costs	36,128	4,517	4,517	45,162
Operating Supplies and Expenses	104,448	8,844	9,244	122,536
Insurance, Other	-	4,962	-	4,962
Travel Expenses	22,517	-	-	22,517
Training and Educations Expenses	31,307	-	-	31,307
Donation Expenses	2,105	-	-	2,105
Dues	7,501	-	-	7,501
Total Expenses	<u>\$ 584,473</u>	<u>\$ 50,026</u>	<u>\$ 50,831</u>	<u>\$ 685,330</u>

See accompanying Notes to Financial Statements.

NATIONAL ALLIANCE ON MENTAL ILLNESS OF MASSACHUSETTS, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2010

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$ 80,887
Adjustments to Reconcile Change in Net Assets to	
Net Cash Provided by Operating Activities:	
Donated Investments	(1,660)
(Increase) Decrease in:	
Accounts Receivable	(24,470)
Prepaid Expenses	2,011
Increase (Decrease) in:	
Accounts Payable	4,313
Accrued Expenses	8,302
Other Current Liabilities - Walk Funds Payable	(349)
Net Cash Provided by Operating Activities	<u>69,034</u>
 NET INCREASE IN CASH AND CASH EQUIVALENTS	 69,034
 Cash and Cash Equivalents - Beginning	 <u>541,655</u>
 CASH AND CASH EQUIVALENTS - ENDING	 <u><u>\$ 610,689</u></u>

See accompanying Notes to Financial Statements.

NATIONAL ALLIANCE ON MENTAL ILLNESS OF MASSACHUSETTS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

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, 2010

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

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 2007 through 2010 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

No amounts have been reflected in the financial statements for donated services. The Organization generally pays for services requiring specific expertise. However, a substantial number of volunteers have donated time in the Organization's programs. In addition, an attorney provided pro bono legal service to the Organization. No provision for the legal services was recorded in the financial statements, as the value of the service was determined to be immaterial.

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.

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 \$25 for the year ended June 30, 2010.

NATIONAL ALLIANCE ON MENTAL ILLNESS OF MASSACHUSETTS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

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

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 14, 2010, the date the financial statements were available to be issued.

NOTE 2 ACCOUNTS RECEIVABLE

Accounts receivable is comprised of the following at June 30, 2010 as follows:

DMH Grant	\$ 37,637
Contributions	21,092
Total Accounts Receivable	<u>\$ 58,729</u>

NOTE 3 CERTIFICATE OF DEPOSIT

A certificate of deposit totaling \$157,523 is included in cash in the accompanying financial statements. The certificate bears an interest rate of 1.49%.

NATIONAL ALLIANCE ON MENTAL ILLNESS OF MASSACHUSETTS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

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 \$7,501 for the year ended June 30, 2010. Dues collected from local affiliates were \$7,250 for the year ended June 30, 2010.

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 \$381,000 with approximately \$103,000 being paid to NAMI – National and the local affiliates and the Organization retaining approximately \$278,000. As of June 30, 2010 the Organization owes the local affiliates approximately \$82,000 for their share of funds from the walk.

As of June 30, 2010 the Organization has unpaid dues, walk obligations and other various obligations outstanding to NAMI – National of approximately \$28,000 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. No discretionary match or profit sharing contributions were made in 2010. Pension administrative costs charged to operations of the Plan amounted to \$1,990 for the year ended June 30, 2010.

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, 2010 amounted to \$339,314.

NATIONAL ALLIANCE ON MENTAL ILLNESS OF MASSACHUSETTS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 6 CONCENTRATION OF CREDIT RISK (CONTINUED)

Major Customers

The Organization receives significant funding from the Commonwealth of Massachusetts Department of Mental Health, which represents approximately 33% of its revenue in 2010. At June 30, 2010, approximately 64% 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 ranging from \$2,848 to \$3,067 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>
2011	\$ 34,834	\$ 6,384	\$ 41,218
2012	34,175	6,384	40,559
2013	34,175	4,788	38,963
2014	8,544	-	8,544
Thereafter	-	-	-
Total	<u>\$ 111,728</u>	<u>\$ 17,556</u>	<u>\$ 129,284</u>

Related rent expense was \$44,744, including contingent rentals of approximately \$2,000, for the year ended June 30, 2010.

NATIONAL ALLIANCE ON MENTAL ILLNESS OF MASSACHUSETTS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

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, 2010:

	Total	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Marketable Securities	\$ 1,660	\$ 1,660	\$ -	\$ -
Total	<u>\$ 1,660</u>	<u>\$ 1,660</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 9 TEMPORARILY RESTRICTED NET ASSETS

The Organizations 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 next fiscal year.

NOTE 10 PRIOR PERIOD ADJUSTMENTS

During the year ended June 30, 2010 management determined that certain adjustments were necessary to properly reflect the application of accounting principles generally accepted in the United States of America with respect to compensated absences and liabilities. Management determined that a provision for compensated absences should be recorded at June 30, 2009; previously in error the provision was not recorded. In addition, management determined that certain funds received from their NAMI walk event were properly classified as liabilities rather than temporarily restricted net assets. Accordingly, beginning net assets as of July 1, 2009 have been restated to properly reflect the changes described above.

NATIONAL ALLIANCE ON MENTAL ILLNESS OF MASSACHUSETTS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 10 PRIOR PERIOD ADJUSTMENTS (CONTINUED)

The impact on the financial statements previously issued for the year ended June 30, 2009 is as follows:

Temporarily Restricted Net Assets June 30, 2009 as Previously Reported	\$ 48,797
Decrease	(28,197)
Temporarily Restricted Net Assets June 30, 2009 as Restated	<u>\$ 20,600</u>
Other Current Liabilities - NAMI Walk Funds Payable June 30, 2009 as Previously Reported	\$ 53,724
Increase	<u>28,197</u>
Other Current Liabilities - NAMI Walk Funds Payable June 30, 2009 as Restated	<u>\$ 81,921</u>
Accrued Expenses at June 30, 2009 as Previously Reported	\$ -
Increase	9,477
Accrued Expenses at June 30, 2009 as Restated	<u>\$ 9,477</u>
Salaries and Related Expenses Year Ended June 30, 2009 as Previously Reported	\$ 377,718
Increase	9,477
Salaries and Related Expenses Year Ended June 30, 2009 as Restated	<u>\$ 387,195</u>
Unrestricted Net Assets Year Ended June 30, 2009 as Previously Reported	\$ 450,031
Decrease	(9,477)
Unrestricted Net Assets Year Ended June 30, 2009 as Restated	<u>\$ 440,554</u>

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.