NATIONAL ALLIANCE ON MENTAL ILLNESS OF MASSACHUSETTS, INC.

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

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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, 2019, 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, 2019, 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
February 11, 2020

NATIONAL ALLIANCE ON MENTAL ILLNESS OF MASSACHUSETTS, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019

ASSETS

CURRENT ASSETS	
Cash	$ 1,452,322
Investments	35,668
Accounts Receivable	307,916
Prepaid Expenses	16,728
Total Current Assets	1,812,634
PROPERTY AND EQUIPMENT	
Leasehold Improvements	1,050
Equipment	18,764
Total Property and Equipment	19,814
Less: Accumulated Depreciation	14,285
Total Property and Equipment, Net	5,529
OTHER ASSETS	
Security Deposits	18,130
Total Other Assets	18,130
Total Assets	$ 1,836,293

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Accounts Payable	$ 64,887
Accrued Expenses	80,098
Due to Affiliates	95,474
Total Current Liabilities	240,459
DEFERRED RENT	17,512
Total Liabilities	257,971
NET ASSETS	
Without Donor Restrictions	1,307,177
With Donor Restrictions	271,145
Total Net Assets	1,578,322
Total Liabilities and Net Assets	$ 1,836,293

See accompanying Notes to Financial Statements.

NATIONAL ALLIANCE ON MENTAL ILLNESS OF MASSACHUSETTS, INC.
STATEMENT OF ACTIVITIES – WITHOUT DONOR RESTRICTIONS
YEAR ENDED JUNE 30, 2019

	Without Donor Restrictions
REVENUE AND SUPPORT	
Grant Income	$ 573,497
Special Events - NAMI-Walks	480,249
Contributions	559,962
Training Income	12,480
Other Operating Income	39,985
Interest Income	1,812
Net Assets Released from Restrictions Used for Operations	105,998
Total Revenue and Support	1,773,983
OPERATING EXPENSES	
Program Expenses	1,143,494
General Administrative	258,273
Fundraising	116,339
Total Operating Expenses	1,518,106
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS FROM OPERATIONS	255,877
LOSS ON DISPOSAL OF ASSET	(4,080)
REALIZED LOSS ON INVESTMENTS	(54)
INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	$ 251,743

See accompanying Notes to Financial Statements.

NATIONAL ALLIANCE ON MENTAL ILLNESS OF MASSACHUSETTS, INC.
STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
NET ASSETS - BEGINNING OF YEAR	$ 1,055,434	$ 207,344	$ 1,262,778
Increase in Net Assets Without Donor Restrictions	251,743	-	251,743
Net Assets Released from Restriction Used for Operations	-	(105,998)	(105,998)
Restricted Contributions and Grant Income	-	169,799	169,799
Change in Net Assets	251,743	63,801	315,544
NET ASSETS - END OF YEAR	$ 1,307,177	$ 271,145	$ 1,578,322

See accompanying Notes to Financial Statements.

NATIONAL ALLIANCE ON MENTAL ILLNESS OF MASSACHUSETTS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019

	Program Costs	General and Administrative	Fundraising	Total
Salaries and Related Payroll Expenses	$ 673,435	$ 105,102	$ 64,401	$ 842,938
Employee Benefits	68,580	10,703	6,558	85,841
Professional Fees	99,221	92,526	17,366	209,113
Contributions	-	5,777	-	5,777
Occupancy Costs	70,619	8,828	8,828	88,275
Operating Supplies and Expenses	158,532	23,920	14,100	196,552
Insurance, Other	-	8,015	-	8,015
Travel Expenses	35,128	-	5,086	40,214
Training and Education Expenses	33,250	-	-	33,250
Dues	4,729	-	-	4,729
Depreciation	-	3,402	-	3,402
Total Functional Expenses	$ 1,143,494	$ 258,273	$ 116,339	$ 1,518,106

See accompanying Notes to Financial Statements.

NATIONAL ALLIANCE ON MENTAL ILLNESS OF MASSACHUSETTS, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in Net Assets	$ 315,544
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	3,402
Loss on Sale of Assets	4,080
Realized Loss on Investments	54
Straight-Line Rent Deferral	(9,893)
(Increase) Decrease in:	
Accounts Receivable	(195,109)
Promises to Give	33,334
Prepaid Expenses	2,225
Increase (Decrease) in:	
Accounts Payable	1,455
Accrued Expenses	8,831
Due to Affiliates	(124,301)
Net Cash Provided by Operating Activities	39,622
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of Investments	(2,533)
Net Cash Used by Investing Activities	(2,533)
NET INCREASE IN CASH	37,089
Cash - Beginning of Year	1,415,233
CASH - END OF YEAR	$ 1,452,322

See accompanying Notes to Financial Statements.

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 (IRC) 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 net assets without donor restrictions or net assets with donor restrictions, 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:

Net Assets Without Donor Restrictions – Those resources over which the board of directors has discretionary control.

Net Assets With Donor Restrictions – Those resources subject to donor (or certain grantor) imposed restrictions that will be satisfied by actions of the Organization or passage of time. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time, or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time and/or the stipulated purpose for which the resource was restricted has been fulfilled.

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 able to be estimated, and collection is assured.

Support that is without donor restrictions is recorded as revenue and net assets without donor restrictions upon receipt. Donor restricted contributions and pledges, that is donations with time or purpose restrictions, are recognized as revenue and net assets with donor restrictions when received or unconditionally pledged. Transfers are made to revenue and net assets without donor restrictions when donor restrictions expire, that is when the stipulated time restriction ends or purpose restriction is accomplished.

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 support without donor restrictions 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 stipulations 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.

The useful lives and cost of property and equipment for purposes of computing depreciation are as follows at June 30, 2019:

Leasehold Improvements	Life of the Lease
Equipment	5 to 7 Years

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. Some expenses are allocated completely to the function. However, there are some expenses that serve multiple purposes and qualify as more than one function. Accordingly, certain costs have been allocated among the programs, fundraising, and supporting services provided as follows:

Salaries and related expenses are allocated based on time spent in each function (program, fundraising, and supporting services).

Occupancy, office expenses, computer costs, etc. are allocated based on estimated usage.

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 IRC 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.

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

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. The intent is to sell within 30 days of when such donation is received.

Donated Services

Donated services are recognized in the financial statements if the services enhance or create nonfinancial assets, or if the services require specialized skills that are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. There were no donated services for the year ended June 30, 2019.

Deferred Rent

Rent expense is recognized on a straight-line basis over the term of the lease (see Note 5).

Accounts Receivable

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. 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.

Promise to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Promises to give are discounted if material to the financial statements. There are no pledges as of June 30, 2019.

Investments and Investment Income

Investments with readily determinable fair values are stated at fair value. Investment income (interest and dividends) and realized gains are included within increase in net assets without donor restrictions. As of June 30, 2019, the investment portfolio consists of cash.

Advertising

Advertising costs are expensed as incurred. Advertising costs charged to operations amounted to $10,393 for the year ended June 30, 2019.

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 a 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 markets 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's 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.

Change in Accounting Principle

The Organization has adopted the accounting guidance in Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities,* which changes presentation and disclosure requirements for nonprofit entities to provide more relevant information about their resources (and the change in those resources) to donors, granters, creditors, and other users. These include qualitative and quantitative requirements in the following areas: net asset classes, investment return, expenses, and liquidity. Adoption of the new standard had no effect on the previously reported total change total change in net assets or net assets balance.

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

Accounting Standard Changes

In May 2014, the Financial Accounting Standards Board (FASB) issued amended guidance to clarify the principles for recognizing revenue from contracts with customers. The guidance requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The guidance also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Additionally, qualitative and quantitative disclosures are required regarding customer contracts, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract. The guidance will initially be applied retrospectively using one of two methods. The standard will be effective for the Organization for the year ended June 30, 2020. Management continues to evaluate the impact of the adoption of this standard, but based on the latest industry guidance, management believes this standard will not have a material impact on the financial statements.

In June 2018, FASB issued an Accounting Standards Update (ASU) to clarify and improve accounting guidance for contributions received and made. The ASU provides guidance on distinguishing between contributions and exchange transactions. If a contribution is unconditional, the entity must determine whether it is donor restricted for limited purpose or timing. These contributions should be recognized immediately and classified as net assets with or without donor restrictions. If a contribution is conditional and assets are received in advance, the entity should record a liability and not recognize revenue until conditions are met. Guidance is further provided regarding reciprocal and nonreciprocal transactions. If both parties receive similar value, the transaction is considered reciprocal. For nonreciprocal transactions, an entity must determine the conditions needed to be made. The guidance will initially be applied retrospectively using one of two methods. The standard will be effective for the Organization for the year ended June 30, 2020. Management continues to evaluate the impact of the adoption of this standard, but based on the latest industry guidance, management believes this standard will not have a material impact on the financial statements.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through February 11, 2020, the date the financial statements were available to be issued.

NOTE 2 ACCOUNTS RECEIVABLE

Accounts receivable is comprised of the following at June 30, 2019:

Department of Mental Health Grant	$	192,725
Massachusetts Behavioral Health Partnership		100,000
Walk Contributions and Other Receivables		15,191
Total Accounts Receivable	$	307,916

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, 2019. Dues collected from local affiliates were approximately $13,000 for the year ended June 30, 2019.

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 $639,000, with $159,000 being paid to NAMI – National and the local affiliates and the Organization retaining $589,000. As of June 30, 2019, the Organization owes the local affiliates approximately $96,000 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.

Acquisition of Model B Affiliates

During 2019, the Organization executed operating agreements with two local affiliates (NAMI Greater Boston and NAMI Lawrence) which resulted in those affiliates becoming Model B Affiliates of the Organization. As a result, these affiliates are now governed by the policies and procedures of NAMI Massachusetts's Board of Directors and receive financial account management from the Organization. Amounts due to these affiliates prior to the acquisition were recorded as contributions to the Organization and totaled $106,999. At June 30, 2019, net assets with donor restrictions related to these Model B affiliates totaled $102,666 due to designations by donors for activities related to the combined affiliates' activities.

NOTE 4 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 insured financial institutions in Massachusetts. Cash and cash equivalents exceeding insured limits at June 30, 2019 amounted to approximately $1,224,268.

Accounts Receivable and Revenue

Unsecured accounts receivable amounted to $307,916 as of June 30, 2019. The Organization receives approximately 33% of its funding from the Massachusetts Department of Mental Health. 63% of the accounts receivable balance as of June 30, 2019 was due from the Commonwealth of Massachusetts' Department of Mental Health.

Investments

Investments consist of cash with a carrying value of $35,668 at June 30, 2019. 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 5 OPERATING LEASES

Leases – Copier

The Organization leased a photocopier under a noncancelable operating lease agreement that expired on December 31, 2019. Future minimum lease payments totaled $2,154 through December 31, 2019. As of January 1, 2020, the photocopier lease was at-will, with monthly payments of $359.

Leases – Postage Meter

The Organization leases a postage meter under a noncancelable operating lease agreement which expires on October 1, 2020. Future minimum lease payments are $375 for fiscal year 2020 and $189 for fiscal year 2021.

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.

NOTE 5 OPERATING LEASES (CONTINUED)

Leases – Office (Continued)

Under the above lease, rent expense has been recognized on a straight-line basis using the total noncontingent 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, 2019 amounted to $17,512.

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 the office lease agreements are as follows:

Year Ending June 30,	Amount
2020	$ 93,100
2021	23,520
Total	$ 116,620

Related rent expense charged to operations for all of the above noted leases was approximately $90,000, including contingent rentals of approximately $6,000, for the year ended June 30, 2019.

NOTE 6 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 $6,101 was approved and charged to operations in 2019. Pension administrative costs charged to operations of the Plan amounted to $3,009 for the year ended June 30, 2019.

NOTE 7 NET ASSETS WITH DONOR RESTRICTIONS

The Organization's net assets with donor restrictions 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. A summary of net assets with donor restrictions is as follows at June 30, 2019:

Purpose Restrictions	$ 168,479
Purpose Restrictions - Combined Affiliates	102,666
Total	$ 271,145

Net assets restricted for combined affiliates is related to revenue earned and restricted for specific purposes relevant to those combined affiliates' activities.

NOTE 8 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.

NOTE 9 AVAILABLE RESOURCES AND LIQUIDITY

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Organization has various sources of liquidity at its disposal, including cash, investments, and accounts receivable.

For the purpose of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities to be general expenditures. The amounts included in net assets with donor restrictions are expected to be used within one year of the statement of financial position date.

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures. Refer to the statement of cash flows which identifies the sources and uses of the Organization's cash.

As of June 30, 2019, the following table shows the total financial assets held by the Organization:

Financial Assets at Year-End:	
Cash	$ 1,452,322
Accounts Receivable	307,916
Investments	35,668
Financial Assets Available for Operations	$ 1,795,906

All of the above financial assets could readily be made available within one year of the statements of financial position date to meet general expenditures.