

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

FINANCIAL STATEMENTS

FOR THE PERIOD OF JULY 1, 2020 TO MARCH 31, 2021

**NATIONAL ALLIANCE ON MENTAL ILLNESS OF MASSACHUSETTS, INC.
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INDEPENDENT AUDITORS' REPORT

Board of Directors
National Alliance on Mental Illness of Massachusetts, Inc.
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 March 31, 2021, and the related statements of activities – without donor restrictions, changes in net assets, functional expenses, and cash flows for the period of July 01, 2020 through March 31, 2021, 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 March 31, 2021, and the changes in its net assets and its cash flows for the period of July 01, 2020 through March 31, 2021 in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter

As disclosed in Note 10, National Alliance on Mental Illness of Massachusetts, Inc. changed their fiscal year-end from June 30 to March 31, beginning July 1, 2021. As a result, the following statements represent a nine-month fiscal period from July 1, 2020 to March 31, 2021.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Boston, Massachusetts
February 8, 2022

NATIONAL ALLIANCE ON MENTAL ILLNESS OF MASSACHUSETTS, INC.
STATEMENT OF FINANCIAL POSITION
AS OF MARCH 31, 2021

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 1,808,418
Accounts Receivable	93,057
Prepaid Expenses	18,411
Total Current Assets	1,919,886

PROPERTY AND EQUIPMENT

Equipment	3,774
Total Property and Equipment	3,774
Less: Accumulated Depreciation	2,111
Total Property and Equipment, Net	1,663

OTHER ASSETS

Security Deposits	18,130
Total Other Assets	18,130

Total Assets	1,939,679
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable	13,929
Accrued Expenses	99,897
Deferred Revenue	67,550
Due to Affiliates	810
Total Current Liabilities	182,186

Total Liabilities	182,186
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NET ASSETS

Without Donor Restrictions	1,490,818
With Donor Restrictions	266,675
Total Net Assets	1,757,493

Total Liabilities and Net Assets	\$ 1,939,679
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See accompanying Notes to Financial Statements.

**NATIONAL ALLIANCE ON MENTAL ILLNESS OF MASSACHUSETTS, INC.
STATEMENT OF ACTIVITIES – WITHOUT DONOR RESTRICTIONS
FOR THE PERIOD OF JULY 1, 2020 TO MARCH 31, 2021**

	Without Donor Restrictions
REVENUE AND SUPPORT	
Grant Income	\$ 429,530
Contributions	432,760
PPP Loan Forgiveness	105,000
Other Operating Income	12,878
Interest Income	680
Net Assets Released from Restrictions Used for Operations	82,340
Total Revenue and Support	1,063,188
OPERATING EXPENSES	
Program Expenses	733,075
General Administrative	167,997
Fundraising	66,471
Total Operating Expenses	967,543
INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	\$ 95,645

See accompanying Notes to Financial Statements.

NATIONAL ALLIANCE ON MENTAL ILLNESS OF MASSACHUSETTS, INC.
STATEMENT OF CHANGES IN NET ASSETS
FOR THE PERIOD OF JULY 1, 2020 TO MARCH 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
NET ASSETS - July 1, 2020	1,395,173	321,346	\$ 1,716,519
Increase in Net Assets Without Donor Restrictions	95,645	-	95,645
Net Assets Released from Restriction Used for Operations	-	(82,340)	(82,340)
Restricted Contributions and Grant Income	-	27,669	27,669
Change in Net Assets	95,645	(54,671)	40,974
NET ASSETS - March 31, 2021	<u>1,490,818</u>	<u>\$ 266,675</u>	<u>\$ 1,757,493</u>

See accompanying Notes to Financial Statements.

NATIONAL ALLIANCE ON MENTAL ILLNESS OF MASSACHUSETTS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE PERIOD OF JULY 1, 2020 TO MARCH 31, 2021

	Program Costs	General and Administrative	Fundraising	Total
Salaries and Related Payroll Expenses	\$ 533,903	\$ 75,448	\$ 50,280	\$ 659,631
Employee Benefits	44,805	6,332	4,220	55,357
Professional Fees	15,122	64,551	528	80,201
Contributions	-	170	-	170
Occupancy Costs	59,971	7,496	7,496	74,963
Operating Supplies and Expenses	71,180	5,656	3,947	80,783
Insurance, Other	-	7,370	-	7,370
Travel Expenses	104	-	-	104
Training and Education Expenses	5,148	-	-	5,148
Dues	2,842	-	-	2,842
Depreciation	-	974	-	974
Total Functional Expenses	<u>\$ 733,075</u>	<u>\$ 167,997</u>	<u>\$ 66,471</u>	<u>\$ 967,543</u>

See accompanying Notes to Financial Statements.

NATIONAL ALLIANCE ON MENTAL ILLNESS OF MASSACHUSETTS, INC.
STATEMENT OF CASH FLOWS
FOR THE PERIOD OF JULY 1, 2020 TO MARCH 31, 2021

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$	40,974
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation		974
Forgiveness of Paycheck Protection Program Loan		(105,000)
(Increase) Decrease in:		
Accounts Receivable		140,778
Prepaid Expenses		(1,975)
Increase (Decrease) in:		
Accounts Payable		(5,307)
Accrued Expenses		24,480
Deferred Revenue		67,550
Deferred Rent		(3,698)
Due to Affiliates		(84,383)
Net Cash Provided by Operating Activities		<u>74,393</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		74,393
Cash and Cash Equivalents - July 1, 2020		<u>1,734,025</u>
CASH AND CASH EQUIVALENTS - March 31, 2021		<u>\$ 1,808,418</u>

See accompanying Notes to Financial Statements.

NATIONAL ALLIANCE ON MENTAL ILLNESS OF MASSACHUSETTS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD OF JULY 1, 2020 TO MARCH 31, 2021

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

The Organization recognizes revenue from conditional cost reimbursement state grants based on certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions

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.

NATIONAL ALLIANCE ON MENTAL ILLNESS OF MASSACHUSETTS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD OF JULY 1, 2020 TO MARCH 31, 2021

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

Revenue Recognition (Continued)

To determine revenue recognition for the arrangements that the Organization determines are within the scope of Topic 606, the Organization performs the following five steps: (1) identify the contract(s) with a customer, (2) identify the performance obligation(s) in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligation(s) in the contract, and (5) recognize revenue when the Organization satisfies a performance obligation. Sponsorship revenue that includes a reciprocal exchange related to advertising is recognized over time as the performance obligations are met. As of March 31, 2021, the Organization included in deferred revenue a total of \$67,550 related to unmet performance obligations. There was no exchange revenue recognized in the period ended March 31, 2021.

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 March 31, 2021:

Leasehold Improvements Equipment	Life of the Lease 5 to 7 Years
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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.

NATIONAL ALLIANCE ON MENTAL ILLNESS OF MASSACHUSETTS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD OF JULY 1, 2020 TO MARCH 31, 2021

**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 nine-month period of July 1, 2020 through March 31, 2021.

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 were no pledges receivable as of March 31, 2021.

Advertising

Advertising costs are expensed as incurred. Advertising costs charged to operations amounted to \$390 for the nine-month period of July 1, 2020 through March 31, 2021.

NATIONAL ALLIANCE ON MENTAL ILLNESS OF MASSACHUSETTS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD OF JULY 1, 2020 TO MARCH 31, 2021

**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 Financial Accounting Standards Board (FASB) issued new guidance that created Topic 606, *Revenue from Contracts with Customers*, in the Accounting Standards Codification (ASC). Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, *Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred 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 Organization adopted the requirements of the new guidance as of July 1, 2020, utilizing the modified retrospective method of transition. There was no material impact on the Organization's financial position and results of operations upon adoption of the new standard.

**NATIONAL ALLIANCE ON MENTAL ILLNESS OF MASSACHUSETTS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD OF JULY 1, 2020 TO MARCH 31, 2021**

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

New Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases*, which is a comprehensive lease accounting standard that requires entities that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the balance sheet for leases with terms exceeding 12 months. The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset. The effective date for the Organization is for annual periods beginning after December 15, 2021, however, early application is permitted. The Organization is currently evaluating the impact this guidance will have on its financial statements.

Subsequent Events

The Organization has evaluated events and transactions for potential recognition or disclosure through February 8, 2022, the date the financial statements were available to be issued.

NOTE 2 ACCOUNTS RECEIVABLE

Accounts receivable is comprised of the following at March 31, 2021:

Department of Mental Health Grant	\$ 91,007
MBRLC	600
Mile Stones Day School	750
Anonymous Donor	700
Total Accounts Receivable	\$ 93,057

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.

NATIONAL ALLIANCE ON MENTAL ILLNESS OF MASSACHUSETTS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD OF JULY 1, 2020 TO MARCH 31, 2021

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 March 31, 2021 amounted to approximately \$1,522,207.

Accounts Receivable and Revenue

Unsecured accounts receivable amounted to \$93,057 as of March 31, 2021, of which 98% was due from the Commonwealth of Massachusetts' Department of Mental Health (DMH). The Organization received approximately 40% of its revenues from DMH during the period of July 1, 2020 through March 31, 2021.

NOTE 5 OPERATING LEASES

Leases – Postage Meter

The Organization leases a postage meter under a non-cancelable operating lease agreement which expires on July 9, 2024.

Leases – Office

The Organization leased office space from Schrafft Center, LLC, under an operating lease agreement. The lease commenced on October 1, 2013 and expired 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. As of July 1, 2020, the Organization signed a one-year extension through September 30, 2021 with monthly payments of \$7,840.

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.

NATIONAL ALLIANCE ON MENTAL ILLNESS OF MASSACHUSETTS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD OF JULY 1, 2020 TO MARCH 31, 2021

NOTE 5 OPERATING LEASES (CONTINUED)

Subsequent to year-end, the Organization entered into a new operating lease agreement for a new office location, commencing on October 1, 2021. The lease is for a term of 10 years, includes two months rent-free, and is followed by monthly rent that escalates annually, beginning at \$6,500 and ending at \$8,481.

Future minimum lease payments under the office lease agreements are as follows:

Year Ending March 31,	Amount
2022	\$ 74,540
2023	80,670
2024	83,046
2025	84,369
2026	86,514
Thereafter	523,956
Total	\$ 933,095

Related rent expense charged to operations for the above leases was approximately \$74,000 for nine-month period of July 1, 2020 through March 31, 2021.

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 \$6,221 was approved and charged to operations in 2021. Pension administrative costs charged to operations of the Plan amounted to \$1,575 for the nine-month period from July 1, 2020 through March 31, 2021.

NOTE 7 NET ASSETS WITH DONOR RESTRICTIONS

The Organization's net assets with donor restrictions totaling \$266,675 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.

NATIONAL ALLIANCE ON MENTAL ILLNESS OF MASSACHUSETTS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD OF JULY 1, 2020 TO MARCH 31, 2021

NOTE 8 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 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 March 31, 2021, the following table shows the total financial assets held by the Organization:

Financial Assets at Year-End:	
Cash and Cash Equivalents	\$ 1,808,418
Accounts Receivable	93,057
Financial Assets Available for Operations	<u>\$ 1,901,475</u>

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.

NOTE 9 UNCERTAINTIES AND RISKS

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.

During March 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is continuing to have significant effects on global markets, supply chains, businesses, and communities. Specific to the Organization, management believes the organization is taking appropriate actions to mitigate the impact of the pandemic on the Organization by changing programs to virtual formats; however, the full impact of COVID-19 is unknown and cannot be reasonably estimated as of February 8, 2022.

NOTE 10 CHANGE IN FISCAL YEAR

National Alliance on Mental Illness of Massachusetts, Inc. changed their fiscal year-end from June 30 to March 31 in order to better align the fiscal period with the Walk. As a result, these financial statements represent a nine-month fiscal transition period from July 1, 2020 to March 31, 2021.

NATIONAL ALLIANCE ON MENTAL ILLNESS OF MASSACHUSETTS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD OF JULY 1, 2020 TO MARCH 31, 2021

NOTE 11 PAYCHECK PROTECTION PROGRAM

In April of 2020, the Organization received a loan from a bank in the amount of \$105,000 to fund payroll, rent, utilities, and interest on existing debt through the Payroll Protection Program (the "PPP Loan"). The original loan agreement was written prior to the PPP Flexibility Act of 2020 (June 5) and was due over twenty-four months deferred for six months. Subsequent to this, the law changed the loan deferral terms retroactively. The PPP Flexibility Act and subsequent regulations supersede the loan agreement. The PPP Loan had a stated interest rate fixed at 1.0% per annum, with a term of two years, and was unsecured and guaranteed by the U.S. Small Business Administration. Payment of principal and interest was deferred until the date on which the amount of forgiveness is remitted to the lender or, if the Organization failed to apply for forgiveness within 10 months after the covered period, then payment of principal and interest shall begin on that date.

During February 2021, the Organization had satisfied the performance barriers attributable to \$105,000 of the PPP loan proceeds, and this amount is classified as forgiveness of the loan in the accompanying statement of activities. The SBA formally forgave the Organization's obligation under this PPP loan in February 2021. The SBA may review funding eligibility and usage of funds for compliance with program requirements based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the Organization's financial position.