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Beyond Accounting

NAMI CALIFORNIA
A NONPROFIT ORGANIZATION

FINANCIAL STATEMENTS
AND
SUPPLEMENTAL INFORMATION

JUNE 30, 2016

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Beyond Accounting

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
NAMI California
Sacramento, California

Report on the Financial Statements

We have audited the accompanying financial statements of NAMI California (a non-profit corporation), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities 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 auditor's 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the NAMI California as of June 30, 2016, and its changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was made for the purpose of forming an opinion on the 2016 financial statements referred to in the first paragraph taken as a whole. The accompanying supplemental information on pages 15 and 16 is presented for the purpose of additional analysis and is not a required part of the above financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements referred to above, and, in our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

BFBA, LLP

Sacramento, California
September 16, 2016

NAMI CALIFORNIA
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2016

ASSETS

Current assets	
Cash and cash equivalents	\$ 1,549,905
Accounts receivable	246,090
Prepaid expenses and other current assets	<u>29,292</u>
Total current assets	1,825,287
Property and equipment, net	<u>15,302</u>
Total assets	<u>\$ 1,840,589</u>

LIABILITIES AND NET ASSETS

Current liabilities	
Accounts payable	\$ 107,343
Accrued expenses	50,915
Deferred revenue	<u>85,045</u>
Total current liabilities	243,303
Deferred rent liability	<u>16,792</u>
Total liabilities	<u>260,095</u> ✓
Net assets	
Unrestricted	608,342
Unrestricted - Board designated	938,460
Temporarily restricted	<u>33,692</u>
Total net assets	<u>1,580,494</u> ✓
Total liabilities and net assets	<u>\$ 1,840,589</u> ✓

The accompanying notes are an integral part of these financial statements.

NAMI CALIFORNIA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

Revenues and support		
Grants and contracts		80.39% \$ 1,279,798
Contributions		8.727 138,932
Conference revenue		109,459 ✓
Membership		53,069 ✓
Interest income		1,255 ✓
Other revenue		585
In-kind revenue		4,060
Subtotal		<u>1,587,158</u>
Net assets released from restrictions		<u>4,774</u>
Total revenues and support		<u>1,591,932</u>
Expenses		
Program services		
NAMI family-to-family education		175,451
NAMI peer-to-peer recovery education		133,879
MHSA/OAC contracts		126,509
Web contract		127,646
Criminal justice		4,774
Legislative advocacy		71,640
CalMHSA		530,150
OSHPD contract		134,597
Kaiser contract		6,392
CDE contract		2,271
Total program services		<u>1,313,309</u>
Supporting services		
Fundraising		50,004 ✓
Administrative expenses		119,596
Conference expenses		125,095
Membership		47,229
Total supporting services		<u>341,924</u>
Total expenses		<u>1,655,233</u> ✓
Decrease in unrestricted net assets		<u>(63,301)</u>
Temporarily restricted net assets		
Contributions		<u>27,471</u>
Net assets released from restrictions		<u>(4,774)</u>
Increase in temporarily restricted net assets		<u>22,697</u>
Decrease in net assets		<u>(40,604)</u> ✓
Net assets, beginning of year		<u>1,621,098</u>
Net assets, end of year		<u>\$ 1,580,494</u>

The accompanying notes are an integral part of these financial statements.

NAMI CALIFORNIA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016

Cash flows from operating activities	
Decrease in net assets	\$ (40,604)
Reconciliation of net cash provided by operating activities	
Depreciation expense	6,376
Changes in	
Accounts receivable	123,288
Prepaid expenses and other current assets	(15,572)
Accounts payable	(3,612)
Accrued expenses	(5,734)
Deferred revenue	21,018
Deferred rent liability	<u>11,507</u>
Net cash provided by operating activities	<u>96,667</u>
Cash flows from investing activities	
Purchases of property and equipment	<u>(6,672)</u>
Net cash used in investing activities	<u>(6,672)</u>
Net increase in cash and cash equivalents	89,995
Cash and cash equivalents, beginning of year	<u>1,459,910</u>
Cash and cash equivalents, end of year	<u>\$ 1,549,905</u>

The accompanying notes are an integral part of these financial statements.

NAMI CALIFORNIA

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Operations

The National Alliance on Mental Illness California (NAMI California, or the Organization) is an organization that links together family support groups statewide with the common goals of improving the quality of life for the mentally ill citizens of California through individualized care and treatment, upgraded housing, increased research, and reduction of stigma. NAMI California provides education, information, and support to accomplish these goals.

NAMI California is guided by policy and resolutions passed at state conferences and decisions made by the State Board of Directors elected by individual family members.

NAMI California raises funds through memberships, donations, and grants. The Organization is operated from an office in Sacramento, California.

Programs and Services

NAMI California has 62 affiliates throughout the State of California. Each of the affiliates has different needs based on its size, location, and availability of community resources. Each of the affiliates holds regular meetings, offers education and support programs for families and consumers, and provides different types of community education (speaker's bureau, educational material, etc). In addition, each affiliate offers other education programs based on where it is located, its size (from 10 to approximately 500 members), its existing community resources, and the resources available to the affiliate. In order to appropriately support the affiliates, it is essential that NAMI California supports what the affiliates are doing and assists them, whenever possible, in carrying out their goals. NAMI California, therefore, offers a range of programs and services that every affiliate may elect to provide at a local level. NAMI California is very active in seeking funding to make all programs available to every affiliate.

NAMI Family-to-Family Education

This course places emphasis on family healing, providing insights into and resolution of the profound distress experienced by families and their close relatives as they struggle to cope with serious and persistent mental illness. The 12-week curriculum offers a wide range of information about mental illness and assists caregivers in understanding how the experience of living with mental illness affects their family member. This course is available in Spanish.

NAMI Peer-to-Peer Recovery Education

This course offers people with mental illnesses information that will assist them in learning how to "live well with mental illness." The nine-week program uses a combination of lecture, interactive exercises, and structured group processes to promote awareness, provide information, and offer opportunities to reflect on the impact of mental illness as it expresses itself uniquely through each participant's life. The curriculum includes comprehensive information on the biological bases of mental illness; personal and interpersonal awareness; effectiveness and coping skills; relapse prevention; and information on addictions, spirituality, and basic self care. This course is available in Spanish.

NAMI CALIFORNIA

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Programs and Services (Continued)

NAMI Support Groups

The NAMI Support Group model offers a set of key structures and group processes for facilitators to use in common support group scenarios. Facilitator training is available; however, affiliates are not required to receive this specific training in order to provide support groups at the local level.

NAMI Provider Education

This program is designed for mental health service providers and their staff and is co-taught by consumers, professionals, and family members. This 10-week course presents a penetrating, subjective view of family and consumer experiences to providers and line staff at public agencies who work directly with people with severe and persistent mental illness. The course reflects a new knowledge base, the “lived experiences” of coping with mental illness or caring for someone who struggles with this life-long challenge.

NAMI Basics Education Program

This signature education program is for parents and other caregivers of children and adolescents living with mental illness. The course is taught by trained teachers who are the parent or other caregivers of individuals who developed the symptoms of mental illness prior to the age of 13 years. The six 2½ hour classes of instructional material, discussions, and interactive exercises assist parents of children and adolescents in understanding mental illnesses and empowers them to become effective advocates for their children. All instruction and course materials are free to class participants.

In Our Own Voice: Living with Mental Illness

In Our Own Voice (IOOV) is a unique public education program in which two trained consumer speakers share compelling personal stories about living with mental illness and achieving recovery. IOOV is an opportunity for those who have struggled with mental illness to gain confidence and to share their individual experiences of recovery and transformation. IOOV presentations are given to consumer groups, students, law enforcement officials, educators, providers, faith community members, politicians, professionals, inmates, and interested civic groups.

MLAW (Mental Illness Awareness Week)

Established in 1990, by Congress, the first week of October is designated as Mental Illness Awareness Week. Every October, this NAMI tradition presents at all levels of the NAMI organization – National, State, and Local – through a variety of outreach, educational, and advocacy efforts.

NAMI CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Programs and Services (Continued)

Parents and Teachers as Allies

Parents and Teachers as Allies is an in-service mental health education program for school professionals. This one to two-hour in-service program focuses on helping school professionals and families within the school community better understand the early warning signs of mental illnesses in children and adolescents and how best to intervene so that youth with mental health treatment needs are linked with services. It also covers the lived experience of mental illnesses and how schools can best communicate with families about mental health related concerns.

NAMI Connection

This ongoing support group for people facing the challenges of recovering from a severe and a persistent mental illness provides a forum in which people with mental illness learn from each others' experiences; share coping strategies; and offer each other encouragement, understanding, and support. Many mental health consumers are isolated by their illness. The support group offers a powerful healing process as each individual discovers that they are not alone and that they have peers who understand their experiences and concerns.

Ending the Silence

Ending the Silence is a 50-minute program designed for high school audiences and is typically presented in the freshman/sophomore health classes during the mental health portion of the curriculum. This transformational program is devoted to giving students an opportunity to learn about mental illness through an informative PowerPoint, short videos, and personal testimony. Through the presentation, students learn symptoms and indicators of mental illness and are given ideas about how to help themselves, friends, or family members who may be in need of support.

Provider Education

Provider Education is a 5-week course that presents a penetrating, subjective view of family and consumer experiences with serious mental illness to line staff at public agencies who work directly with people experiencing severe and persistent mental illnesses. The course helps providers realize the hardships that families and consumers face and appreciate the courage and persistence it takes to live with and recover from mental illness.

NAMI CALIFORNIA

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting and Presentation

The financial statements of NAMI California have been prepared on the accrual basis of accounting. Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in its Accounting Standards Codification (ASC) Topic 958, *Not-for-Profit Entities*. Under ASC Topic 958, NAMI California is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. There were no permanently restricted net assets at June 30, 2016.

Fair Value of Financial Instruments

NAMI California has financial instruments whereby the fair market value of the instruments could be different than that recorded on a historical basis on the accompanying statements of financial position. The financial instruments consist of cash and cash equivalents, accounts receivable, prepaid expenses and other current assets, accounts payable, accrued expenses, and deferred revenues. The carrying amounts of NAMI California's financial instruments generally approximate their fair values at June 30, 2016.

Cash and Cash Equivalents

Cash and cash equivalents are considered to be all highly liquid investments with original maturities of three months or less, including money market mutual funds. Cash equivalents are stated at cost because that approximates market value.

Accounts Receivable

Accounts receivable consists primarily of amounts due from the California Mental Health Services Authority; the California Institute of Mental Health; the California Department of Mental Health for the Self-Help Network, Peer-to-Peer, and Family-to-Family programs; and the California Office of Statewide Health Planning and Development. Management considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. Balances that are still outstanding after management has used reasonable collection efforts are charged to operations when that determination is made.

Property and Equipment

NAMI California capitalizes all expenditures for property and equipment in excess of \$1,000. Assets donated with explicit restrictions regarding their use, including contributions of cash that must be used to acquire property and equipment, are reported as temporarily or permanently restricted support, as appropriate. Purchased property and equipment are carried at cost. Donated property and equipment are carried at the approximate fair value at the date of donation. Depreciation is computed using primarily the straight-line method over the estimated useful lives of the assets, which range from three to ten years. Routine or anticipated maintenance costs are included in the preliminary and revised budgets each year and expensed in the year the maintenance occurs. Any non-routine or unanticipated maintenance costs are expensed in the year incurred.

NAMI CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

The Organization receives grants from the State of California and other agencies. Support received from these grants is recognized to the extent of expenses.

Contributions and memberships received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and nature of any donor restrictions. Support that is not restricted by the donor is reported as an increase in unrestricted net assets. 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 (when a stipulated time restriction ends or the purpose for the restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Restricted contributions whose restrictions are met in the same reporting period are recorded as unrestricted contributions. NAMI California has determined that contributions and memberships are reported in accordance with ASC Topic 958.

Income Taxes

NAMI California was organized as California nonprofit organization and is exempt from income taxation under section 501(c)(3) of the Internal Revenue Code. The Organization is not considered to be a private foundation. As such, no part of the net earnings of the Organization may, in whole or in part, benefit any private shareholder or individual. Income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. During the year ended June 30, 2016, NAMI California had no net unrelated business taxable income.

NAMI California's income tax returns are subject to examination by federal and California tax jurisdictions. There are no examinations currently in process. The Organization is no longer subject to income tax audits for fiscal years before 2013 and 2012, for federal and California tax jurisdictions, respectively.

Marketing

NAMI California uses marketing to promote its programs among the public it serves. The cost of marketing is charged to expense as incurred.

Concentrations of Credit Risk

NAMI California maintains cash in demand deposit accounts with federally insured institutions. At times during the year, the balances in these accounts may exceed the federally insured limits. The Organization has not experienced any losses on such accounts and believes they are not exposed to any significant credit risk related to cash and cash equivalents.

NAMI CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

In preparing the accompanying financial statements, management has considered events that have occurred after June 30, 2016, through September 16, 2016, the date these financial statements were available for issuance.

New Accounting Pronouncements

In February 2016, the FASB issued an accounting standard that changes the way that leases are defined and the accounting for leases. The new accounting standard will require all non-cancellable leases to be reported on the statement of financial position as a lease liability with an offsetting right of use asset. The new accounting standard is effective retrospectively for the Organization for the year ending June 30, 2021, and will have a significant impact on the statement of financial position when it is implemented. Early adoption is permitted.

In August 2016, the FASB issued an accounting standard update that changes the financial statement report for not-for-profit entities. The accounting standard update is effective retrospectively for the Organization for the year ending June 30, 2019, and will have a significant impact on the statement of financial position and the footnotes to the financial statements when it is implemented. Early adoption is permitted. The main provisions of the accounting standard update are as follows:

- Present on the face of the statement of financial position amounts for two classes of net assets (*net assets with donor restrictions* and *net assets without donor restrictions*) instead of the currently required three classes.
- Present on the face of the statement of activities the amount of the change in each of the two classes of net assets rather than that of the currently required three classes.
- Remove the requirement to present or disclose the reconciliation to the indirect method on the statement of cash flows if the direct method of reporting is used on the statement of cash flows.
- Enhance footnote disclosures about designations and restrictions of net assets.
- Enhance footnote disclosures to provide qualitative information that communicates how a not-for-profit entity manages its liquid resources available to meet cash needs for general expenditures within one year of the balance sheet date.
- Enhance footnote disclosures to provide qualitative information, either on the face of the statement of financial position or in the footnotes that communicates the availability of a not-for-profit organization's financial assets at the statement of financial position date to meet cash needs for general expenditures within one year of the statement of financial position date.
- Report amounts of expenses by both their natural classification and their functional classification.
- Enhance footnote disclosures about the method(s) used to allocate costs among program and support functions.

NAMI CALIFORNIA
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements (Continued)

- Report investment return net of expenses and remove the required footnote disclosures of those netted expenses.
- Use the placed-in-service date for reporting expirations of restrictions on gifts of cash or other assets to be used to acquire or construct long-term assets for such long-term assets that have been placed in service as of the beginning of the period of adoption (thus eliminating the current option to release the donor-imposed restriction over the estimated useful life of the acquired asset).

Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2: PREPAID EXPENSES AND OTHER CURRENT ASSETS

At June 30, 2016, prepaid expenses and other current assets were comprised of the following:

Deposits	\$ 3,943
Prepaid insurance	4,967
Other prepaid expenses & current assets	<u>20,382</u>
Total	<u>\$ 29,292</u>

NOTE 3: PROPERTY AND EQUIPMENT

At June 30, 2016, property and equipment consisted of the following:

Furniture and fixtures	\$ <u>117,245</u>
Less: Accumulated depreciation	<u>117,245</u> <u>(101,943)</u>
Property and equipment, net	<u>\$ 15,302</u>

Depreciation expense was \$6,376 for the year ended June 30, 2016.

NAMI CALIFORNIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 4: ACCRUED VACATION PAY

The Organization has enacted a vacation policy based on years of services. The balance of accrued vacation payable at June 30, 2016, was \$22,891 and is included in accrued expenses on the accompanying statement of financial position.

NOTE 5: BOARD DESIGNATED NET ASSETS

At June 30, 2016, unrestricted - Board designated net assets consisted of the following:

Reserve funds	\$	311,685
Real estate / capital improvement		311,685
Money market / investment account		311,685
Program support and development		<u>3,405</u>
Total	\$	<u><u>938,460</u></u>

NOTE 6: TEMPORARILY RESTRICTED NET ASSETS

At June 30, 2016, temporarily restricted net assets consisted of the following:

Criminal Justice	\$	23,692
Family-to-Family		<u>10,000</u>
Total	\$	<u><u>33,692</u></u>

NOTE 7: EMPLOYEE BENEFIT PLAN

The Organization has established a Savings Incentive Match Plan for Employees of Small Employers (Simple IRA) retirement plan covering all employees after three months of employment. Two percent of each eligible employee's salary is matched by the Organization. The expense recognized for the year ended June 30, 2016, was \$12,843.

NAMI CALIFORNIA
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2016

NOTE 8: OPERATING LEASES

The Organization leases office space under operating leases expiring in August 2020. Future minimum payments under these leases as of June 30, 2016, are as follows:

<u>Year ending June 30,</u>	
2017	\$ 64,082
2018	66,230
2019	68,378
2020	70,526
2021	<u>11,814</u>
Total	<u>\$ 281,030</u>

Rent expense under these leases during the year ended June 30, 2016, was \$64,275.

NOTE 9: CONTINGENT MATTERS

Various government agencies have the authority to audit the books and records of the Organization as they pertain to the grants and contracts they have awarded. As a result of these potential audits, some grant or contract costs could be disallowed which might create a liability to the Organization.

NOTE 10: RISKS AND UNCERTAINTIES

NAMI California periodically invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported on the statement of financial position.

NAMI California receives a substantial portion of its revenue from the State of California. During the year ended June 30, 2016, grants revenue from the State of California totaled \$1,279,798, or 79% of total revenues and support. Additionally, State contracts may be reduced or eliminated due to State budgeting shortfalls.

Supplemental Information

NAMI CALIFORNIA
ANNUAL CONFERENCE REVENUES AND SUPPORT AND EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016

Revenues and support	
Registration	\$ <u>109,459</u>
Total revenues and support	<u>109,459</u>
Expenses	
Conferences expenses	28,842
Travel	72,580
Payroll and benefits	<u>23,673</u>
Total expenses	<u>125,095</u>
Excess of conference expenses over revenues and support	\$ <u><u>(15,636)</u></u>

NAMI CALIFORNIA
PROGRAM, FUNDRAISING, MEMBERSHIP,
AND ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016

Payroll	\$ 669,089
Consultants	233,476
Other expenses	170,461
Employee benefits	103,993
Travel	102,729
Rent	66,475
Payroll taxes	57,913
Equipment expenses	57,149
Office supplies	19,851
Legal and professional	10,896
Telephone	8,735
Workers compensation	6,403
Depreciation	6,376
Insurance	5,630
In-kind expenses	4,060
Postage	3,993
Training	2,909
	<hr/>
	\$ <u>1,530,138</u>

