

NAMI TEXAS, INC.
Austin, Texas

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT**

August 31, 2008

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SAN ANTONIO, TEXAS**

NAMI TEXAS, INC.
Austin, Texas

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August 31, 2008

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FINANCIAL SECTION

BASIC FINANCIAL STATEMENTS

NAMI TEXAS, INC.
Austin, Texas

STATEMENT OF FINANCIAL POSITION

AUGUST 31, 2008

	2008	2007
ASSETS		
Cash and Cash Equivalents	171,142	79,423
Investments	167,020	168,808
Prepaid Expense and Other Assets	14,053	5,638
TOTAL ASSETS	352,215	253,869
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts Payable and Accrued Expenses	14,243	22,285
Deferred Revenue	20,467	107,067
Total Liabilities	34,710	129,352
Net Assets		
Unrestricted	274,094	112,346
Temporarily Restricted	43,411	12,171
Total Net Assets	317,505	124,517
TOTAL LIABILITIES AND NET ASSETS	352,215	253,869

The accompanying notes are an integral part of this financial statement.

NAMI TEXAS, INC.
Austin, Texas

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2008

	2008	2007
Changes in Unrestricted Net Assets		
Revenue and Gains		
Grants and Contracts	\$ 446,259	83,733
Contributions	61,307	54,350
Training and Program Services	54,441	40,207
Investment Income	2,405	26,452
Membership Dues	29,436	24,450
Other Income	27,653	8,582
Total Unrestricted Revenues and Gains	621,501	237,774
Net Assets Released from Restrictions		
Satisfaction of Purpose Restrictions	40,841	97,670
Total Unrestricted Revenues, Gains, & Other Support	662,342	335,444
Expenses		
Program	335,763	417,080
Management and General	154,750	76,450
Fundraising	10,080	5,734
Total Expenses	500,594	499,264
Increase (Decrease) in Unrestricted Net Assets	161,748	(163,820)
Changes in Temporarily Restricted Net Assets		
Contributions	72,081	19,940
Net Assets Released from Restrictions	(40,841)	(97,670)
Increase (Decrease) in Temporarily Restricted Net Assets	31,240	(77,730)
Changes in permanently restricted net assets	-	-
Change in Net Assets	192,988	(241,550)
Net Assets - Beginning of the Year	124,517	366,067
Net Assets - End of the Year	\$ 317,505	124,517

The accompanying notes are an integral part of this financial statement.

NAMI TEXAS, INC.
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STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED AUGUST 31, 2008

	2008	2007
Cash Flow from Operating Activities:		
Change in Net Assets	\$ 192,988	\$ (241,550)
Adjustments to Reconcile Change in Net Assets to Cash Provided by Operating Activities:		
Realized and Unrealized (Gains) Losses on Investments	8,517	(16,163)
Increase in Prepaid Expenses and Other Assets	(8,415)	3,947
Increase (Decrease) in Accounts Payable and Accrued Expenses	(8,042)	8,645
Increase (Decrease) in Deferred Revenue	(86,600)	107,067
Net Cash Provided by Operating Activities	98,448	(138,054)
Cash Flow from Investment Activities:		
Interest and Dividends on Investments	(6,730)	(10,528)
Net Cash Used by Investing Activities	(6,730)	(10,528)
Net Increase (Decrease) in Cash and Cash Equivalents	91,718	(148,582)
Cash and Cash Equivalents - Beginning of Year	79,422	228,004
Cash and Cash Equivalents - End of Year	\$ 171,140	\$ 79,422

The accompanying notes are an integral part of this financial statement.

NAMI TEXAS, INC.
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NOTES TO FINANCIAL STATEMENTS

August 31, 2008

NOTE A – ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

1. Nature of Activities

NAMI Texas, Inc. (the Organization) is a nonprofit corporation organized under the laws of the State of Texas. The mission of the Organization is to improve the quality of life of those persons who are mentally ill and to encourage the research, education and rehabilitation that enable them to contribute to society. The Organization is unique and different from other organizations that advocate for mental health, in that it is the self-help movement composed primarily of relatives of persons with severe mental illness, and that it focuses on those disabled by serious and persistent mental illnesses as distinct from painful, but not disabling, problems of living.

2. Basis of Accounting

The Organization uses the accrual basis of accounting. Revenues are recorded as earned and expenses are recorded as incurred.

3. Basis of Accounting

Financial statement presentation follows the guidance of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Organization 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. For the year ending August 31, 2008, the Organization had no permanently restricted net assets.

4. Contributions

The Organization records contributions using the guidance of SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. As donor or time restrictions are satisfied, net assets are reclassified to unrestricted net assets. The Organization's policy is to report restricted support that is satisfied in the year of receipt as restricted and then released in the same year.

5. Government Grants and Contracts

The Organization considers all of its governmental grants and contracts to be exchange transactions and not contributions. The Organization recognizes revenue from these transactions as services are rendered or expenses incurred.

6. Cash Equivalents

The Organization considers all highly liquid debt securities purchased with maturities of three months or less to be cash equivalents, including money market accounts.

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NOTES TO FINANCIAL STATEMENTS

August 31, 2008

NOTE A – ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7. Investments

The Organization records investments using the guidance of SFAS No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. Investments are stated at their readily determinable fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets.

8. Furniture and Equipment

Acquisitions of furniture and equipment are capitalized at cost, if purchased, or fair market value on the date of donation, if received as a gift. Depreciation is calculated using the straight-line method over the assets' estimated useful lives, generally five to seven years for furniture and equipment. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire furniture and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expiration of restrictions when the assets are placed into service. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

9. Deferred Revenue

Deferred revenue, if any, represents fees received for the annual conference in advance of the event and advances received on government cost-reimbursement grants and contracts that have not yet been earned by the Organization.

10. Expense Allocation

Expenses are categorized by function in the statement of activities as either: (1) program services, (2) management and general, (3) fundraising expenses. Expenses that are specifically identifiable to a function are allocated entirely to that function. Expenses that are not specifically identifiable to a function are allocated based upon management's estimate of time and resources devoted to the function.

11. 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 and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B – TAX-EXEMPT STATUS

The Organization is exempt from federal income tax under Internal Revenue Code Section 501(a) as an organization described in Section 501(c)(3). Furthermore, the Internal Revenue Service has determined the Organization is a public charity and not a private foundation. Therefore, no provision for income taxes has been included in these financial statements.

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NOTES TO FINANCIAL STATEMENTS

August 31, 2008

NOTE C – INVESTMENTS

Investments comprised the following as of August 31:

	<u>2008</u>	<u>2007</u>
Mutual funds	\$ 165,177	\$ 166,751
Equities	1,843	2,057
	<u>\$ 167,020</u>	<u>\$ 168,808</u>

Investment income comprised the following as of August 31:

	<u>2008</u>	<u>2007</u>
Interest and dividends	\$ 6,730	\$ 10,528
Realized and unrealized gains (losses)	(4,325)	15,924
	<u>\$ 2,405</u>	<u>\$ 26,452</u>

These investments are not insured by the Federal Deposit Insurance Company or any other department or agency of the U.S. government. They are also subject to normal market and economic risks.

NOTE D – FURNITURE AND EQUIPMENT

Furniture and equipment comprised the following as of August 31:

	<u>2008</u>	<u>2007</u>
Furniture and equipment	\$ 62,700	\$ 62,700
Less: accumulated depreciation	(62,700)	(62,700)
	<u>\$ -</u>	<u>\$ -</u>

At the end of the 2007 fiscal year, equipment was fully depreciated.

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NOTES TO FINANCIAL STATEMENTS

August 31, 2008

NOTE E – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were restricted for the following purposes as of August 31:

Purpose of Restriction	2008	2007
Swalm Foundation - Judicial Training	\$ 10,000	\$ -
Solvay - NAMI Connections Educational Program	500	-
NAMI National - NAMI Connections Educational Program	9,000	-
Provide Family-to-Family VA Healthcare System programs	-	2,256
Bristol-Meyers Squibb - Family Education	7,500	-
Shire Pharmaceuticals - Great Minds Think Alike Program	1,209	-
Bristol-Meyers Squibb - Great Minds Think Alike Program	5,000	-
<i>Texas Criminal Procedure and the Offender with Mental Illness: An Analysis Guide</i>	-	5,000
Astra-Zeneca - Newsletter	1,624	-
Annual convention sponsorship	-	-
Eli Lilly Legislative	-	4,915
Eli Lilly - Educational Materials	8,578	-
	<u>\$ 43,411</u>	<u>\$ 12,171</u>

NOTE F – GRANTOR AUDITS

The Organizations receives government grants and contracts that are subject to review and audit by grantor agencies. Such audits could result in request for reimbursement by the grantor agencies for expenditures disallowed under terms and conditions of the appropriate grant or contract. In the opinion of the Organization's management, such disallowances, if any, will not be significant.

NOTE G – PERSONNEL SERVICES

Personnel services are provided to NAMI Texas, Inc. through a system that utilizes leased employees. NAMI Texas, Inc. contracts with Administaff, an employee leasing company, to perform certain personnel functions including hiring staff selected by NAMI Texas, Inc. to provide personnel services to NAMI Texas, Inc. and providing contracted benefits to those employees.

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NOTES TO FINANCIAL STATEMENTS

August 31, 2008

NOTE H – COMMITMENTS

The Organization leases property under an operating lease with One Management. Future minimum lease payments as of August 31, 2008 are as follows:

<u>Year Ending August 31,</u>	<u>Minimum Lease Payments</u>
2008	29,292
2009	29,292
2010	29,292
2011	29,292
2012	14,646
	<u><u>\$ 131,814</u></u>

Facility rent expense totaled \$ 25,805 and \$ 39,717 for the year ended August 31, 2008 and the year ended August 31, 2007, respectively.

NOTE I – RETIREMENT PLAN

Through the contract with Administaff (refer to Note H), a 401(k) retirement plan is available to staff of NAMI Texas, Inc. Under the terms of the contract, the employer matching portion is included in the amount paid to Administaff, and is not separately stated in these financial statements. The employer matching portion is 50% of the employee elective contribution. The maximum employee elective contribution allowed is 6% of the employee's salary and the maximum employer contribution is 3%.

NOTE J – CONCENTRATION RISKS

Grants and contracts from government and other agencies represented approximately 30% and 63% of the Organization's total support for the year ended August 31, 2007 and August 31, 2008, respectively.

NOTE K – CHANGES IN OPERATIONS

In the subsequent fiscal year, the Organization is set to receive funding from the Texas Department of State Health Services. Management has solicited contributions and small grants from individuals and private organizations, and will continue to seek additional funding sources.

Management feels that the Organization will continue to have sufficient resources to allow it to continue operations and feels confident that additional funding will be forthcoming to allow it to remain a viable organization.