NAMI AND AFFILIATE

Consolidated Financial Statements

For the Year Ended June 30, 2008
(With Summarized Financial Information for the Year Ended June 30, 2007)

and
Report Thereon

NAMI AND AFFILIATE

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RAFFA

CONSULTING
ACCOUNTING
TECHNOLOGY

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
NAMI and Mind of America Foundation

We have audited the accompanying consolidated statement of financial position of NAMI and Affiliate (collectively referred to as the Organization) as of June 30, 2008, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's 2007 consolidated financial statements and in our report dated September 13, 2007, we expressed an unqualified opinion on those financial statements

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 consolidated financial statements are free of material misstatement. An audit includes consideration of internal controls over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The accompanying consolidating information as of and for the year ended June 30, 2008 on pages 14 and 15 is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in relation to the basic consolidated financial statements taken as a whole.

RAFFA, P.C.

Washington, D.C.
October 15, 2008

NAMI AND AFFILIATE

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
June 30, 2008
(With Summarized Financial Information as of June 30, 2007)

	2008	2007
ASSETS		
Cash and cash equivalents	$ 1,598,751	$ 2,326,367
Investments	5,770,413	5,960,716
Accounts receivable	1,128,866	251,891
Inventory	73,931	80,310
Prepaid expenses	200,810	201,776
Property and equipment, net	365,663	419,943
TOTAL ASSETS	$ 9,138,434	$ 9,241,003
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 1,340,300	$ 1,926,963
Deferred rent and lease incentive	251,105	392,655
Charitable gift annuities payable	258,807	219,147
TOTAL LIABILITIES	1,850,212	2,538,765
Net assets		
Unrestricted	2,015,861	1,778,757
Temporarily restricted	4,746,348	4,398,293
Permanently restricted	526,013	525,188
TOTAL NET ASSETS	7,288,222	6,702,238
TOTAL LIABILITIES AND NET ASSETS	$ 9,138,434	$ 9,241,003

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

NAMI AND AFFILIATE

CONSOLIDATED STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2008
(With Summarized Financial Information for the Year Ended June 30, 2007)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2008 Total	2007 Total
REVENUE AND SUPPORT					
Contributions	$ 2,850,855	$ 7,676,225	$ 825	$ 10,527,905	$ 10,207,160
Walks	894,201	-	-	894,201	659,237
Registration	940,505	-	-	940,505	460,358
Investment (loss) income	(429,594)	-	-	(429,594)	433,671
Contracts and grants	555,030	-	-	555,030	411,789
Dues	369,685	-	-	369,685	388,154
Sales	252,943	-	-	252,943	278,882
Other revenue	174,381	-	-	174,381	257,438
Combined federal campaign	97,133	-	-	97,133	88,775
Net assets released from restrictions:					
Satisfaction of program restrictions	4,623,170	(4,623,170)	-	-	-
Satisfaction of time restrictions	2,705,000	(2,705,000)	-	-	-
TOTAL REVENUE AND SUPPORT	13,033,309	348,055	825	13,382,189	13,185,464
EXPENSES					
Program Services					
Program and membership support	4,355,642	-	-	4,355,642	5,211,276
Education services	3,275,957	-	-	3,275,957	2,051,952
Advocacy	1,858,909	-	-	1,858,909	1,794,818
Total Program Services	9,490,508	-	-	9,490,508	9,058,046
Supporting Services					
Administration	1,785,060	-	-	1,785,060	1,674,627
Development	1,520,637	-	-	1,520,637	1,669,505
Total Supporting Services	3,305,697	-	-	3,305,697	3,344,132
TOTAL EXPENSES	12,796,205	-	-	12,796,205	12,402,178
Change in Net Assets	237,104	348,055	825	585,984	783,286
NET ASSETS, BEGINNING OF YEAR	1,778,757	4,398,293	525,188	6,702,238	5,918,952
NET ASSETS, END OF YEAR	$ 2,015,861	$ 4,746,348	$ 526,013	$ 7,288,222	$ 6,702,238

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

NAMI AND AFFILIATE

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2008
(With Summarized Financial Information for the Year Ended June 30, 2007)

	Program Services				Supporting Services				
	Program and Membership Support	Education Services	Advocacy	Total Program Services	Administration	Development	Total Supporting Services	2008 Total	2007 Total
Personnel Costs	$ 2,370,027	$ 1,111,457	$ 1,261,127	$ 4,742,611	$ 1,088,450	$ 709,367	$ 1,797,817	$ 6,540,428	$ 5,876,455
Travel	364,309	581,535	76,782	1,022,626	2,909	37,913	40,822	1,063,448	913,004
Subcontractors	402,871	268,130	116,483	787,484	32,102	150,955	183,057	970,541	959,489
Grants & Scholarships	143,621	477,478	60,200	681,299	995	50,000	50,995	732,294	1,185,069
Occupancy	262,772	123,231	139,825	525,828	120,679	78,650	199,329	725,157	726,342
Meetings	176,666	318,457	19,656	514,779	3,417	73,233	76,650	591,429	405,784
Printing & Copying	190,235	143,848	63,300	397,383	48,428	139,007	187,435	584,818	720,567
Postage and Shipping	100,849	49,198	23,699	173,746	37,316	134,580	171,896	345,642	337,940
Professional Fees	9,286	82,376	7,000	98,662	117,748	39,290	157,038	255,700	227,477
Office Supplies	97,659	53,542	8,348	159,549	39,753	14,943	54,696	214,245	232,579
Computer Costs	53,798	11,224	14,585	79,607	55,975	14,884	70,859	150,466	200,673
Depreciation and amortization	52,891	24,804	28,144	105,839	24,291	15,831	40,122	145,961	170,420
Telephone	54,479	28,734	12,957	96,170	41,952	6,240	48,192	144,362	126,014
Taxes & Fees	11,471	-	-	11,471	78,432	162	78,594	90,065	66,414
Equipment & Maintenance	455	-	-	455	88,226	-	88,226	88,681	91,841
Miscellaneous	46,298	1,288	10,413	57,999	(14,898)	27,053	12,155	70,154	70,854
Dues & Subscriptions	14,765	655	16,390	31,810	9,638	28,529	38,167	69,977	77,558
Temporary Labor	3,190	-	-	3,190	9,647	-	9,647	12,837	13,698
TOTAL EXPENSES	$ 4,355,642	$ 3,275,957	$ 1,858,909	$ 9,490,508	$ 1,785,060	$ 1,520,637	$ 3,305,697	$ 12,796,205	$ 12,402,178

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

NAMI AND AFFILIATE

CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2008
(With Summarized Financial Information for the Year Ended June 30, 2007)
Increase (Decrease) in Cash and Cash Equivalents

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 585,984	$ 783,286
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities		
Net realized loss (gain) on sales of investments	230,745	(249,885)
Unrealized (gain) loss on investments	407,239	124,516
Donated investments	(50,024)	(67,831)
Contributions restricted for long-term purposes	(825)	(28,401)
Loss on disposal of assets	-	19,613
Depreciation and amortization	145,961	170,420
Changes in assets and liabilities:		
Accounts receivable	(876,973)	(20,184)
Inventory	6,378	(29,042)
Prepaid expenses	966	(59,487)
Accounts payable and accrued expenses	(586,663)	821,797
Deferred rent and lease incentive	(141,550)	(120,066)
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	(278,762)	1,344,736
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	8,285,258	2,400,096
Purchases of investments	(8,682,917)	(5,900,801)
Purchases of property and equipment	(91,680)	(142,957)
NET CASH USED IN INVESTING ACTIVITIES	(489,339)	(3,643,662)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on charitable gift annuity obligations	(30,141)	(27,987)
Proceeds from charitable gift annuities	69,801	14,314
Contributions restricted for long-term purposes	825	28,401
NET CASH PROVIDED BY FINANCING ACTIVITIES	40,485	14,728
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(727,616)	(2,284,198)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,326,367	4,610,565
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 1,598,751	$ 2,326,367
NONCASH INVESTING ACTIVITIES		
Donated stock	$ (50,024)	$ (67,831)

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

1. Organization and Summary of Significant Accounting Policies

Organization

NAMI is the nation's largest grassroots mental health organization dedicated to improving the lives of persons and their families living with serious mental illness. Founded in 1979, NAMI is the nation's voice on mental illness. Voting membership is given to any affiliate group of five or more individuals that supports NAMI's mission and pays annual dues of $35 per member. The activities of NAMI are funded primarily through grants, contributions and dues.

Mind of America Foundation (the Foundation), a Virginia nonprofit corporation, began operating in 1997. The Foundation had no operating activity during 2008. NAMI's board of directors elects and appoints the board of directors of the Foundation and at all times, a majority of the Foundation's board is composed of current and/or former members of NAMI's board. The Foundation had no employees during the year ended June 30, 2008.

Principles of Consolidation

The consolidated financial statements include the account balances of NAMI and the Foundation (collectively referred to as the Organization). NAMI and the Foundation have been consolidated as required under accounting principles generally accepted in the United States of America due to the presence of common control and economic interest. All significant inter-company balances and transactions have been eliminated in the consolidation.

Basis of Presentation

The consolidated financial statements of the Organization are presented on the accrual basis of accounting; consequentially, revenue is recognized as earned and expenses are recorded when incurred.

Cash and Cash Equivalents

The Organization considers money market funds not held for long-term investment purposes and certificates of deposit purchased with an original maturity of three months or less to be cash and cash equivalents.

Investments

Investments are comprised of stocks, mutual funds, closed end funds, government bonds, asset/mortgage backed securities money funds held for long-term investment purposes, and government securities and are recorded in the consolidated financial statements at fair value, as determined by quoted market prices.

Continued

1. Organization and Summary of Significant Accounting Policies (continued)

Accounts Receivable

Accounts receivable are stated at their net realizable value. Management considers all amounts to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

Inventory

Inventory, consisting of books, videotapes, brochures and other resource materials held for resale is stated at the lower of cost or net realizable value. Cost is determined on the first-in, first-out basis.

Property and Equipment

Property and equipment valued at greater than $2,000 with a life longer than one year are stated at cost and are depreciated on a straight-line basis over the estimated useful lives of three to five years. Leasehold improvements are amortized over the lesser of the lease term or estimated useful life. Expenditures for major repairs and improvements which either add to the value, or materially prolong the estimated useful life of the property are capitalized. Expenditures for minor repairs and maintenance costs are expensed when incurred. Upon retirement or disposal of assets, the cost and accumulated depreciation or amortization are eliminated from the accounts and the resulting gain or loss is included in the accompanying consolidated statement of activities.

Classification of Net Assets

The net assets of the Organization are reported as follows:

- Unrestricted net assets represent the portion of expendable funds that are available for support of the Organization's operations. Also included in unrestricted net assets are funds designated by the Board of Directors to serve as an operating reserve.
- Temporarily restricted net assets represent funds which are specifically restricted by donors for use in various programs or for future use.
- Permanently restricted net assets represent funds restricted by the donor to be maintained in perpetuity by the Organization.

Continued

1. Organization and Summary of Significant Accounting Policies (continued)

Revenue Recognition

The Organization reports gifts as unrestricted support available for general operations unless specifically restricted by the donor. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor-imposed restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying consolidated statement of activities as net assets released from restrictions.

The Organization has contracts with the federal government in exchange for services. Revenue from these contracts is recognized as direct costs are incurred on the basis of direct costs plus allowable indirect costs or based on the percentage of the task completed. Revenue recognized on the contracts for which billings have not been presented to the grantor, or received from the grantor, is reflected as accounts receivable in the accompanying consolidated statement of financial position.

The Organization also organizes national and affiliate walks to raise awareness of mental health issues. Walks revenue is recorded in the accompanying consolidated statement of activities based on cash received or when promised from participant registrations.

Membership dues are considered contributions and are recorded when promised or received.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying consolidated statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Continued

2. Investments

Investments as of June 30, 2008 consisted of the following:

	Cost	Fair Value
Money markets	$ 381,026	$ 381,026
Common stocks	4,697,263	4,244,723
Mutual funds and closed end funds	382,059	399,272
Asset and mortgage backed securities	187,918	185,521
US Government securities	530,615	559,871
Total	$ 6,178,881	$ 5,770,413

Investment income for the year ended June 30, 2008 was comprised of the following:

Interest and dividends	$ 208,390
Realized gains	(230,745)
Unrealized loss	(407,239)
Total	$ (429,594)

3. Property and Equipment

Property and equipment are comprised of the following as of June 30, 2008:

Office furniture and equipment	$ 1,761,125
Leasehold improvements	765,589
Copyright	14,000
Total	2,540,714
Less: accumulated depreciation and amortization	(2,175,051)
Net property and equipment	$ 365,663

During the year ended June 30, 2008, the Organization recorded depreciation and amortization expense related to property and equipment of $145,961.

Continued

4. Unrestricted Net Assets

Unrestricted net assets consist of undesignated and Board designated net assets. Undesignated net assets are funds which are currently available to support the Organization's daily operations. Designated net assets consist of unrestricted funds designated by the NAMI board of directors to serve as an operating reserve. As of June 30, 2008 there was $1,533,017 in the Board designated operating reserve.

5. Permanently Restricted Net Assets

Permanently restricted net assets consist of contributions to the NAMI Endowment. The investment income generated from this endowment can be used for operations.

6. Temporarily Restricted Net Assets

As of June 30, 2008 temporarily restricted net assets are available for the following:

Time restricted	$ 1,047,500
Peer to peer	748,767
Family to Family	226,514
Gala	235,000
NAMI connection	405,760
Children and adolescent action center	213,563
Schizophrenia survey	147,385
Depression program	215,075
NAMI basic	232,033
Multi-Cultural action center	237,364
Mental Illness awareness week	25,000
In her own voice	302,169
CIT resource center	37,500
Grading the states	382,947
FaithNet	45,286
Magellan grant	87,823
Other programs	156,662
Total Temporarily Restricted Net Assets	$ 4,746,348

7. Charitable Gift Annuities

The Organization has received several charitable gift annuities with an approximate value of $445,212, which is included in investments as of June 30, 2008. In return, the Organization has agreed to pay the donors annual annuity payments of $30,141. As of June 30, 2008 the present value of the annuity payments, using a discount rate of 4.2%, is $258,806 and is included in charitable gift annuities in the accompanying consolidated statement of financial position. As of June 30, 2008, $30,141 will be paid within one year.

8. Pension Plan

The Organization has a defined contribution pension plan covering full-time employees with at least one year of service and 1,000 hours of service during the year. Contributions to the plan are made in amounts equal to 4.5 % of the eligible employee's compensation. For the year ended June 30, 2008, pension expense totaled $202,195 and is included in personnel costs in the accompanying consolidated statement of functional expenses.

9. Leases

NAMI leases office space in Arlington, Virginia under a lease agreement that expires on January 1, 2010. Base annual rent is subject to scheduled escalations as well as escalations in operating costs, real estate taxes and the Consumer Price Index. Additionally, under the terms of the lease, NAMI received from the landlord a build-out allowance of $691,567. The build-out allowance was completely used in prior years. Under accounting principles generally accepted in the United States of America, all fixed rent increases and lease incentives are recognized on a straight-line basis ratably over the term of the lease. The difference between this expense and the required lease payments is reflected as deferred rent and lease incentive in the accompanying consolidated statement of financial position.

NAMI also sub-leases a portion of the office space. Revenue from these sub-leases totaled $118,641 for the year ended June 30, 2008 and is included in other revenue in the accompanying consolidated statement of activities. Total rent expense was $660,010 and is included in occupancy expense in the accompanying consolidated statement of functional expenses.

NAMI has a letter of credit with a local bank in the amount of $95,315 for the security deposit under this lease. There were no borrowings on the line of credit as of June 30, 2008. The line of credit is collateralized with a U.S. Treasury bill, face value of $108,660 which is included in investments in the accompanying consolidated statement of financial position.

Continued

9. Leases (continued)

The future minimum rental payments required under the operating lease, net of sub-lease income, as of June 30, 2008 are as follows:

For the Years Ending June 30,	Total	Less Sublease	Net
2009	759,515	38,537	720,978
2010	385,370	-	385,370
Total	$ 1,144,885	$ 38,537	$ 1,106,348

10. Concentrations and Risks

Concentration of Credit Risk

The Organization's cash is comprised of amounts in accounts at various financial institutions. While the amount at a given bank at times exceeds the amount guaranteed by federal agencies and, therefore, bears some risk, the Organization has not experienced, nor does it anticipate, any losses on its funds. As of June 30, 2008, the amount in excess of the Federal Deposit Insurance Corporation (FDIC) insured limit of $100,000 was approximately $1,598,292. Subsequent to year end, on October 3, 2008, the U.S. Government increased the amount guaranteed by the FDIC from $100,000 to $250,000 per account, per bank.

Concentration of Revenues

For the year ended June 30, 2008, the Organization received $5,888,000 from four major donors. Revenue from these donors represented approximately 44% of total revenue recognized by the Organization. If a significant reduction in the level of this funding should occur, it may have a significant effect on the Organization's programs.

11. Income Taxes

NAMI and the Foundation are exempt from federal income taxes on income other than net unrelated business income under Section 501(c)(3) of the Internal Revenue Code. For the year ended June 30, 2008, no provision for income taxes was made as the Organization had no net unrelated business income.

Continued

12. Subsequent Event

The stock market declined significantly in September and October 2008. The market value of the Organization's investments declined $1,601,653 or 28% from June 30, 2008 to October 15, 2008.

SUPPLEMENTAL INFORMATION

NAMI AND AFFILIATE

SUPPLEMENTAL CONSOLIDATING STATEMENT OF FINANCIAL POSITION

June 30, 2008

	NAMI	Mind of America Foundation	Eliminations	Total
ASSETS				
Cash and cash equivalents	$ 1,501,593	$ 97,158	$ -	$ 1,598,751
Investments	5,770,413	-	-	5,770,413
Accounts receivable	1,128,866	-	-	1,128,866
Inventory	73,931	-	-	73,931
Prepaid expenses	200,810	-	-	200,810
Property and equipment, net	365,663	-	-	365,663
TOTAL ASSETS	$ 9,041,276	$ 97,158	$ -	$ 9,138,434
LIABILITIES AND NET ASSETS				
Liabilities				
Accounts payable and accrued expenses	$ 1,340,300	$ -	$ -	$ 1,340,300
Deferred rent and lease incentive	251,105	-	-	251,105
Charitable gift annuities payable	258,807	-	-	258,807
TOTAL LIABILITIES	1,850,212	-	-	1,850,212
Net Assets				
Unrestricted	1,918,703	97,158		2,015,861
Temporarily restricted	4,746,348	-		4,746,348
Permanently restricted	526,013	-		526,013
TOTAL NET ASSETS	7,191,064	97,158	-	7,288,222
TOTAL LIABILITIES AND NET ASSETS	$ 9,041,276	$ 97,158	$ -	$ 9,138,434

NAMI AND AFFILIATE

SUPPLEMENTAL CONSOLIDATING STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2008

	NAMI	Mind of America Foundation	Eliminations	Total
REVENUE AND SUPPORT				
Contributions	$ 10,527,905	$ -	$ -	$ 10,527,905
Walks	894,201	-	-	894,201
Registration	940,505	-	-	940,505
Investment (loss) income	(430,734)	1,140	-	(429,594)
Contracts	555,030	-	-	555,030
Dues	369,685	-	-	369,685
Sales	252,943	-	-	252,943
Other revenue	174,381	-	-	174,381
Combined federal campaign	97,133	-	-	97,133
TOTAL REVENUE AND SUPPORT	13,381,049	1,140	-	13,382,189
EXPENSES				
Program Services				
Program and membership support	4,355,642	-	-	4,355,642
Education services	3,275,957	-	-	3,275,957
Advocacy	1,858,909	-	-	1,858,909
Total Program Services	9,490,508	-	-	9,490,508
Supporting Services				
Administration	1,785,060		-	1,785,060
Development	1,520,637	-	-	1,520,637
Total Supporting Services	3,305,697	-	-	3,305,697
TOTAL EXPENSES	12,796,205	-	-	12,796,205
Change in Net Assets	584,844	1,140	-	585,984
NET ASSETS, BEGINNING OF YEAR	6,606,220	96,018	-	6,702,238
NET ASSETS, END OF YEAR	$ 7,191,064	$ 97,158	$ -	$ 7,288,222