



# CHILD MIND INSTITUTE, INC.

FINANCIAL STATEMENTS

SEPTEMBER 30, 2015 and 2014

## **INDEPENDENT AUDITORS' REPORT**

Board of Directors  
Child Mind Institute, Inc.  
New York, New York

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Child Mind Institute, Inc. ("CMI"), which comprise the statements of financial position as of September 30, 2015 and 2014, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

CMI's 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgments, 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 auditors consider internal control relevant to the organization'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 organization'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 Child Mind Institute, Inc. as of September 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.



New York, New York  
May 10, 2016

**CHILD MIND INSTITUTE, INC.****Statements of Financial Position**

	<b>September 30,</b>	
	<b>2015</b>	<b>2014</b>
<b>ASSETS</b>		
Cash and cash equivalents	<b>\$ 2,469,101</b>	\$ 9,067,611
Accounts receivable	<b>17,414</b>	17,716
Contributions receivable, net	<b>3,898,108</b>	4,231,531
Government grant receivable	<b>86,869</b>	446,379
Investments	<b>8,341,372</b>	1,680,133
Prepaid expenses and other assets	<b>472,733</b>	376,035
Property and equipment, net	<b>1,929,813</b>	1,747,776
Due from related party - administrative services	<b>1,731,284</b>	1,739,893
	<b><u>\$ 18,946,694</u></b>	<b><u>\$ 19,307,074</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable and accrued expenses	<b>\$ 563,866</b>	\$ 301,348
Accrued salaries and vacation	<b>259,889</b>	161,534
Deferred compensation liability		670,472
Deferred rent liability	<b>984,845</b>	914,099
Total liabilities	<b><u>1,808,600</u></b>	<u>2,047,453</u>
Commitments and contingencies (Note L)		
Net assets:		
Unrestricted	<b>7,704,804</b>	8,353,482
Temporarily restricted	<b>7,433,290</b>	6,906,139
Permanently restricted	<b>2,000,000</b>	2,000,000
Total net assets	<b><u>17,138,094</u></b>	<u>17,259,621</u>
	<b><u>\$ 18,946,694</u></b>	<b><u>\$ 19,307,074</u></b>

# CHILD MIND INSTITUTE, INC.

## Statements of Activities

	Year Ended September 30,							
	2015			2014				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Public support and revenue:</b>								
Foundations, corporations and individuals (including in-kind services of \$86,584 and \$102,732 in 2015 and 2014, respectively)	\$ 1,719,767	\$ 4,139,570		\$ 5,859,337	\$ 2,024,494	\$ 1,522,412	\$ 2,000,000	\$ 5,546,906
Special event revenue (net of direct benefit to donors of \$270,220 and \$225,358 in 2015 and 2014, respectively)	4,138,613	373,658		4,512,271	4,754,596	803,050		5,557,646
Government grants	180,490			180,490	446,379			446,379
Investment income	70,441			70,441	16,599			16,599
Program service fees	9,595			9,595	147,904			147,904
Administrative services	582,502			582,502	491,381			491,381
Total public support and revenue before net assets released from restrictions	6,701,408	4,513,228		11,214,636	7,881,353	2,325,462	2,000,000	12,206,815
Net assets released from restrictions	3,986,077	(3,986,077)		0	2,323,436	(2,323,436)		0
Total public support and revenue	10,687,485	527,151		11,214,636	10,204,789	2,026	2,000,000	12,206,815
<b>Expenses:</b>								
Program services:								
Education and outreach	2,302,680			2,302,680	1,929,994			1,929,994
Research and clinical	5,450,241			5,450,241	4,048,669			4,048,669
Total program services	7,752,921			7,752,921	5,978,663			5,978,663
Supporting services:								
Management and general	1,887,816			1,887,816	2,078,445			2,078,445
Fund-raising	1,695,426			1,695,426	1,555,617			1,555,617
Total supporting services	3,583,242			3,583,242	3,634,062			3,634,062
Total expenses	11,336,163			11,336,163	9,612,725			9,612,725
<b>Change in net assets</b>	(648,678)	527,151		(121,527)	592,064	2,026	2,000,000	2,594,090
Net assets, beginning of year	8,353,482	6,906,139	\$ 2,000,000	17,259,621	7,761,418	6,904,113		14,665,531
<b>Net assets, end of year</b>	\$ 7,704,804	\$ 7,433,290	\$ 2,000,000	\$ 17,138,094	\$ 8,353,482	\$ 6,906,139	\$ 2,000,000	\$ 17,259,621

See notes to financial statements.

**CHILD MIND INSTITUTE, INC.**

**Statements of Functional Expenses**

	Year Ended September 30,							
	2015				2014			
	Program Services	Management and General	Fund-Raising	Total	Program Services	Management and General	Fund-Raising	Total
Salaries	\$ 2,881,018	\$ 834,850	\$ 966,810	\$ 4,682,678	\$ 2,383,316	\$ 625,466	\$ 789,395	\$ 3,798,177
Payroll taxes and employee benefits	525,074	342,464	104,225	971,763	434,491	392,335	158,446	985,272
Travel and meals	71,567	16,465	27,061	115,093	82,834	30,571	21,530	134,935
Occupancy	638,190	182,157	132,349	952,696	433,763	149,384	100,589	683,736
Office expenses	115,374	26,000	29,529	170,903	22,900	22,792	13,231	58,923
Professional and consulting fees	1,613,988	252,185	91,981	1,958,154	1,612,691	293,936	117,703	2,024,330
Event consultants	4,242		85,000	89,242			70,000	70,000
Conference and meetings	27,406		69	27,475	8,984			8,984
Telephone	10,492	6,797	1,740	19,029	6,302	12,092	1,253	19,647
Insurance	52,573	42,711	18,869	114,153	24,177	45,196	7,473	76,846
Computers and equipment	610,214	36,205	20,782	667,201	158,485	47,663	21,611	227,759
Printing	22,755	4,177	9,718	36,650	19,816	13,342	11,958	45,116
Postage	5,571	3,860	7,164	16,595	5,999	6,133	17,960	30,092
Staff development	12,859	33,458	9,939	56,256	9,650	27,056	171	36,877
Sub-contractors	30,000			30,000	15,000			15,000
Financial aid	505,262			505,262	251,767			251,767
Events expense	14,595	2,847	376	17,818	9,385	4,889	19,129	33,403
Dues and subscriptions	10,768	6,844	5,564	23,176	10,212	8,465	4,838	23,515
Bank fees	10,193	22,858	34,323	67,374	654	28,976	43,339	72,969
Web development and design	263,378	13,169	112,153	388,700	166,829	26,815	113,218	306,862
Advertisement	3,676	1,878	635	6,189	6,344	1,829		8,173
Bad debts expense		15,000		15,000		265,000		265,000
Depreciation and amortization	323,726	43,891	37,139	404,756	315,064	76,505	43,773	435,342
<b>Total expenses</b>	<b>\$ 7,752,921</b>	<b>\$ 1,887,816</b>	<b>\$ 1,695,426</b>	<b>\$ 11,336,163</b>	<b>\$ 5,978,663</b>	<b>\$ 2,078,445</b>	<b>\$ 1,555,617</b>	<b>\$ 9,612,725</b>

See notes to financial statements.

**CHILD MIND INSTITUTE, INC.****Statements of Cash Flows**

	<b>Year Ended September 30,</b>	
	<b>2015</b>	<b>2014</b>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ (121,527)	\$ 2,594,090
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	404,756	435,342
Amortization of deferred rent liability	70,746	(59,988)
Net realized and unrealized losses (gains) on investments	75,879	(9,480)
Bad debts expense	15,000	265,000
Donated securities	(1,598,557)	(1,961,375)
Proceeds from sales of donated securities	1,591,341	1,961,375
Changes in:		
Accounts receivable	302	9,014
Due from related party - financial aid		53,871
Contributions receivable	568,423	(147,352)
Government grants receivable	109,510	(446,379)
Prepaid expenses and other assets	(96,698)	(29,075)
Due from related party - administrative services	8,609	(203,784)
Accounts payable and accrued expenses	262,518	(6,835)
Accrued salaries and vacation	98,355	(57,409)
Deferred compensation liability	(670,472)	224,653
Net cash provided by operating activities	<u>718,185</u>	<u>2,621,668</u>
<b>Cash flows from investing activities:</b>		
Proceeds from sales of investments	7,612,437	197,086
Purchases of investments	(14,342,339)	(1,009,661)
Purchases of property and equipment	(586,793)	(37,217)
Net cash used in investing activities	<u>(7,316,695)</u>	<u>(849,792)</u>
<b>Net change in cash and cash equivalents</b>	<b>(6,598,510)</b>	1,771,876
Cash and cash equivalents, beginning of year	<u>9,067,611</u>	<u>7,295,735</u>
<b>Cash and cash equivalents, end of year</b>	<b><u>\$ 2,469,101</u></b>	<b><u>\$ 9,067,611</u></b>
<b>Supplemental disclosure of cash flow information:</b>		
In-kind services	<u>\$ 86,584</u>	<u>\$ 102,732</u>

*See notes to financial statements.*

## **CHILD MIND INSTITUTE, INC.**

### **Notes to Financial Statements September 30, 2015 and 2014**

#### **NOTE A - ORGANIZATION AND NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**

##### **[1] Organization:**

The Child Mind Institute ("CMI"), incorporated in New York in 2009, is an independent nonprofit dedicated to transforming the lives of children and families struggling with mental health and learning disorders. CMI works to deliver the highest standards of care, advance the science of the developing brain and empower parents, professionals and policymakers to support children when and where they need it most. Together with our supporters, CMI is helping children reach their full potential in school and in life.

CMI is exempt from federal income tax under Section 501(c)(3) of the U.S. Internal Revenue Code and from state and local taxes under comparable laws.

##### **[2] Basis of accounting:**

The accompanying financial statements of CMI have been prepared using the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America, as applicable to not-for-profit organizations.

##### **[3] Use of estimates:**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, as well as the disclosure of contingent assets and liabilities. Actual results may differ from those estimates.

##### **[4] Cash and cash equivalents:**

For financial-reporting purposes, CMI considers all highly liquid investments, with maturities of three months or less when purchased, to be cash equivalents. Cash equivalents considered to be part of CMI's investment portfolio are reported as investments in the accompanying statements of financial position.

##### **[5] Investments:**

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the accompanying statements of financial position, with realized and unrealized gains and losses included in the accompanying statements of activities. CMI's mutual funds are also reported at their fair values, as determined by the related investment manager or advisor.

CMI has an investment in a certain not-readily-marketable security which is an ownership interest in an alternative investment, consisting of a limited partnership, for which a readily determinable fair value does not exist. The fair value of the alternative investment has been estimated based on the respective net asset value per share ("NAV") of the investment, as reported by the investment company's fund-manager.

Because of the complex management structures and nature of the underlying investment and the inherent uncertainty of the valuation of the alternative investment, CMI's management and its investment manager monitor their positions to reduce the risk of potential losses due to changes in fair values or the failure of counterparties to perform on a routine basis. Management believes the carrying amount of the investment in non-publicly traded securities is a reasonable estimate of fair value. Estimated fair values may differ significantly from the values that would have been used had a ready market for this security existed. CMI's investment in the limited partnership is valued based on the valuation policies and procedures of the general partner. The general partner performs oversight of the underlying positions, both on an investment level and from a risk perspective. The general partner is also responsible for ensuring that the investments are valued according to the policies and procedures adopted by the partnership. CMI places reliance upon those procedures, and it records the investment at fair value as determined by the general partner.

## CHILD MIND INSTITUTE, INC.

### Notes to Financial Statements September 30, 2015 and 2014

#### NOTE A - ORGANIZATION AND NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### [5] Investments: (continued)

Investment transactions are recorded on a trade-date basis. Realized gains or losses on investments are determined by comparison of the average cost of acquisition to proceeds at the time of disposition. The earnings from dividends and interest are recognized when earned.

Donated securities are recorded at their fair values, as determined by the proceeds received on the date of sale or by the net asset value as determined by the fund manager. CMI's policy is to sell donated securities immediately, and, accordingly, for purposes of the statement of cash flows, donated securities and the proceeds generated from their sale are included as operating activities.

Investment expenses include the services of bank trustees, investment managers and custodians. The balances of investment management fees disclosed in Note B are those specific fees charged by CMI's various investment managers in each fiscal year; however, they do not include those fees that are embedded in various other investment accounts and transactions.

##### [6] Property and equipment:

Property and equipment are stated at their original costs at the date of acquisition, or, if contributed, at their fair values at the dates of donation. CMI capitalizes items of property and equipment that have a cost of \$3,000 or more and a useful life greater than one year. Depreciation is provided using the straight-line method over 3-5 years, the estimated useful lives of the related assets. Likewise, leasehold improvements are amortized over the remaining lease term, or the useful lives of the improvements, whichever is shorter.

Management evaluates the recoverability of the investment in long-lived assets on an on-going basis and recognizes any impairment in the year of determination. Long-lived assets were tested for impairment as of September 30, 2015 and 2014, respectively, and in the opinion of management, there were no impairments. It is reasonably possible that relevant conditions could change in the near term and necessitate a change in management's estimate of the recoverability of these assets.

##### [7] Accrued vacation:

Accrued vacation represents CMI's obligation for the cost of unused employee vacation time payable in the event of employee departures; the obligation is recalculated every year. At September 30, 2015 and 2014, the accrued vacation obligation was \$249,041 and \$151,641, respectively, and is reported in the accompanying statements of financial position as a part of accrued salaries and vacation.

##### [8] Net assets:

###### (i) Unrestricted:

Unrestricted net assets represent those resources that are not subject to donor restrictions and are available for current operations.

###### (ii) Temporarily restricted:

Temporarily restricted net assets represent those resources that are subject to the requirements of the New York Prudent Management of Funds Act ("NYPMIFA") and the use of which has been restricted by donors or state law to specific purposes and/or the passage of time.



## CHILD MIND INSTITUTE, INC.

### Notes to Financial Statements September 30, 2015 and 2014

#### NOTE A - ORGANIZATION AND NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### [8] Net assets: (continued)

###### *(ii) Temporarily restricted: (continued)*

When a donor restriction expires, that is, when a stipulated time restriction ends, or a purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and are reported in the accompanying statements of activities as "net assets released from restrictions." Temporarily restricted contributions, the requirements of which are met in the year of donation, are reported as unrestricted.

###### *(iii) Permanently restricted:*

Permanently restricted net assets represent those resources the principal of which is originally restricted into perpetuity by its donors. The purposes for which the income and net capital appreciation arising from the underlying assets may be used depend on the wishes of that donor. Under the terms of NYPMIFA, those earnings will be classified as temporarily restricted in the accompanying statements of activities, pending appropriation by the Board of Directors.

##### [9] Revenue recognition:

###### *(i) Contributions and grants:*

Contributions to CMI are recognized as revenue upon the receipt of cash, of other assets, or of unconditional pledges. Contributions are recorded as either temporarily or permanently restricted if they are received with donor stipulations or time considerations as to their use. Conditional contributions are recorded when the conditions have been met, and, if received in advance, are recognized in the statements of financial position as funds received in advance. Contributions to be received over periods longer than a single year are discounted at an interest rate commensurate with the risk involved.

Grant revenue is recognized based on the terms of each individual grant and is available for unrestricted use, unless the donor or grantor restricts the use thereof, either on a temporary or permanent basis.

###### *(ii) Program service fees:*

Program service fee revenue is recognized when services have been rendered based on the terms of each individual contract.

###### *(iii) Administrative services:*

Administrative services are recognized according to the terms of a contracted rate based on the value of services provided by CMI, based on actual costs incurred by CMI (see Note E).

##### [10] Donated services:

For recognition of donated services in the financial statements, such services must (i) require specialized skills, (ii) be provided by individuals possessing these skills, and (iii) would typically need to be purchased if not provided by donation. Accordingly, donated services are recorded as support at their estimated fair values at the dates of donation and are reported as unrestricted support. For fiscal-years 2015 and 2014, CMI received accounting, legal, and other professional services that totaled approximately \$87,000 and \$103,000, respectively.

## CHILD MIND INSTITUTE, INC.

### Notes to Financial Statements September 30, 2015 and 2014

#### NOTE A - ORGANIZATION AND NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### [11] Functional allocation of expenses:

The costs of providing the various programs and the supporting services have been summarized on a functional basis in the accompanying statements of activities and functional expenses. Accordingly, certain costs have been allocated by management, among the program, management and general, and fund-raising categories, using appropriate measurement methodologies.

##### [12] Advertising:

CMI expenses the costs of advertising as they are incurred. Advertising expense for fiscal-years 2015 and 2014 was approximately \$6,000 and \$8,000, respectively.

##### [13] Endowment funds:

CMI reports all applicable disclosures of its funds treated as endowment.

##### [14] Income tax uncertainties:

CMI is subject to the provisions of the Financial Accounting Standards Board's (the "FASB") Accounting Standards Codification ("ASC") Topic 740, *Income Taxes*, as it relates to accounting and reporting for uncertainty in income taxes. Because of CMI's general tax-exempt status, ASC Topic 740 has not had, and is not anticipated to have, a material impact on CMI's financial statements.

##### [15] Fair-value measurement:

CMI reports a fair-value measurement of all applicable financial assets and liabilities, including investments, contributions and other receivables, and short-term payables which approximate fair value.

##### [16] Reclassification:

Certain information in the prior fiscal-year's financial statements has been reclassified to conform to the current fiscal-year's presentation.

##### [17] Recent accounting pronouncements:

In May 2015, the FASB issued Accounting Standards Update ("ASU") No. 2015-07, *Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or its Equivalent)*. ASU 2015-07 removes the requirement to categorize within the fair-value hierarchy all investments for which the fair value is measured, using NAV as a practical expedient. CMI adopted ASU 2015-07 in fiscal-year 2015, with retrospective application to the prior fiscal year. Accordingly, investments for which fair value is measured using NAV as a practical expedient have been categorized within the fair-value hierarchy for fiscal-year 2014.

##### [18] Subsequent events:

CMI considers the accounting treatments and the related disclosures in the current fiscal-year's financial statements, that may be required as the result of all events or transactions that occur after the fiscal year-end through May 10, 2016, the date the financial statements were available to be issued.

**CHILD MIND INSTITUTE, INC.**

**Notes to Financial Statements  
September 30, 2015 and 2014**

**NOTE B - INVESTMENTS**

At each fiscal year-end, investments consisted of the following:

	September 30,			
	2015		2014	
	Fair Value	Cost	Fair Value	Cost
Money market funds	\$ 883,801	\$ 883,801	\$ 1,009,661	\$ 1,009,661
Mutual funds:				
Fixed-income funds	2,888,334	2,913,662		
Hedge funds	101,482	104,251		
U.S. government bonds	1,415,599	1,414,685		
Corporate bonds	2,065,462	2,068,847		
Common stock	986,694	1,033,096		
Limited partnership			670,472	342,000
	<u>\$ 8,341,372</u>	<u>\$ 8,418,342</u>	<u>\$ 1,680,133</u>	<u>\$ 1,351,661</u>

During each fiscal year, net investment income consisted of the following:

	Year Ended September 30,	
	2015	2014
Interest and dividends	\$ 147,648	\$ 7,119
Realized gains (losses)	1,091	(2,925)
Unrealized (losses) gains	(76,970)	12,405
Investment fees	(1,328)	
	<u>\$ 70,441</u>	<u>\$ 16,599</u>

The FASB's ASC Topic 820, *Fair Value Measurements and Disclosures*, establishes a three-level valuation hierarchy of fair-value measurements. These valuation techniques are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions. These two types of inputs create the following fair-value hierarchy:

- Level 1: Valuations are based on observable inputs that reflect quoted market prices in active markets for those investments, or similar investments, at the reporting date.
- Level 2: Valuations are based on (i) quoted prices for similar investments in active markets, or (ii) quoted prices for those investments, or similar investments, in markets that are not active, or (iii) pricing inputs other than quoted prices that are directly or indirectly observable at the reporting date. Level 2 assets include those investments, or similar investments, that are redeemable at or near the statement of financial position date and for which a model was derived for valuation.
- Level 3: Valuations are based on pricing inputs that are unobservable and include situations where (i) there is little, if any, market activity for the investments, or (ii) the investments cannot be independently valued, or (iii) the investments cannot be immediately redeemed at or near the fiscal year-end.

The availability of market data is monitored to assess the appropriate classification of financial instruments within the fair-value hierarchy. Changes in economic conditions or valuation techniques may require the transfer of financial instruments from one level to another. In such instances, the transfer is reported at the beginning of the reporting period. For fiscal-years 2015 and 2014, there were no transfers between the fair-value hierarchy levels.

**CHILD MIND INSTITUTE, INC.**

**Notes to Financial Statements  
September 30, 2015 and 2014**

**NOTE B - INVESTMENTS (CONTINUED)**

The following table summarizes the fair values of CMI's assets at each fiscal year-end, in accordance with the ASC Topic 820 valuation levels:

	September 30,				
	2015			2014	
	Level 1	Level 2	Total	Level 1	Total
Money market funds	\$ 883,801		\$ 883,801	\$ 1,009,661	\$ 1,009,661
Mutual funds:					
Fixed-income funds	2,888,334		2,888,334		
Hedge funds	101,482		101,482		
U.S. government bonds		\$ 1,415,599	1,415,599		
Corporate bonds		2,065,462	2,065,462		
Common stock	<u>986,694</u>		<u>986,694</u>		
	4,860,311	3,481,061	8,341,372	1,009,661	1,009,661
Funds valued at NAV			<u>0</u>		<u>670,472</u>
	<u>\$ 4,860,311</u>	<u>\$ 3,481,061</u>	<u>\$ 8,341,372</u>	<u>\$ 1,009,661</u>	<u>\$ 1,680,133</u>

During fiscal-year 2015, the limited partnership investment was liquidated (see Note J).

**NOTE C - RECEIVABLES**

**[1] Contributions receivable:**

At each fiscal year-end, contributions receivable were estimated to be due as follows:

	September 30,	
	2015	2014
Less than one year	\$ 1,493,065	\$ 3,027,152
One year to five years	<u>2,632,984</u>	<u>1,481,828</u>
	4,126,049	4,508,980
Less allowance for doubtful collection	<u>(190,000)</u>	<u>(265,000)</u>
Reduction of pledges due in excess of one year to present value, at discount rates ranging from 0.76% to 1.71%	<u>(37,941)</u>	<u>(12,449)</u>
	<u>\$ 3,898,108</u>	<u>\$ 4,231,531</u>

**[2] Government grants and other receivables:**

At each fiscal year-end, grants and other receivables consisted of amounts due to CMI for exchange-type transactions. All amounts are due within one year. Based on prior history, management believes that substantially all receivables are fully collectible and, accordingly, no allowance for doubtful amounts has been established.

## CHILD MIND INSTITUTE, INC.

### Notes to Financial Statements September 30, 2015 and 2014

#### NOTE D - PROPERTY AND EQUIPMENT

At each fiscal year-end property and equipment consisted of the following:

	<u>September 30,</u>	
	<u>2015</u>	<u>2014</u>
Computer software and hardware	\$ 861,230	\$ 801,922
Furniture and equipment	1,331,344	1,028,785
Leasehold improvements	<u>1,990,451</u>	<u>1,765,525</u>
	4,183,025	3,596,232
Less accumulated depreciation and amortization	<u>(2,253,212)</u>	<u>(1,848,456)</u>
	<u>\$ 1,929,813</u>	<u>\$ 1,747,776</u>

Depreciation and amortization expense for fiscal-years 2015 and 2014 amounted to \$404,756 and \$435,342, respectively.

#### NOTE E - RELATED-PARTY TRANSACTIONS

CMI has related activities in common with Child Mind Medical Practice, PLLC (the "Practice"), a professional service limited liability company that provides medical treatment. CMI facilitated the creation of the Practice to provide clinical care and treatment directly to children and adolescents, which, under applicable law, CMI may not directly provide. CMI's President is a member of the Practice; however, there are no shared governing-board members between the two organizations, and CMI does not have a direct ownership interest in the Practice.

The relationship between CMI and the Practice lends itself to a variety of transactions and agreements:

##### [1] Administrative services agreement:

CMI provides certain administrative services to the Practice, and the Practice reimburses CMI for the value provided, based on an agreement between the two organizations. During fiscal-years 2015 and 2014, CMI incurred \$582,502 and \$491,381, respectively, of costs associated with providing administrative services to the Practice, of which \$550,000 and \$200,000 were reimbursed in fiscal-years 2015 and 2014, respectively. As of September 30, 2015 and 2014, total related administrative costs due to CMI from the Practice amounted to \$1,731,284 and \$1,739,893 respectively.

##### [2] Financial Aid Program:

CMI instituted the Financial Aid Program in an effort to help children and families receive care and treatment, regardless of economic standing, by clinicians at the Practice. Families complete an application for aid with their healthcare practitioner at the Practice. Eligible families may receive a fee discount between 30%-70% of the cost of services. CMI raises philanthropic funding for financial aid. Financial aid for approved patients totaled \$505,262 and \$251,767 in fiscal-years 2015 and 2014, respectively.

## CHILD MIND INSTITUTE, INC.

### Notes to Financial Statements September 30, 2015 and 2014

#### NOTE E - RELATED-PARTY TRANSACTIONS (CONTINUED)

##### [3] Sub-contracting:

CMI receives contributions, grants and other program service fees that require services that it is unable to provide. In these instances, CMI sub-contracts with various agencies, including the Practice, to perform these services. CMI discloses to its donors and grantors that these funds received will be sub-contracted to satisfy the donor's and grantor's requests. During fiscal-years 2015 and 2014, sub-contracted amounts paid to the Practice in performance of these requests amounted to \$713,381 and \$348,118, respectively, and, these amounts are included as part of the "sub-contractors" category in the accompanying statements of functional expenses.

##### [4] Medical practice grant:

During fiscal-year 2010, CMI and the Practice entered into an agreement, whereby CMI would provide up to \$750,000 of support to facilitate the creation of the Practice, subject to certain terms and conditions, which will not be reimbursed to CMI. The Practice had drawn down \$690,000 of the support during fiscal-year 2011. During fiscal-year 2012, CMI amended the agreement with the Practice to provide additional support not to exceed \$1,750,000 in the aggregate. No further support has been drawn down by the Practice as of September 30, 2015.

##### [5] Licensing agreement:

Pursuant to a licensing agreement between CMI and the Practice, CMI granted a royalty-free license of certain of its trademarks and domain names to the Practice, subject to certain terms and conditions, including the termination of the license agreement in the event the Practice breaches the terms and conditions of the agreement.

#### NOTE F - TEMPORARILY RESTRICTED NET ASSETS

At each fiscal year-end, temporarily restricted net assets consisted of the following:

	<b>September 30,</b>	
	<b>2015</b>	<b>2014</b>
Restricted for the following purposes:		
Science campaign	<b>\$ 3,229,153</b>	\$ 2,901,514
School-based programming	<b>1,183,059</b>	1,190,283
Financial aid	<b>1,363,021</b>	627,117
Research	<b>582,062</b>	442,050
CMI Cares	<b>111,399</b>	64,500
Hurricane Sandy Response		40,000
Katz Lecture		29,420
Doris and Melvin Sirow Art Fund	<b>71,903</b>	13,238
Childmind.org website	<b>319,425</b>	
	<b>6,860,022</b>	5,308,122
Restricted for time	<b>573,268</b>	1,598,017
	<b>\$ 7,433,290</b>	<b>\$ 6,906,139</b>

**CHILD MIND INSTITUTE, INC.**

**Notes to Financial Statements  
September 30, 2015 and 2014**

**NOTE F - TEMPORARILY RESTRICTED NET ASSETS (CONTINUED)**

During each fiscal year, net assets released from restrictions were for the following:

	<u>Year Ended September 30,</u>	
	<u>2015</u>	<u>2014</u>
Restricted for the following purposes:		
Science campaign	\$ 1,333,855	\$ 621,161
School-based programming	234,583	50,000
Financial aid	473,661	32,735
Research	442,050	353,196
CMI Cares	31,601	
Hurricane Sandy Response	40,000	
Katz Lecture	29,420	
Doris and Melvin Sirow Art Foundation	<u>2,500</u>	<u>11,344</u>
	2,587,670	1,068,436
Time restrictions satisfied	<u>1,398,407</u>	<u>1,255,000</u>
Total	<u>\$ 3,986,077</u>	<u>\$ 2,323,436</u>

**NOTE G - PERMANENTLY RESTRICTED NET ASSETS**

At September 30, 2015, net assets of \$2,000,000 were permanently restricted, with investment earnings to be used to support a research position at CMI.

**NOTE H - ENDOWMENT**

**[1] The endowment:**

CMI's endowment consists of a donor-restricted fund to support a research position at CMI.

**[2] Interpretation of relevant law:**

NYPMIFA is applicable to all of CMI's institutional funds, including its donor-restricted endowment fund. The Board of Directors will continue to adhere to NYPMIFA's requirements.

**[3] Changes in endowment net assets as of September 30, 2015:**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year			\$ 2,000,000	\$ 2,000,000
Investment return:				
Interest and dividends		\$ 33,483		33,483
Net depreciation (realized and unrealized)		<u>(39,971)</u>		<u>(39,971)</u>
Total investment return		(6,488)	2,000,000	1,993,512
Appropriation of endowment assets		(20,790)		(20,790)
Transfers	<u>\$ (27,278)</u>	<u>27,278</u>		<u>0</u>
Endowment net assets, end of year	<u>\$ (27,278)</u>	<u>\$ 0</u>	<u>\$ 2,000,000</u>	<u>\$ 1,972,722</u>

## **CHILD MIND INSTITUTE, INC.**

### **Notes to Financial Statements September 30, 2015 and 2014**

#### **NOTE H - ENDOWMENT (CONTINUED)**

##### **[4] Funds with deficiencies:**

Due to unfavorable market fluctuations, from time to time, the fair value of assets associated with individual donor-restricted endowment funds may decline below the historical dollar value of the donor's original, permanently restricted contribution. At September 30, 2015, funds with deficiencies amounted to approximately \$27,000 resulting primarily from unrealized losses at year-end. Under the terms of NYPMIFA, CMI has no responsibility to restore such decreases in value.

##### **[5] Return objectives and risk parameters:**

The overall financial objective of the endowment assets is to provide support for a research position at CMI.

##### **[6] Strategies employed for achieving objectives:**

To satisfy its long-term, rate-of-return objectives, CMI relies on a total-return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). CMI will target a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

##### **[7] Spending policy and relationships with investment objectives:**

When authorized by the Board of Directors, CMI may draw up to 5% of the projected value of the fund as of September 30, 2015 to provide support for a research position at CMI. Each year, during the Audit & Finance Committee's fall meeting, the Committee will recommend the appropriation to be approved by the Board of Directors based on the performance of the investment as of August 31 of that year, and will then either ratify or revise the prior-year's appropriation.

#### **NOTE I - EMPLOYEE-BENEFIT PLAN**

CMI maintains a defined-contribution retirement plan, established under Section 401(k) of the Internal Revenue Code. Eligible employees may contribute a portion of their annual salaries immediately upon being hired. Under the terms of the plan, CMI may provide a discretionary matching contribution up to 6% of the employee's annual salary, to a maximum of \$10,000 per year. Plan expenses for fiscal-years 2015 and 2014 were \$127,882 and \$87,824, respectively.

#### **NOTE J - DEFERRED-COMPENSATION PLAN**

CMI established a non-qualified, deferred-compensation plan under Section 457(f) of the Internal Revenue Code, to encourage the continued employment of CMI's President. Accordingly, during fiscal-year 2012, CMI invested \$342,000 as a means of measuring and determining the amounts that may ultimately be paid to the President. Under the terms of the plan, because the President was employed by CMI on September 30, 2014, CMI paid the President the proceeds in the investment account on October 15, 2014, at its value on September 30, 2014, which amounted to \$670,472.

#### **NOTE K - CREDIT RISK**

Financial instruments that potentially subject CMI to concentrations of credit risk consist principally of cash and cash-equivalent accounts deposited in high-credit-quality financial institutions, the balances of which, from time to time, may exceed federal insurance limits. However, management believes that CMI does not face a significant risk of loss on these accounts that would be due to the failure of these institutions.



## CHILD MIND INSTITUTE, INC.

### Notes to Financial Statements September 30, 2015 and 2014

#### NOTE L - COMMITMENTS AND CONTINGENCIES

##### [1] Lease agreements:

In August 2010, CMI entered into an operating lease agreement with an unrelated party for office space, expiring May 31, 2023. Pursuant to this agreement, CMI received a base rent credit of \$1,190,490 to be applied to the rent expense from the commencement of the lease through June 30, 2011. The aggregate minimum lease payments are being amortized using the straight-line method over the lease term. The cumulative difference between rent expense and amounts paid amounted to \$842,559 and \$914,099, as of September 30, 2015 and 2014, respectively, and has been reported as a deferred rent liability in the accompanying statements of financial position.

In conjunction with this lease, CMI was required to obtain two separate letters of credit, a junior and senior letter of credit, totaling \$2,828,588, to be held as security in the event of default. As of July 30, 2012, the junior letter of credit, in the amount of \$1,400,000, was cancelled, and the collateral was released due to certain conditions outlined within the lease agreement having been met. The senior letter of credit, in the amount of \$1,428,588, automatically renews each year on August 31. There have been no borrowings related to either of these letters of credit.

In October 2014, CMI entered into an operating lease agreement with an unrelated party for office space in Staten Island, New York, to house the Healthy Brain Network Initiative, which expires March 1, 2020. The aggregate minimum lease payments are being amortized using the straight-line method over the term of the lease. The cumulative difference between rent expense and amounts paid amounted to \$142,286 as of September 30, 2015, and has been reported as a deferred rent liability in the accompanying statement of financial position.

Future minimum rental commitments for the fiscal years ended subsequent to September 30, 2015 are as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2016	\$ 1,660,644
2017	1,660,644
2018	1,663,644
2019	1,666,644
2020	1,623,203
Thereafter	<u>4,293,323</u>
	<u>\$ 12,568,102</u>

##### [2] Litigation:

CMI is subject to litigation in the routine course of conducting its operations. In management's opinion, however, there is no current litigation the outcome of which would have a material adverse impact on CMI's financial position or activities.

##### [3] Government-funded activities:

Government-funded activities are subject to audit by the applicable granting agencies. At September 30, 2015, there were no material obligations outstanding as a result of such audits, and management believes that unaudited projects would not result in any material obligation.