

**EISNERAMPER**

**CHILD MIND INSTITUTE, INC.**

**FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2018 and 2017**

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LLP



## 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, 2018 and 2017, and the related statements of activities, functional expenses, and of 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.

#### *Auditor's 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 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 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, 2018 and 2017, 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.



EISNERAMPER LLP  
New York, New York  
May 2, 2019



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

	<b>September 30,</b>	
	<b>2018</b>	<b>2017</b>
<b>ASSETS</b>		
Cash, cash equivalents, and restricted cash	<b>\$ 4,421,899</b>	\$ 2,826,054
Accounts receivable	<b>157,013</b>	30,038
Contributions receivable, net	<b>10,997,240</b>	13,019,698
Government grants receivable	<b>83,472</b>	88,257
Investments	<b>5,845,851</b>	8,300,799
Prepaid expenses and other assets	<b>481,123</b>	386,038
Property and equipment, net	<b>3,581,860</b>	1,285,787
Website and software costs, net	<b>54,487</b>	132,380
Due from related party - administrative services	<b>1,016,123</b>	1,205,308
	<b><u>\$ 26,639,068</u></b>	<b><u>\$ 27,274,359</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable and accrued expenses	<b>\$ 1,431,139</b>	\$ 1,090,976
Accrued salaries and vacation	<b>420,571</b>	288,287
Deferred rent liability	<b>852,256</b>	666,975
Total liabilities	<b><u>2,703,966</u></b>	<u>2,046,238</u>
Commitments and contingencies (Note L)		
Net assets:		
Unrestricted	<b>6,555,590</b>	6,930,835
Temporarily restricted	<b>15,379,512</b>	16,297,286
Permanently restricted	<b>2,000,000</b>	2,000,000
Total net assets	<b><u>23,935,102</u></b>	<u>25,228,121</u>
	<b><u>\$ 26,639,068</u></b>	<b><u>\$ 27,274,359</u></b>

*See notes to financial statements.*

# CHILD MIND INSTITUTE, INC.

## Statements of Activities

	Year Ended September 30,							
	2018			2017				
	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 \$6,582,960 and \$7,213,231 in 2018 and 2017, respectively)	\$ 9,840,004	\$ 3,117,284		\$ 12,957,288	\$ 9,563,592	\$ 8,297,531		\$ 17,861,123
Special event revenue (net of direct benefit to donors of \$282,924 and \$289,922 in 2018 and 2017, respectively)	5,350,169	2,031,949		7,382,118	3,807,969	1,211,100		5,019,069
Government grants	722,248			722,248	505,685			505,685
Investment income, net	43,398	91,136		134,534	108,252	203,492		311,744
Program service fees	99,789			99,789	88,031			88,031
Administrative services	887,512			887,512	743,690			743,690
Total public support and revenue before net assets released from restrictions	16,943,120	5,240,369		22,183,489	14,817,219	9,712,123		24,529,342
Net assets released from restrictions	6,158,143	(6,158,143)		0	6,398,609	(6,398,609)		0
Total public support and revenue	23,101,263	(917,774)		22,183,489	21,215,828	3,313,514		24,529,342
<b>Expenses:</b>								
Program services:								
Education and outreach	7,954,516			7,954,516	7,446,894			7,446,894
Research and clinical	8,117,766			8,117,766	8,011,209			8,011,209
Total program services	16,072,282			16,072,282	15,458,103			15,458,103
Supporting services:								
Management and general	4,977,035			4,977,035	4,242,787			4,242,787
Fund-raising	2,427,191			2,427,191	1,817,618			1,817,618
Total supporting services	7,404,226			7,404,226	6,060,405			6,060,405
Total expenses	23,476,508			23,476,508	21,518,508			21,518,508
<b>Change in net assets</b>	(375,245)	(917,774)		(1,293,019)	(302,680)	3,313,514		3,010,834
Net assets, beginning of year	6,930,835	16,297,286	\$ 2,000,000	25,228,121	7,233,515	12,983,772	\$ 2,000,000	22,217,287
<b>Net assets, end of year</b>	\$ 6,555,590	\$ 15,379,512	\$ 2,000,000	\$ 23,935,102	\$ 6,930,835	\$ 16,297,286	\$ 2,000,000	\$ 25,228,121

See notes to financial statements.

# CHILD MIND INSTITUTE, INC.

## Statements of Functional Expenses

	Year Ended September 30,									
	2018					2017				
	Program Services	Management and General	Fund-Raising	Direct Benefit to Donors	Total	Program Services	Management and General	Fund-Raising	Direct Benefit to Donors	Total
Salaries	\$ 2,989,129	\$ 3,222,216	\$ 1,231,058		\$ 7,442,403	\$ 2,905,149	\$ 2,650,659	\$ 936,938		\$ 6,492,746
Payroll taxes and employee benefits	942,732	315,778	149,727		1,408,237	711,479	311,523	101,673		1,124,675
Travel and meals	83,488	22,518	89,176		195,182	102,082	20,036	27,352		149,470
Occupancy	732,388	661,488	97,847		1,491,723	438,086	424,606	59,865		922,557
Office expenses	198,243	29,075	36,598		263,916	222,027	29,417	33,779		285,223
Professional and consulting fees	9,308,035	337,027	222,138		9,867,200	8,887,140	368,694	156,624		9,412,458
Event consultants			201,700		201,700			232,600		232,600
Conference and meetings	161,820	1,921	650		164,391	128,750	184	180		129,114
Telephone	27,809	14,080	2,068		43,957	19,821	6,316	1,033		27,170
Insurance	97,700	70,066	16,475		184,241	106,643	43,695	16,102		166,440
Computers and equipment	327,853	53,282	31,222		412,357	427,462	45,060	24,794		497,316
Printing	30,317	5,646	52,062		88,025	24,005	8,417	48,885		81,307
Postage	14,302	5,926	80,827		101,055	5,199	4,424	10,706		20,329
Staff development	60,933	6,308	1,193		68,434	5,611	21,245	4,193		31,049
Financial aid	580,708				580,708	976,992				976,992
Events expense	53,231	12,501	2,040		67,772	34,187	3,686	24,846		62,719
Dues and subscriptions	38,001	12,436	40,480		90,917	25,640	10,281	8,292		44,213
Bank fees	9,775	20,496	33,817		64,088	16,703	24,918	32,899		74,520
Web development and design	110,859	44,486	106,707		262,052	105,229	34,522	86,138		225,889
Advertisement	9,557	680	9,710		19,947	15,130				15,130
Bad debts expense		100,000			100,000		193,596			193,596
Depreciation and amortization	295,402	41,105	21,696		358,203	300,768	41,508	10,719		352,995
Total expenses before direct benefit to donors	16,072,282	4,977,035	2,427,191		23,476,508	15,458,103	4,242,787	1,817,618		21,518,508
Direct benefit to donors				\$ 282,924	282,924				\$ 289,922	289,922
Total expenses	\$ 16,072,282	\$ 4,977,035	\$ 2,427,191	\$ 282,924	\$ 23,759,432	\$ 15,458,103	\$ 4,242,787	\$ 1,817,618	\$ 282,922	\$ 21,808,430

See notes to financial statements.

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

	<b>Year Ended September 30,</b>	
	<b>2018</b>	<b>2017</b>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ (1,293,019)	\$ 3,010,834
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	358,203	352,995
Amortization of deferred rent liability	185,281	(152,935)
Net realized and unrealized gains on investments	37,014	(178,192)
Bad debts expense	100,000	193,596
Donated securities	(383,301)	(759,863)
Proceeds from sales of donated securities	383,301	759,932
Changes in:		
Accounts receivable	(126,975)	(10,340)
Contributions receivable, net	1,922,458	(3,542,964)
Government grants receivable	4,785	(5,685)
Prepaid expenses and other assets	(95,085)	32,865
Due from related party - administrative services	189,185	233,500
Accounts payable and accrued expenses	340,163	409,363
Accrued salaries and vacation	132,284	(40,204)
Net cash provided by operating activities	<u>1,754,294</u>	<u>302,902</u>
<b>Cash flows from investing activities:</b>		
Proceeds from sales of investments	10,775,244	4,043,876
Purchases of investments	(8,357,310)	(4,197,413)
Purchases of property and equipment	(2,576,383)	(20,308)
Capitalized website and software costs		(22,894)
Net cash used in investing activities	<u>(158,449)</u>	<u>(196,739)</u>
<b>Net change in cash, cash equivalents, and restricted cash</b>	<b>1,595,845</b>	<b>106,163</b>
Cash, cash equivalents, and restricted cash, beginning of year	<u>2,826,054</u>	<u>2,719,891</u>
<b>Cash, cash equivalents, and restricted cash, end of year</b>	<b>\$ <u>4,421,899</u></b>	<b>\$ <u>2,826,054</u></b>
<b>Supplemental disclosure of cash flow information:</b>		
In-kind services	<u>\$ 6,582,960</u>	<u>\$ 7,213,231</u>

*See notes to financial statements.*

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

### **Notes to Financial Statements September 30, 2018 and 2017**

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

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

The Child Mind Institute, Inc. ("CMI"), incorporated in New York in 2009, is an independent not-for-profit organization 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 its supporters, CMI is helping children reach their full potential in school and in life.

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

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

The 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 ("U.S. GAAP"), as applicable to not-for-profit organizations.

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

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, support and revenue and expenses, as well as the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

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

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 a part of CMI's investment portfolio are reported as investments in the statements of financial position. A portion of cash has been restricted as collateral against CMI's letter of credit for its operating leases (see Note L[1]).

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

CMI's investments in equity securities, mutual funds, and fixed income securities are reported at their fair values in the statements of financial position based on quoted market prices. Cash equivalents held as a part of the investment portfolio are also included in the balances reported as investments.

CMI's investments, in general, are subject 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 could materially affect the amounts reported in the financial statements.

Investment transactions are recorded on a trade-date basis. Realized gains and losses on investments sold, and unrealized appreciation and depreciation on investments held, are reported in the statements of activities as increases or decreases in unrestricted net assets, unless their use is restricted on a temporary or permanent basis through donor stipulation. Realized gains and losses on investments are determined by comparison of the cost of acquisition to the proceeds received at the time of disposition. Unrealized gains and losses on investments are determined by comparing the investment's cost to the fair value at the end of each fiscal year. The earnings from dividends and interest are recognized when earned.

## CHILD MIND INSTITUTE, INC.

### Notes to Financial Statements September 30, 2018 and 2017

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

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

Donated securities are recorded at their estimated fair values, as determined by the proceeds received on the dates of donation or by their net asset values as determined by the CMI's management. CMI's policy is to sell the donated securities immediately, and, accordingly, for purposes of the statements of cash flows, donated securities and the proceeds generated from their sale are included within operating activities.

Investment expenses include the services of bank trustees, investment managers and custodians. The balance of investment management fees disclosed in Note C 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, net of accumulated depreciation and amortization, at the dates 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, whereas minor costs of repair and maintenance are expensed as incurred. Depreciation of computer hardware and furniture and equipment is provided using the straight-line method over three to five years, the estimated useful lives of the related assets. 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, 2018 and 2017, 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] Website and software costs:

Website costs related to data consulting services, site configuration and infrastructure, and conceptual design are capitalized. The costs incurred for the purchase of software and upgrades that result in additional functionality are capitalized. Costs relating to operation and content are expensed as incurred. Capitalized website and software costs are amortized over a five-year and three-year expected life for website costs and software costs, respectively, using the straight line method. At each year end, capitalized website and software costs are reported in the accompanying statements of financial position net of accumulated amortization of \$757,325 and \$679,432, respectively.

##### [8] 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, 2018 and 2017, the accrued vacation obligation was \$386,103 and \$264,462, respectively, and is reported in the accompanying statements of financial position as a part of accrued salaries and vacation.

##### [9] Net assets:

###### (i) Unrestricted:

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



**CHILD MIND INSTITUTE, INC.**

**Notes to Financial Statements  
September 30, 2018 and 2017**

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

**[9] Net assets: (continued)**

*(ii) Temporarily restricted:*

Temporarily restricted net assets represent those resources that are subject to the requirements of the New York Prudent Management of Institutional Funds Act ("NYPMIFA") and those resources for which the use has been restricted by donors to specific purposes and/or the passage of time. 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 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 are classified as temporarily restricted in the statements of activities, pending appropriation by the Board of Directors.

**[10] 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).

## CHILD MIND INSTITUTE, INC.

### Notes to Financial Statements September 30, 2018 and 2017

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

##### [11] Donated services:

For recognition of donated services in CMI's financial statements, such services must (i) create or enhance non-financial assets and (ii) typically need to be acquired if not provided by donation. Additionally, recognition of donated services must (i) require a specialized skill, and (ii) be provided by individuals possessing these skills. Accordingly, donated services are recorded as support at their estimated fair values at the dates of donation and are reported as unrestricted support unless the donor has restricted the donated assets to a specific purpose.

During fiscal-years 2018 and 2017, CMI received donated legal and marketing services totaling approximately \$196,000 and \$67,000, respectively. During fiscal-years 2018 and 2017, CMI received approximately \$5,962,000 and \$5,184,000, respectively, in the form of donated placements of public-service announcements ("PSAs"), in various forms of media. The PSAs served to communicate CMI's mission to the general public. In addition, during fiscal-year 2017, CMI received approximately \$1,110,000 in professional services to conduct a feasibility study to expand its operations. The Child Mind Medical Practice, PLLC (the "Practice"), a related party, also provided donated services of \$425,000 and \$852,000 during fiscal-years 2018 and 2017, respectively (see Note E).

Donated services totaled approximately \$6,583,000 and \$7,213,000, during fiscal-years 2018 and 2017, respectively.

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

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

##### [13] Advertising:

CMI expenses the costs of advertising as they are incurred. Advertising expense for fiscal-years 2018 and 2017 was approximately \$20,000 and \$15,000, respectively.

##### [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.

Unrelated business taxable income ("UBTI") tax expense reported in the statements of activities was approximately \$14,000 during fiscal-year 2018, which represents CMI's accrued tax on transportation benefits as required by the Tax Cuts and Job Act of 2017 ("TCJA"), beginning January 1, 2018. There was no requirement to accrue UBTI tax expense prior to the implementation of TCJA.

# CHILD MIND INSTITUTE, INC.

## Notes to Financial Statements September 30, 2018 and 2017

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

#### [15] Upcoming accounting change:

In August 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 amends financial-statement presentations and disclosures, with the goal of assisting not-for-profit organizations in providing more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. ASU 2016-14 includes qualitative and quantitative requirements in the following areas: (i) net asset classifications, (ii) investment returns, (iii) expense categorizations, (iv) liquidity and availability of resources, and (v) the presentation of operating cash flows. The new standard will be effective for fiscal reporting periods beginning after December 15, 2017. CMI will adopt this accounting pronouncement for fiscal-year 2019.

#### [16] Reclassifications:

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

#### [17] Subsequent events:

CMI has evaluated subsequent event through May 2, 2019, the date on which the financial statements were available to be issued.

### NOTE B - RECEIVABLES

#### [1] Contributions receivable:

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

	<b>September 30,</b>	
	<b>2018</b>	<b>2017</b>
Less than one year	<b>\$ 6,612,449</b>	\$ 5,673,096
One year to five years	<b>4,675,155</b>	7,885,471
	<b>11,287,604</b>	13,558,567
Less allowance for doubtful collection	<b>(100,000)</b>	(193,596)
Reduction of pledges due in excess of one year to present value, at discount rates ranging from 1.13% to 2.84%	<b>(190,364)</b>	(345,273)
	<b><u>\$ 10,997,240</u></b>	<b><u>\$ 13,019,698</u></b>

During fiscal-years 2018 and 2017, CMI wrote-off contributions receivable against its allowance of \$193,596 and \$175,000, respectively.

#### [2] Accounts and government grants receivable:

At each fiscal year-end, accounts and grants receivable 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, 2018 and 2017

#### NOTE C - INVESTMENTS

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

	September 30,			
	2018		2017	
	Fair Value	Cost	Fair Value	Cost
Money market funds	\$ 67,084	\$ 67,084	\$ 60,723	\$ 60,723
Mutual funds:				
Fixed-income funds	1,486,193	1,518,050	2,217,781	2,222,176
Market-hedging funds	112,837	105,517	113,278	106,753
U.S. government bonds	555,642	572,570	827,414	823,891
Corporate bonds	1,817,543	1,849,150	3,955,967	3,870,908
Common stock	1,806,552	1,714,861	1,125,636	985,199
	<u>\$ 5,845,851</u>	<u>\$ 5,827,232</u>	<u>\$ 8,300,799</u>	<u>\$ 8,069,650</u>

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

	Year Ended September 30,	
	2018	2017
Interest and dividends	\$ 218,095	\$ 181,096
Realized gains	175,516	41,416
Unrealized (losses) gains	(212,530)	136,776
Investment management fees	(46,547)	(47,544)
	<u>\$ 134,534</u>	<u>\$ 311,744</u>

ASC Topic 820, *Fair Value Measurements*, 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 identical investments, at the reporting date.
- Level 2: Valuations are based on (i) quoted prices for similar investments, in active markets (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 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.

The available 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 2018 and 2017, there were no transfers among the fair-value hierarchy levels.

## CHILD MIND INSTITUTE, INC.

### Notes to Financial Statements September 30, 2018 and 2017

#### NOTE C - INVESTMENTS (CONTINUED)

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

	September 30,					
	2018			2017		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Money market funds	\$ 67,084		\$ 67,084	\$ 60,723		\$ 60,723
Mutual funds	1,599,030		1,599,030	2,331,059		2,331,059
U.S. government bonds		\$ 555,642	555,642		\$ 827,414	827,414
Corporate bonds		1,817,543	1,817,543		3,955,967	3,955,967
Common stock	1,806,552		1,806,552	1,125,636		1,125,636
	<u>\$ 3,472,666</u>	<u>\$ 2,373,185</u>	<u>\$ 5,845,851</u>	<u>\$ 3,517,418</u>	<u>\$ 4,783,381</u>	<u>\$ 8,300,799</u>

#### NOTE D - PROPERTY AND EQUIPMENT

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

	September 30,	
	2018	2017
Computer hardware	\$ 283,179	\$ 250,775
Furniture and equipment	1,835,455	1,344,888
Leasehold improvements	4,084,273	2,030,861
	6,202,907	3,626,524
Less: accumulated depreciation and amortization	(2,621,047)	(2,340,737)
	<u>\$ 3,581,860</u>	<u>\$ 1,285,787</u>

#### NOTE E - RELATED-PARTY TRANSACTIONS

CMI has related activities in common with 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 of those services, based on an agreement between the two organizations. During fiscal-years 2018 and 2017, CMI incurred \$887,512 and \$743,690, respectively, of costs associated with providing administrative services to the Practice, of which \$1,076,697 and \$727,190 were reimbursed during fiscal-years 2018 and 2017, respectively. As of September 30, 2018 and 2017, total related administrative costs due to CMI from the Practice amounted to \$1,016,123 and \$1,205,308 respectively.

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

### **Notes to Financial Statements September 30, 2018 and 2017**

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

##### **[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 at the Practice. Eligible families may receive a fee discount between 20%-60% of the cost of services. CMI raises funds to support this program. In fiscal-year 2018, CMI contributed \$580,708 to the financial aid program, and the Practice provided an additional \$425,000 in financial aid, resulting in a total of \$1,005,708. Financial aid for approved patients totaled \$976,992 in fiscal-year 2017.

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

CMI receives contributions and grants that require the provision of services that CMI 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 the services will be sub-contracted to satisfy the donor's and grantor's requests. During fiscal-years 2018 and 2017, sub-contracted amounts paid to the Practice in performance of these requests amounted to \$1,978,163 and \$1,556,868 respectively, and these amounts are included as part of the "professional and consulting fees" category in the accompanying statements of functional expenses.

##### **[4] Restricted grant agreement:**

CMI entered into a restricted grant agreement with the Practice pursuant to which CMI agreed to make special purpose restricted grants to the Practice up to the aggregate amount of \$1,750,000. To date, CMI has made grants to the Practice in the aggregate amount of \$690,000.

##### **[5] License agreement:**

Pursuant to a license 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.

In 2019, CMI facilitated the creation of Child Mind Medical Practice, PC, a California professional medical corporation (the "California Practice"), to provide clinical care in the State of California, and CMI will enter into a similar series of agreements with the California Practice.

**CHILD MIND INSTITUTE, INC.**

**Notes to Financial Statements  
September 30, 2018 and 2017**

**NOTE F - TEMPORARILY RESTRICTED NET ASSETS**

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

	<b>September 30,</b>	
	<b>2018</b>	<b>2017</b>
Restricted for the following purposes:		
Science campaign	<b>\$ 9,514,385</b>	\$ 12,086,970
School-based programming	<b>2,272,072</b>	1,302,443
Financial aid	<b>1,367,690</b>	1,055,705
Research	<b>302,758</b>	250,239
Clinical	<b>35,000</b>	
Feasibility Study for expansion	<b>521,352</b>	59,000
Project UROK		44,096
Katz Lecture	<b>234,929</b>	236,576
Doris and Melvin Sirow Art Fund	<b>61,948</b>	64,437
Childmind.org website		18,607
Accumulated endowment income reserved for appropriation - research and science	<b>95,523</b>	113,387
	<b>14,405,657</b>	15,231,460
Restricted for time	<b>973,855</b>	1,065,826
	<b>\$ 15,379,512</b>	\$ 16,297,286

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

	<b>Year Ended September 30,</b>	
	<b>2018</b>	<b>2017</b>
Restricted for the following purposes:		
Science campaign	<b>\$ 3,722,023</b>	\$ 2,281,743
School-based programming	<b>224,243</b>	231,023
Financial aid	<b>580,708</b>	867,393
Research	<b>115,581</b>	341,540
CMI Cares		109,599
Project UROK	<b>44,096</b>	126,691
Katz Lecture	<b>1,647</b>	
Doris and Melvin Sirow Art Fund	<b>2,489</b>	6,085
West Coast	<b>37,649</b>	
Childmind.org website	<b>18,607</b>	57,350
	<b>4,747,043</b>	4,021,424
Time restrictions satisfied	<b>1,411,100</b>	2,377,185
	<b>\$ 6,158,143</b>	\$ 6,398,609

**CHILD MIND INSTITUTE, INC.**

**Notes to Financial Statements  
September 30, 2018 and 2017**

**NOTE G - PERMANENTLY RESTRICTED NET ASSETS**

At September 30, 2018 and 2017, respectively, net assets totaling \$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 for each fiscal year were as follows:**

	<b>September 30, 2018</b>		
	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Endowment net assets, beginning of year	<u>\$ 113,387</u>	<u>\$ 2,000,000</u>	<u>\$ 2,113,387</u>
Investment return:			
Interest and dividends, net	27,289		27,289
Net appreciation (realized and unrealized)	<u>63,847</u>		<u>63,847</u>
Total investment return	91,136		91,136
Appropriation of endowment assets	<u>(109,000)</u>		<u>(109,000)</u>
Endowment net assets, end of year	<u>\$ 95,523</u>	<u>\$ 2,000,000</u>	<u>\$ 2,095,523</u>

	<b>September 30, 2017</b>		
	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Endowment net assets, beginning of year	<u>\$ 17,895</u>	<u>\$ 2,000,000</u>	<u>\$ 2,017,895</u>
Investment return:			
Interest and dividends, net	38,173		38,173
Net appreciation (realized and unrealized)	<u>165,319</u>		<u>165,319</u>
Total investment return	203,492		203,492
Appropriation of endowment assets	<u>(108,000)</u>		<u>(108,000)</u>
Endowment net assets, end of year	<u>\$ 113,387</u>	<u>\$ 2,000,000</u>	<u>\$ 2,113,387</u>



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

### **Notes to Financial Statements September 30, 2018 and 2017**

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

##### **[3] Changes in endowment net assets for each fiscal year were as follows: (continued)**

Temporarily restricted endowment represents that portion of allocated investment income, derived from permanently restricted endowment assets that has not been appropriated by the Board of Directors for expenditure.

##### **[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. There were no such deficiencies during fiscal-years 2018 and 2017. Under the terms of NYPMIFA, CMI has no responsibility to restore such decreases in value.

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

The Board of Directors has adopted investment and spending policies for CMI's endowment assets that seek to provide a predictable stream of funding 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 CMI's fiscal-year end to provide support for a research position at CMI. Each year, during the Audit & Finance Committee's fall meeting, the Committee recommends 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 also ratifies or revises the prior-year's appropriation.

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

CMI maintains a defined-contribution retirement plan, established under Section 401(k) of the 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, up to a maximum of \$10,000 per year. Plan expenses for fiscal-years 2018 and 2017 were \$211,484 and \$152,028, respectively.

#### **NOTE J - 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, 2018 and 2017

#### NOTE K - LINE OF CREDIT

During fiscal-year 2018, CMI obtained a \$1,000,000 line of credit from JP Morgan Chase that is secured by the general assets of CMI. The line of credit matures on June 24, 2020 and is renewable. Interest on the line is payable at a variable rate equal to the one month London Interbank Offered Rate ("LIBOR") plus 3.463%, which at September 30, 2018 was equivalent to 5.68%. As of September 30, 2018, there were no outstanding borrowings from the line of credit.

#### NOTE L - COMMITMENTS AND CONTINGENCIES

##### [1] Lease agreements:

In August 2010, CMI and the Practice entered jointly into an operating lease agreement with an unrelated party for office space, expiring May 31, 2023. Pursuant to this agreement, CMI and the Practice received a base rent credit of \$1,190,490 to be applied to the rent expense from the commencement of the lease through 2011. In November 2017, CMI signed an amendment to the existing lease agreement, which adds additional space and extends the lease through fiscal year 2034, which includes a base rent credit of \$2,131,887, to be applied to the rent expense from the commencement of the lease through 2023. The aggregate minimum lease payments are being amortized using the straight-line method over the lease term. The cumulative difference between rent expense attributable to CMI and amounts paid by CMI amounted to \$803,828 and \$589,261, as of September 30, 2018 and 2017, respectively, and has been reported as a deferred rent liability in the accompanying statements of financial position.

In conjunction with this amended lease, CMI was required to obtain a separate letter of credit, in the amount of \$2,500,000, to be held as security in the event of default. The letter of credit held by CMI, automatically renews each year on August 31 and is secured by an equivalent amount of cash and cash equivalents. There have been no borrowings related to this letter of credit.

In November 2017, CMI entered into a short-term lease with an unrelated party for temporary office space during the preparation of the new space noted above, expiring in February 2019.

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 \$48,428 and \$77,714 as of September 30, 2018 and 2017, respectively, and has been reported as a deferred rent liability in the accompanying statements of financial position.

In 2019, CMI and the Practice entered into an operating lease agreement with an unrelated party for office space in Harlem, New York, which expires in 2029.

The future minimum rental commitments of CMI and the Practice for the fiscal-years ended subsequent to September 30, 2018 are as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2019	\$ 3,561,036
2020	3,623,573
2021	3,614,626
2022	3,618,976
2023	3,767,034
Thereafter	<u>42,035,118</u>
	<u>\$ 60,220,363</u>

**CHILD MIND INSTITUTE, INC.**

**Notes to Financial Statements  
September 30, 2018 and 2017**

**NOTE L - COMMITMENTS AND CONTINGENCIES (CONTINUED)**

**[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, 2018, 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.

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