

EISNERAMPER

CHILD MIND INSTITUTE, INC.

FINANCIAL STATEMENTS

SEPTEMBER 30, 2020 and 2019



CHILD MIND INSTITUTE, INC.

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Child Mind Institute, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Child Mind Institute, Inc. ("CMI"), which comprise the statements of financial position as of September 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for each of 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 Child Mind Institute, Inc. as of September 30, 2020 and 2019, and the changes in its net assets and its cash flows for each of the years then ended, in accordance with accounting principles generally accepted in the United States of America.

EisnerAmper LLP

EISNERAMPER LLP
New York, New York
April 30, 2021



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

	<u>September 30,</u>	
	<u>2020</u>	<u>2019</u>
ASSETS		
Cash, cash equivalents, and restricted cash	\$ 17,653,347	\$ 9,242,906
Accounts receivable	75,097	44,230
Contributions receivable, net	11,876,692	7,859,454
Government grants receivable	1,577,549	862,376
Due from related parties	3,950,787	2,183,076
Investments	3,199,165	3,590,716
Prepaid expenses and other assets	667,778	675,390
Property and equipment, net	3,979,394	4,579,078
Website and software costs, net	-	1,947
	<u>\$ 42,979,809</u>	<u>\$ 29,039,173</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 1,209,566	\$ 1,506,763
Accrued salaries and vacation	834,344	1,059,173
Due to related parties	3,383,487	-
Bank line of credit	1,500,000	-
Paycheck Protection Program loan payable	1,825,000	-
Deferred rent obligation and lease incentive	<u>2,888,787</u>	<u>2,962,485</u>
Total liabilities	<u>11,641,184</u>	<u>5,528,421</u>
Commitments, contingencies and other uncertainty (Note K)		
Net assets:		
Without donor restrictions:		
Undesignated funds, available for general activities	<u>9,303,348</u>	<u>5,150,408</u>
With donor restrictions:		
Purpose restrictions	19,514,745	14,008,813
Time restricted for future period	520,532	2,351,531
Perpetual in nature	<u>2,000,000</u>	<u>2,000,000</u>
Total net assets with donor restrictions	<u>22,035,277</u>	<u>18,360,344</u>
Total net assets	<u>31,338,625</u>	<u>23,510,752</u>
	<u>\$ 42,979,809</u>	<u>\$ 29,039,173</u>

See notes to financial statements.

CHILD MIND INSTITUTE, INC.

Statements of Activities

	Year Ended September 30,					
	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenue:						
Foundations, corporations and individuals (including in-kind services of \$10,508,011 and \$9,259,962 in 2020 and 2019, respectively)	\$ 17,994,269	\$ 14,559,642	\$ 32,553,911	\$ 14,286,829	\$ 7,062,534	\$ 21,349,363
Special event revenue (net of direct benefit to donors of \$241,847 and \$360,785 in 2020 and 2019, respectively)	5,486,992	2,351,531	7,838,523	4,607,225	2,351,531	6,958,756
Government grants	3,303,373	-	3,303,373	2,487,149	-	2,487,149
Net investment (losses) gains	(11,118)	(12,743)	(23,861)	228,442	53,911	282,353
Program service fees	97,794	-	97,794	105,811	-	105,811
Administrative services	2,737,190	-	2,737,190	1,725,422	-	1,725,422
	<u>29,608,500</u>	<u>16,898,430</u>	<u>46,506,930</u>	<u>23,440,878</u>	<u>9,467,976</u>	<u>32,908,854</u>
Total public support and revenue before net assets released from restrictions						
Net assets released from restrictions	13,223,497	(13,223,497)	-	8,487,144	(8,487,144)	-
	<u>42,831,997</u>	<u>3,674,933</u>	<u>46,506,930</u>	<u>31,928,022</u>	<u>980,832</u>	<u>32,908,854</u>
Expenses:						
Program services:						
Education and outreach	13,499,336	-	13,499,336	11,818,665	-	11,818,665
Research and clinical	17,147,032	-	17,147,032	13,262,485	-	13,262,485
	<u>30,646,368</u>	<u>-</u>	<u>30,646,368</u>	<u>25,081,150</u>	<u>-</u>	<u>25,081,150</u>
Total program services						
Supporting services:						
Management and general	5,717,435	-	5,717,435	5,004,104	-	5,004,104
Fund-raising	2,315,254	-	2,315,254	3,247,950	-	3,247,950
	<u>8,032,689</u>	<u>-</u>	<u>8,032,689</u>	<u>8,252,054</u>	<u>-</u>	<u>8,252,054</u>
Total supporting services						
	<u>38,679,057</u>	<u>-</u>	<u>38,679,057</u>	<u>33,333,204</u>	<u>-</u>	<u>33,333,204</u>
Total expenses						
	<u>4,152,940</u>	<u>3,674,933</u>	<u>7,827,873</u>	<u>(1,405,182)</u>	<u>980,832</u>	<u>(424,350)</u>
Change in net assets						
Net assets, beginning of year	5,150,408	18,360,344	23,510,752	6,555,590	17,379,512	23,935,102
	<u>9,303,348</u>	<u>22,035,277</u>	<u>31,338,625</u>	<u>5,150,408</u>	<u>18,360,344</u>	<u>23,510,752</u>
Net assets, end of year						

See notes to financial statements.

CHILD MIND INSTITUTE, INC.

Statement of Functional Expenses

Year Ended September 30, 2020

(with comparative totals for September 30, 2019)

	Program Services			Supporting Services			Total Expenses	
	Education and Outreach	Research and Clinical	Total Program Services	Management And General	Fund-Raising	Total Supporting Services	2020	2019
Salaries	\$ 905,790	\$ 5,647,715	\$ 6,553,505	\$ 1,944,001	\$ 1,053,206	\$ 2,997,207	\$ 9,550,712	\$ 9,742,876
Payroll taxes and employee benefits	176,290	916,362	1,092,652	767,885	152,061	919,946	2,012,598	1,832,897
Travel and meals	14,073	44,096	58,169	34,253	21,468	55,721	113,890	357,121
Occupancy	125,089	1,556,873	1,681,962	1,147,831	192,452	1,340,283	3,022,245	1,570,475
Office expenses	9,951	97,284	107,235	123,367	21,320	144,687	251,922	248,334
Professional and consulting fees	11,593,418	7,188,531	18,781,949	1,105,634	376,071	1,481,705	20,263,654	16,201,376
Event consultants	-	-	-	-	91,669	91,669	91,669	83,000
Catering and facility rental	-	-	-	-	241,847	241,847	241,847	360,785
Conference and meetings	-	67,141	67,141	83	158	241	67,382	205,554
Telephone	8,025	28,899	36,924	25,791	3,473	29,264	66,188	56,561
Insurance	50,276	83,161	133,437	54,254	10,047	64,301	197,738	276,551
Computers and equipment	77,674	286,320	363,994	202,181	54,103	256,284	620,278	528,447
Printing	473	19,466	19,939	4,389	14,356	18,745	38,684	70,998
Postage	523	7,591	8,114	5,175	2,972	8,147	16,261	35,520
Staff development	3,171	2,188	5,359	27,299	563	27,862	33,221	82,502
Financial aid	-	511,672	511,672	-	-	-	511,672	700,569
Scholarships and awards	-	35,000	35,000	-	-	-	35,000	-
Events expense	-	-	-	-	-	-	-	84,637
Dues and subscriptions	660	11,973	12,633	6,796	16,540	23,336	35,969	35,371
Publications	43	67,176	67,219	150	-	150	67,369	175,854
Bank fees	9,264	15,064	24,328	18,999	34,171	53,170	77,498	80,803
Interest expense	2,913	4,737	7,650	5,975	10,746	16,721	24,371	-
Web development and design	463,561	113,650	577,211	110,820	179,168	289,988	867,199	328,269
Lobbying	-	-	-	-	-	-	-	93
Advertisement	-	79,608	79,608	7,768	-	7,768	87,376	6,420
Bad debts expense	-	-	-	-	13,105	13,105	13,105	15,000
Depreciation and amortization	58,142	362,525	420,667	124,784	67,605	192,389	613,056	613,976
Total expenses	13,499,336	17,147,032	30,646,368	5,717,435	2,557,101	8,274,536	38,920,904	33,693,989
Less: direct benefit to donors	-	-	-	-	(241,847)	(241,847)	(241,847)	(360,785)
Total expenses per statements of activities	\$ 13,449,336	\$ 17,147,032	\$ 30,646,368	\$ 5,717,435	\$ 2,315,254	\$ 8,032,689	\$ 38,679,057	\$ 33,333,204

See notes to financial statements.

CHILD MIND INSTITUTE, INC.

**Statement of Functional Expenses
Year Ended September 30, 2019**

	Program Services			Supporting Services			Total Expenses
	Education and Outreach	Research and Clinical	Total Program Services	Management and General	Fund-Raising	Total Supporting Services	
Salaries	\$ 928,110	\$ 4,740,180	\$ 5,668,290	\$ 2,509,567	\$ 1,565,019	\$ 4,074,586	\$ 9,742,876
Payroll taxes and employee benefits	148,618	942,583	1,091,201	536,530	205,166	741,696	1,832,897
Travel and meals	14,033	187,565	201,598	16,929	138,594	155,523	357,121
Occupancy	91,877	808,983	900,860	578,701	90,914	669,615	1,570,475
Office expenses	34,742	136,469	171,211	52,138	24,985	77,123	248,334
Professional and consulting fees	10,240,251	4,363,177	14,603,428	766,713	831,235	1,597,948	16,201,376
Event consultants	-	-	-	-	83,000	83,000	83,000
Catering and facility rental	-	-	-	-	360,785	360,785	360,785
Conference and meetings	-	202,788	202,788	2,766	-	2,766	205,554
Telephone	5,695	25,305	31,000	22,636	2,925	25,561	56,561
Insurance	56,245	108,261	164,506	80,069	31,976	112,045	276,551
Computers and equipment	41,107	281,495	322,602	94,216	111,629	205,845	528,447
Printing	4,735	25,166	29,901	18,534	22,563	41,097	70,998
Postage	2,534	18,849	21,383	5,920	8,217	14,137	35,520
Staff development	3,819	11,009	14,828	46,429	21,245	67,674	82,502
Financial aid	-	700,569	700,569	-	-	-	700,569
Events expense	40,675	8,244	48,919	30,432	5,286	35,718	84,637
Dues and subscriptions	145	9,666	9,811	14,388	11,172	25,560	35,371
Publications	278	173,869	174,147	1,598	109	1,707	175,854
Bank fees	1,262	10,623	11,885	36,421	32,497	68,918	80,803
Web development and design	162,436	68,775	231,211	73,842	23,216	97,058	328,269
Lobbying	93	-	93	-	-	-	93
Advertisement	-	3,130	3,130	2,790	500	3,290	6,420
Bad debts expense	-	-	-	-	15,000	15,000	15,000
Depreciation and amortization	42,010	435,779	477,789	113,485	22,702	136,187	613,976
Total expenses	11,818,665	13,262,485	25,081,150	5,004,104	3,608,735	8,612,839	33,693,989
Less: direct benefit to donors	-	-	-	-	(360,785)	(360,785)	(360,785)
Total expenses per statements of activities	\$ 11,818,665	\$ 13,262,485	\$ 25,081,150	\$ 5,004,104	\$ 3,247,950	\$ 8,252,054	\$ 33,333,204

See notes to financial statements.

CHILD MIND INSTITUTE, INC.

Statements of Cash Flows

	Year Ended September 30,	
	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 7,827,873	\$ (424,350)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	613,056	613,976
Amortization of deferred rent obligation and lease incentive	(73,698)	2,110,229
Net realized and unrealized losses (gains) on investments	97,126	(112,589)
Bad debts expense	13,105	15,000
Donated securities	(3,857,225)	(768,036)
Proceeds from sales of donated securities	3,857,225	768,036
Changes in:		
Accounts receivable	(30,867)	112,783
Contributions receivable, net	(4,030,343)	3,122,785
Government grants receivable	(715,173)	(778,904)
Due from related parties	(1,769,454)	(1,166,952)
Prepaid expenses and other assets	7,612	(194,267)
Accounts payable and accrued expenses	(297,197)	75,624
Accrued salaries and vacation	(224,829)	638,602
Due to related parties	<u>3,385,230</u>	<u>-</u>
Net cash provided by operating activities	<u>4,802,441</u>	<u>4,011,937</u>
Cash flows from investing activities:		
Proceeds from sales of investments	2,429,477	5,508,600
Purchases of investments	(2,135,052)	(3,140,876)
Purchases of property and equipment	<u>(11,425)</u>	<u>(1,558,654)</u>
Net cash provided by investing activities	<u>283,000</u>	<u>809,070</u>
Cash flows from financing activities:		
Proceeds from draws on bank line of credit	1,500,000	-
Proceeds from Paycheck Protection Program loan payable	<u>1,825,000</u>	<u>-</u>
Net cash provided by financing activities	<u>3,325,000</u>	<u>-</u>
Net increase in cash, cash equivalents, and restricted cash	8,410,441	4,821,007
Cash, cash equivalents, and restricted cash, beginning of year	<u>9,242,906</u>	<u>4,421,899</u>
Cash, cash equivalents, and restricted cash, end of year	<u>\$ 17,653,347</u>	<u>\$ 9,242,906</u>
Supplemental disclosure of cash flow information:		
In-kind services	<u>\$ 10,508,011</u>	<u>\$ 9,259,962</u>
Taxes paid	<u>\$ -</u>	<u>\$ 13,200</u>
Interest paid	<u>\$ 24,371</u>	<u>\$ -</u>

See notes to financial statements.

CHILD MIND INSTITUTE, INC.

Notes to Financial Statements September 30, 2020 and 2019

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

[1] Organization:

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.

As further described in Note E, CMI has related activities in common with Child Mind Medical Practice, PLLC (the "New York Practice"), a professional service limited liability company organized in New York in 2010 which specializes in the treatment of psychological and behavioral disorders in children and adolescents. CMI facilitated the creation of the New York Practice to provide clinical care and treatment to children and adolescents which, under applicable law, CMI may not directly provide. CMI's president is also a member of the New York Practice; however, there are no shared governing-board members between the two organizations, and CMI does not have a direct ownership interest in the New York Practice. Therefore, the criteria for consolidation is not met.

CMI is also related to Child Mind Medical Practice, PC (the "California Practice"), a professional medical corporation organized in California in January 2019 which specializes in the treatment of psychological and behavioral disorders in children and adolescents in the State of California. Similar to the New York Practice, CMI facilitated the creation of the California Practice to provide clinical care and treatment to children and adolescents, which, under applicable law, CMI may not directly provide. CMI's president is also the sole shareholder of the California Practice; however there are no shared governing-board members between the two organizations, and CMI does not have a direct ownership interest in the California Practice. Therefore, the criteria for consolidation is not met.

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 K[1]).

CHILD MIND INSTITUTE, INC.

Notes to Financial Statements September 30, 2020 and 2019

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

[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 net assets without donor restrictions, unless their use is restricted 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.

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 ongoing basis and recognizes any impairment in the year of determination. Long-lived assets were tested for impairment as of September 30, 2020 and 2019, 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 \$811,812 and \$809,865, respectively.

CHILD MIND INSTITUTE, INC.

Notes to Financial Statements September 30, 2020 and 2019

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

[8] Accrued vacation:

Accrued vacation represents CMI's obligation for the cost of unused employee vacation time payable in the event of employee departures. At September 30, 2020 and 2019, the accrued vacation obligation was \$685,826 and \$555,041, respectively, and is reported in the accompanying statements of financial position as a part of accrued salaries and vacation.

[9] Paycheck Protection Program loan payable:

On March 27, 2020, Congress enacted the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"). The Paycheck Protection Program ("PPP") established by the CARES Act, implemented by the U.S. Small Business Administration ("SBA"), provides businesses, including certain not-for-profit organizations, with funds to pay payroll and other costs during the coronavirus ("COVID-19") outbreak. During fiscal-year 2020, CMI applied for and received PPP funds.

There are two acceptable methods for accounting for the PPP funds received under the CARES Act. Entities can elect to treat the funds as a loan or as a conditional contribution. CMI has elected to record the PPP funds as a loan under the Financial Accounting Standards Board's (the "FASB") Accounting Standards Codification ("ASC") 470, *Debt*. CMI is in the process of applying for loan forgiveness, which will be recognized when the application is formally approved by the bank and the SBA; however, no assurance can be provided that CMI will be eligible for forgiveness, in whole, or in part (see Note J).

[10] Deferred rent obligation:

Rent expense is recognized using the straight-line method over the term of the lease. The difference between rent expense incurred and rental amounts actually paid, which is attributable to scheduled rent increases and a rent abatement, is reported as a deferred rent obligation in the statements of financial position.

[11] Net assets:

(i) *Net assets without donor restrictions:*

Net assets without donor restrictions represent those resources for which there are no restrictions by donors as to their use and are therefore available for current operations.

(ii) *Net assets with donor restrictions:*

Net assets with donor restrictions represent those resources that are subject to donor imposed restrictions, such as specific purposes and/or the passage of time. Also included within net assets with donor restrictions are donor restrictions that are perpetual in nature and subject to the requirements of the State of New York's Uniform Prudent Management of Institutional Funds Act ("NYPMIFA"). These donors have stipulated that those resources be maintained in perpetuity with the resultant income and net capital appreciation arising from the underlying assets to be used in satisfaction of the wishes of those donors. When a donor restriction expires, that is, when a stipulated time restriction ends, or a purpose restriction is accomplished, or funds are appropriated through an action of the Board of Directors, net assets with donor restrictions are reclassified to net assets without donor restriction and are reported in the statements of activities as "net assets released from restrictions."

CHILD MIND INSTITUTE, INC.

Notes to Financial Statements September 30, 2020 and 2019

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

[12] 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 with donor restrictions if they are received with donor stipulations or time considerations as to their use. Gross proceeds paid by attendees at special events held as fundraising activities represents contribution revenue as well as the payment of the direct cost of the benefit received by the attendee at the event. Special-event income is reported net of the direct benefit to donors. Special event revenues, other than contributions, applicable to a current year are recognized as revenue in the year a special event takes place. Special event revenue received for a future year's event is deferred and recognized when the event takes place. 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 considered available for general use, unless the donor or grantor restricts the use thereof.

(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).

[13] 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 public support without donor restrictions.

During fiscal-years 2020 and 2019, CMI received donated legal and marketing services totaling approximately \$134,000 and \$173,000, respectively. During fiscal-years 2020 and 2019, CMI received approximately \$10,374,000 and \$9,087,000, 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.

Donated services totaled approximately \$10,508,000 and \$9,260,000, during fiscal-years 2020 and 2019, respectively.

[14] Functional allocation of expenses:

The costs of providing CMI's various programs and supporting services have been summarized on a functional basis in the statements of activities. The statements of functional expenses present expenses by function and natural classification. Accordingly, direct costs have been functionalized within the program and supporting services, based on the nature of the expense. Indirect costs have been allocated on the basis of time allocation with the exception of occupancy and insurance which are allocated by square footage.

CHILD MIND INSTITUTE, INC.

Notes to Financial Statements September 30, 2020 and 2019

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

[15] Advertising:

CMI expenses the costs of advertising as they are incurred. Advertising expense for fiscal-years 2020 and 2019 was approximately \$87,000 and \$6,400, respectively.

[16] Income tax uncertainties:

CMI is subject to the provisions of the FASB 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.

[17] Adoption of accounting pronouncement:

In June 2018, the FASB issued Accounting Standards Update ("ASU") 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 985)*. ASU 2018-08 clarifies and improves guidance concerning: 1) evaluating whether a transaction should be accounted for as an exchange transaction or as a contribution; and 2) determining whether a contribution received is conditional. ASU 2018-08 is effective for annual periods beginning after December 15, 2018 for entities that are resource recipients and periods beginning after December 15, 2019 for entities that are resource providers. ASU 2018-08 should be applied on a modified prospective basis. CMI has adopted the resource recipient portion of the standard and has chosen to early adopt the resource provider section of the standard for its fiscal year ending September 30, 2020. This accounting guidance did not have a material effect on CMI's financial statements.

[18] Upcoming accounting pronouncements:

(i) *Revenue from Contracts with Customers:*

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. ASU 2014-09 requires an entity to recognize revenue depicting the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 will also result in enhanced revenue related disclosures. The standard permits the use of either the retrospective or cumulative effect transition method. The adoption of ASU 2014-09 is not expected to have a material effect on the financial statements but will require enhanced disclosures. As a result of recent deferrals due to COVID-19, ASU 2014-09 will be effective for fiscal years beginning after December 31, 2019; accordingly, management is in the process of assessing the impact of this ASU on the financial statements and related disclosures.

(ii) *Leases:*

In February 2016, the FASB issued ASU 2016-02, *Leases*. ASU 2016-02 will require lessees to recognize for all leases (with terms of more than 12 months) at the commencement date, the following: a) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and b) a right-of-use-asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. The lease guidance also simplified the accounting for sale and leaseback transactions primarily because lessees must recognize lease assets and lease liabilities. Lessees will no longer be provided with a source of off-balance sheet financing. This ASU is required to be adopted on a modified retrospective basis.

CHILD MIND INSTITUTE, INC.

Notes to Financial Statements September 30, 2020 and 2019

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

[18] Upcoming accounting pronouncements: (continued)

(ii) Leases: (continued)

As a result of recent deferrals due to COVID-19, ASU 2016-02 will be effective for fiscal years beginning after December 15, 2021. Management is currently evaluating the effect that this guidance will have on the financial statements and related disclosures.

[19] Reclassifications:

Certain amounts in the 2019 financial statements and disclosures have been reclassified to conform to the presentation in the 2020 financial statements.

[20] Subsequent events:

CMI has evaluated subsequent events through April 30, 2021, 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:

	<u>September 30,</u>	
	<u>2020</u>	<u>2019</u>
Less than one year	\$ 7,578,249	\$ 3,537,708
One year to five years	<u>4,473,564</u>	<u>4,448,403</u>
	12,051,813	7,986,111
Less: allowance for doubtful collection	(13,105)	(15,000)
Reduction of pledges due in excess of one year to present value, at discount rates ranging from 1.42% to 2.79%	<u>(162,016)</u>	<u>(111,657)</u>
	<u>\$ 11,876,692</u>	<u>\$ 7,859,454</u>

During fiscal-years 2020 and 2019, CMI wrote-off contributions receivable against its allowance of \$15,000 and \$100,000, 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, 2020 and 2019

NOTE C - INVESTMENTS

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

	September 30,			
	2020		2019	
	Fair Value	Cost	Fair Value	Cost
Money market funds	\$ 44,500	\$ 44,500	\$ 31,617	\$ 31,617
Mutual funds:				
Fixed-income funds	1,776,921	1,767,246	1,555,228	1,568,301
Market-hedging funds	55,165	53,449	115,753	108,364
Common stock	1,322,579	1,319,076	1,888,118	1,802,888
	<u>\$ 3,199,165</u>	<u>\$ 3,184,271</u>	<u>\$ 3,590,716</u>	<u>\$ 3,511,170</u>

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

	Year Ended September 30,	
	2020	2019
	Interest and dividends	\$ 89,411
Realized (losses) gains	(32,474)	51,662
Unrealized (losses) gains	(64,652)	60,927
Investment management fees	(16,146)	(33,194)
	<u>\$ (23,861)</u>	<u>\$ 282,353</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.

CHILD MIND INSTITUTE, INC.**Notes to Financial Statements
September 30, 2020 and 2019****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,			
	2020		2019	
	Level 1	Total	Level 1	Total
Money market funds	\$ 44,500	\$ 44,500	\$ 31,617	\$ 31,617
Mutual funds	1,832,086	1,832,086	1,670,981	1,670,981
Common stock	<u>1,322,579</u>	<u>1,322,579</u>	1,888,118	<u>1,888,118</u>
	<u>\$ 3,199,165</u>	<u>\$ 3,199,165</u>	<u>\$ 3,590,716</u>	<u>\$ 3,590,716</u>

NOTE D - PROPERTY AND EQUIPMENT

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

	September 30,	
	2020	2019
Computer hardware	\$ 371,390	\$ 371,390
Furniture and equipment	2,062,150	2,062,150
Leasehold improvements	<u>5,339,446</u>	<u>5,328,021</u>
	7,772,986	7,761,561
Less: accumulated depreciation and amortization	<u>(3,793,592)</u>	<u>(3,182,483)</u>
	<u>\$ 3,979,394</u>	<u>\$ 4,579,078</u>

CHILD MIND INSTITUTE, INC.

**Notes to Financial Statements
September 30, 2020 and 2019**

NOTE E - RELATED-PARTY TRANSACTIONS

As discussed in Note A[1], the relationship between the New York Practice, the California Practice and CMI lends itself to a variety of transactions and agreements as further described below:

[1] Administrative services agreements and other transactions:

CMI provides certain administrative services to the New York Practice and the California Practice, and the New York Practice and California Practices reimburse CMI for the value of those services, based upon agreements between the organizations. The following table notes the costs incurred and reimbursed by the New York Practice and the California Practice to CMI during each fiscal-year:

	Year Ended September 30,			
	2020		2019	
	New York Practice	California Practice	New York Practice	California Practice
Beginning balance due to CMI	\$ 2,083,692	\$ 99,384	\$ 1,016,123	\$ -
Administrative	1,263,275	1,473,915	992,882	732,540
Other costs incurred	205,341	28,377	-	166,931
Payments reimbursed to CMI	<u>(68,000)</u>	<u>(1,135,197)</u>	<u>(516,124)</u>	<u>(800,087)</u>
Ending balance due to CMI	<u>\$ 3,484,308</u>	<u>\$ 466,479</u>	<u>\$ 1,492,881</u>	<u>\$ 99,384</u>

In addition, CMI, as of September 30, 2020, and functioning as an agent for the New York Practice and the California Practice, holds PPP loan proceeds of \$1,925,000 and \$299,210, respectively, which will be remitted to the respective organizations subsequent to year end.

[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 New York Practice and the California Practice. Families complete an application for aid at the New York Practice and the California Practice. Eligible families may receive a fee discount between 20%-60% of the cost of services. CMI raises funds to support this program. Financial aid awards to patients of the New York Practice and the California Practice from CMI during each fiscal-year were as follows:

	Year Ended September 30,			
	2020		2019	
	New York Practice	California Practice	New York Practice	California Practice
Beginning balance due from CMI	\$ -	\$ -	\$ -	\$ -
Financial aid awards	510,390	1,282	700,569	-
Payments provided	<u>(451,271)</u>	<u>(1,282)</u>	<u>(700,569)</u>	<u>-</u>
Ending balance due from CMI	<u>\$ 59,119</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CHILD MIND INSTITUTE, INC.

Notes to Financial Statements September 30, 2020 and 2019

NOTE E - RELATED-PARTY TRANSACTIONS (CONTINUED)

[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 New York Practice and the California 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. Amounts expensed by CMI in the performance of these requests are included within the professional and consulting fees in the statements of functional expenses. During fiscal-years 2020 and 2019, sub-contracted amounts paid to the New York Practice and the California Practice are as follows:

	Year Ended September 30,			
	2020		2019	
	New York Practice	California Practice	New York Practice	California Practice
Beginning balance due from CMI	\$ -	\$ -	\$ -	\$ -
Subcontracting	2,198,650	211,075	2,721,165	-
Payments provided	<u>(1,310,848)</u>	<u>-</u>	<u>(2,721,165)</u>	<u>-</u>
Ending balance due from CMI	<u>\$ 887,802</u>	<u>\$ 211,075</u>	<u>\$ -</u>	<u>\$ -</u>

[4] Restricted grant start-up agreement:

CMI entered into a restricted grant agreement with the New York Practice pursuant to which CMI agreed to make special purpose restricted grants to the New York Practice up to the aggregate amount of \$2,440,000. To date, CMI has made grants to the New York Practice in the aggregate amount of \$690,000.

Similarly, CMI entered into a restricted grant agreement with the California Practice pursuant to which CMI agreed to make special purpose restricted grants to the California Practice up to the aggregate amount of \$5,000,000. To date, CMI has made grants to the California Practice in the aggregate amount of \$692,080.

[5] Fund-raised restricted funds:

CMI has fund-raised, through its West Coast campaign, for costs related to the expansion of the California Practice. CMI has granted \$4,006,984 and \$521,351, during fiscal-years ended September 30, 2020 and 2019, respectively, to the California Practice.

[6] License agreement:

Pursuant to license agreements between CMI and the New York Practice and the California Practice, respectively, CMI granted a royalty-free license of certain of its trademarks and domain names to the New York Practice and the California Practice, subject to certain terms and conditions, including the termination of the license agreements in the event the New York Practice or the California Practice breaches the terms and conditions of the agreements.

CHILD MIND INSTITUTE, INC.**Notes to Financial Statements
September 30, 2020 and 2019****NOTE F - NET ASSETS WITH DONOR RESTRICTIONS**

At each fiscal year-end, net assets with donor restrictions consisted of the following:

	September 30,	
	2020	2019
Purpose restrictions:		
Healthy Brain Network	\$ 6,646,432	\$ 4,917,314
School and community programs	4,997,791	2,406,269
Financial aid	1,095,225	1,628,849
Education	2,795,386	-
Research	-	113,053
West Coast	3,392,097	4,382,284
Project UROK	266,693	225,517
Katz Lecture	232,734	234,929
Doris and Melvin Sirow Art Fund	61,164	61,164
Matter Lab	465	-
My Younger Self	67	-
	<u>19,488,054</u>	<u>13,969,379</u>
Restricted for future periods	<u>520,532</u>	<u>2,351,531</u>
Accumulated endowment income reserved for appropriation - research and science	<u>26,691</u>	<u>39,434</u>
Perpetual in nature	<u>2,000,000</u>	<u>2,000,000</u>
	<u>\$ 22,035,277</u>	<u>\$ 18,360,344</u>

CHILD MIND INSTITUTE, INC.

**Notes to Financial Statements
September 30, 2020 and 2019**

NOTE F - NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

During each fiscal year, net assets released from restrictions resulted from satisfying the following donor restrictions:

	Year Ended September 30,	
	2020	2019
Purpose restrictions satisfied:		
Healthy Brain Network	\$ 4,163,585	\$ 5,091,214
School and community programs	1,121,794	703,197
Financial aid	586,727	700,569
Research	189,847	305,810
Project UROK	109,946	-
Katz Lecture	2,195	-
Doris and Melvin Sirow Art Fund	-	784
West Coast	4,060,207	521,351
Education	626,265	-
Clinical	5,000	-
	<u>10,865,566</u>	<u>7,322,925</u>
Time restrictions satisfied	<u>2,357,931</u>	<u>1,164,219</u>
	<u>\$ 13,223,497</u>	<u>\$ 8,487,144</u>

NOTE G - ENDOWMENT

[1] The endowment:

CMI's endowment consists of a fund with donor restriction 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:

	September 30, 2020		
	Amounts Subject to Appropriation	Amounts Perpetual in Nature	Total
Endowment net assets, beginning of year	\$ 39,434	\$ 2,000,000	\$ 2,039,434
Investment returns, net	(12,743)	-	(12,743)
Appropriation of endowment assets	-	-	-
Endowment net assets, end of year	<u>\$ 26,691</u>	<u>\$ 2,000,000</u>	<u>\$ 2,026,691</u>

CHILD MIND INSTITUTE, INC.**Notes to Financial Statements
September 30, 2020 and 2019****NOTE G - ENDOWMENT (CONTINUED)****[3] Changes in endowment net assets for each fiscal year were as follows: (continued)**

	September 30, 2019		
	Amounts Subject to Appropriation	Amounts Perpetual in Nature	Total
Endowment net assets, beginning of year	\$ 95,523	\$ 2,000,000	\$ 2,095,523
Investment returns, net	53,911	-	53,911
Appropriation of endowment assets	<u>(110,000)</u>	<u>-</u>	<u>(110,000)</u>
Endowment net assets, end of year	<u>\$ 39,434</u>	<u>\$ 2,000,000</u>	<u>\$ 2,039,434</u>

Amounts subject to appropriation represent that portion of allocated investment income, derived from endowment assets held in perpetuity, that have 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 2020 and 2019. 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. CMI's Board of Directors, based on the recommendation of the Committee, did not appropriate the full allowable amount. There were no appropriations in fiscal-years 2020 and 2019.

CHILD MIND INSTITUTE, INC.

Notes to Financial Statements September 30, 2020 and 2019

NOTE H - 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 2020 and 2019 were \$151,009 and \$250,937, respectively.

NOTE I - 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.

NOTE J - DEBT

[1] Bank 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. In November 2019, the line of credit was increased to \$1,500,000. The line of credit matured on November 14, 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 3.46%, which at September 30, 2020 and 2019 was equivalent to 3.59% and 5.68%, respectively. CMI drew down the line of credit during fiscal-year 2020, and then paid it back in full in November 2020. There were no draws on the line of credit during fiscal-year 2019. On January 26, 2021, CMI renewed the line of credit and increased it to \$3,000,000.

[2] Paycheck Protection Program loan payable:

On April 6, 2020, CMI received \$1,825,000 in funds from the PPP, which is reported as a Paycheck Protection Program loan payable in the statements of financial position at September 30, 2020. The loan matures on April 6, 2022 and bears interest at a rate of 0.98%. This loan may be forgiven subject to bank approval in accordance with SBA guidelines. In accordance with SBA guidelines, required monthly principal and interest payments will begin no earlier than the end of the covered period of September 2020. CMI has ten months after the end of the covered period to apply for forgiveness of the loan. Any outstanding principal of the loan that is not forgiven under the PPP loan program at the end of the ten-month deferral period will convert to a term loan with an interest rate of 0.98% payable in equal installments of principal and interest over the next twenty four months, beginning in August 2021. Until determination of forgiveness, the scheduled future principal maturities as of September 30, 2020 are as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2021	\$ 150,721
2022	909,514
2023	<u>764,765</u>
	<u>\$ 1,825,000</u>

CHILD MIND INSTITUTE, INC.

Notes to Financial Statements September 30, 2020 and 2019

NOTE K - COMMITMENTS, CONTINGENCIES, AND OTHER UNCERTAINTY

[1] Lease agreements:

In August 2010, CMI and the New York Practice entered jointly into an operating lease agreement with an unrelated party for office space, expiring on May 31, 2023. Pursuant to this agreement, CMI and the New York Practice received a base rent credit of \$1,190,490 to be applied to the rent expense from the commencement of the lease through May 2011. In November 2017, CMI jointly with the New York Practice, signed an agreement to the existing lease agreement, which adds additional space and extends the lease through fiscal year 2034, with an option to terminate early in fiscal-year 2023, which includes a base rent credit of \$2,131,887 to be applied to the rent expense. In accordance with a cost sharing agreement, 65% of this credit was passed through to the New York Practice. As discussed in Note A[10], 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 \$2,734,859 and \$2,851,493, as of September 30, 2020 and 2019, 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 2018, CMI entered into a short-term lease with an unrelated party for temporary office space during the preparation of the new space, noted above, which expired 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 expired on 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 \$16,143 as of September 30, 2019 and has been reported as a deferred rent liability in the accompanying statements of financial position.

In August 2019, CMI entered into an operating lease agreement with an unrelated party for office space in Harlem, New York, expiring on December 31, 2029. 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 \$153,928 and \$94,849 as of September 30, 2020 and 2019, respectively, and has been reported as a deferred rent liability in the accompanying statements of financial position.

In August 2019, CMI and the California Practice entered jointly into an operating lease agreement with an unrelated party for office space, expiring on February 28, 2025. Pursuant to this agreement, CMI and the California Practice received a base rent credit of \$161,476 to be applied to the rent expense from the commencement of the lease through February 2020. The aggregate minimum lease payments are being amortized using the straight-line method over the term of the lease. Should the California Practice default on the lease payments, CMI will be held responsible for the remaining costs of the lease; however, the California Practice and CMI do not share the cost of the lease.

CHILD MIND INSTITUTE, INC.

Notes to Financial Statements September 30, 2020 and 2019

NOTE K - COMMITMENTS, CONTINGENCIES, AND OTHER UNCERTAINTY (CONTINUED)

[1] Lease agreements: (continued)

The future minimum rental commitments of CMI, the New York Practice and the California Practice for the fiscal-years ended subsequent to September 30, 2020 is as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2021	\$ 4,010,891
2022	4,027,098
2023	3,544,529
2024	4,490,133
2025	4,259,025
Thereafter	<u>33,942,975</u>
	<u>\$ 54,274,651</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, 2020, 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.

[4] Other uncertainty:

The extent of the impact of the COVID-19 outbreak on the operational and financial performance of CMI's services will depend on continued future developments, including the duration and spread of the outbreak and related travel advisories and restrictions and the impact of COVID-19 on overall demand for CMI's services, all of which are highly uncertain and cannot be predicted. If demand for CMI's services are impacted for an extended period, results of operations may be materially adversely affected.

CHILD MIND INSTITUTE, INC.

Notes to Financial Statements September 30, 2020 and 2019

NOTE L - LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects CMI's financial assets available for general expenditure within one year of the statements of financial position date:

	<u>September 30,</u>	
	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 17,653,347	\$ 9,242,906
Accounts receivable	75,097	44,230
Contributions receivable, net	11,876,692	7,859,454
Government grants receivable	1,577,549	862,376
Due from related parties	3,950,787	2,183,076
Investments	<u>3,199,165</u>	<u>3,590,716</u>
Total financial assets available within one year	<u>38,332,637</u>	<u>23,782,758</u>
Less:		
Amounts unavailable for general expenditures within one year, due to:		
Purpose and time restrictions	(20,035,277)	(16,360,344)
Perpetual in nature	(2,000,000)	(2,000,000)
Cash and cash equivalents held as collateral for letter of credit held as security	<u>(2,500,000)</u>	<u>(2,500,000)</u>
Total amounts unavailable for general expenditure within one year	<u>(24,535,277)</u>	<u>(20,860,344)</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 13,797,360</u>	<u>\$ 2,922,414</u>

Liquidity policy:

CMI maintains a sufficient level of resources to be available as its general expenditures, liabilities, and other obligations come due. Additionally, CMI has access to a \$1,500,000 bank line of credit, which was increased to \$3,000,000 in January 2021, as discussed in Note J, which is available for short-term liquidity needs.