



Child Mind Institute, Inc.
Financial Statements
(Together with Independent Auditors' Report)

Years Ended September 30, 2011 and September 30, 2010

CHILD MIND INSTITUTE, INC.

**FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)**

YEARS ENDED SEPTEMBER 30, 2011 AND SEPTEMBER 30, 2010

CONTENTS

Page

Independent Auditors' Report	1
Statements of Financial Position	2
Statements of Activities	3
Statements of Functional Expenses	4-5
Statements of Cash Flows	6
Notes to Financial Statements	7-10

INDEPENDENT AUDITORS' REPORT

To the Finance Committee of
Child Mind Institute, Inc.

We have audited the accompanying statement of financial position of Child Mind Institute, Inc. ("CMI") as of September 30, 2011 and 2010, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of CMI's management. 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Marks Paneth & Shron LLP

New York, NY
May 14, 2012



CHILD MIND INSTITUTE, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Cash and cash equivalents (Notes 2C and 10)	\$ 5,271,194	\$ 4,032,346
Contributions receivable (Notes 2D, 2F and 3)	1,357,393	1,686,489
Prepaid expenses and other assets	184,589	197,963
Security deposits	125,309	125,309
Property and equipment, net (Notes 2G and 4)	2,448,409	190,417
Due from related party (Note 5)	<u>410,474</u>	<u>436,006</u>
TOTAL ASSETS	<u>\$ 9,797,368</u>	<u>\$ 6,668,530</u>
LIABILITIES		
Accounts payable and accrued expenses	\$ 331,453	\$ 144,790
Accrued salaries and vacation	32,192	8,538
Deferred rent liability (Note 2M)	<u>23,158</u>	<u>-</u>
TOTAL LIABILITIES	<u>386,803</u>	<u>153,328</u>
NET ASSETS (Note 2B):		
Unrestricted	7,514,954	4,670,330
Temporarily restricted (Note 8)	<u>1,895,611</u>	<u>1,844,872</u>
TOTAL NET ASSETS	<u>9,410,565</u>	<u>6,515,202</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 9,797,368</u>	<u>\$ 6,668,530</u>

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

CHILD MIND INSTITUTE, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010

	For the Year Ended September 30, 2011		For the Year Ended September 30, 2010		
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted	Total 2010
REVENUES:					
PUBLIC SUPPORT AND REVENUES					
Foundations, corporations, individuals and other	\$ 3,265,731	\$ 650,000	\$ 3,915,731	\$ 1,849,609	\$ 8,570,923
Special event revenue, net of expenses \$155,737	4,565,774	450,000	5,015,774	-	-
Interest income	11,131	-	11,131	-	2,513
Miscellaneous revenue	16,971	-	16,971	-	-
Net assets released from restriction (Note 8)	<u>1,049,261</u>	<u>(1,049,261)</u>	<u>-</u>	<u>(4,737)</u>	<u>-</u>
TOTAL PUBLIC SUPPORT AND REVENUES	<u>8,908,868</u>	<u>50,739</u>	<u>8,959,607</u>	<u>1,844,872</u>	<u>8,573,436</u>
EXPENSES:					
Program Services:					
Education and outreach	2,198,182	-	2,198,182	-	806,128
Research	549,343	-	549,343	-	5,059
Total Program Expenses	<u>2,747,525</u>	<u>-</u>	<u>2,747,525</u>	<u>-</u>	<u>811,187</u>
Supporting Services:					
Management and general	2,381,943	-	2,381,943	-	818,253
Fundraising	934,776	-	934,776	-	428,794
Total Supporting Services	<u>3,316,719</u>	<u>-</u>	<u>3,316,719</u>	<u>-</u>	<u>1,247,047</u>
TOTAL EXPENSES	<u>6,064,244</u>	<u>-</u>	<u>6,064,244</u>	<u>-</u>	<u>2,058,234</u>
CHANGE IN NET ASSETS					
Net assets - beginning of year	2,844,624	50,739	2,895,363	1,844,872	6,515,202
	<u>4,670,330</u>	<u>1,844,872</u>	<u>6,515,202</u>	<u>-</u>	<u>-</u>
NET ASSETS - END OF YEAR	<u>\$ 7,514,954</u>	<u>\$ 1,895,611</u>	<u>\$ 9,410,565</u>	<u>\$ 1,844,872</u>	<u>\$ 6,515,202</u>

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

CHILD MIND INSTITUTE, INC
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2011
(With Comparative Totals for Fiscal Year 2010)

	Year Ended September 30, 2011				Total 2010
	Program Services	Management and General	Fundraising	Supporting Services	
PERSONNEL EXPENSES					
Salaries	\$ 927,750	\$ 390,698	\$ 420,338	\$ 811,036	\$ 719,484
Payroll taxes and employee benefits (Note 9)	114,927	223,951	54,852	278,803	159,999
Sub-total	1,042,677	614,649	475,190	1,089,839	879,483
OTHER EXPENSES					
Travel and meals	30,486	27,667	12,137	39,804	36,969
Occupancy (Note 7)	27,344	440,899	50,559	491,458	130,056
Office expenses	13,062	47,056	95,451	142,507	59,372
Professional and consulting fees	297,735	566,145	110,635	676,780	606,120
Event consultants	-	-	130,531	130,531	-
Conference and meetings	4,933	-	390	390	16,091
Telephone	5,008	39,555	1,551	41,106	37,139
Insurance	-	39,255	-	39,255	6,223
Computers and equipment	20,322	251,896	11,196	263,092	50,482
Printing	9,217	8,945	10,105	19,050	32,862
Postage	10,646	6,248	1,834	8,082	15,682
Staff development	-	-	-	-	4,029
Grant expense (Note 11)	690,000	-	-	-	-
Events expense	22,991	5,093	-	5,093	46,976
Dues and subscriptions	220	16,142	1,130	17,272	-
Bank fees (Note 6)	101	30,161	50	30,211	29,229
Web development and design	394,360	336	34,017	34,353	90,227
Advertisement	178,423	3,983	-	3,983	-
Depreciation	-	283,913	-	283,913	17,294
TOTAL EXPENSES	\$ 2,747,525	\$ 2,381,943	\$ 934,776	\$ 3,316,719	\$ 2,058,234

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

CHILD MIND INSTITUTE, INC
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2010

Year Ended September 30, 2010
Supporting Services

	Program Services	Management and General	Fundraising	Supporting Services	Total
PERSONNEL EXPENSES					
Salaries	\$ 426,367	\$ 86,382	\$ 206,735	\$ 293,117	\$ 719,484
Payroll taxes and employee benefits (Note 9)	54,575	66,582	38,842	105,424	159,999
Sub-total	480,942	152,964	245,577	398,541	879,483
OTHER EXPENSES					
Travel and meals	15,067	11,043	10,859	21,902	36,969
Occupancy (Note 7)	51,781	39,443	38,832	78,275	130,056
Office expenses	22,946	21,933	14,493	36,426	59,372
Professional and consulting fees	33,717	506,421	65,982	572,403	606,120
Conference and meetings	14,533	918	640	1,558	16,091
Telephone	13,907	12,404	10,828	23,232	37,139
Insurance	-	6,223	-	6,223	6,223
Computers and equipment	25,345	9,942	15,195	25,137	50,482
Printing	15,348	7,479	10,035	17,514	32,862
Postage	4,578	4,513	6,591	11,104	15,682
Staff development	-	2,251	1,778	4,029	4,029
Events expense	44,248	87	2,641	2,728	46,976
Bank fees (Note 6)	-	29,076	153	29,229	29,229
Web development and design	88,775	454	998	1,452	90,227
Depreciation	-	13,102	4,192	17,294	17,294
TOTAL EXPENSES	\$ 811,187	\$ 818,253	\$ 428,794	\$ 1,247,047	\$ 2,058,234

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

CHILD MIND INSTITUTE, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 2,895,363	\$ 6,515,202
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	283,913	17,294
Deferred rent liability	23,158	-
Subtotal	3,202,434	6,532,496
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Contributions receivable	329,096	(1,686,489)
Prepaid expenses and other assets	13,374	(197,963)
Security deposits	-	(125,309)
Due from related party	25,532	(436,006)
Increase in liabilities:		
Accounts payable and accrued expenses	186,663	144,790
Accrued salaries and vacation	23,654	8,538
Net Cash Provided by Operating Activities	3,780,753	\$ 4,240,057
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(2,541,905)	(207,711)
Net Cash Used by Investing Activities	(2,541,905)	(207,711)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,238,848	4,032,346
Cash and cash equivalents - beginning of year	4,032,346	-
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 5,271,194	\$ 4,032,346

CHILD MIND INSTITUTE, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2011 AND 2010

NOTE 1—ORGANIZATION AND NATURE OF ACTIVITIES

The Child Mind Institute (“CMI”) is devoted to transforming mental health care for the world’s children to enable them to reach their full potential. CMI is passionately committed to finding more effective treatments for childhood psychiatric and learning disorders, building the science of healthy brain development, and empowering children and their families with the information they need to get help, hope, and answers.

CMI was incorporated in 2009 and is organized under the Not-For-Profit Corporation Law of the State of New York. CMI is a tax-exempt organization under Section 501(c)(3) of the U.S. Internal Revenue Code and, accordingly, is not subject to federal income taxes. As a not-for-profit organization, CMI is also exempt from New York State and New York City income and sales taxes.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. CMI’s financial statements have been prepared on the accrual basis of accounting. CMI adheres to accounting principles generally accepted in the United States of America (“U.S. GAAP”).
- B. CMI classifies its net assets in the following three categories:
- Unrestricted – represents resources available for support of CMI’s operations over which the Board of Directors has discretionary control.
 - Temporarily Restricted – represents assets resulting from contributions and other inflows of assets whose use by CMI is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of CMI pursuant to those stipulations. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.
 - Permanently Restricted – represents those resources subject to donor-imposed stipulations that they be maintained intact in perpetuity by CMI. Currently, CMI has no permanently restricted net assets.
- C. Cash and cash equivalents consist of all highly liquid investments purchased with maturities of 3 months or less.
- D. Contributions receivable are recorded at net realizable value if expected to be collected in one year and, if material, multiyear receivables are recorded at the present value of their estimated future cash flows.
- E. Unconditional promises to give (pledges) are recorded as income when CMI is formally notified of the grants or contributions by the respective donors. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.
- F. As of September 30, 2011 and 2010, CMI determined that no allowance for doubtful accounts should be provided for receivables. Such estimate is based on management’s evaluation of the creditworthiness of its donors, a review of individual donor accounts outstanding, the aging of its receivables, as well as current economic conditions and historical loss experience.

**CHILD MIND INSTITUTE, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2011 AND 2010**

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- G. Property and equipment is stated at cost or contributed value less accumulated depreciation and amortization. CMI capitalizes property and equipment with a cost of \$3,000 or more and a useful life greater than one year. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. Leasehold improvements are amortized over the lesser of their useful lives or the term of the lease.
- H. The costs of providing program and supporting services of CMI have been summarized on a functional basis in the accompanying financial statements. Accordingly, certain costs have been allocated among the program and supporting services benefited.
- I. 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, revenues and expenses and disclosure of contingencies. Actual results may differ from those estimates.
- J. CMI has no uncertain tax positions as of September 30, 2011 and 2010 in accordance with Accounting Standards Codification ("ASC") Topic 740, *Income Taxes*, which provides standards for establishing and classifying any tax provision for uncertain tax positions.
- K. Donated securities are recorded at fair value at the date of donation.
- L. Donated services are recognized in the financial statements if the services or goods enhance or create non-financial assets or require specialized skills, provided by individuals possessing these skills and would typically need to be purchased if not provided by donation. CMI records contributions in kind at their fair value. For the years ended September 30, 2011 and 2010, CMI received professional services that amounted to approximately \$402,000 and \$0, respectively.
- M. CMI leases real property under an operating lease expiring in May 2023. For the years ended September 30, 2011 and 2010, CMI recorded an adjustment to rent expense to reflect its straight-lining policy that amounted to \$23,158 and \$0, respectively. Straight-lining of rent gives rise to a timing difference that is reflected as deferred rent in the accompanying statements of financial position.
- N. Management has evaluated events subsequent to the date of the statement of financial position through May 14, 2012, the date the financial statements were available to be issued. No events have occurred subsequent to the statement of financial position date through May 14, 2012 that would require adjustment or disclosure in the financial statements.

NOTE 3—CONTRIBUTIONS RECEIVABLE

Contributions receivable are unconditional promises to give consisting of the following as of September 30, 2011 and 2010.

	<u>2011</u>	<u>2010</u>
Due in less than one year	\$ 858,433	\$ 1,086,489
Due between one and five years	<u>498,960</u>	<u>600,000</u>
	<u>\$ 1,357,393</u>	<u>\$ 1,686,489</u>

CHILD MIND INSTITUTE, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2011 AND 2010

NOTE 4—PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of September 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>	<u>Estimated Useful Lives</u>
Computer software and hardware	\$ 635,766	\$ 145,833	3-5 years
Furniture and equipment	766,339	2,726	5-10 years
Leasehold improvements	1,247,511	-	15 years
Construction in progress (see below)	<u>100,000</u>	<u>59,152</u>	
Total cost	2,749,616	207,711	
Less: accumulated depreciation	<u>301,207</u>	<u>17,294</u>	
Net book value	<u>\$ 2,448,409</u>	<u>\$ 190,417</u>	

Depreciation expense amounted to \$283,913 and \$17,294 for the years ended September, 30, 2011 and 2010.

In March 2011, CMI relocated to a new location and entered into an agreement with a local contractor to renovate the premises. As of September 30, 2011, the estimated cost to complete the renovations was \$100,000.

NOTE 5—DUE FROM CHILD MIND MEDICAL PRACTICE

The Founder and President of CMI ("President") is also is the sole member of the Child Mind Medical Practice (the "Practice"), a separate and distinct for-profit company. The President is involved in the management of both of these entities, while CMI's Board of Directors oversees and controls the policies, management and activities of CMI. The criteria of control and economic interest that might require consolidation of the two entities' financial statements under U.S. GAAP are not met. Procedures are in place to ensure the proper allocation of expenses between each organization. Pursuant to an agreement between CMI and the Practice, CMI shared certain costs (including capital expenditures) associated with the start of operations. As of September 30, 2011 and 2010, CMI was owed approximately \$410,000 and \$436,000, respectively, from the Practice for its share of these costs, including salaries and equipment.

NOTE 6—BANK LETTERS OF CREDIT

CMI has two business letters of credit with a bank up to a maximum of \$2,828,588 that will expire on August 31, 2012. The letters of credit bears no interest. As of September 30, 2011, there was no outstanding balance. The letters of credit were issued relative to that certain agreement of lease, including any amendments and restatements between CMI and a landlord (See Note 7). CMI incurred bank related fees, pertaining to the letter of credits, of approximately \$30,000 and \$28,000 for the years ended September 30, 2011 and 2010. As of May 14, 2012, there was no outstanding balance.

NOTE 7—COMMITMENTS

CMI entered into an operating lease agreement in August 2010 for the New York office effective August 1, 2010 through May 31, 2023. Pursuant to this agreement, CMI received a base rent credit of \$1,190,490 to be applied to the rent expense from the commencement of this lease through May 31, 2011. In conjunction with this lease, CMI was required to obtain two separate letters of credit totaling \$2,828,588 to be held as security in the event of default (See Note 6). CMI has not defaulted on this lease through the date of this report and, accordingly, there have been no borrowings on these letters of credit.

**CHILD MIND INSTITUTE, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2011 AND 2010**

NOTE 7—COMMITMENTS (Continued)

Future minimum rent payments for the years subsequent to September 30, 2011 are as follows:

	<u>Real Property</u>
2012	\$ 1,428,588
2013	1,428,588
2014	1,428,588
2015	1,451,264
2016	1,564,644
Thereafter	<u>10,827,790</u>
	<u>\$ 18,129,462</u>

The rent expense for the year ended September 30, 2011 and 2010 amounted to approximately \$468,000 and \$130,000, respectively. During the year ended September 20, 2010, CMI occupied office space which was leased on a month to month basis.

NOTE 8—TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are both time and purpose restricted. Temporarily restricted net assets consist of the following as of September 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Time restricted	\$ 1,338,960	\$ 1,599,609
Time and purpose restricted	<u>556,651</u>	<u>245,263</u>
	<u>\$ 1,895,611</u>	<u>\$ 1,844,872</u>

For the year ended September 30, 2011 and 2010, \$1,049,261 and \$4,737 of expenses incurred satisfied the restricted purposes set forth by the donors and were released from their restrictions. Net assets restricted as to time will be released from their restrictions in conjunction with their scheduled payment date (See Note 2B).

NOTE 9—EMPLOYEE RETIREMENT PLAN

CMI maintains an employee benefit plan under section 401(k) of the Internal Revenue Code (the "Plan") into which eligible employees may contribute a portion of their annual salaries. Under the terms of the plan, CMI may provide a discretionary matching contribution of the employees' contributions up to 6% of their annual salary to a maximum of \$10,000 per year. Pension expense for the year ended September 30, 2011 and 2010 amounted to \$46,589 and \$9,000, respectively.

NOTE 10—CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject CMI to a concentration of credit risk included cash accounts with bank that were either not insured or may exceed the Federal Deposit Insurance Corporation ("FDIC") insurance limits by approximately \$5,100,000 and \$3,600,000 as of September 30, 2011 and 2010, respectively. Beginning December 31, 2010 through December 31, 2012, deposits held in non-interest bearing accounts at all FDIC insured institution are fully insured, regardless of the amount in the account.

NOTE 11—RESTRICTED GRANT

In July 2010, the Practice and CMI entered into a restricted grant agreement whereby CMI would make one or more initial capital grants not to exceed \$750,000 in aggregate, to the Practice in order to enable the Practice to cover its start up costs and begin treating patients. As a result of this agreement, CMI recorded grant expenses amounting to \$690,000 for the year ended September 30, 2011.