CHILD MIND INSTITUTE

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

Years Ended September 30, 2012 and 2011

Marks Paneth & Shron LLP
Certified Public Accountants & Consultants
IT ALL ADDS UP.

CHILD MIND INSTITUTE, INC.

FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)

YEARS ENDED SEPTEMBER 30, 2012 AND 2011

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INDEPENDENT AUDITORS' REPORT

To the Finance Committee of
Child Mind Institute, Inc.

We have audited the accompanying statements of financial position of Child Mind Institute, Inc. ("CMI") as of September 30, 2012 and 2011, 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, 2012 and 2011, 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
April 10, 2013

CHILD MIND INSTITUTE, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2012 AND 2011

	2012	2011
ASSETS		
Cash and cash equivalents (Notes 2C and 12)	$ 6,649,460	$ 5,271,194
Contributions receivable (Notes 2D, 2F and 3)	2,821,575	1,357,393
Investments (Notes 4 and 11)	327,901	-
Prepaid expenses and other assets	214,562	184,589
Security deposits	119,049	125,309
Property and equipment, net (Notes 2H and 5)	2,701,228	2,448,409
Due from related party (Note 6)	779,148	410,474
TOTAL ASSETS	$ 13,612,923	$ 9,797,368
LIABILITIES		
Accounts payable and accrued expenses	$ 873,040	$ 331,453
Accrued salaries and vacation	142,229	32,192
Deferred compensation liability (Note 11)	109,300	-
Deferred rent liability (Note 2N)	733,675	23,158
TOTAL LIABILITIES	1,858,244	386,803
NET ASSETS (Note 2B):		
Unrestricted	8,574,646	7,514,954
Temporarily restricted (Note 9)	3,180,033	1,895,611
TOTAL NET ASSETS	11,754,679	9,410,565
TOTAL LIABILITIES AND NET ASSETS	$ 13,612,923	$ 9,797,368

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

CHILD MIND INSTITUTE, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED SEPTEMBER 30, 2012 AND 2011

	For the Year Ended September 30, 2012			For the Year Ended September 30, 2011		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUES:						
PUBLIC SUPPORT AND REVENUES						
Foundations, corporations and individuals	2,089,583	$ 2,785,000	$ 4,874,583	$ 3,265,731	$ 650,000	$ 3,915,731
Special event revenue, net of expenses $246,081 in 2012 and $155,737 in 2011	4,644,501	70,500	4,715,001	4,565,774	450,000	5,015,774
Investment income	5,396	-	5,396	11,131	-	11,131
Miscellaneous revenue	14,859	-	14,859	16,971	-	16,971
Net assets released from restriction (Note 9)	1,571,078	(1,571,078)	-	1,049,261	(1,049,261)	-
TOTAL PUBLIC SUPPORT AND REVENUES	8,325,417	1,284,422	9,609,839	8,908,868	50,739	8,959,607
EXPENSES:						
Program Services:						
Education and outreach	1,109,903	-	1,109,903	2,198,182	-	2,198,182
Research & Clinical	2,921,211	-	2,921,211	549,343	-	549,343
Total Program Expenses	4,031,114	-	4,031,114	2,747,525	-	2,747,525
Supporting Services:						
Management and general	1,823,928	-	1,823,928	2,381,943	-	2,381,943
Fundraising	1,410,683	-	1,410,683	934,776	-	934,776
Total Supporting Services	3,234,611	-	3,234,611	3,316,719	-	3,316,719
TOTAL EXPENSES	7,265,725	-	7,265,725	6,064,244	-	6,064,244
CHANGE IN NET ASSETS	1,059,692	1,284,422	2,344,114	2,844,624	50,739	2,895,363
Net assets - beginning of year	7,514,954	1,895,611	9,410,565	4,670,330	1,844,872	6,515,202
NET ASSETS - END OF YEAR	$ 8,574,646	$ 3,180,033	$ 11,754,679	$ 7,514,954	$ 1,895,611	$ 9,410,565

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, 2012
(With Comparative Totals for Fiscal Year 2011)

		Supporting Services				
	Program Services	Management and General	Fundraising	Total Supporting Services	Total 2012	Total 2011
PERSONNEL EXPENSES						
Salaries	$ 1,837,617	$ 584,757	$ 581,963	$ 1,166,720	$ 3,004,337	$ 1,738,786
Payroll taxes and employee benefits (Notes 10 and 11)	322,787	329,139	83,609	412,748	735,535	393,730
Sub-total	2,160,404	913,896	665,572	1,579,468	3,739,872	2,132,516
OTHER EXPENSES						
Travel and meals	61,532	50,191	20,842	71,033	132,565	70,290
Occupancy (Note 8)	507,973	177,395	122,506	299,901	807,874	518,802
Office expenses	35,209	19,840	12,151	31,991	67,200	155,569
Professional and consulting fees (Note 2M)	298,188	388,435	381,086	769,521	1,067,709	974,515
Event consultants	-	-	45,246	45,246	45,246	130,531
Conference and meetings	4,370	1,983	1,189	3,172	7,542	5,323
Telephone	10,616	13,444	2,123	15,567	26,183	46,114
Insurance	36,818	16,388	5,704	22,092	58,910	39,255
Computers and equipment	87,469	75,659	22,026	97,685	185,154	283,414
Printing	13,093	3,024	33,348	36,372	49,465	28,267
Postage	7,159	803	5,524	6,327	13,486	18,728
Staff development	16,114	1,095	-	1,095	17,209	-
Grant expense	368,066	-	-	-	368,066	690,000
Events expense	1,765	541	6,989	7,530	9,295	28,084
Dues and subscriptions	2,358	2,784	4,411	7,195	9,553	17,492
Bank fees (Note 7)	22,120	16,863	8,192	25,055	47,175	30,312
Web development and design	56,880	18,657	21,915	40,572	97,452	428,713
Advertisement	4,412	3,330	-	3,330	7,742	182,406
Depreciation	336,568	119,600	51,859	171,459	508,027	283,913
TOTAL EXPENSES	$ 4,031,114	$ 1,823,928	$ 1,410,683	$ 3,234,611	$ 7,265,725	$ 6,064,244

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

		Supporting Services			
	Program Services	Management and General	Fundraising	Total Supporting Services	Total
PERSONNEL EXPENSES					
Salaries	$ 927,750	$ 390,698	$ 420,338	$ 811,036	$ 1,738,786
Payroll taxes and employee benefits (Note 10)	114,927	223,951	54,852	278,803	393,730
Sub-total	1,042,677	614,649	475,190	1,089,839	2,132,516
OTHER EXPENSES					
Travel and meals	30,486	27,667	12,137	39,804	70,290
Occupancy (Note 8)	27,344	440,899	50,559	491,458	518,802
Office expenses	13,062	47,056	95,451	142,507	155,569
Professional and consulting fees	297,735	566,145	110,635	676,780	974,515
Event consultants	-	-	130,531	130,531	130,531
Conference and meetings	4,933	-	390	390	5,323
Telephone	5,008	39,555	1,551	41,106	46,114
Insurance	-	39,255	-	39,255	39,255
Computers and equipment	20,322	251,896	11,196	263,092	283,414
Printing	9,217	8,945	10,105	19,050	28,267
Postage	10,646	6,248	1,834	8,082	18,728
Grant expense (Note 13)	690,000	-	-	-	690,000
Events expense	22,991	5,093	-	5,093	28,084
Dues and subscriptions	220	16,142	1,130	17,272	17,492
Bank fees (Note 7)	101	30,161	50	30,211	30,312
Web development and design	394,360	336	34,017	34,353	428,713
Advertisement	178,423	3,983	-	3,983	182,406
Depreciation	-	283,913	-	283,913	283,913
TOTAL EXPENSES	$ 2,747,525	$ 2,381,943	$ 934,776	$ 3,316,719	$ 6,064,244

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, 2012 AND 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 2,344,114	$ 2,895,363
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Unrealized loss on investment	14,099	-
Depreciation	508,027	283,913
Deferred compensation liability	109,300	-
Amortization of deferred rent liability	(129,600)	23,158
Subtotal	2,845,940	3,202,434
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Contributions receivable	(1,464,182)	329,096
Prepaid expenses and other assets	(29,973)	13,374
Security deposits	6,260	-
Due from related party	(368,674)	25,532
Increase in liabilities:		
Accounts payable and accrued expenses	541,587	186,663
Accrued salaries and vacation	110,037	-
Deferred rent liability	840,117	23,654
Net Cash Provided by Operating Activities	2,481,112	$ 3,780,753
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of deferred compensation investment	(342,000)	-
Purchases of property and equipment	(760,846)	(2,541,905)
Net Cash Used by Investing Activities	(1,102,846)	(2,541,905)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,378,266	1,238,848
Cash and cash equivalents - beginning of year	5,271,194	4,032,346
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 6,649,460	$ 5,271,194

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, 2012 and 2011, CMI determined that no allowance for doubtful accounts should be provided for contributions receivable. 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.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Investments are stated at fair value. Fair value for investments traded publicly is based on published market prices. Fair values of investments not traded publicly have been estimated by management based on information provided by the fund managers, the general partners or the limited liability companies. Investment transactions are accounted for on the date the investments are purchased or sold (trade date). The realized gains from the sale of securities, capital gain distributions, interest and dividend income are recorded as earned.

H. 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.

I. 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.

J. 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.

K. Fair value measurements are based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three levels, as described in Note 4.

L. Donated securities are recorded at fair value at the date of donation.

M. 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, 2012 and 2011, CMI received professional services that amounted to approximately $16,200 and $402,000, respectively.

N. CMI leases real property under an operating lease expiring in May 2023. For the years ended September 30, 2012 and 2011, CMI recorded an adjustment to rent expense to reflect its straight-lining policy that amounted to $129,600 and $23,158 respectively. Straight-lining of rent gives rise to a timing difference that is reflected as deferred rent in the accompanying statements of financial position.

O. CMI has no uncertain tax positions as of September 30, 2012 and 2011 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.

NOTE 3—CONTRIBUTIONS RECEIVABLE

Contributions receivable are unconditional promises to give consisting of the following as of September 30, 2012 and 2011.

	2012	2011
Due in less than one year	$ 1,324,328	$ 858,433
Due between one and five years	1,522,009	498,960
	2,846,337	1,357,393
Less unamortized present value discount	(24,762)	-
	$ 2,821,575	$ 1,357,393

The pledges to be received after one year are discounted to present value at interest rates ranging from 0.68% to 2.35%.

NOTE 4—INVESTMENT

Investments have been established in connection with the deferred compensation plan for the President (see Note 11). Investments are subject to market volatility that could substantially change their value in the near term.

The fair value hierarchy defines three levels as follows:

Level 1: Valuations based on quoted prices (unadjusted) in an active market that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Valuations based on observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3: Valuations based on unobservable inputs are used when little or no market data is available. The hierarchy gives lowest priority to Level 3 inputs.

In determining fair value, CMI utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible in its assessment of fair value. As of September 30, 2012, investments are carried at fair value, are classified as Level 3 and consist of CMI's participation as investor in a privately held entity.

Investment activity consists of the following for the year ended June 30, 2012:

Beginning balance	$ -
Additions	342,000
Unrealized loss	(14,099)
Ending balance	$ 327,901

NOTE 5—PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of September 30, 2012 and 2011:

	2012	2011	Estimated Useful Lives
Computer software and hardware	$ 738,199	$ 635,766	3-5 years
Furniture and equipment	1,009,452	766,339	5-10 years
Leasehold improvements	1,762,812	1,247,511	12 years
Construction in progress (see below)	-	100,000	
Total cost	3,510,463	2,749,616	
Less: accumulated depreciation	809,235	301,207	
Net book value	$ 2,701,228	$ 2,448,409	

Depreciation expense amounted to $508,028 and $283,913 for the years ended September, 30, 2012 and 2011, respectively.

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. The renovations were completed and capitalized as leasehold improvements during FY 2012.

NOTE 6—DUE FROM RELATED PARTY

The Founder and President of CMI ("President") is also the majority 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, 2012 and 2011, CMI was owed approximately $779,000 and $410,000, respectively, from the Practice for its share of these costs, including salaries and equipment that will be repaid according to a schedule determined by CMI.

NOTE 7—BANK LETTERS OF CREDIT

CMI obtained two letters of credit with a bank up to a maximum of $2,828,588 that were set to expire on August 31, 2012. The letters of credit bear no interest. The letters of credit were issued relative to a certain lease agreement between CMI and a landlord (See Note 8). As of July 30, 2012, the Junior Letter of credit in the amount of $1,400,000 was cancelled and the collateral released since all conditions outlined on the lease were met. The second letter of credit in the amount of $1,428,588 was renewed and is set to expire on September 30, 2013. As of September 30, 2012, there was no outstanding balance. CMI incurred bank related fees, pertaining to the letter of credits of approximately $15,000 and $30,000 for the years ended September 30, 2012 and 2011, respectively. As of April 10, 2013, there was no outstanding balance.

NOTE 8—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 June 30, 2011. In addition, CMI received leasehold improvement incentives from the landlord totaling $701,169. As of September 30, 2012 and 2011, leasehold improvement incentives received by CMI was $415,301 and $285,868, respectively. 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 7). 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.

Future minimum rental commitments for the years ended subsequent to September 30, 2012 are as follows:

2013	$ 1,428,588
2014	1,428,588
2015	1,451,264
2016	1,564,644
2017	1,564,644
Thereafter	9,263,146
Total	$ 16,700,874

The rent expense for the year ended September 30, 2012 and 2011 amounted to approximately $793,000 and $468,000, respectively.

NOTE 9—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, 2012 and 2011:

	2012	2011
Time restricted	$ 2,427,009	$ 1,338,960
Time and purpose restricted	753,024	556,651
	$ 3,180,033	$ 1,895,611

For the year ended September 30, 2012 and 2011, $1,571,078 and $1,049,261 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 10—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, 2012 and 2011 amounted to $69,056 and $46,589, respectively.

NOTE 11—DEFERRED COMPENSATION

CMI has established a nonqualified deferred compensation plan (the "Plan") under Section 457(f) of the Internal Revenue Service Tax Code to encourage the continued employment of the Chief Executive Officer ("CEO"). Accordingly, CMI invested $342,000 as a means for measuring and determining the amounts that may be paid to the CEO (See Note 4). Under the terms of the Plan, if the CEO is employed by CMI on September 30, 2014, CMI will pay the CEO the investment account on or before December 15, 2014 at its value on September 30, 2014. As of September 30, 2012, the balance in the account was $327,901 and the deferred compensation liability was $109,300, representing one third of the accrued balance. No amounts are payable to the CEO if the CEO is terminated or leaves before September 30, 2014.

NOTE 12—CONCENTRATIONS OF CREDIT RISK

Cash and cash equivalents that potentially subject CMI to a concentration of credit risk include cash accounts with banks that exceed the Federal Deposit Insurance Corporation ("FDIC") insurance limits. Interest bearing accounts are insured up to $250,000 per depositor. Through December 31, 2012, non interest bearing accounts are fully insured. Beginning in 2013, noninterest bearing accounts are insured the same as interest bearing accounts. As of September 30, 2012 and 2011, there were approximately $5,400,000 of cash and cash equivalents held by banks that exceeded FDIC limits. Such excess includes outstanding checks.

NOTE 13—RESTRICTED GRANT

In August 2012, the Practice and CMI entered into an amended restricted grant agreement whereby CMI would make one or more initial capital grants not to exceed $1,750,000 in aggregate, to the Practice in order to enable the Practice to cover its start up costs and treatment of patients. For the year ended September 30, 2012, there were no additional capital grant contributions paid. As a result of this agreement, CMI recorded grant expenses amounting to $0 and $690,000 in September 30, 2012 and 2011, respectively.

NOTE 14—SUBSEQUENT EVENT

Management has evaluated, for potential recognition and disclosure, events subsequent to the statement of financial position date through April 10, 2013, the date the financial statements were available to be issued. No events have occurred subsequent to the statement of financial position date through April 10, 2013 that would require adjustment to or disclosure in the financial statements.