EISNERAMPER

CHILD MIND INSTITUTE, INC.

FINANCIAL STATEMENTS

SEPTEMBER 30, 2017 and 2016

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Child Mind Institute, Inc. ("CMI"), which comprise the statements of financial position as of September 30, 2017 and 2016, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

CMI's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the financial statements, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Child Mind Institute, Inc. as of September 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

EisnerAmper LLP

EISNERAMPER LLP
New York, New York
May 7, 2018

CHILD MIND INSTITUTE, INC.

Statements of Financial Position

	September 30, 2017	September 30, 2016
ASSETS		
Cash, cash equivalents, and restricted cash	**$ 2,826,054**	$ 2,719,891
Accounts receivable	**30,038**	19,698
Contributions receivable, net	**13,019,698**	9,670,330
Government grants receivable	**88,257**	82,572
Investments	**8,300,799**	7,969,139
Prepaid expenses and other assets	**386,038**	418,903
Property and equipment, net	**1,285,787**	1,538,000
Website and software costs, net	**132,380**	189,960
Due from related party - administrative services	**1,205,308**	1,438,808
	$ 27,274,359	$ 24,047,301
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	**$ 1,090,976**	$ 681,613
Accrued salaries and vacation	**288,287**	328,491
Deferred rent liability	**666,975**	819,910
Total liabilities	**2,046,238**	1,830,014
Commitments and contingencies (Note M)		
Net assets:		
Unrestricted	**6,930,835**	7,233,515
Temporarily restricted	**16,297,286**	12,983,772
Permanently restricted	**2,000,000**	2,000,000
Total net assets	**25,228,121**	22,217,287
	$ 27,274,359	$ 24,047,301

See notes to financial statements.

CHILD MIND INSTITUTE, INC.

Statements of Activities

	Year Ended September 30,							
	2017				2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public support and revenue:								
Foundations, corporations and individuals (including in-kind services of $7,213,231 and $401,289 in 2017 and 2016, respectively)	**$ 9,563,592**	**$ 8,297,531**		**$ 17,861,123**	$ 2,465,010	$ 6,675,270		$ 9,140,280
Special event revenue (net of direct benefit to donors of $289,922 and $277,396 in 2017 and 2016, respectively)	**3,807,969**	**1,211,100**		**5,019,069**	5,566,030	2,543,774		8,109,804
Government grants	**505,685**			**505,685**	495,703			495,703
Investment income, net	**108,252**	**203,492**		**311,744**	186,667	95,173		281,840
Program service fees	**88,031**			**88,031**	10,366			10,366
Administrative services	**743,690**			**743,690**	678,167			678,167
Total public support and revenue before net assets released from restrictions	**14,817,219**	**9,712,123**		**24,529,342**	9,401,943	9,314,217		18,716,160
Net assets released from restrictions	**6,398,609**	**(6,398,609)**		**0**	3,736,457	(3,736,457)		0
Recovery of funds with deficiencies				**0**	27,278	(27,278)		0
Total public support and revenue	**21,215,828**	**3,313,514**		**24,529,342**	13,165,678	5,550,482		18,716,160
Expenses:								
Program services:								
Education and outreach	**8,282,200**			**8,282,200**	2,456,552			2,456,552
Research and clinical	**8,867,361**			**8,867,361**	7,311,118			7,311,118
Total program services	**17,149,561**			**17,149,561**	9,767,670			9,767,670
Supporting services:								
Management and general	**2,551,329**			**2,551,329**	2,085,094			2,085,094
Fund-raising	**1,817,618**			**1,817,618**	1,784,203			1,784,203
Total supporting services	**4,368,947**			**4,368,947**	3,869,297			3,869,297
Total expenses	**21,518,508**			**21,518,508**	13,636,967			13,636,967
Change in net assets	**(302,680)**	**3,313,514**		**3,010,834**	(471,289)	5,550,482		5,079,193
Net assets, beginning of year	**7,233,515**	**12,983,772**	**$ 2,000,000**	**22,217,287**	7,704,804	7,433,290	$ 2,000,000	17,138,094
Net assets, end of year	**$ 6,930,835**	**$ 16,297,286**	**$ 2,000,000**	**$ 25,228,121**	$ 7,233,515	$ 12,983,772	$ 2,000,000	$ 22,217,287

See notes to financial statements.

CHILD MIND INSTITUTE, INC.

Statements of Functional Expenses

	Year Ended September 30,							
	2017				2016			
	Program Services	Management and General	Fund-Raising	Total	Program Services	Management and General	Fund-Raising	Total
Salaries	**$ 4,596,607**	**$ 959,201**	**$ 936,938**	**$ 6,492,746**	$ 3,375,942	$ 1,059,886	$ 1,051,775	$ 5,487,603
Payroll taxes and employee benefits	**711,479**	**311,523**	**101,673**	**1,124,675**	534,907	326,321	98,993	960,221
Travel and meals	**102,082**	**20,036**	**27,352**	**149,470**	90,590	21,853	24,652	137,095
Occupancy	**438,086**	**424,606**	**59,865**	**922,557**	719,685	177,023	86,425	983,133
Office expenses	**222,027**	**29,417**	**33,779**	**285,223**	169,220	33,374	28,690	231,284
Professional and consulting fees	**8,887,140**	**368,694**	**156,624**	**9,412,458**	2,245,052	257,682	98,446	2,601,180
Event consultants			**232,600**	**232,600**			144,500	144,500
Conference and meetings	**128,750**	**184**	**180**	**129,114**	110,755	250		111,005
Telephone	**19,821**	**6,316**	**1,033**	**27,170**	22,633	6,127	1,208	29,968
Insurance	**106,643**	**43,695**	**16,102**	**166,440**	139,770	44,117	16,622	200,509
Computers and equipment	**427,462**	**45,060**	**24,794**	**497,316**	900,873	49,207	33,284	983,364
Printing	**24,005**	**8,417**	**48,885**	**81,307**	26,085	11,712	14,045	51,842
Postage	**5,199**	**4,424**	**10,706**	**20,329**	9,626	2,742	10,947	23,315
Staff development	**5,611**	**21,245**	**4,193**	**31,049**	14,826	13,967	494	29,287
Financial aid	**976,992**			**976,992**	639,229			639,229
Events expense	**34,187**	**3,686**	**24,846**	**62,719**	8,114	864	108	9,086
Dues and subscriptions	**25,640**	**10,281**	**8,292**	**44,213**	17,456	6,272	6,495	30,223
Bank fees	**16,703**	**24,918**	**32,899**	**74,520**	13,309	9,074	50,443	72,826
Web development and design	**105,229**	**34,522**	**86,138**	**225,889**	357,291	17,933	97,389	472,613
Advertisement	**15,130**			**15,130**	16,509	8,098	114	24,721
Bad debts expense		**193,596**		**193,596**				0
Depreciation and amortization	**300,768**	**41,508**	**10,719**	**352,995**	355,798	38,592	19,573	413,963
Total expenses	**$ 17,149,561**	**$ 2,551,329**	**$ 1,817,618**	**$ 21,518,508**	$ 9,767,670	$ 2,085,094	$ 1,784,203	$ 13,636,967

See notes to financial statements.

CHILD MIND INSTITUTE, INC.

Statements of Cash Flows

	Year Ended September 30, 2017	Year Ended September 30, 2016
Cash flows from operating activities:		
Change in net assets	**$ 3,010,834**	$ 5,079,193
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	**352,995**	413,963
Amortization of deferred rent liability	**(152,935)**	(164,935)
Net realized and unrealized gains on investments	**(178,192)**	(162,220)
Bad debts expense	**193,596**	
Donated securities	**(759,863)**	(623,254)
Proceeds from sales of donated securities	**759,932**	612,388
Changes in:		
Accounts receivable	**(10,340)**	(2,284)
Contributions receivable, net	**(3,542,964)**	(5,772,222)
Government grants receivable	**(5,685)**	4,297
Prepaid expenses and other assets	**32,865**	53,830
Due from related party - administrative services	**233,500**	292,476
Accounts payable and accrued expenses	**409,363**	126,941
Accrued salaries and vacation	**(40,204)**	59,408
Net cash provided by (used in) operating activities	**302,902**	(82,419)
Cash flows from investing activities:		
Proceeds from sales of investments	**4,043,876**	6,079,784
Purchases of investments	**(4,197,413)**	(5,534,465)
Purchases of property and equipment	**(20,308)**	(129,110)
Capitalized website and software costs	**(22,894)**	(83,000)
Net cash (used in) provided by investing activities	**(196,739)**	333,209
Net change in cash, cash equivalents, and restricted cash	**106,163**	250,790
Cash, cash equivalents, and restricted cash, beginning of year	**2,719,891**	2,469,101
Cash, cash equivalents, and restricted cash, end of year	**$ 2,826,054**	$ 2,719,891
Supplemental disclosure of cash flow information:		
In-kind services	**$ 7,213,231**	$ 401,289

See notes to financial statements.

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

[1] Organization:

The Child Mind Institute, Inc. ("CMI"), incorporated in New York in 2009, is an independent not-for-profit organization dedicated to transforming the lives of children and families struggling with mental health and learning disorders. CMI works to deliver the highest standards of care, advance the science of the developing brain and empower parents, professionals, and policymakers to support children when and where they need it most. Together with its supporters, CMI is helping children reach their full potential in school and in life.

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

[2] Basis of accounting:

The accompanying financial statements of CMI have been prepared using the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America ("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 accompanying 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 M[1]).

[5] Investments:

CMI’s investments in equity securities, mutual funds, and fixed income securities are reported at their fair values in the statement of financial position based on quoted market prices, with a portion of cash and cash equivalents included as a part of the investment portfolio.

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 statement of activities as increases or decreases in unrestricted net assets unless their use is restricted on a temporary or permanent basis through donor stipulation. Realized gains and losses on investments are determined by comparison of the average costs of acquisition to the proceeds received at the time of disposition. Unrealized gains and losses on investments are determined by comparing each investment’s cost to the fair value at the end of each fiscal year. The earnings from dividends and interest are recognized when earned.

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

[5] Investments: (continued)

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

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 statement of cash flows, donated securities and the proceeds generated from their sale are included within operating activities.

[6] Property and equipment:

Property and equipment are stated at their original costs 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, furniture, and equipment is provided using the straight-line method over three to five years, the estimated useful lives of the related assets. Leasehold improvements are amortized over the remaining lease term, or the useful lives of the improvements, whichever is shorter.

Management evaluates the recoverability of the investment in long-lived assets on an on-going basis and recognizes any impairment in the year of determination. Long-lived assets were tested for impairment as of September 30, 2017 and 2016, 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 net of accumulated amortization was $132,380 and $189,960, respectively.

[8] Accrued vacation:

Accrued vacation represents CMI's obligation for the cost of unused employee vacation time payable in the event of employee departures; the obligation is recalculated every year. At September 30, 2017 and 2016, the accrued vacation obligation was $264,462 and $328,491, respectively, and is reported in the accompanying statements of financial position as a part of accrued salaries and vacation.

[9] Net assets:

(i) Unrestricted:

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

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

[9] Net assets: (continued)

(ii) Temporarily restricted:

Temporarily restricted net assets represent those resources that are subject to the requirements of the New York Prudent Management of Institutional Funds Act ("NYPMIFA") and the use of which has been restricted by donors or state law to specific purposes and/or the passage of time. When a donor restriction expires, that is, when a stipulated time restriction ends, or a purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and are reported in the accompanying statements of activities as "net assets released from restrictions."

Temporarily restricted contributions, the requirements of which are met in the year of donation, are reported as unrestricted.

(iii) Permanently restricted:

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

[10] Revenue recognition:

(i) Contributions and grants:

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

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

(ii) Program service fees:

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

(iii) Administrative services:

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

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

[11] Donated services:

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

During fiscal-years 2017 and 2016, CMI received donated legal and marketing services totaling approximately $67,000 and $101,000, respectively. During 2017, CMI received approximately $5,200,000 in the form of donated placements of public-service announcements ("PSAs"), in various forms of media. The PSAs served to communicate CMI's mission to the general public. In addition, CMI received approximately $1,100,000 in professional services to conduct a feasibility study to expand its operations. The Child Mind Medical Practice, PLLC (the "Practice"), a related party, also provided donated services of $852,000 and $300,000 during fiscal-years 2017 and 2016, respectively (see Note E).

Donated services totaled approximately $7,200,000 and $401,000, during fiscal-years 2017 and 2016, respectively.

[12] Functional allocation of expenses:

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

[13] Advertising:

CMI expenses the costs of advertising as they are incurred. Advertising expense for fiscal-years 2017 and 2016 was approximately $15,000 and $25,000, respectively.

[14] Income tax uncertainties:

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

[15] Recent accounting pronouncement:

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

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

[16] Reclassifications:

Certain amounts in the accompanying prior-year's financial statements have been reclassified to conform to the current-year's presentation.

[17] Subsequent events:

CMI has considered all of the accounting treatments, and the related disclosures in the current fiscal-year's financial statements, that would be required as the result of all events or transactions that occurred after September 30, 2017 through May 7, 2018, the date on which the financial statements were available to be issued.

NOTE B - INVESTMENTS

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

	September 30,			
	2017		2016	
	Fair Value	Cost	Fair Value	Cost
Money market funds	**$ 60,723**	**$ 60,723**	$ 59,299	$ 59,299
Mutual funds:				
Fixed-income funds	**2,217,781**	**2,222,176**	2,560,095	2,574,813
Market-hedging funds	**113,278**	**106,753**	106,316	106,073
U.S. government bonds	**827,414**	**823,891**	1,323,578	1,316,893
Corporate bonds	**3,955,967**	**3,870,908**	2,899,012	2,831,848
Common stock	**1,125,636**	**985,199**	1,020,839	985,840
	$ 8,300,799	**$ 8,069,650**	$ 7,969,139	$ 7,874,766

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

	Year Ended September 30,	
	2017	2016
Interest and dividends	**$ 181,096**	$ 163,417
Realized gains (losses)	**41,416**	(9,123)
Unrealized gains	**136,776**	171,343
Investment management fees	**(47,544)**	(43,797)
	$ 311,744	$ 281,840

The FASB's 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.

NOTE B - INVESTMENTS (CONTINUED)

Level 2: Valuations are based on (i) quoted prices for similar investments, in active markets (ii) quoted prices for those investments, or similar investments, in markets that are not active or (iii) pricing inputs other than quoted prices that are directly or indirectly observable at the reporting date.

Level 3: Valuations are based on pricing inputs that are unobservable and include situations where (i) there is little, if any, market activity for the investments, or (ii) the investments cannot be independently valued.

The available market data is monitored to assess the appropriate classification of financial instruments within the fair-value hierarchy. Changes in economic conditions or valuation techniques may require the transfer of financial instruments from one level to another. In such instances, the transfer is reported at the beginning of the reporting period. For fiscal-years 2017 and 2016, there were no transfers among the fair-value hierarchy levels.

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,					
	2017			2016		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Money market funds	**$ 60,723**		**$ 60,723**	$ 59,299		$ 59,299
Mutual funds	**2,331,059**		**2,331,059**	2,666,411		2,666,411
U.S. government bonds		**$ 827,414**	**827,414**		$ 1,323,578	1,323,578
Corporate bonds		**3,955,967**	**3,955,967**		2,899,012	2,899,012
Common stock	**1,125,636**		**1,125,636**	1,020,839		1,020,839
	$ 3,517,418	**$ 4,783,381**	**$ 8,300,799**	$ 3,746,549	$ 4,222,590	$ 7,969,139

NOTE C - RECEIVABLES

[1] Contributions receivable:

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

	September 30,	
	2017	2016
Less than one year	**$ 5,673,096**	$ 2,974,800
One year to five years	**7,885,471**	7,082,119
	13,558,567	10,056,919
Less allowance for doubtful collection	**(193,596)**	(175,000)
Reduction of pledges due in excess of one year to present value, at discount rates ranging from 1.13% to 1.71%	**(345,273)**	(211,589)
	$ 13,019,698	$ 9,670,330

CMI reserved $193,596 of certain contributions receivable that were determined to be uncollectible for fiscal-years 2017. Also during fiscal-year 2017, CMI wrote-off $175,000 of previously reserved contribution receivables.

NOTE C - RECEIVABLES (CONTINUED)

[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.

NOTE D - PROPERTY AND EQUIPMENT

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

	September 30, 2017	September 30, 2016
Computer hardware	**$ 250,775**	$ 250,775
Furniture and equipment	**1,344,888**	1,344,888
Leasehold improvements	**2,030,861**	2,010,553
	3,626,524	3,606,216
Less: accumulated depreciation and amortization	**(2,340,737)**	(2,068,216)
	$ 1,285,787	$ 1,538,000

NOTE E - RELATED-PARTY TRANSACTIONS

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

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

[1] Administrative services agreement:

CMI provides certain administrative services to the Practice, and the Practice reimburses CMI for the value of those services, based on an agreement between the two organizations. During fiscal-years 2017 and 2016, CMI incurred $743,690 and $678,167, respectively, of costs associated with providing administrative services to the Practice, of which $727,190 and $671,605 were reimbursed during fiscal-years 2017 and 2016, respectively. As of September 30, 2017 and 2016, total related administrative costs due to CMI from the Practice amounted to $1,205,308 and $1,438,808 respectively.

[2] Financial Aid Program:

CMI instituted the Financial Aid Program in an effort to help children and families receive care and treatment, regardless of economic standing, by clinicians at the Practice. Families complete an application for financial aid at the Practice. Eligible families may receive a fee discount of between 30%-70% of the cost of services. CMI raises funds to support this program. Financial aid for approved patients totaled $976,992 and $639,229 in fiscal-years 2017 and 2016, respectively.

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 Practice, to perform these services. CMI discloses to its donors and grantors that the services will be sub-contracted to satisfy the donor's and grantor's requests. During fiscal-years 2017 and 2016, sub-contracted amounts paid to the Practice in performance of these requests amounted to $1,556,868 and $1,334,498 respectively, and, these amounts are included as part of the "professional and consulting fees" category in the accompanying statements of functional expenses.

[4] Restricted grant agreement:

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

[5] License agreement:

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

NOTE F - TEMPORARILY RESTRICTED NET ASSETS

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

	September 30,	
	2017	**2016**
Restricted for the following purposes:		
Science campaign	**$ 12,104,865**	$ 6,952,025
School-based programming	**1,302,443**	1,306,724
Financial aid	**1,055,705**	1,032,125
Research	**250,239**	478,473
CMI Cares		109,599
Feasibility Study for expansion	**59,000**	
Project UROK	**44,096**	126,691
Katz Lecture	**236,576**	236,576
Doris and Melvin Sirow Art Fund	**64,437**	70,522
Childmind.org website	**18,607**	75,957
Accumulated endowment income reserved for appropriation - research and science	**95,492**	17,895
	15,231,460	10,406,587
Restricted for time	**1,065,826**	2,577,185
	$ 16,297,286	$ 12,983,772

NOTE F - TEMPORARILY RESTRICTED NET ASSETS (CONTINUED)

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

	Year Ended September 30,	
	2017	**2016**
Restricted for the following purposes:		
Science campaign	**$ 2,281,743**	$ 1,782,129
School-based programming	**231,024**	225,335
Financial aid	**867,392**	924,429
Research	**341,540**	148,589
CMI Cares	**109,599**	51,800
Project UROK	**126,691**	11,309
Katz Lecture		19,750
Doris and Melvin Sirow Art Fund	**6,085**	1,380
Childmind.org website	**57,350**	243,468
	4,021,424	3,408,189
Time restrictions satisfied	**2,377,185**	328,268
	6,398,609	3,736,457
Recovery of funds with deficiencies		27,278
	$ 6,398,609	$ 3,763,735

NOTE G - PERMANENTLY RESTRICTED NET ASSETS

At September 30, 2017 and 2016, respectively, net assets totaling $2,000,000 were permanently restricted, with investment earnings to be used to support a research position at CMI.

NOTE H - ENDOWMENT

[1] The endowment:

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

[2] Interpretation of relevant law:

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

NOTE H - ENDOWMENT (CONTINUED)

[3] Changes in endowment net assets for each fiscal year were as follows:

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

	September 30, 2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ (27,278)	$ 0	$ 2,000,000	$ 1,972,722
Investment return:				
Interest and dividends		41,542		41,542
Net appreciation (realized and unrealized)		53,631		53,631
Total investment return		95,173		95,173
Appropriation of endowment assets		(50,000)		(50,000)
Other changes	27,278	(27,278)		0
Endowment net assets, end of year	$ 0	$ 17,895	$ 2,000,000	$ 2,017,895

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

[4] Funds with deficiencies:

Due to unfavorable market fluctuations, from time to time, the fair value of assets associated with individual donor-restricted endowment funds may decline below the historical dollar value of the donor's original, permanently restricted contribution. There were no such deficiencies during fiscal-years 2017 and 2016. 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 predicable stream of funding for a research position at CMI.

NOTE H - ENDOWMENT (CONTINUED)

[6] Strategies employed for achieving objectives:

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

[7] Spending policy and relationships with investment objectives:

When authorized by the Board of Directors, CMI may draw up to 5% of the projected value of the fund as of CMI's fiscal-year end to provide support for a research position at CMI. Each year, during the Audit & Finance Committee's fall meeting, the Committee recommends the appropriation to be approved by the Board of Directors based on the performance of the investment as of August 31 of that year, and also ratifies or revises the prior-year's appropriation.

NOTE I - EMPLOYEE-BENEFIT PLAN

CMI maintains a defined-contribution retirement plan, established under Section 401(k) of the Code. Eligible employees may contribute a portion of their annual salaries immediately upon being hired. Under the terms of the plan, CMI may provide a discretionary matching contribution up to 6% of the employee's annual salary, up to a maximum of $10,000 per year. Plan expenses for fiscal-years 2017 and 2016 were $152,028 and $133,962, respectively.

NOTE J - CREDIT RISK

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

NOTE K - CONCENTRATION OF REVENUE

Amounts provided by two donors of approximately 47% and 25% of contributions receivable and contribution revenue, respectively, represent a concentration of receivables and revenues as of and for the fiscal-year ended September 30, 2016. There were no concentrations of this kind as of September 30, 2017.

NOTE L - PROGRAM AND SUPPORTING SERVICES EXPENSES

Generally accepted accounting principles require CMI's expenses to be reported on a functional basis. Accordingly, total expenses were allocated among program and supporting services as follows:

	Year Ended September 30,	
	2017	**2016**
Program	**$ 17,149,561**	$ 9,791,318
Management and general	**2,598,873**	2,140,320
Fund-raising	**2,107,540**	2,065,936
	$ 21,855,974	$ 13,997,574

The above expenses are inclusive of expenses that have been reported net of revenue in the accompanying statements of activities. Direct benefit to donors are reported as fund-raising expenses. Investment expenses, as disclosed in Note B, are reported in the above table as management and general.

NOTE M - COMMITMENTS AND CONTINGENCIES

[1] Lease agreements:

In August 2010, CMI and the Practice entered jointly into an operating lease agreement with an unrelated party for office space, expiring May 31, 2023. Pursuant to this agreement, CMI and the Practice received a base rent credit of $1,190,490 to be applied to the rent expense from the commencement of the lease through June 30, 2011. The aggregate minimum lease payments are being amortized using the straight-line method over the lease term. The cumulative difference between rent expense attributable to CMI and amounts paid by CMI amounted to $589,261 and $715,910, as of September 30, 2017 and 2016, respectively, and has been reported as a deferred rent liability in the accompanying statements of financial position. In November 2017, CMI signed an amendment to the existing lease agreement, which adds additional space and extends the lease to 2033.

In conjunction with this lease, CMI was required to obtain two separate letters of credit, a junior and senior letter of credit, totaling $2,828,588, to be held as security in the event of default. As of July 30, 2012, the junior letter of credit, in the amount of $1,400,000, was cancelled, and the collateral was released due to certain conditions outlined within the lease agreement having been met. The senior letter of credit, held jointly by CMI and the Practice, in the amount of $1,320,798, 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 either of these letters of credit.

In October 2014, CMI entered into an operating lease agreement with an unrelated party for office space in Staten Island, New York, to house the Healthy Brain Network Initiative, which expires March 1, 2020. The aggregate minimum lease payments are being amortized using the straight-line method over the term of the lease. The cumulative difference between rent expense and amounts paid amounted to $77,714 and $104,000 as of September 30, 2017 and 2016, respectively, and has been reported as a deferred rent liability in the accompanying statements of financial position.

NOTE M - COMMITMENTS AND CONTINGENCIES (CONTINUED)

The future minimum rental commitments of CMI and the Practice for the fiscal-years ended subsequent to September 30, 2017 are as follows:

Year Ending September 30,	Amount
2018	$ 2,488,497
2019	3,453,924
2020	3,410,483
2021	3,397,276
2022	3,397,276
Thereafter	44,019,255
	$ 60,166,711

[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, 2017, 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.