

EISNERAMPER

CHILD MIND INSTITUTE, INC.

FINANCIAL STATEMENTS

SEPTEMBER 30, 2022 and 2021



CHILD MIND INSTITUTE, INC.

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Child Mind Institute, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Child Mind Institute, Inc. ("CMI"), which comprise the statements of financial position as of September 30, 2022 and 2021, 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.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Child Mind Institute, Inc., as of September 30, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of CMI and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about CMI's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.



Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance, and therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 CMI's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about CMI's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

EisnerAmper LLP

EISNERAMPER LLP
New York, New York
April 17, 2023



CHILD MIND INSTITUTE, INC.

Statements of Financial Position

	<u>September 30,</u>	
	<u>2022</u>	<u>2021</u>
ASSETS		
Cash, cash equivalents, and restricted cash	\$ 8,140,742	\$ 15,002,834
Accounts receivable	86,039	128,478
Contributions receivable, net	17,642,555	18,685,722
Government grants receivable	1,664,255	4,266,420
Due from related parties	2,037,316	919,470
Investments	26,510,717	3,504,740
Prepaid expenses and other assets	1,604,280	811,888
Property and equipment, net	<u>1,378,737</u>	<u>3,372,106</u>
	<u>\$ 59,064,641</u>	<u>\$ 46,691,658</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 3,432,010	\$ 4,268,399
Accrued salaries and vacation	1,950,630	1,090,777
Due to related parties	679,255	1,019,670
Paycheck Protection Program loan payable	-	1,825,000
Deferred revenue	80,417	-
Deferred rent obligation and lease incentive	<u>173,562</u>	<u>2,771,096</u>
Total liabilities	<u>6,315,874</u>	<u>10,974,942</u>
Commitments, contingencies, and other uncertainty (see Note L)		
Net assets:		
Without donor restrictions:		
Undesignated funds, available for general activities	<u>28,092,289</u>	<u>8,373,254</u>
With donor restrictions:		
Purpose restrictions	18,547,658	21,963,333
Time restricted for future period	4,317,235	3,380,129
Perpetual in nature	<u>1,791,585</u>	<u>2,000,000</u>
Total net assets with donor restrictions	<u>24,656,478</u>	<u>27,343,462</u>
Total net assets	<u>52,748,767</u>	<u>35,716,716</u>
	<u>\$ 59,064,641</u>	<u>\$ 46,691,658</u>

See notes to financial statements.

CHILD MIND INSTITUTE, INC.

Statements of Activities

	Year Ended September 30,					
	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenue:						
Foundations, corporations, and individuals	\$ 24,002,200	\$ 12,299,870	\$ 36,302,070	\$ 3,714,271	\$ 14,612,881	\$ 18,327,152
Contributions in-kind	7,679,099	-	7,679,099	11,151,176	-	11,151,176
Special event revenue (net of direct benefit to donors of \$174,711 and \$0 in 2022 and 2021, respectively)	4,955,130	1,456,133	6,411,263	4,907,920	3,521,049	8,428,969
Government grants	22,752,757	-	22,752,757	8,268,938	-	8,268,938
Net investment (losses) gains	(246,614)	(208,282)	(454,896)	128,069	204,766	332,835
Program service fees and miscellaneous revenue	201,315	-	201,315	196,130	-	196,130
Administrative services	3,643,682	-	3,643,682	2,905,754	-	2,905,754
	62,987,569	13,547,721	76,535,290	31,272,258	18,338,696	49,610,954
Total public support and revenue before net assets released from restrictions						
Net assets released from restrictions	<u>16,234,705</u>	<u>(16,234,705)</u>	<u>-</u>	<u>13,030,511</u>	<u>(13,030,511)</u>	<u>-</u>
Total public support and revenue	79,222,274	(2,686,984)	76,535,290	44,302,769	5,308,185	49,610,954
Expenses:						
Program services:						
Education and outreach	29,020,622	-	29,020,622	19,236,429	-	19,236,429
Research and clinical	18,758,914	-	18,758,914	17,770,431	-	17,770,431
Training programs	2,350,124	-	2,350,124	656,903	-	656,903
Total program services	50,129,660	-	50,129,660	37,663,763	-	37,663,763
Supporting services:						
Management and general	7,880,819	-	7,880,819	6,940,897	-	6,940,897
Fundraising	2,909,288	-	2,909,288	2,386,168	-	2,386,168
Total supporting services	10,790,107	-	10,790,107	9,327,065	-	9,327,065
Total expenses	60,919,767	-	60,919,767	46,990,828	-	46,990,828
Change in net assets before gain on debt forgiveness, loss on lease exit activity and loss on disposal of property and equipment	18,302,507	(2,686,984)	15,615,523	(2,688,059)	5,308,185	2,620,126
Gain on forgiveness of debt (see Note K)	1,825,000	-	1,825,000	1,825,000	-	1,825,000
Loss on lease exit activity	(408,472)	-	(408,472)	-	-	-
Loss on disposal of property and equipment	-	-	-	(67,035)	-	(67,035)
Change in net assets	19,719,035	(2,686,984)	17,032,051	(930,094)	5,308,185	4,378,091
Net assets, beginning of year	<u>8,373,254</u>	<u>27,343,462</u>	<u>35,716,716</u>	<u>9,303,348</u>	<u>22,035,277</u>	<u>31,338,625</u>
Net assets, end of year	\$ 28,092,289	\$ 24,656,478	\$ 52,748,767	\$ 8,373,254	\$ 27,343,462	\$ 35,716,716

See notes to financial statements.

CHILD MIND INSTITUTE, INC.

Statement of Functional Expenses

Year Ended September 30, 2022

(with comparative totals for September 30, 2021)

	Program Services				Supporting Services			Total Expenses	
	Education and Outreach	Research and Clinical	Training Programs	Total Program Services	Management and General	Fundraising	Total Supporting Services	2022	2021
Salaries	\$ 2,074,592	\$ 6,522,130	\$ 461,807	\$ 9,058,529	\$ 3,072,858	\$ 992,336	\$ 4,065,194	\$ 13,123,723	\$ 11,228,657
Payroll taxes and employee benefits	360,667	1,194,857	77,571	1,633,095	425,980	174,441	600,421	2,233,516	2,336,766
Travel and meals	51,134	131,172	156,069	338,375	51,217	109,145	160,362	498,737	156,798
Occupancy	208,930	1,177,927	37,933	1,424,790	1,017,374	204,353	1,221,727	2,646,517	2,934,523
Office expenses	20,814	112,439	4,751	138,004	75,274	27,318	102,592	240,596	256,535
Professional and consulting fees	25,986,379	3,923,676	1,567,766	31,477,821	1,961,824	638,983	2,600,807	34,078,628	22,608,828
Grants to other organizations	-	3,385,000	-	3,385,000	-	-	-	3,385,000	3,972,446
Event consultants	-	-	-	-	-	289,135	289,135	289,135	117,954
Catering and facility rental	-	-	-	-	-	174,711	174,711	174,711	-
Conference and meetings	4,016	157,742	-	161,758	5,000	60	5,060	166,818	232,589
Telephone	10,369	4,824	372	15,565	3,797	-	3,797	19,362	33,008
Insurance	898	36,193	17	37,108	325,445	-	325,445	362,553	170,134
Computers and equipment	139,270	480,410	13,235	632,915	240,276	123,326	363,602	996,517	867,858
Printing	828	4,696	-	5,524	980	42,830	43,810	49,334	32,479
Postage	17,941	15,542	3,548	37,031	23,295	5,037	28,332	65,363	34,113
Staff development	10,013	12,142	4,788	26,943	73,925	46,000	119,925	146,868	81,990
Financial aid	-	356,805	-	356,805	-	-	-	356,805	537,575
Scholarships and awards	-	10,428	-	10,428	-	-	-	10,428	60,000
Dues and subscriptions	7,830	21,887	84	29,801	6,819	16,707	23,526	53,327	50,775
Publications	-	7,459	-	7,459	1,985	4	1,989	9,448	16,161
Bank fees	580	5,285	180	6,045	23,267	55,465	78,732	84,777	88,575
Interest expense	-	-	-	-	627	-	627	627	3,992
Web development and design	6,041	3,201	65	9,307	1,879	80,248	82,127	91,434	513,338
Advertisement	-	-	-	-	-	-	-	-	63,365
Bad debts expense	-	-	-	-	16,385	-	16,385	16,385	52,116
Depreciation and amortization	120,320	1,195,099	21,938	1,337,357	552,612	103,900	656,512	1,993,869	540,253
Total expenses	29,020,622	18,758,914	2,350,124	50,129,660	7,880,819	3,083,999	10,964,818	61,094,478	46,990,828
Less: direct benefit to donors	-	-	-	-	-	(174,711)	(174,711)	(174,711)	-
Total expenses per statements of activities	\$ 29,020,622	\$ 18,758,914	\$ 2,350,124	\$ 50,129,660	\$ 7,880,819	\$ 2,909,288	\$ 10,790,107	\$ 60,919,767	\$ 46,990,828

See notes to financial statements.

CHILD MIND INSTITUTE, INC.

**Statement of Functional Expenses
Year Ended September 30, 2021**

	Program Services				Supporting Services			Total Expenses
	Education and Outreach	Research and Clinical	Training Programs	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries	\$ 1,272,883	\$ 5,883,659	\$ 307,818	\$ 7,464,360	\$ 2,500,195	\$ 1,264,102	\$ 3,764,297	\$ 11,228,657
Payroll taxes and employee benefits	146,683	1,108,137	32,482	1,287,302	823,410	226,054	1,049,464	2,336,766
Travel and meals	8,278	42,517	44,640	95,435	40,837	20,526	61,363	156,798
Occupancy	513,696	1,486,825	54,073	2,054,594	771,657	108,272	879,929	2,934,523
Office expenses	4,385	179,442	604	184,431	70,015	2,089	72,104	256,535
Professional and consulting fees	17,081,146	3,415,631	212,725	20,709,502	1,501,886	397,440	1,899,326	22,608,828
Grants to other organizations	-	3,972,446	-	3,972,446	-	-	-	3,972,446
Event consultants	-	-	-	-	1,400	116,554	117,954	117,954
Catering and facility rental	-	-	-	-	-	-	-	-
Conference and meetings	-	231,110	-	231,110	485	994	1,479	232,589
Telephone	3,183	4,338	15	7,536	25,472	-	25,472	33,008
Insurance	113	4,748	-	4,861	165,273	-	165,273	170,134
Computers and equipment	91,944	385,372	3,918	481,234	305,184	81,440	386,624	867,858
Printing	-	10,663	-	10,663	662	21,154	21,816	32,479
Postage	1,354	10,022	-	11,376	19,644	3,093	22,737	34,113
Staff development	6,616	4,993	-	11,609	70,381	-	70,381	81,990
Financial aid	-	537,575	-	537,575	-	-	-	537,575
Scholarships and awards	-	60,000	-	60,000	-	-	-	60,000
Dues and subscriptions	1,324	29,169	274	30,767	11,149	8,859	20,008	50,775
Publications	204	12,399	-	12,603	1,728	1,830	3,558	16,161
Bank fees	145	1,354	354	1,853	40,834	45,888	86,722	88,575
Interest expense	-	-	-	-	3,992	-	3,992	3,992
Web development and design	53,238	7,193	-	60,431	424,611	28,296	452,907	513,338
Advertisement	-	63,365	-	63,365	-	-	-	63,365
Bad debts expense	-	-	-	-	52,116	-	52,116	52,116
Depreciation and amortization	51,237	319,473	-	370,710	109,966	59,577	169,543	540,253
Total expenses	19,236,429	17,770,431	656,903	37,663,763	6,940,897	2,386,168	9,327,065	46,990,828
Less: direct benefit to donors	-	-	-	-	-	-	-	-
Total expenses per statements of activities	\$ 19,236,429	\$ 17,770,431	\$ 656,903	\$ 37,663,763	\$ 6,940,897	\$ 2,386,168	\$ 9,327,065	\$ 46,990,828

See notes to financial statements.

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

	September 30,	
	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ 17,032,051	\$ 4,378,091
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,993,869	540,253
Loss on disposal of property and equipment	-	67,035
Loss on lease exit activity	408,472	-
Net change in deferred rent obligation and lease incentive	(3,006,006)	(117,691)
Net realized and unrealized losses (gains) on investments	1,442,298	(309,304)
Bad debts expense	16,385	52,116
Donated securities	(3,005,884)	(836,722)
Proceeds from sales of donated securities	3,005,884	836,722
Gain on forgiveness of debt	(1,825,000)	(1,825,000)
Changes in:		
Accounts receivable	42,439	(53,381)
Contributions receivable, net	1,026,782	(6,861,146)
Government grants receivable	2,602,165	(2,688,871)
Due from related parties	(1,117,846)	3,031,317
Prepaid expenses and other assets	(792,392)	(144,110)
Accounts payable and accrued expenses	(836,389)	3,058,833
Accrued salaries and vacation	859,853	256,433
Deferred revenue	80,417	-
Due to related parties	(340,415)	(2,363,817)
	<u>17,586,683</u>	<u>(2,979,242)</u>
Net cash provided by (used in) operating activities		
Cash flows from investing activities:		
Proceeds from sales of investments	15,213,441	374,861
Purchases of investments	(39,661,716)	(371,132)
Purchases of property and equipment	(500)	-
	<u>(24,448,775)</u>	<u>3,729</u>
Net cash (used in) provided by investing activities		
Cash flows from financing activities:		
Payment of draws on bank line of credit	-	(1,500,000)
Proceeds from Paycheck Protection Program loan payable	-	1,825,000
	<u>-</u>	<u>325,000</u>
Net cash provided by financing activities		
Net decrease in cash, cash equivalents, and restricted cash	(6,862,092)	(2,650,513)
Cash, cash equivalents, and restricted cash, beginning of year	<u>15,002,834</u>	<u>17,653,347</u>
Cash, cash equivalents, and restricted cash, end of year	<u>\$ 8,140,742</u>	<u>\$ 15,002,834</u>
Supplemental disclosures of cash flow information:		
In-kind services	<u>\$ 7,679,099</u>	<u>\$ 11,151,176</u>
Interest paid	<u>\$ 627</u>	<u>\$ 3,992</u>

See notes to financial statements.

CHILD MIND INSTITUTE, INC.

Notes to Financial Statements September 30, 2022 and 2021

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 that 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. The New York Practice received a favorable Internal Revenue Service (“IRS”) determination letter for tax-exempt status, effective July 30, 2021. CMI’s President is also the sole 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 also has related activities in common with Child Mind Medical Practice, PC (the “California Practice”), a professional medical corporation organized in California in January 2019 that 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 L[1]).

CHILD MIND INSTITUTE, INC.

Notes to Financial Statements September 30, 2022 and 2021

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

[5] Investments:

CMI's investments in common stock and mutual funds 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 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 when triggering events indicate that the fair value of the long-lived assets may be less than the carrying value recognizes any impairment in the year of determination. There were no triggering events occurring to property and equipment requiring management to test for, or adjust for, impairment losses during 2022 or 2021. 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, 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 for 2022 and 2021.

CHILD MIND INSTITUTE, INC.

Notes to Financial Statements September 30, 2022 and 2021

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, 2022 and 2021, the accrued vacation obligation was \$649,590 and \$745,594, 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.

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's application for forgiveness of the loan received in fiscal year 2020 was approved in August 2021, and the revenue was recognized in the accompanying statements of activities (see Note K[2]).

CMI also applied for and received the second round of PPP funds on April 30, 2021. CMI received full forgiveness of the loan on February 16, 2022, and the revenue was recognized in the accompanying statements of activities (see Note K[2]).

[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 and lease incentive 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, 2022 and 2021

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. 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.

Revenue from cost-reimbursement government grants are recognized when reimbursable expenses are incurred under the terms of the grants, thereby satisfying the conditions stipulated in the grant agreements. Contracts and grants of this nature received in advance are considered refundable advances until the related expenses are incurred. Performance-based grants are recognized as milestones are achieved, in satisfaction of the stipulated conditions. Other, non-reimbursement or otherwise unconditional 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.

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.

(ii) *Revenue from contract with customers:*

CMI recognizes revenue when, or as, performance obligations are satisfied associated with contracts with customers. Revenue is measured as the amount of consideration CMI expects to receive in exchange for providing services. The primary sources of revenue from contracts with customers for CMI are the program service fees. Program service fees revenue is recognized when services have been rendered based on the terms of each individual contract. Amounts received in advance of completing the service are deferred until such time as the service has been completed.

(iii) *Administrative services:*

Administrative services provided to the New York Practice and California Practice 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 (*contribution of nonfinancial assets*):

CMI, from time to time, receives various forms of in-kind contributions, which are contributions of nonfinancial assets, primarily public service announcements ("PSAs") and legal services. These types of contributions are reported as public support without donor restriction at their estimated fair value on the date of receipt and reported as expenses when utilized. For recognition of donated services in CMI's financial statements, such services must (i) create or enhance non-financial assets, (ii) typically need to be acquired if not provided by donation, (iii) require a specialized skill, and (iv) be provided by individuals possessing these skills.

CHILD MIND INSTITUTE, INC.

Notes to Financial Statements September 30, 2022 and 2021

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

[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, such as salaries, payroll taxes and benefits, have been allocated on the basis of estimated time and effort. Other indirect expenses, such as occupancy, depreciation and amortization, and computers and equipment, have been allocated by square footage or full-time equivalents.

[15] Advertising:

CMI expenses the costs of advertising as they are incurred. Advertising expense for fiscal years 2022 and 2021 was approximately \$4,000 and \$63,000, 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 September 2020, the FASB issued Accounting Standards Update ("ASU") No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for not-for-profit organizations. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. For each category of contributed nonfinancial assets recognized, the not-for-profit organization will need to disclose: (i) qualitative information about whether the contributed nonfinancial assets were either monetized or utilized during the reporting period; if utilized, a description of the programs or other activities in which those assets were used; (ii) the not-for-profit's policy (if any) about monetizing rather than utilizing contributed nonfinancial assets; (iii) a description of any donor-imposed restrictions associated with the contributed nonfinancial assets; (iv) the valuation techniques and inputs used to arrive at a fair value measure, in accordance with the requirements in Topic 820, *Fair Value Measurement*, at initial recognition; and (v) the principal market (or most advantageous market) used to arrive at a fair value measure, if it is a market in which the recipient entity is prohibited by a donor-imposed restriction from selling or using the contributed nonfinancial assets. The amendments in this ASU will be applied on a retrospective basis and are effective for annual reporting periods beginning after June 15, 2021. Management has adopted this ASU, which has had no significant impact to the financial statements.

[18] Upcoming accounting pronouncement:

In February 2016, the FASB issued lease accounting guidance in ASU No. 2016-02, *Leases*. ASU No. 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 new 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.

CHILD MIND INSTITUTE, INC.

Notes to Financial Statements September 30, 2022 and 2021

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

[18] Upcoming accounting pronouncement: (continued)

The standard is effective for the fiscal year beginning after December 15, 2021. Upon the adoption of the guidance, operating leases are capitalized on the balance sheet at the present value of lease payments, using the applicable incremental borrowing rate, or risk-free rate, at the date of adoption. The impact on CMI's financial statements is currently being evaluated. Information about CMI's undiscounted future lease payments and the timing of those payments is provided in Note L.

[19] Subsequent events:

CMI has evaluated subsequent events through April 17, 2023, 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>2022</u>	<u>2021</u>
Less than one year	\$ 9,673,882	\$ 9,570,536
One year to five years	<u>8,216,398</u>	<u>9,283,998</u>
	17,890,280	18,854,534
Less: allowance for doubtful collection	(16,385)	(52,116)
Reduction of pledges due in excess of one year to present value, at discount rates ranging from 0.28% to 4.06%	<u>(231,340)</u>	<u>(116,696)</u>
	<u>\$ 17,642,555</u>	<u>\$ 18,685,722</u>

During fiscal years 2022 and 2021, CMI wrote off contributions receivable against its allowance of \$52,116 and \$13,105, 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 or cost-reimbursement-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, 2022 and 2021

NOTE C - INVESTMENTS

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

	September 30,			
	2022		2021	
	Fair Value	Cost	Fair Value	Cost
Money market funds	\$ 37,509	\$ 37,509	\$ 37,089	\$ 37,089
Mutual funds:				
Fixed-income funds	3,228,632	3,425,763	1,805,750	1,787,456
Market-hedging funds	54,211	56,440	61,313	53,805
Equity	-	-	380,592	313,198
Common stock	<u>23,190,365</u>	<u>23,468,606</u>	<u>1,219,996</u>	<u>1,077,781</u>
	<u>\$ 26,510,717</u>	<u>\$ 26,988,318</u>	<u>\$ 3,504,740</u>	<u>\$ 3,269,329</u>

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

	Year Ended September 30,	
	2022	2021
Interest and dividends	\$ 1,053,345	\$ 40,054
Realized (losses) gains	(729,286)	88,787
Unrealized (losses) gains	(713,012)	220,517
Investment management fees	<u>(65,943)</u>	<u>(16,523)</u>
	<u>\$ (454,896)</u>	<u>\$ 332,835</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. All of CMI's investments are considered level 1.

CHILD MIND INSTITUTE, INC.

**Notes to Financial Statements
September 30, 2022 and 2021**

NOTE D - PROPERTY AND EQUIPMENT

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

	<u>September 30,</u>	
	<u>2022</u>	<u>2021</u>
Computer hardware	\$ 371,390	\$ 371,390
Furniture and equipment	2,062,150	2,062,150
Leasehold improvements	<u>5,115,020</u>	<u>5,114,520</u>
	7,548,560	7,548,060
Less: accumulated depreciation and amortization	<u>(6,169,823)</u>	<u>(4,175,954)</u>
	<u>\$ 1,378,737</u>	<u>\$ 3,372,106</u>

During fiscal year 2021, CMI disposed of property and equipment no longer in use of \$224,926. The disposition resulted in losses of \$67,035 during fiscal year 2021. There were no such dispositions during fiscal year 2022.

During fiscal year 2022, CMI accelerated the amortization of leasehold improvements over the revised remaining lease term. The amount of the acceleration, which is included in the depreciation and amortization balance on the statement of functional expenses, was \$1,479,164.

NOTE E - RELATED-PARTY TRANSACTIONS

As discussed in Note A[1], the relationship among 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, as well as pledged contributions satisfied, by the New York Practice and the California Practice to CMI during each fiscal year:

	<u>Year Ended September 30,</u>			
	<u>2022</u>		<u>2021</u>	
	<u>New York Practice</u>	<u>California Practice</u>	<u>New York Practice</u>	<u>California Practice</u>
Beginning balance due to CMI	\$ 639,847	\$ 244,686	\$ 3,484,308	\$ 466,479
Administrative	1,749,705	1,773,977	1,283,669	1,622,085
Share of lease exist payment	1,668,848	-	-	-
Other costs incurred, net	(52,640)	(1,415)	9,000	47,239
Contributions to CMI	-	-	500,000	-
Payments reimbursed to CMI	<u>(2,344,958)</u>	<u>(1,640,734)</u>	<u>(4,637,130)</u>	<u>(1,891,117)</u>
Ending balance due to CMI	<u>\$ 1,660,802</u>	<u>\$ 376,514</u>	<u>\$ 639,847</u>	<u>\$ 244,686</u>

CHILD MIND INSTITUTE, INC.

**Notes to Financial Statements
September 30, 2022 and 2021**

NOTE E - RELATED-PARTY TRANSACTIONS (CONTINUED)

[2] Financial aid program:

CMI instituted the Financial Aid Program in an effort to help children and families receive care and treatment, regardless of economic standing, by clinicians at the 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% to 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,			
	2022		2021	
	New York Practice	California Practice	New York Practice	California Practice
Beginning balance due from CMI	\$ (571,515)	\$ (25,179)	\$ (59,119)	\$ -
Financial aid awards	(337,137)	(19,668)	(512,396)	(25,179)
Payments provided	<u>908,652</u>	<u>44,847</u>	-	-
Ending balance due from CMI	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (571,515)</u>	<u>\$ (25,179)</u>

[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 donors' and grantors' 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 2022 and 2021, sub-contracted amounts paid to the New York Practice and the California Practice were as follows:

	Year Ended September 30,			
	2022		2021	
	New York Practice	California Practice	New York Practice	California Practice
Beginning balance due to (from) CMI	\$ (422,976)	\$ 34,937	\$ (887,802)	\$ (211,075)
Subcontracting	(3,591,817)	(462,241)	(3,008,884)	(244,494)
Payments provided	<u>3,697,205</u>	<u>65,637</u>	3,473,710	490,506
Ending balance due to (from) CMI	<u>\$ (317,588)</u>	<u>\$ (361,667)</u>	<u>\$ (422,976)</u>	<u>\$ 34,937</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.

CHILD MIND INSTITUTE, INC.

Notes to Financial Statements September 30, 2022 and 2021

NOTE E - RELATED-PARTY TRANSACTIONS (CONTINUED)

[4] Restricted grant start-up agreement: (continued)

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. CMI made special purpose restricted grants of \$722,291 and \$0, during fiscal years ended September 30, 2022 and 2021, respectively, to the California Practice. To date, CMI has made grants to the California Practice in the aggregate amount of \$1,414,371.

[5] Fundraised restricted funds:

CMI has fundraised, through its West Coast campaign, for costs related to the expansion of the California Practice. CMI has granted \$2,657,709 and \$3,972,446, during fiscal years ended September 30, 2022 and 2021, respectively, to the California Practice. As of September 30, 2022, CMI has \$330,000 of unpaid pledges to the California Practice. This balance is included with Due to Related Parties on the accompanying statement of financial position as of September 30, 2022.

[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.

NOTE F - IN-KIND CONTRIBUTIONS

In-kind contributions (contributions of nonfinancial assets) consisted of the following:

Category	Type	Valuation	Year Ended June 30,	
			2022	2021
Public Service Announcement	Media	Standard industry pricing for similar services/actual costs incurred by contributor	\$ 7,647,066	\$ 11,090,530
Legal		Contributed legal services are considered to reflect fair market rates for services performed	<u>32,033</u>	<u>60,646</u>
			<u>\$ 7,679,099</u>	<u>\$ 11,151,176</u>

There are no restrictions on these donated goods and services in fiscal year 2022 or 2021.

CHILD MIND INSTITUTE, INC.**Notes to Financial Statements
September 30, 2022 and 2021****NOTE G - NET ASSETS WITH DONOR RESTRICTIONS**

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

	September 30,	
	2022	2021
Purpose restrictions:		
Healthy Brain Network	\$ 899,514	\$ 3,700,833
School and Community Programs	4,809,054	3,357,853
Financial aid	305,267	625,579
Education	1,453,877	1,914,333
Research	532,058	10,744
West Coast	625,671	1,620,349
Project UROK	134,564	183,138
Katz Lecture	232,734	232,734
Doris and Melvin Sirow Art Fund	61,164	61,164
Communication	1,931,867	60,000
Child and Adolescent Mental Health Initiative	7,561,821	10,124,362
My Younger Self	<u>67</u>	<u>67</u>
	<u>18,547,658</u>	<u>21,891,156</u>
Restricted for future periods	<u>4,317,235</u>	<u>3,380,129</u>
Accumulated endowment income reserved for appropriation - research and science	<u>-</u>	<u>72,177</u>
Perpetual in nature	<u>1,791,585</u>	<u>2,000,000</u>
	<u>\$ 24,656,478</u>	<u>\$ 27,343,462</u>

CHILD MIND INSTITUTE, INC.

**Notes to Financial Statements
September 30, 2022 and 2021**

NOTE G – 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,	
	2022	2021
Purpose restrictions satisfied:		
Healthy Brain Network	\$ 4,245,938	\$ 3,996,948
School and community programs	2,343,658	2,171,044
Financial aid	337,137	512,396
Research	146,074	168,988
Project UROK	49,612	85,140
West Coast	2,657,709	4,237,852
Education	460,457	881,053
Child and Adolescent Mental Health Initiative	2,562,541	675,638
Ronald Yu/Champion Charities	-	5,000
Communications	<u>26,335</u>	<u>-</u>
	12,829,461	12,734,059
Time restrictions satisfied	<u>3,405,244</u>	<u>296,452</u>
	<u>\$ 16,234,705</u>	<u>\$ 13,030,511</u>

NOTE H – 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, 2022		
	Amounts Subject to Appropriation	Amounts Perpetual in Nature	Total
Endowment net assets, beginning of year	\$ 72,177	\$ 2,000,000	\$ 2,072,177
Investment returns, net	-	(208,282)	(208,282)
Appropriation of endowment assets	<u>(72,177)</u>	<u>(133)</u>	<u>(72,310)</u>
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 1,791,585</u>	<u>\$ 1,791,585</u>

CHILD MIND INSTITUTE, INC.

Notes to Financial Statements September 30, 2022 and 2021

NOTE H - ENDOWMENT (CONTINUED)

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

	September 30, 2021		
	Amounts Subject to Appropriation	Amounts Perpetual in Nature	Total
Endowment net assets, beginning of year	\$ 26,691	\$ 2,000,000	\$ 2,026,691
Investment returns, net	204,766	-	204,766
Appropriation of endowment assets	<u>(159,280)</u>	<u>-</u>	<u>(159,280)</u>
Endowment net assets, end of year	<u>\$ 72,177</u>	<u>\$ 2,000,000</u>	<u>\$ 2,072,177</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. As of September 30, 2022, the endowment, which had an original value of \$2,000,000 and a current value of \$1,791,585, had a deficiency of \$208,415. There were no such deficiencies during fiscal year 2021. 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. During fiscal years 2022 and 2021, there were \$72,310 and \$159,280 in appropriations, respectively.

CHILD MIND INSTITUTE, INC.

Notes to Financial Statements September 30, 2022 and 2021

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 2022 and 2021 were \$403,255 and \$379,707, 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. Management monitors the risk associated with the concentration on an ongoing basis.

NOTE K - DEBT

[1] Bank line of credit:

During fiscal year 2021, CMI renewed and increased the line of credit from JP Morgan Chase that is secured by the general assets of CMI to \$1,500,000. Interest on the line was payable at a variable rate equal to the one-month London Interbank Offered Rate ("LIBOR") plus 3.46%, which at September 30, 2020 was 3.59%. CMI drew down \$1,500,000 on 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 2021.

On March 15, 2022, the line of credit was increased to \$6,000,000 and will mature in one year. Interest is payable at a variable rate equal to the adjusted Secured Overnight Financing Rate ("SOFR") plus 3.00%. There were no draws on the line of credit during fiscal year 2022.

[2] Paycheck Protection Program loan payable:

On April 6, 2020, CMI received \$1,825,000 in funds from the PPP (the "First Draw"), which is reported as a PPP loan payable in the statements of financial position at September 30, 2020. On July 16, 2021, CMI received full forgiveness of the First Draw in accordance with SBA Guidelines.

On April 30, 2021, CMI applied for and received \$1,825,000 in funds from the PPP (the "Second Draw"). The loan would have matured on April 30, 2026 and bore interest at a rate of 0.98%. CMI received full forgiveness of the Second Draw on February 16, 2022.

CHILD MIND INSTITUTE, INC.

Notes to Financial Statements September 30, 2022 and 2021

NOTE L - 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 amendment 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 \$2,605,210, as of September 30, 2021, 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 May 2022, CMI exercised its right to terminate the lease effective May 31, 2023. The termination fees were \$4,768,138, of which \$3,099,290 and \$1,668,848 were applied to CMI and the New York Practice, respectively. The termination fees, net of any adjustments to the deferred rent liabilities, yielded a loss of \$408,472 for CMI and a gain of \$111,857 for the New York Practice on lease exit activity during fiscal year 2022.

On August 17, 2022, after exercising the termination option, CMI entered into a short-term extension of the lease through January 31, 2024.

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 \$173,562 and \$165,886 as of September 30, 2022 and 2021, 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 in San Mateo, California, 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. While the California Practice is responsible for the full cost of the lease, as a joint tenant, CMI would be liable were the California Practice to default on any lease payment.

CHILD MIND INSTITUTE, INC.

Notes to Financial Statements September 30, 2022 and 2021

NOTE L - 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 ending subsequent to September 30, 2022 are as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2023	\$ 4,205,349
2024	1,939,170
2025	432,579
2026	254,662
2027	259,755
Thereafter	<u>603,094</u>
	<u>\$ 7,694,609</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, 2022, 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 worldwide pandemic and other global events and conflicts 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 the impact on the overall demand for CMI's services, all of which are highly uncertain and cannot be predicted. If demand for CMI's services is impacted for an extended period, results of operations may be materially adversely affected.

CHILD MIND INSTITUTE, INC.

Notes to Financial Statements September 30, 2022 and 2021

NOTE M - 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>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 8,140,742	\$ 15,002,834
Accounts receivable	86,039	128,478
Contributions receivable, net	17,642,555	18,685,722
Government grants receivable	1,664,255	4,266,420
Due from related parties	2,037,316	919,470
Investments	<u>26,510,717</u>	<u>3,504,740</u>
Total financial assets available within one year	<u>56,081,624</u>	<u>42,507,664</u>
Less:		
Amounts unavailable for general expenditures within one year, due to:		
Purpose and time restrictions	(22,864,893)	(25,343,462)
Perpetual in nature	(1,791,585)	(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>(27,156,478)</u>	<u>(29,843,462)</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 28,925,146</u>	<u>\$ 12,664,202</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 \$6,000,000 bank line of credit, as discussed in Note K, which is available for short-term liquidity needs.