

CHILD MIND INSTITUTE, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2023

# 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 statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses, and cash flows for the period from October 1, 2023 to December 31, 2023, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Child Mind Institute, Inc., as of December 31, 2023, and the changes in its net assets and its cash flows for the period from October 1, 2023 to December 31, 2023, in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audit 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 audit. 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  
November 11, 2024



# CHILD MIND INSTITUTE, INC.

## Statement of Financial Position December 31, 2023

### ASSETS

Cash, cash equivalents, and restricted cash	\$ 14,258,161
Accounts receivable	355,195
Contributions receivable, net	10,747,357
Government grants receivable	5,777,745
Due from related parties	5,703,081
Investments	47,909,179
Prepaid expenses and other assets	1,223,303
Right-of-use assets	75,173,380
Property and equipment, net	3,953,363

**\$ 165,100,764**

### LIABILITIES AND NET ASSETS

#### Liabilities:

Accounts payable and accrued expenses	\$ 4,225,310
Accrued salaries and vacation	2,288,441
Due to related parties	998,719
Refundable advances	7,569,226
Lease liabilities	77,134,454

Total liabilities **\$ 92,216,150**

Commitments and contingencies (see Note K)

#### Net assets:

##### Without donor restrictions:

Undesignated funds, available for general activities	\$ 56,939,354
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##### With donor restrictions:

Purpose restrictions	12,883,826
Time restricted for future period	1,061,434
Perpetual in nature	2,000,000

Total net assets with donor restrictions **15,945,260**

Total net assets **72,884,614**

**\$ 165,100,764**

**CHILD MIND INSTITUTE, INC.**

**Statement of Activities**

**Period from October 1, 2023 to December 31, 2023**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Public support and revenue:</b>			
Foundations, corporations, and individuals	\$ 796,558	\$ 1,085,384	\$ 1,881,942
Contributions in-kind	5,287,407	-	5,287,407
Special event revenue (net of direct benefit to donors of \$333,909)	3,835,635	55,000	3,890,635
Government grants	7,131,149	-	7,131,149
Net investment gains	1,332,349	123,649	1,455,998
Program service fees and miscellaneous revenue	149,653	-	149,653
Administrative services	1,366,808	-	1,366,808
	<u>19,899,559</u>	<u>1,264,033</u>	<u>21,163,592</u>
Total public support and revenue before net assets released from restrictions	19,899,559	1,264,033	21,163,592
Net assets released from restrictions	6,794,135	(6,794,135)	-
	<u>26,693,694</u>	<u>(5,530,102)</u>	<u>21,163,592</u>
Total public support and revenue	26,693,694	(5,530,102)	21,163,592
<b>Expenses:</b>			
Program services:			
Education and outreach	10,058,179	-	10,058,179
Research and clinical	12,504,472	-	12,504,472
Training programs	1,735,482	-	1,735,482
	<u>24,298,133</u>	<u>-</u>	<u>24,298,133</u>
Total program services	24,298,133	-	24,298,133
Supporting services:			
Management and general	3,737,258	-	3,737,258
Fundraising	1,883,145	-	1,883,145
	<u>5,620,403</u>	<u>-</u>	<u>5,620,403</u>
Total supporting services	5,620,403	-	5,620,403
Total expenses	29,918,536	-	29,918,536
<b>Decrease in net assets</b>	<b>(3,224,842)</b>	<b>(5,530,102)</b>	<b>(8,754,944)</b>
Net assets, beginning of the period	60,164,196	21,475,362	81,639,558
	<u>60,164,196</u>	<u>21,475,362</u>	<u>81,639,558</u>
<b>Net assets, end of period</b>	<b>\$ 56,939,354</b>	<b>\$ 15,945,260</b>	<b>\$ 72,884,614</b>
	<u>\$ 56,939,354</u>	<u>\$ 15,945,260</u>	<u>\$ 72,884,614</u>

See notes to financial statements.

**CHILD MIND INSTITUTE, INC.**

**Statement of Functional Expenses  
Period from October 1, 2023 to December 31, 2023**

	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	\$ 822,391	\$ 3,230,801	\$ 688,851	\$ 4,742,043	\$ 1,505,413	\$ 869,811	\$ 2,375,224	\$ 7,117,267
Payroll taxes and employee benefits	145,258	548,149	87,777	781,184	162,093	97,044	259,137	1,040,321
Professional and consulting fees	8,787,480	6,005,809	492,995	15,286,284	1,090,299	355,536	1,445,835	16,732,119
Occupancy	206,212	641,266	61,766	909,244	189,109	78,070	267,179	1,176,423
Information technology	24,826	114,037	18,223	157,086	45,785	76,445	122,230	279,316
Insurance	503	-	-	503	172,283	-	172,283	172,786
Office supplies and expenses	20,519	87,141	23,727	131,387	98,276	16,616	114,892	246,279
Grants to other organizations	-	1,656,968	-	1,656,968	-	-	-	1,656,968
Financial aid	-	135,950	-	135,950	-	-	-	135,950
Travel and meals	29,421	54,204	333,265	416,890	20,711	30,324	51,035	467,925
Events, conferences, and meetings	8,691	5,036	21,548	35,275	6,008	642,511	648,519	683,794
Advertising	-	-	357	357	231,429	14,396	245,825	246,182
Other	4,055	9,332	4,334	17,721	186,019	32,961	218,980	236,701
Depreciation and amortization	8,823	15,779	2,639	27,241	7,611	3,340	10,951	38,192
Bad debts expense	-	-	-	-	22,222	-	22,222	22,222
<b>Total expenses</b>	<b>10,058,179</b>	<b>12,504,472</b>	<b>1,735,482</b>	<b>24,298,133</b>	<b>3,737,258</b>	<b>2,217,054</b>	<b>5,954,312</b>	<b>30,252,445</b>
Less: direct benefit to donors	-	-	-	-	-	(333,909)	(333,909)	(333,909)
<b>Total expenses per statement of activities</b>	<b>\$ 10,058,179</b>	<b>\$ 12,504,472</b>	<b>\$ 1,735,482</b>	<b>\$ 24,298,133</b>	<b>\$ 3,737,258</b>	<b>\$ 1,883,145</b>	<b>\$ 5,620,403</b>	<b>\$ 29,918,536</b>

See notes to financial statements.

## CHILD MIND INSTITUTE, INC.

### Statement of Cash Flows

Period from October 1, 2023 to December 31, 2023

#### Cash flows from operating activities:

Decrease in net assets	\$ (8,754,944)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:	
Depreciation and amortization	38,192
Net realized and unrealized gains on investments	(749,659)
Bad debts expense	22,222
Donated securities	(323,920)
Proceeds from sales of donated securities	323,133
Noncash lease amortization	168,705
Changes in:	
Accounts receivable	24,773
Contributions receivable, net	1,123,787
Government grants receivable	8,507,259
Due from related parties	(1,272,883)
Prepaid expenses and other assets	936,679
Accounts payable and accrued expenses	404,995
Accrued salaries and vacation	1,005,265
Refundable advances	(445,227)
Due to related parties	(1,824,889)
Lease liability	215,500
	<hr/>
Net cash used in operating activities	(601,012)

#### Cash flows from investing activities:

Proceeds from sales of investments	11,876,950
Purchases of investments	(12,459,748)
Purchases of property and equipment	(2,903,153)
	<hr/>
Net cash used in investing activities	(3,485,951)

#### Net decrease in cash, cash equivalents, and restricted cash

	(4,086,963)
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Cash, cash equivalents, and restricted cash, beginning of period

18,345,124

#### Cash, cash equivalents, and restricted cash, end of period

\$ 14,258,161

#### Supplemental disclosures of cash flow information:

In-kind services	<u>\$ 5,287,407</u>
Noncash lease liabilities arising from obtaining right-of-use asset	<u>\$ 75,513,808</u>
Capital expenditures included in accounts payable and accrued expenses	<u>\$ 424,061</u>

# CHILD MIND INSTITUTE, INC.

## Notes to Financial Statements December 31, 2023

### 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.

During 2023, CMI changed its accounting year end from September 30 to December 31.

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 statement of financial position. A portion of cash has been restricted as collateral against CMI's letters of credit for its operating leases (see Note K[2]).

# CHILD MIND INSTITUTE, INC.

## Notes to Financial Statements December 31, 2023

### 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 statement 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 statement 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 the period. 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 statement 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 the period; 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 seven 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 the three-month period ended December 31, 2023. 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.

# CHILD MIND INSTITUTE, INC.

## Notes to Financial Statements December 31, 2023

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

#### [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 December 31, 2023, capitalized website and software costs were fully amortized.

#### [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 December 31, 2023, the accrued vacation obligation was \$1,004,393, and is reported in the accompanying statement of financial position as a part of accrued salaries and vacation.

#### [9] Leases:

CMI determines if an arrangement is a lease at inception. For CMI's operating leases, a right-of-use ("ROU") asset represents CMI's right to use an underlying asset for the lease term and an operating lease liability represents an obligation to make lease payments arising from the lease. The ROU asset and lease liability are recognized at the lease commencement date based on the present value of lease payments over the lease term. Since CMI's lease agreements do not provide an implicit interest rate, CMI uses a risk-free rate based on the information available at the commencement date in determining the present value of the lease payments. Operating lease expense is recognized on a straight-line basis over the lease term, subject to any changes in the lease or expectations regarding the terms. Variable lease costs, such as operating costs, are expensed as incurred.

#### [10] 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 statement of activities as "net assets released from restrictions."

# CHILD MIND INSTITUTE, INC.

## Notes to Financial Statements December 31, 2023

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

#### [11] 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 statement 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 contracts 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, which is based on actual costs incurred by CMI (see Note E).

(iv) *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 December 31, 2023

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

##### [12] Functional allocation of expenses:

The costs of providing CMI's various programs and supporting services have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents 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, and certain costs of the president's office, have been allocated on the basis of estimated time and effort. Other indirect expenses, such as depreciation and amortization, the facilities department (including occupancy), and the information technology department (including computers and equipment), have been allocated based on full-time equivalents.

##### [13] Advertising:

CMI expenses the costs of advertising as they are incurred. There were advertising expenses of \$246,182 during the three-month period ended December 31, 2023.

##### [14] 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.

For the three-month period ended December 31, 2023, CMI was subject to Section 4960 excise tax on executive compensation more than \$1,000,000 at a tax rate of 21%.

##### [15] Adoption of accounting pronouncement:

In June 2016, the FASB issued Accounting Standards Update ("ASU") 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. ASU 2016-13 requires the immediate recognition of estimated credit losses that are expected to occur over the life of many financial assets. The new model, referred to as the current expected credit losses ("CECL") model, will apply to: (1) financial assets subject to credit losses and measured at amortized cost, and (2) certain off-balance sheet credit exposures. This includes loans, held-to-maturity debt securities, loan commitments, financial guarantees, and net investments in leases, as well as trade receivables. The ASU will be effective for annual periods beginning after December 15, 2022; accordingly, CMI adopted this ASU for the three-month period ended December 31, 2023. The adoption and application of the standard had no material effect on these financial statements.

##### [16] Subsequent events:

CMI has evaluated subsequent events through November 11, 2024, the date on which the financial statements were available to be issued.

Subsequent to year end, CMI created a limited liability company, Mindful Digital Therapeutics, LLC. The LLC is a wholly owned subsidiary of CMI, formed to administer, distribute, and otherwise operate digital technology that advances the well-being of children and young adults.

# CHILD MIND INSTITUTE, INC.

## Notes to Financial Statements December 31, 2023

### NOTE B - RECEIVABLES

#### [1] Contributions receivable:

At December 31, 2023, contributions receivable were estimated to be due as follows:

Less than one year	\$ 6,660,806
One year to five years	<u>4,222,895</u>
	10,883,701
Less: allowance for doubtful collection	(57,245)
Reduction of pledges due in excess of one year to present value, at discount rates ranging from 0.44% to 5.45%	<u>(79,099)</u>
	<u><u>\$ 10,747,357</u></u>

During the period, CMI wrote off contributions receivable against its allowance of \$55,000.

#### [2] Accounts and government grants receivable:

At December 31, 2023, 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 a history of past collections and current credit conditions, management believes that substantially all receivables are fully collectible and, accordingly, no allowance for doubtful amounts has been established.

### NOTE C - INVESTMENTS

At December 31, 2023, investments consisted of the following:

	<u>Fair Value</u>	<u>Cost</u>
Money market funds	\$ 12,726,529	\$ 12,726,529
Mutual funds:		
Fixed-income funds	26,504,596	26,454,257
Preferred stock	2,898	250,000
Common stock	<u>8,675,156</u>	<u>8,292,442</u>
	<u><u>\$ 47,909,179</u></u>	<u><u>\$ 47,723,228</u></u>

## CHILD MIND INSTITUTE, INC.

### Notes to Financial Statements December 31, 2023

#### NOTE C - INVESTMENTS (CONTINUED)

During the three-month period ended December 31, 2023, net investment income consisted of the following:

Interest and dividends	\$ 739,545
Realized gains	6,552
Unrealized gains	743,107
Investment management fees	<u>(33,206)</u>
	<u>\$ 1,455,998</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.

The following table summarizes the fair values of CMI's investments at December 31, 2023, in accordance with the ASC Topic 820 valuation levels:

	<u>Level 1</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 12,726,529	\$ -	\$ 12,726,529
Mutual funds:			
Fixed-income funds	26,504,596	-	26,504,596
Preferred stock	-	2,898	2,898
Common stock	<u>8,659,753</u>	<u>15,403</u>	<u>8,675,156</u>
	<u>\$ 47,890,878</u>	<u>\$ 18,301</u>	<u>\$ 47,909,179</u>

Unrealized gains related to this investment are included in the changes in net assets for the three-month period ended December 31, 2023 and are reported as part of net investment gains in the statement of activities.

## CHILD MIND INSTITUTE, INC.

### Notes to Financial Statements December 31, 2023

#### NOTE C - INVESTMENTS (CONTINUED)

At December 31, 2023, CMI had an 8.8% ownership of Fort Health. Fort Health is an insurance-based telehealth provider of mental healthcare services for children. Investing in Fort Health furthers CMI's mission by expanding access to evidence-based care.

#### Quantitative Information about Significant Unobservable Inputs Used in Level 3 Fair Value Measurements

The following table represents CMI's Level 3 financial instruments, the valuation techniques used to measure the fair value of those financial instruments, and the significant unobservable inputs and the ranges of values for those inputs:

<u>Instrument</u>	<u>Fair Value</u>	<u>Principal Valuation Technique</u>	<u>Unobservable Inputs</u>	<u>Range of Significant Input Values</u>	<u>Weighted Average</u>
Fort Health	\$ 18,301	Asset approach	Volatility	17%-22%	22.28%

#### NOTE D - PROPERTY AND EQUIPMENT

At December 31, 2023, property and equipment consisted of the following:

Computer and I/T hardware	\$ 1,070,105
Furniture and equipment	2,894,407
Leasehold improvements	<u>7,549,507</u>
	11,514,019
Less: accumulated depreciation and amortization	<u>(7,560,656)</u>
	<u>\$ 3,953,363</u>

## CHILD MIND INSTITUTE, INC.

### Notes to Financial Statements December 31, 2023

#### 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. Beginning in December 2023, administrative services provided by CMI to the New York Practice include the rental of office space. The following table notes the costs incurred and reimbursed by the New York Practice and the California Practice to CMI during the three-month period ended December 31, 2023:

	<b>New York Practice</b>	<b>California Practice</b>
Beginning balance due to CMI	\$ 2,622,568	\$ 1,107,630
Administrative services	590,875	574,591
Rent and deferred lease incentive	901,342	-
Other costs incurred, net	28,084	21,035
Payments reimbursed to CMI	<u>(8,044)</u>	<u>(135,000)</u>
Ending balance due to CMI	<u>\$ 4,134,825</u>	<u>\$ 1,568,256</u>

##### [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 the three-month period ended December 31, 2023 were as follows:

	<b>New York Practice</b>	<b>California Practice</b>
Beginning balance due (from) CMI	\$ (44,363)	\$ (8,258)
Financial aid awards	(122,134)	(13,816)
Payments provided	<u>139,491</u>	<u>15,427</u>
Ending balance due (from) CMI	<u>\$ (27,006)</u>	<u>\$ (6,647)</u>

# CHILD MIND INSTITUTE, INC.

## Notes to Financial Statements December 31, 2023

### NOTE E - RELATED-PARTY TRANSACTIONS (CONTINUED)

#### [3] Sub-contracting:

CMI receives contributions and grants that require the provision of services that CMI is unable to provide. In these instances, CMI sub-contracts with various agencies, including the New York Practice and the California Practice, to perform these services. CMI discloses to its donors and grantors that the services will be sub-contracted to satisfy the 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 the three-month period ended December 31, 2023, sub-contracted amounts paid to the New York Practice and the California Practice were as follows:

	<b>New York Practice</b>	<b>California Practice</b>
Beginning balance due (from) CMI	\$ (337,476)	\$ (53,819)
Subcontracting	(959,333)	(149,132)
Payments provided	<u>987,018</u>	<u>135,000</u>
Ending balance due (from) CMI	<u>\$ (309,791)</u>	<u>\$ (67,951)</u>

#### [4] Restricted grant start-up agreement:

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

Similarly, CMI entered into a restricted grant agreement with the California Practice pursuant to which CMI agreed to make special purpose restricted grants to the California Practice up to the aggregate amount of \$5,000,000. To date, CMI has made grants to the California Practice in the aggregate amount of \$4,406,786.

#### [5] Grants and fundraised restricted funds:

CMI has fundraised, through its West Coast campaign, for costs related to the expansion of the California Practice. To assist with the costs of occupying the new leased space and certain infrastructure upgrades, CMI has also made grants to both the New York Practice and the California Practice. During the three-month period ended December 31, 2023, grants and fundraised restricted funds to both the New York Practice and the California Practice were as follows:

	<b>New York Practice</b>	<b>California Practice</b>
Beginning balance due (from) CMI	\$ (1,768,871)	\$ (610,821)
Grants awarded - infrastructure project and moving expenses	(1,292,262)	(184,962)
Payments provided	<u>2,702,972</u>	<u>566,620</u>
Ending balance due (from) CMI	<u>\$ (358,161)</u>	<u>\$ (229,163)</u>

## CHILD MIND INSTITUTE, INC.

### Notes to Financial Statements December 31, 2023

#### NOTE E - RELATED-PARTY TRANSACTIONS (CONTINUED)

##### [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:

<u>Category</u>	<u>Type</u>	<u>Valuation</u>	<u>Amount</u>
Public Service Announcement	Media	Standard industry pricing for similar services/actual costs incurred by contributor	\$ 5,196,541
Management consulting services		Contributed management consulting services are considered to reflect fair market rates for services performed	63,000
Legal	Legal	Contributed legal services are considered to reflect fair market rates for services performed	<u>27,866</u>
			<u>\$ 5,287,407</u>

There are no restrictions on these donated services in the three-month period ended December 31, 2023.

#### NOTE G - EMPLOYEE-BENEFIT PLAN

CMI maintains a defined-contribution multi-employer retirement plan which includes the Child Mind Medical Practice PLLC and Child Mind Medical Practice PC, 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 specifically relating to CMI for the three-month period ended December 31, 2023 were \$131,503.

#### NOTE H - CREDIT RISK

Financial instruments that potentially subject CMI to concentrations of credit risk consist principally of cash that is deposited in financial institutions in amounts which, from time to time, may exceed federal insurance limits. However, based on the current Federal Deposit Insurance Corporation coverage, management believes that CMI does not face a significant risk of loss on these accounts that might result from the failures of the financial institutions. CMI's management monitors the risk associated with the concentration on an ongoing basis.

## CHILD MIND INSTITUTE, INC.

### Notes to Financial Statements December 31, 2023

#### NOTE I - NET ASSETS WITH DONOR RESTRICTIONS

At December 31, 2023, net assets with donor restrictions consisted of the following:

Purpose restrictions:	
Healthy Brain Network	\$ 20,000
School and Community Programs	3,625,182
Education	3,061,154
Research	393,026
Project UROK	96,446
Katz Lecture	232,734
Doris and Melvin Sirow Art Fund	61,164
Communications	11,552
Child and Adolescent Mental Health Initiative	4,581,522
Information technology	313,577
Human resources	415,602
Training programs	15,000
	<hr/>
	12,826,959
	<hr/>
Restricted for future periods	1,061,434
	<hr/>
Accumulated endowment income reserved for appropriation - research and science	56,867
	<hr/>
Perpetual in nature	2,000,000
	<hr/>
	<u>\$ 15,945,260</u>

During the three-month period ended December 31, 2023, net assets released from restrictions resulted from satisfying the following donor restrictions:

Purpose restrictions satisfied:	
School and Community Programs	\$ 709,989
Financial aid	27,065
Education	347,638
Research	126,648
Project UROK	12,014
Child and Adolescent Mental Health Initiative	525,030
SNF Global Center	751,101
Capital expenses	1,000,000
Human resources	17,532
Information technology	
Human resources	3,517,017
Training programs	3,277,118
	<hr/>
	<u>\$ 6,794,135</u>

## CHILD MIND INSTITUTE, INC.

### Notes to Financial Statements December 31, 2023

#### NOTE J - 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 the three-month period ended December 31, 2023 were as follows:**

	<u>Amounts Subject to Appropriation</u>	<u>Amounts Perpetual in Nature</u>	<u>Total</u>
Endowment net assets, beginning of period	\$ -	\$ 1,948,547	\$ 1,948,547
Investment returns, net	72,196	51,453	123,649
Appropriation of endowment assets	<u>(15,329)</u>	<u>-</u>	<u>(15,329)</u>
Endowment net assets, end of period	<u>\$ 56,867</u>	<u>\$ 2,000,000</u>	<u>\$ 2,056,867</u>

Amounts subject to appropriation represent that portion of allocated investment income, derived from endowment assets held in perpetuity, that have not been appropriated by the Board of Directors for expenditure.

**[4] Funds with deficiencies:**

Due to unfavorable market fluctuations, from time to time, the fair value of assets associated with individual donor-restricted endowment funds may decline below the historical dollar value of the donor's original, permanently restricted contribution. There was no such deficiency during the three-month period ended December 31, 2023.

**[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.

## **CHILD MIND INSTITUTE, INC.**

### **Notes to Financial Statements December 31, 2023**

#### **NOTE J - ENDOWMENT (CONTINUED)**

##### **[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 period end to provide support for a research position at CMI. Each period, during the Audit and 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 period, and also ratifies or revises the prior year's appropriation. During the three-month period ended December 31, 2023, there were \$15,329 in appropriations.

#### **NOTE K - COMMITMENTS AND CONTINGENCIES**

##### **[1] Bank line of credit:**

CMI has a line of credit of \$6,000,000 which matured in one year. Interest was payable at a variable rate equal to the adjusted Secured Overnight Financing Rate ("SOFR") plus 3.00%. The line of credit was renewed at an interest rate of 3.56% until June 27, 2024. There were no draws on the line of credit during the three-month period ended December 31, 2023.

On July 12, 2024, CMI increased its line of credit to \$12,000,000. The line of credit matures in one year. Interest is payable at a variable rate equal to the adjusted Secured Overnight Financing Rate ("SOFR") plus 3.00%. The line of credit was renewed at an interest rate of 3.158% until July 12, 2025.

##### **[2] 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 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.

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 period 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 and the New York Practice exercised their right to terminate the lease effective May 31, 2023.

In June 2023, after exercising the termination option, CMI and the New York Practice entered into a short-term extension of the lease through January 31, 2024.

In May 2023, CMI entered into a new lease agreement for new office space expiring in November 2055, with occupancy in December 2023. For the new lease, CMI recorded a lease liability of \$75,513,808 which represented the present value of the remaining lease payments and a ROU of \$74,113,808. The ROU was reduced by a \$1,400,000 lease incentive received from the landlord for construction. Pursuant to this agreement, CMI also received a base rent credit of \$8,181,000 to be applied to the rent expense from the commencement of the lease through July 2025 and from June 2030 through November 2030. In conjunction with this new lease, CMI was required to obtain a separate letter of credit, in the amount of \$3,067,875, to be held as security in the event of default. There have been no borrowings related to this letter of credit.

# CHILD MIND INSTITUTE, INC.

## Notes to Financial Statements December 31, 2023

### NOTE K - COMMITMENTS AND CONTINGENCIES (CONTINUED)

#### [2] Lease agreements: (continued)

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.

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.

Information relating to the "lease costs", which includes all costs during the period associated with the operating leases as well as the costs related to variable lease components:

Operating lease costs	\$ 1,106,890
Variable lease costs	<u>34,127</u>
Total lease cost	<u>\$ 1,141,017</u>

The minimum payments due under these agreements are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2024	\$ 209,345
2025	2,296,745
2026	4,346,416
2027	4,351,535
2028	4,356,755
Thereafter	<u>141,984,885</u>
	<u>157,545,681</u>
Less: amount representing interest	<u>(80,411,227)</u>
Amount reported on the statement of financial position	<u>\$ 77,134,454</u>

**CHILD MIND INSTITUTE, INC.**

**Notes to Financial Statements  
December 31, 2023**

**NOTE K - COMMITMENTS AND CONTINGENCIES (CONTINUED)**

**[2] Lease agreements: (continued)**

The table below presents additional information related to CMI's leases for the three-month period ended December 31, 2023:

<b>Weighted average remaining lease term:</b>	
Operating lease	32 years
<b>Weighted average discount rate:</b>	
Operating lease	4.33%

**[3] 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.

**[4] Government-funded activities:**

Government-funded activities are subject to audit by the applicable granting agencies. At December 31, 2023, approximately \$589,000 was reserved and included in government grants receivable for potential remittance back to federal agencies due to changes in CMI's indirect cost rate.

## CHILD MIND INSTITUTE, INC.

### Notes to Financial Statements December 31, 2023

#### NOTE L - LIQUIDITY AND AVAILABILITY OF RESOURCES

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

Cash and cash equivalents	\$ 14,258,161
Accounts receivable	355,195
Contributions receivable, net	10,747,357
Government grants receivable	5,777,745
Due from related parties	5,703,081
Investments (other than level 3 investments)	<u>47,890,878</u>
Total financial assets available within one year	<u>84,732,417</u>
Less:	
Amounts unavailable for general expenditures within one year, due to:	
Purpose and time restrictions	(13,945,260)
Perpetual in nature	(2,000,000)
Cash and cash equivalents held as collateral for letter of credits held as security	<u>(5,567,875)</u>
Total amounts unavailable for general expenditure within one year	<u>(21,513,135)</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 63,219,282</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 that increased to \$12,000,000 in July 2024, as discussed in Note K, which is available for short-term liquidity needs.