

EveryMind, Inc.

**Financial Statements
June 30, 2019 and 2018**

With Independent Auditor's Report Thereon

EveryMind, Inc.

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Independent Auditor's Report

To the Board of Directors of
EveryMind, Inc.

We have audited the accompanying financial statements of EveryMind, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

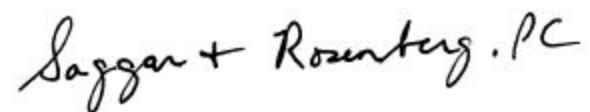
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of EveryMind, Inc. as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Sagger + Rosentzweig, PC". The signature is written in a cursive, flowing style.

Rockville, Maryland
October 18, 2019

EveryMind, Inc.
Statements of Financial Position
June 30, 2019 and 2018

<u>Assets</u>		<u>2019</u>	<u>2018</u>
Current Assets			
Cash and cash equivalents	\$	272,946	\$ 461,656
Contracts receivable		955,650	499,335
Contributions receivable		201,272	161,275
Prepaid expenses and other assets		30,695	52,502
Total Current Assets		1,460,563	1,174,768
Property and Equipment, Net		186,806	182,556
Other Assets			
Restricted cash and cash equivalents		50,654	50,185
Investments		1,578,941	1,531,590
Total Other Assets		1,629,595	1,581,775
Total Assets	\$	3,276,964	\$ 2,939,099
<u>Liabilities and Net Assets</u>			
Current Liabilities			
Accounts payable	\$	17,400	\$ 19,235
Accrued expenses		458,833	412,787
Refundable advance		31,115	13,228
Mortgage payable, current portion		7,807	7,486
Total Current Liabilities		515,155	452,736
Mortgage Payable, Net of Current Portion		287,230	294,421
Total Liabilities		802,385	747,157
Net Assets			
Without donor restrictions		2,151,203	2,001,924
With donor restrictions		323,376	190,018
Total Net Assets		2,474,579	2,191,942
Total Liabilities and Net Assets	\$	3,276,964	\$ 2,939,099

See Accompanying Notes

EveryMind, Inc.
Statement of Activities
For the Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Contract revenue	\$ 4,984,828	\$ -	\$ 4,984,828
Contributions	638,314	570,999	1,209,313
Donated services and in-kind contributions	226,551	-	226,551
Program fees	407,380	-	407,380
Net investment return and other income	57,677	-	57,677
Gross special events revenue	36,211	-	36,211
Less: cost of direct benefit to donors	(13,681)	-	(13,681)
Subtotal	6,337,280	570,999	6,908,279
Net Assets Released from Restrictions	437,641	(437,641)	-
Total Support and Revenue	6,774,921	133,358	6,908,279
Expenses			
Program services	5,590,283	-	5,590,283
Management and general	983,638	-	983,638
Fundraising	51,721	-	51,721
Total Expenses	6,625,642	-	6,625,642
Change in Net Assets	149,279	133,358	282,637
Net Assets at Beginning of Year	2,001,924	190,018	2,191,942
Net Assets at End of Year	\$ 2,151,203	\$ 323,376	\$ 2,474,579

See Accompanying Notes

EveryMind, Inc.
Statement of Activities
For the Year Ended June 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Contract revenue	\$ 4,747,107	\$ -	\$ 4,747,107
Contributions	496,796	319,300	816,096
Donated services and in-kind contributions	220,160	-	220,160
Program fees	434,173	-	434,173
Net investment return and other income	60,605	-	60,605
Gross special events revenue	282,333	-	282,333
Less: cost of direct benefit to donors	(72,988)	-	(72,988)
Subtotal	6,168,186	319,300	6,487,486
Net Assets Released from Restrictions	302,067	(302,067)	-
Total Support and Revenue	6,470,253	17,233	6,487,486
Expenses			
Program services	5,344,119	-	5,344,119
Management and general	713,975	-	713,975
Fundraising	343,687	-	343,687
Total Expenses	6,401,781	-	6,401,781
Change in Net Assets	68,472	17,233	85,705
Net Assets at Beginning of Year	1,933,452	172,785	2,106,237
Net Assets at End of Year	\$ 2,001,924	\$ 190,018	\$ 2,191,942

See Accompanying Notes

EveryMind, Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2019

	Program Services	Management and General	Fundraising	Cost of Goods Sold	Total Expenses
Salaries and related benefits	\$ 4,845,676	\$ 812,570	\$ 40,555	\$ -	\$ 5,698,801
Professional services	257,041	63,607	4,500	-	325,148
Client allowances	123,268	-	-	-	123,268
Supplies and equipment	69,486	32,307	685	-	102,478
Travel	55,169	1,694	139	-	57,002
Communications	40,653	6,732	379	-	47,764
Occupancy	32,267	13,338	743	-	46,348
Repairs and maintenance	22,410	14,978	661	-	38,049
Training and recruitment	29,084	6,854	750	-	36,688
Insurance	32,382	3,472	299	-	36,153
Depreciation	21,603	11,154	652	-	33,409
Printing and publications	17,539	5,283	346	-	23,168
Miscellaneous	16,388	4,984	591	-	21,963
Seminars	16,248	542	13	-	16,803
Interest	9,055	4,123	975	-	14,153
Cost of direct benefit to donors	-	-	-	13,681	13,681
Postage	2,014	2,000	433	-	4,447
	<u>5,590,283</u>	<u>983,638</u>	<u>51,721</u>	<u>13,681</u>	<u>6,639,323</u>
Total expenses	<u>\$ 5,590,283</u>	<u>\$ 983,638</u>	<u>\$ 51,721</u>	<u>\$ 13,681</u>	<u>\$ 6,639,323</u>
Percentage of total expenses	<u>84.20%</u>	<u>14.82%</u>	<u>0.78%</u>	<u>0.20%</u>	<u>100.00%</u>
Less expenses included with support and revenue Statement of Activities	\$ -	\$ -	\$ -	\$ (13,681)	\$ (13,681)
Total Expense on Statement of Activities	<u>\$ 5,590,283</u>	<u>\$ 983,638</u>	<u>\$ 51,721</u>	<u>\$ -</u>	<u>\$ 6,625,642</u>

See Accompanying Notes

EveryMind, Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2018

	<u>Program</u> <u>Services</u>	<u>Management</u> <u>and General</u>	<u>Fundraising</u>	<u>Cost of</u> <u>Goods Sold</u>	<u>Total</u> <u>Expenses</u>
Salaries and related benefits	\$ 4,506,044	\$ 617,038	\$ 244,982	\$ -	\$ 5,368,064
Professional services	311,549	34,354	75,304	-	421,207
Client allowances	122,316	-	-	-	122,316
Supplies and equipment	85,054	5,500	7,737	-	98,291
Cost of direct benefit to donors	-	-	-	72,988	72,988
Travel	49,499	1,226	525	-	51,250
Depreciation	35,519	15,452	-	-	50,971
Occupancy	38,075	7,930	2,342	-	48,347
Communications	40,049	6,316	1,150	-	47,515
Repairs and maintenance	28,358	6,903	2,109	-	37,370
Insurance	32,997	3,799	-	-	36,796
Training and recruitment	28,028	-	285	-	28,313
Seminars	25,622	647	131	-	26,400
Printing and publications	18,944	3,059	4,146	-	26,149
Miscellaneous	12,310	4,609	2,675	-	19,594
Interest	7,694	6,233	616	-	14,543
Postage	2,061	909	1,685	-	4,655
	<u>\$ 5,344,119</u>	<u>\$ 713,975</u>	<u>\$ 343,687</u>	<u>\$ 72,988</u>	<u>\$ 6,474,769</u>
Percentage of total expenses	<u>82.54%</u>	<u>11.02%</u>	<u>5.31%</u>	<u>1.13%</u>	<u>100.00%</u>
Less expenses included with support and revenue Statement of Activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (72,988)</u>	<u>\$ (72,988)</u>
Total Expense on Statement of Activities	<u>\$ 5,344,119</u>	<u>\$ 713,975</u>	<u>\$ 343,687</u>	<u>\$ -</u>	<u>\$ 6,401,781</u>

See Accompanying Notes

EveryMind, Inc.
Statements of Cash Flows
For the Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 282,637	\$ 85,705
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	33,409	50,971
Net realized and unrealized (gain)/loss on investments	19,946	(20,585)
Change in assets and liabilities		
Increase in contracts receivable	(456,315)	(6,932)
Increase in contributions receivable	(39,997)	(128,917)
Decrease (Increase) in prepaid expenses and other assets	21,807	(2,986)
Decrease in accounts payable	(1,835)	(19,618)
Increase in accrued expenses	46,046	25,794
Increase in refundable advance	17,887	13,228
Net Cash Used in Operating Activities	<u>(76,415)</u>	<u>(3,340)</u>
Cash Flows From Investing Activities		
Purchase of property and equipment	(37,659)	(21,903)
Proceeds from sales and maturities of investments	216,110	565,292
Purchases of investments and reinvestment of interest and dividends	<u>(283,407)</u>	<u>(918,966)</u>
Net Cash Used In Investing Activities	<u>(104,956)</u>	<u>(375,577)</u>
Cash Flows From Financing Activities		
Principal payments on mortgage payable	<u>(6,870)</u>	<u>(7,228)</u>
Net Cash Used In Financing Activities	<u>(6,870)</u>	<u>(7,228)</u>
Net Decrease in Cash	(188,241)	(386,145)
Cash and Cash Equivalents at Beginning of Year	<u>511,841</u>	<u>897,986</u>
Cash and Cash Equivalents at End of Year	<u>\$ 323,600</u>	<u>\$ 511,841</u>

See Accompanying Notes

EveryMind, Inc.
Notes to the Financial Statements

Note 1: Organization

EveryMind, Inc. (“EveryMind” or the “Organization”) was incorporated in 1957. EveryMind strengthens communities and empowers individuals to reach optimal mental wellness. EveryMind has been a trusted mental health resource for more than 60 years with programs and services for children, youth, adults, veterans, and families, in Montgomery County and throughout the National Capital Region. EveryMind also works to reduce stigma associated with mental illness, educate the community about the importance of mental wellness, empower individuals with information on how to identify warning signs of a mental illness, provide support for someone experiencing a mental health related crisis, and connect individuals with needed mental health resources.

EveryMind is the sole member of Places for People, LLC (“Places for People”) an entity that was formed in August 2003 to provide housing opportunities in Montgomery County for individuals with chronic mental illness. During the year ending June 30, 2018, Places for People transferred its remaining assets of approximately \$1,000 to EveryMind. In October 2018, Places for People was dissolved.

The programs and services provided by EveryMind include:

Youth & Family Services

Case Management, Counseling, and Linkages to Learning

Children, youth, and family programs provide services for children and families by offering counseling, case management, positive youth development, and educational activities. The services are provided at various sites including numerous Montgomery County Public Schools, community-based centers, and in client homes. Services are provided under the guidance of mental health professionals to a variety of populations including parents of children and youth. Volunteers and interns provide additional support in many of the service components. For the years ending June 30, 2019 and 2018, youth and family services had expenses of \$3,238,352 and \$3,168,415, respectively.

Adult & Community Services

Case Management, Counseling, Crisis Prevention & Intervention, Friendly Visitor, and Representative Payee

These programs assist the community’s most vulnerable adults by offering a variety of services which address vital needs and promote long-term wellness. Services are provided to low-income individuals unable to manage their federal benefits due to mental illness or disability, homeless or formerly homeless individuals, homebound and isolated older adults, and newly-arrived immigrants and refugees. Many of these services are provided by volunteers and interns who provide friendship and assistance managing finances. In addition, professional staff assess and assist individuals with accessing benefits and

EveryMind, Inc.
Notes to the Financial Statements

Note 1: Organization (continued)

housing. Counseling services provide much needed mental health support for individuals without insurance and individuals with Medicaid, many of whom have experienced trauma.

EveryMind professional staff works in cooperation with volunteers to provide residents of Montgomery County and throughout the National Capital Region with supportive listening, information and resources, and crisis intervention via telephone, text, and online chat services. Staff and volunteers provide assistance twenty-four hours per day, seven days per week, including problem-solving and crisis support as needed. For the years ending June 30, 2019 and 2018, adult and community services had program expenses of \$1,428,023 and \$1,396,517, respectively.

Military & Veteran Services

Serving Together

Services are provided for veterans, service members, and their families throughout the National Capital Region including education, informal case management through Veteran Peer Navigators, and resource coordination. Program staff facilitate local collaboratives as well as educational trainings and service coordination of health and human services providers serving the military and veteran community. For the years ending June 30, 2019 and 2018, Military & Veteran Services had total program expenses of \$729,735 and \$635,388, respectively.

Education & Advocacy Services

Education & Community Outreach, Continuing Education seminars, Government Affairs, Mental Health First Aid (MHFA)

Emphasis is placed on educating the community about the importance of mental health and wellness through seminars, workshops, trainings, and MHFA. EveryMind staff develops educational curricula which focus on children, youth, adults, veterans, families, and the entire community which provide information and resources on a variety of topics, focused on reducing the stigma surrounding mental illness. For the years ending June 30, 2019 and 2018, education and advocacy services had total program expenses of \$194,173 and \$143,799, respectively.

EveryMind, Inc.
Notes to the Financial Statements

Note 2: Summary of Significant Accounting Policies

Basis of Presentation

The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which requires the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and the Board of Directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Cash, Cash Equivalents, and Restricted Cash

The Organization considers highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

The restricted cash and cash equivalents are held for collateral at a financial institution for a letter of credit, the purpose of which was to qualify EveryMind as a reimbursable employer for unemployment compensation purposes.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statements of financial position to the sum of the corresponding amounts within the statements of cash flows.

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 272,946	\$ 461,656
Restricted cash and cash equivalents	<u>50,654</u>	<u>50,185</u>
Total	\$ <u><u>323,600</u></u>	\$ <u><u>511,841</u></u>

EveryMind, Inc.
Notes to the Financial Statements

Note 2: Summary of Significant Accounting Policies (continued)

Contracts Receivable

Contracts receivables are stated at amounts estimated by management to be the net realizable value. The Organization charges off contracts receivables when it becomes apparent based upon age or customer circumstances that amounts will not be collected. As of June 30, 2019, and 2018, management believes all contracts receivable to be collectible.

Contributions Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the fair value which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contributions revenue. Conditional promises to give are not included as support until the conditions are substantially met. As of June 30, 2019, and 2018, management believes all contributions receivable to be fully collectible within the next fiscal year.

Property and Equipment

Property and equipment are recorded at cost. The Organization capitalizes property and equipment purchases that are valued at \$2,000 or greater and that have an estimated useful life of greater than one year. The cost of maintenance and repairs is recorded as an expense when incurred. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets as follows:

Building and improvements	Five to thirty-one and a half years
Furniture and equipment	Five to seven years
Vehicles	Five years

Investments

Investments are recorded at cost, if purchased, or at fair value on the date of donation, if donated. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external investment expenses.

Purchases and sales of securities are reflected on the trade-date basis. Gains and losses on sales of securities are based on average cost and are recorded in the statement of activities in the period in which the securities are sold. Interest is recorded when earned.

EveryMind, Inc.
Notes to the Financial Statements

Note 2: Summary of Significant Accounting Policies (continued)

Revenue Recognition

Revenue from contracts is recognized as related qualifying expenses are incurred. Revenue is deferred when funds are received but not yet earned. Program service revenue is recognized when received.

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Donated services and in-kind contributions

Donated materials, equipment, and facilities are reflected as contributions in the accompanying financial statements at their estimated value at the date of receipt. Donated materials and equipment are recorded as unrestricted support unless there are explicit donor stipulations as to how the donated assets must be used. EveryMind recognizes donated services to the extent the services received create or enhance non-financial assets or require specialized skills that would be purchased if not provided by donation.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis.

EveryMind, Inc.
Notes to the Financial Statements

Note 2: Summary of Significant Accounting Policies (continued)

The expenses that are allocated include the following:

Expense	Method of Allocation
Salaries and related benefits	Time and effort
Professional services	Time and effort
Supplies and equipment	Time and effort / Full Time Equivalent
Travel	Time and effort
Depreciation	Square footage
Occupancy	Square footage
Communications	Time and effort / Full Time Equivalent
Repairs and maintenance	Square footage
Insurance	Full Time Equivalent
Training and recruitment	Time and effort
Seminars	Time and effort
Printing and publications	Time and effort
Miscellaneous	Time and effort
Interest	Square footage
Postage	Time and effort

Income Taxes

EveryMind Inc. is exempt from federal income taxes on related income under Section 501(c)(3) of the Internal Revenue Code and is classified as other than a private foundation. Income determined to be unrelated business income is taxable.

Taxable years before June 30, 2019 are subject to federal and other jurisdictions' tax authority examinations. Management is of the opinion that no liability will result from these actions.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect specific amounts and disclosures. Accordingly, actual results could differ from those estimates.

Reclassifications

Certain amounts in the prior year financial statements may have been reclassified to conform to the current year presentation.

EveryMind, Inc.
Notes to the Financial Statements

Note 2: Summary of Significant Accounting Policies (continued)

Subsequent Events

For the year ended June 30, 2019, the Organization evaluated subsequent events for potential recognition and disclosure through October 18, 2019, the date the financial statements were available to be issued and believe there to be no further potential recognition or disclosure.

New accounting pronouncements

In August 2016, FASB issued *ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net assets classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. EveryMind, Inc. has implemented ASU 2016-14 and has adjusted the presentation in these statements accordingly. The ASU has been applied retrospectively to all periods presented.

In August 2016, FASB issued *ASU 2016-15, Statement of Cash Flows (Topic 230), Classification of Certain Cash Receipts and Cash Payments*. This guidance is intended to reduce the diversity in practice in how certain transactions are classified in the statement of cash flows. In addition, in November 2016, FASB issued *ASU 2016-18, Statement of Cash Flows (Topic 230), Restricted Cash*. This ASU provides additional guidance related to transfers between cash and restricted cash and how entities present, in their statements of cash flows, the cash receipts and cash payments that directly affect the restricted cash accounts. We have adopted these provisions in the accompanying financial statements.

In May 2014, the FASB issued guidance codified in *ASC 606, Revenue Recognition – Revenue from Contracts with Customers*, which amends the guidance in former *ASC 605, Revenue Recognition*, and most other existing revenue guidance in U.S. Generally Accepted Accounting Principles (GAAP), to require an entity to recognize revenue in an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to customers and provide additional disclosures. As amended, the effective date for nonpublic entities is annual reporting periods beginning after December 15, 2018 and interim periods therein. As such, the Organization will be required to adopt the standard on July 1, 2019. Early adoption is not permitted before the first quarter of fiscal year 2017. *ASC 606* may be adopted either using a full retrospective approach, in which the standard is applied to all of the periods presented, or a modified retrospective approach. The Organization has adopted this ASU effective July 1, 2019.

In June 2018, the FASB issued *ASU 2018-08, Not-for-Profit entities (Topic 958)* intended to clarify and improve the scope and the accounting guidance for contributions received and made, primarily by not-for-profit Organization. The amendments in this ASU provide a more robust framework for determining whether a transaction should be accounted for as

EveryMind, Inc.
Notes to the Financial Statements

Note 2: Summary of Significant Accounting Policies (continued)

a contribution or as an exchange transaction. The effective date for a public company or a not-for-profit organization that has issued, or is a conduit bond obligor for, securities that are traded, listed, or quoted on an exchange or an over-the-counter market, is annual reporting periods beginning after June 15, 2018, including interim periods within that annual period. All other entities should apply the amendments for transactions in which the entity serves as the resource recipient to annual periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. Early adoption of the amendments in this ASU is permitted. The Organization has adopted this ASU effective July 1, 2019.

In February 2016, the FASB issued guidance codified in *ASC 842, Leases*, which amends the guidance in former ASC 840, *Leases*, requiring the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous U.S. GAAP. The effective date for nonpublic entities is annual reporting periods beginning after December 15, 2019 and interim periods therein. As such, the Organization will be required to adopt the standard on July 1, 2020. Early adoption is permitted. Entities are required to use a modified retrospective approach for leases that exist or are entered into after the beginning of the earliest comparative period in the financial statements. The Organization is currently evaluating how *ASC 842* will affect its financial statements.

Note 3: Availability and Liquidity

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date of the statement of financial position, comprise the following as of June 30:

	2019	2018
Cash and cash equivalents	\$ 272,946	\$ 461,656
Contracts receivable	955,650	499,335
Contributions receivable	201,272	161,275
Investments	<u>1,578,941</u>	<u>1,531,590</u>
Subtotal	3,008,809	2,653,856
Less amounts not available to be used within one year:		
Board designated	<u>350,000</u>	<u>350,000</u>
Financial assets available for general expenditures over the next twelve months	<u>\$ 2,658,809</u>	<u>\$ 2,303,855</u>

EveryMind, Inc.
Notes to the Financial Statements

Note 3: Availability and Liquidity (continued)

As part of the EveryMind's liquidity management plan, the Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due, while also striving to maximize the investment of its available funds. In addition, the Organization has a \$350,000 line of credit available to meet its cash needs (see Note 6).

The board designated assets are designated for an operating reserve and are not available for general expenditure within the next year (see Note 8). However, the board designated amounts could be made available, if necessary.

Note 4: Investments and Fair Value Measurement

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3).

The three levels of the fair value hierarchy under FASB ASC 820, *Fair Value Measurements and Disclosures*, are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that EveryMind has the ability to access.

Level 2: Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

EveryMind, Inc.
Notes to the Financial Statements

Note 4: Investments and Fair Value Measurement (continued)

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2019 and 2018.

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by EveryMind are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by EveryMind are deemed to be actively traded.

As required by FASB ASC 820, EveryMind's portfolio investments are classified as follows:

	<u>Investments at Fair Value as of June 30, 2019</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity mutual funds	\$ 917,022	\$ --	\$ --	\$ 917,022
Bond mutual funds	<u>661,919</u>	<u>--</u>	<u>--</u>	<u>661,919</u>
Total investments at fair value	<u>\$ 1,578,941</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 1,578,941</u>

	<u>Investments at Fair Value as of June 30, 2018</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity mutual funds	\$ 686,745	\$ --	\$ --	\$ 686,745
Bond mutual funds	<u>844,845</u>	<u>--</u>	<u>--</u>	<u>844,845</u>
Total investments at fair value	<u>\$ 1,531,590</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 1,531,590</u>

The carrying amounts of cash and cash equivalents, contracts receivable, contributions receivable, prepaid expenses and other assets, accounts payable, accrued expenses, refundable advances, and mortgage payable approximate fair value due to the short-term nature of the items, and are considered to fall within level one of the fair value hierarchy.

EveryMind, Inc.
Notes to the Financial Statements

Note 5: Property and Equipment

Property and equipment consisted of the following at June 30:

	<u>2019</u>	<u>2018</u>
Land	\$ 76,684	\$ 76,684
Building and improvements	911,190	911,190
Furniture and equipment	304,683	267,023
Vehicles	<u>30,517</u>	<u>30,517</u>
Property and equipment, at cost	1,323,074	1,285,414
Less: accumulated depreciation	<u>(1,136,268)</u>	<u>(1,102,858)</u>
Property and equipment, net	<u>\$ 186,806</u>	<u>\$ 182,556</u>

Depreciation expense for the fiscal years ended June 30, 2019 and 2018 was \$33,409 and \$50,971, respectively.

Note 6: Line of Credit

EveryMind maintains a line of credit through a commercial lender for working capital purposes, with a maximum borrowing of \$350,000. Interest is payable monthly at an interest rate of Wall Street Journal Prime (6% at June 30, 2019 and 2018) plus 1.00% with a floor rate of 5.50%. Borrowings under the line of credit are secured by EveryMind's assets. The line of credit is subject to an annual review and is payable upon demand. As of June 30, 2019 and 2018, there were no borrowings against the line.

Note 7: Mortgage Payable

EveryMind entered into a \$350,000 mortgage payable during June 2006. Under the mortgage, the interest rate is 4.625% until June 2021. After June 2021, the interest rate will adjust to 2.75 percentage points plus the 5 Year Interest Rate Swap as defined in the agreement with a floor of 4.625%.

The mortgage matures in June 2026 with a balloon payment for the remaining principal balance. The mortgage is secured by real property that has a combined book value of approximately \$131,000 and \$155,000 at June 30, 2019 and 2018, respectively. The property was appraised for \$2,100,000 in June 2006.

EveryMind, Inc.
Notes to the Financial Statements

Note 7: Mortgage Payable (continued)

Future maturities of mortgages are as follows:

Year ending June 30,	
2020	\$ 7,807
2021	8,219
2022	8,612
2023	9,025
2024	9,424
Thereafter	<u>251,950</u>
	<u>\$ 295,037</u>

Mortgage interest expense for the fiscal years ended June 30, 2019 and 2018 was \$13,998 and \$14,256, respectively.

Note 8: Net Assets

Net assets without donor restrictions - Board Designated

As of June 30, 2019, and 2018, the Board of Directors designated a portion of investment balances held at a financial institution to be used as a reserve for future operating payments. These amounts are included in the statement of financial position as part of investments in the amount of \$350,000.

EveryMind, Inc.
Notes to the Financial Statements

Note 8: Net Assets (continued)

Net assets with donor restrictions

Net assets with donor restrictions at June 30, 2019 and 2018 consist of:

	<u>2019</u>	<u>2018</u>
<i><u>Purpose Restricted:</u></i>		
Crisis Prevention & Intervention Services	\$ 8,625	\$ --
Serving Together Program	158,380	--
Youth and Family Services	--	17,416
<i><u>Designated for Future Periods:</u></i>		
Crisis Prevention & Intervention Services	5,000	5,000
Expanding Access to Mental Health	10,615	33,302
Friendly Visitor	10,000	--
General Support	--	550
MHFA Training	2,000	2,000
Outdoor Adventure	10,000	10,000
Representative Payee	4,756	10,000
Serving Together	114,000	107,750
Training and Internship	<u> --</u>	<u> 4,000</u>
Net assets with donor restrictions	<u>\$ 323,376</u>	<u>\$ 190,018</u>

Note 9: Contingent Liabilities

EveryMind receives a substantial portion of its revenue from government grants and fees, certain of which are subject to audit by various government agencies. Until all audits through June 30, 2019 have been completed and final settlements have been reached, there exists a contingent liability to refund any amount received in excess of allowable costs. Management of EveryMind is of the opinion that no significant liability, if any, will result from these audits.

EveryMind, Inc.
Notes to the Financial Statements

Note 10: Donated Services and In-Kind Contributions

In support of its programs, EveryMind received donated professional services, facilities, and materials as follows during the years ended:

	<u>2019</u>	<u>2018</u>
Professional Services	\$ 189,579	\$ 191,166
Occupancy	1,210	1,210
Client needs	<u>35,762</u>	<u>27,784</u>
Total donated services and in-kind contributions	<u>\$ 226,551</u>	<u>\$ 220,160</u>

Note 11: Leases

EveryMind rents equipment and office space under non-cancelable operating leases. Minimum future rental payments under non-cancelable leases are as follows:

Year ending June 30,	
2020	\$ 15,702
2021	8,734
2022	8,734
2023	7,667
2024	<u>5,775</u>
Total	<u>\$ 46,612</u>

Total rent expense including donated rent for the years ended June 30, 2019 and 2018 was \$23,792 and \$25,283, respectively.

Note 12: Defined Contribution Plan

EveryMind sponsors a defined contribution plan covering substantially all of its employees. Under the plan, EveryMind makes an employer matching contribution and may make a discretionary contribution of a participating employee's salary. EveryMind contributed \$119,975 and \$107,979 to the plan during fiscal years 2019 and 2018, respectively.

Note 13: Concentrations

The Federal Deposit Insurance Corporation (FDIC) insures accounts up to \$250,000 at each institution. At June 30, 2019 and 2018, EveryMind exceeded the insured limit by \$132,647 and \$308,194, respectively.

EveryMind, Inc.
Notes to the Financial Statements

Note 13: Concentrations (continued)

For the year ended June 30, 2019 and 2018, EveryMind received 66% and 65% of its total support and revenue from the Montgomery County government, respectively. Receivables from Montgomery County Government accounted for 73% and 74%, respectively of contracts receivable at June 30, 2019 and 2018. EveryMind had a total of 15 contracts from the Montgomery County government in fiscal year 2019 and 13 contracts in fiscal year 2018.

Note 14: Non-Cash Transactions

Supplemental disclosure of cash flow information

Interest paid during the fiscal years 2019 and 2018 was \$14,153 and \$14,543, respectively.