
Active Minds, Inc.
Financial Statements
And
Independent Auditor's Report
Years Ended June 30, 2018 and 2017

TABLE OF CONTENTS

Independent Auditor's Report.....	3 - 4
Statement of Financial Position	5
Statement of Activities	6
Statement of Functional Expenses.....	7
Statement of Cash Flows.....	8
Notes to Financial Statements	9 - 14



Independent Auditor's Report

To the Board of Directors
Active Minds, Inc.
Washington, DC

We have audited the accompanying financial statements of Active Minds, Inc. (Active Minds), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and change in net assets, functional expenses and cash flows for the year 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 audit. We conducted our audit 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.

Helping Businesses Develop, Grow and Succeed

8609 Second Avenue, Suite 507B • Silver Spring, MD 20910 • Phone: 301.585.5050 • Fax: 202.318.9147 • www.abercrombiellc.com

Opinion

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

Report on Summarized Comparative Information

We have previously audited Active Minds' 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 26, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Abercrombie & Associates, LLC

Abercrombie & Associates, LLC
April 4, 2019
Silver Spring, MD

Active Minds
Statement of Financial Position
June 30, 2018

(With summarized comparative financial information as of June 30, 2017)

	6/30/18	6/30/17
ASSETS		
Cash and cash equivalents	\$ 117,432	\$ 229,702
Grants and accounts receivable, net	258,350	223,470
Prepaid expenses	66,077	52,431
Inventory	14,730	7,373
Other asset	2,981	5,411
Deposits	11,748	11,748
Property and equipment, net	24,869	10,318
TOTAL ASSETS	\$ 496,187	\$ 540,453
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 133,756	\$ 98,467
Deferred revenue	9,249	6,399
Deferred rent	7,359	-
Total Liabilities	150,364	104,866
 NET ASSETS		
Unrestricted	341,823	275,587
Restricted	4,000	160,000
Total Net Assets	345,823	435,587
TOTAL LIABILITIES AND NET ASSETS	\$ 496,187	\$ 540,453

The accompanying notes are an integral part of the financial statements

Active Minds
Statement of Activities
For the Year Ended June 30, 2018

(With summarized comparative financial information for the year ended June 30, 2017)

Revenue	Unrestricted	Temporarily Restricted	FYE 6/30/18 Total	FYE 6/30/17 Total
Contributions and grants	\$ 1,223,807	\$ 105,675	\$ 1,329,482	\$ 1,147,577
In-kind contributions	64,412		64,412	120,199
Conference and program sales revenue	231,727		231,727	196,454
Speaker and consulting fees	290,664		290,664	288,531
Special event income	296,588		296,588	261,907
Other income	5,128		5,128	4,725
Investment income	244		244	481
Net assets released from restrictions	261,675	(261,675)	-	-
Total Revenue and Support	<u>2,374,245</u>	<u>(156,000)</u>	<u>2,218,245</u>	<u>2,019,874</u>
Expenses				
Program Service	1,653,822	-	1,653,822	1,793,199
Management and General	197,298	-	197,298	150,089
Fundraising	456,889	-	456,889	302,273
Total Expenses	<u>2,308,009</u>	<u>-</u>	<u>2,308,009</u>	<u>2,245,561</u>
Change in Net Assets	66,236	(156,000)	(89,764)	(225,687)
Net Assets, Beginning of Year	<u>275,587</u>	<u>160,000</u>	<u>435,587</u>	<u>661,274</u>
Net Assets, End of Year	<u>\$ 341,823</u>	<u>\$ 4,000</u>	<u>\$ 345,823</u>	<u>\$ 435,587</u>

The accompanying notes are an integral part of the financial statements

Active Minds
Statement of Functional Expenses
For the Year Ended June 30, 2018

(With summarized comparative financial information for the year ended June 30, 2017)

	Program Expenses	Management & General Expenses	Fundraising Expenses	FYE 6/30/18 Total Expenses	FYE 6/30/17 Total Expenses
Personnel expenses	782,205	100,685	191,899	1,074,789	1,139,281
Professional fees	45,455	5,604	78,933	129,992	61,365
Supplies, office expenses	36,692	5,896	31,033	73,621	63,244
Information technology	122,189	965	1,666	124,820	41,411
Travel	5,405	6,013	1,429	12,847	14,630
Rent	111,818	13,786	27,572	153,176	130,335
Conference, events, programs	452,288	537	108,531	561,356	631,110
Advertising/marketing	44,900	1,432	3,157	49,489	30,393
Depreciation, amortization	6,759	856	1,650	9,265	5,699
Bad debt expense	-	51,811	-	51,811	5,500
Other expenses	-	2,431	-	2,431	2,394
Donated services	46,111	7,282	11,019	64,412	120,199
Total	1,653,822	197,298	456,889	2,308,009	2,245,561

The accompanying notes are an integral part of the financial statements

Active Minds
Statement of Cash Flows
For the Year Ended June 30, 2018
(With summarized comparative financial information for the year ended June 30, 2017)

	<u>FYE 6/30/18</u>	<u>FYE 6/30/17</u>
Cash Flows from Operating Activities		
Change in net assets	\$ (89,764)	\$ (225,687)
Adjustment to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	9,265	5,699
Bad debt expense	51,811	5,500
Donated securities	-	(39,472)
Realized (gain)/loss on investments	-	243
Dividend income from securities	-	-
Decrease (increase) in receivables	(86,691)	(37,574)
Decrease (increase) in prepaid expenses	(13,646)	(21,763)
Decrease (increase) in inventory	(7,357)	13,060
Decrease (increase) in other asset	2,430	2,062
Increase (decrease) in accounts payable & accrued expenses	35,289	(10,608)
Increase (decrease) in deferred revenue	2,850	(18,030)
Increase (decrease) in deferred rent	7,359	(5,355)
Net cash provided (used) by operating activities	<u>(88,454)</u>	<u>(331,925)</u>
Cash Flows from Investing Activities		
Purchase of property and equipment	(23,816)	(1,376)
Proceeds from sale of investments	-	39,229
Net cash provided by investing activities	<u>(23,816)</u>	<u>37,853</u>
Increase (decrease) in Cash and Cash Equivalents	(112,270)	(294,072)
Cash and Cash Equivalents, Beginning of Year	<u>229,702</u>	<u>523,774</u>
Cash and Cash Equivalents, End of Year	<u>\$ 117,432</u>	<u>\$ 229,702</u>
Cash paid for interest	<u>-</u>	<u>-</u>

The accompanying notes are an integral part of the financial statements

Active Minds
Notes to Financial Statements
June 30, 2018

Note 1 – Organization and Summary of Accounting Policies

Organization

Active Minds, Inc. (Active Minds) is the nation's premier 501(c)(3) organization dedicated to raising mental health awareness among college students on the peer level. Active Minds was incorporated in 2003 under the laws of the District of Columbia. The organization works with college students nationwide to educate their peers about issues of mental health, symptoms of mental illness, and available resources for seeking help. By promoting awareness and education, Active Minds and its campus chapters aim to open a dialogue around issues of mental health, promote early help seeking, and prevent suicides.

Tax status

Active Minds has been granted exemption by the Internal Revenue Service (IRS) from federal income taxes under section 501(c)(3) of the Internal Revenue Code. The Internal Revenue Service has determined that Active Minds is not a private foundation. Active Minds is required to report unrelated business income to the Internal Revenue Service and the District of Columbia.

Uncertain tax positions

The Financial Accounting Standards Board (FASB) has released FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes. For the year ended June 30, 2018, Active Minds has documented its consideration of FASB ASC 740-10 and determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements. Tax years ending June 30, 2017, 2016 and 2015 remain open with both Federal and state taxing authorities.

Basis of presentation

The financial statements of Active Minds have been prepared on the accrual basis of accounting in accordance with FASB ASC 958, *Not-for-Profit Entities*.

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with Active Minds' financial statements for the year ended June 30, 2017, from which the summarized information was derived.

Cash and cash equivalents

For financial statement purposes, cash and cash equivalents include, operating cash accounts, petty cash and highly liquid money market fund accounts with original maturities of three months or less.

Active Minds
Notes to Financial Statements
June 30, 2018

Investments

Investments are recorded at their readily determinable fair value. Realized and unrealized gains and losses are included in investment income in the accompanying statement of activities. When received, donated securities are recorded at fair value, based on the fair market value of the securities as of the date of donation.

Inventory

Inventory consists of branded items recorded at cost.

Net assets

Active Minds has established the following net asset categories:

- Unrestricted net assets are available for use in general operations.
- Temporarily restricted net assets consist of amounts that are subject to donor restrictions and income earned on permanently restricted net assets. Active Minds is permitted to use or expend the donated assets in accordance with the donor restrictions.
- Active Minds reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Revenue recognition

Active Minds recognizes revenue when it is earned. Revenues are recorded at the time pledges are made, corporate support is pledged, products are shipped, services are performed, or obligations are fulfilled. Contributions are reported in accordance with the provisions of FASB ASC 958-605, *Revenue Recognition*.

Property and equipment

Property and equipment consist of furniture, office, computer equipment and intangible assets recorded at cost and depreciated using the straight-line method over the estimated useful life of the asset. Active Minds' capitalization policy currently records property and equipment acquisitions over \$1,000 with an expected life of more than a year.

Donated services, goods and facilities

Donated professional services are reflected in the statement of activities at their fair value. Materials and other assets received as donations are recorded and reflected in the accompanying financial statements at their fair values at the date of receipt.

Active Minds
Notes to Financial Statements
June 30, 2018

Advertising Costs

Advertising costs are expensed as incurred.

Use of estimates

Preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from estimates.

Fair value measurement

Active Minds adopted the provisions of FASB ASC 820, *Fair Value Measurement*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurement. Active Minds accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

New accounting pronouncements (not yet adopted)

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958), intended to improve financial reporting for not-for-profit entities. The ASU will reduce the current three classes of net assets into two: with and without donor restrictions. The change in each of the classes of net assets must be reported on the Statements of Activities and Changes in Net Assets. The ASU also requires various enhanced disclosures around topics such as board designations, liquidity, functional classification of expenses, investment expenses, donor restrictions, and underwater endowments. The ASU is effective for years beginning after December 15, 2017. Early adoption is permitted. The ASU should be applied on a retrospective basis in the year the ASU is first applied. While the ASU will change the presentation of Active Minds' financial statements, it is not expected to alter Active Minds' reported financial position.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) (ASU 2014-09). The ASU establishes a comprehensive revenue recognition standard for virtually all industries under generally accepted accounting principles in the United States (U.S. GAAP) including those that previously followed industry-specific guidance. The guidance states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2015-14 in August 2015 that deferred the effective date of ASU 2014-09 by a year; thus, the effective date is years beginning after December 15, 2018. Early adoption is permitted. Active Minds has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on its financial statements.

Active Minds
Notes to Financial Statements
June 30, 2018

In 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the Statements of Financial Position and disclosing key information about leasing arrangements. The ASU is effective for private entities for years beginning after December 15, 2019. Early adoption is permitted. The ASU should be applied at the beginning of the earliest period presented using a modified retrospective approach.

Active Minds plans to adopt the new ASUs at the respective required implementation dates.

Note 2 - Grants and Accounts Receivable

At June 30, 2018 included in Grants and Accounts Receivable were the following:

Grants/accounts receivable due in less than one year	\$ 266,600
Less: allowance for doubtful accounts	<u>(8,250)</u>
Grants/accounts receivable, net of allowance	\$ <u>258,350</u>

Active Minds uses the allowance method to account for uncollectible receivables. Receivables are determined uncollectible based on management's review.

Note 3 - Property and Equipment

Furniture, equipment and intangible assets are recorded at cost. Depreciation and amortization are provided over the estimated useful lives of the respective assets, which range from three to ten years on a straight line basis. Active Minds capitalizes property and equipment in excess of \$1,000.

Property and equipment consists of the following at June 30, 2018:

Furniture and equipment	\$ 87,004
Intangible assets: Logo design, trademarks	7,955
Accumulated depreciation & amortization	<u>(70,090)</u>
Book value	\$ <u>24,869</u>

Depreciation and amortization expense were \$9,265 for the period ended June 30, 2018.

Note 4 - Temporarily Restricted Net Assets

Temporarily restricted net assets were available for the following purposes at June 30, 2018:

Conference	\$ <u>4,000</u>
Total	\$ <u>4,000</u>

Active Minds
Notes to Financial Statements
June 30, 2018

Note 5 - Net Assets Released From Restrictions

Net assets were released from donor imposed restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by donors for the year ended June 30, 2018.

Chapter development/campus mental health	\$ 169,975
Conference	49,200
Passage of time	7,500
IT	<u>35,000</u>
Total	<u>\$ 261,675</u>

Note 6 - Commitments

Active Minds leases its office space in Washington, DC under a non-cancellable operating lease that expires in July 2022. Rent expense for the year ended June 30, 2018 was \$ 153,176.

In 2018 Active Minds entered into a five year contract for contact management hosting and software fees. Annual fees are \$42,000 unless cost savings and revenue increases realized through the use of the product are below \$42,000 annually and, in that case, the annual fee will be reduced to \$35,000.

Future minimum lease commitments under all operating leases and contracts are as follows:

June 30, 2019	\$ 197,847
June 30, 2020	201,744
June 30, 2021	205,737
June 30, 2022	209,831
June 30, 2023	7,007
Thereafter	-----
Total	<u>\$ 822,166</u>

Note 7 - Functional Allocation of Expenses

The cost of providing various program and supporting services have been summarized on a functional basis in the accompanying statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. General and administrative costs have been allocated, when appropriate, to the programs and supporting services proportionately based on direct personnel costs.

Note 8 - Concentration of Risk

Financial instruments that potentially expose Active Minds to concentrations of credit risk consist primarily of cash and cash equivalents. Active Minds maintains a money market account balance which is not federally insured. Management believed the risk is managed by

Active Minds
Notes to Financial Statements
June 30, 2018

maintaining all deposits with high quality financial institutions. Active Minds has not experienced, nor does it anticipate any loss of funds from its current concentration of risk.

Note 9 – Investment Income

Included in investment income are the following:

Dividends and interest	\$ 717
Loss on investment	(160)
Investment fees	(313)
Total investment income	<u>\$ 244</u>

Note 10 – Other Asset

Active Minds is a participant (“subscriber”) in a reciprocal insurance exchange for health insurance purposes. As a subscriber the Active Minds received an allocation to its subscriber savings account (SSA) for its share of net loss from the reciprocal’s underwriting and investment activity during fiscal year ended June 30, 2018. Active Minds’ share of net loss in the amount of \$2,431 is included in Other Expenses on the Statement of Functional Expenses.

Note 11 - Retirement plan

Active Minds offers qualifying full-time employees an opportunity to participate in the 401k plan. Employees are qualified to participate starting on the one year anniversary of their employment date at Active Minds. Active Minds matches up to 50% of an employee’s contribution to a 401k account with a cap of 3% of employee’s salary. For the year ended June 30, 2018, employer contributions totaled \$7,302.

Note 12 – In-kind Contributions

Active Minds received donated legal services in the amount of \$61,861 for the year ended June 30, 2018 as well as other miscellaneous donated services of \$2,551.

Note 13 - Subsequent Events

In preparing these financial statements, Active Minds has evaluated events and transactions for potential recognition or disclosure through April 4, 2019, the date the financial statements were issued.