
Active Minds, Inc.
Financial Statements
And
Independent Auditor's Report

Years Ended June 30, 2019 and 2018

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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, 2019, 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

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, 2019, 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' 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 4, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Abercrombie & Associates, LLC

Abercrombie & Associates, LLC
January 14, 2020
Silver Spring, MD

Active Minds
Statement of Financial Position
June 30, 2019

(With summarized comparative financial information as of June 30, 2018)

	6/30/19	6/30/18
ASSETS		
Cash and cash equivalents	\$ 1,118,837	\$ 117,432
Grants and accounts receivable, net	1,655,256	258,350
Prepaid expenses	71,246	66,077
Inventory	32,565	14,730
Other asset	3,922	2,981
Deposits	11,748	11,748
Property and equipment, net	22,334	24,869
TOTAL ASSETS	\$2,915,908	\$ 496,187
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 132,438	\$ 133,756
Deferred revenue	18,500	9,249
Deferred rent	11,546	7,359
Total Liabilities	162,484	150,364
 NET ASSETS		
Without donor restrictions	976,080	341,823
With donor restrictions	1,777,344	4,000
Total Net Assets	2,753,424	345,823
TOTAL LIABILITIES AND NET ASSETS	\$2,915,908	\$ 496,187

The accompanying notes are an integral part of the financial statements

Active Minds
Statement of Activities
For the Year Ended June 30, 2019

(With summarized comparative financial information for the year ended June 30, 2018)

Revenue	Without Donor Restrictions	With Donor Restrictions	FYE 6/30/19 Total	FYE 6/30/18 Total
Contributions and grants	\$ 1,768,413	\$ 1,777,344	\$ 3,545,757	\$ 1,329,482
In-kind contributions	72,911		72,911	64,412
Conference and program sales revenue	306,625		306,625	231,727
Speaker and consulting fees	339,784		339,784	290,664
Special event income	382,766		382,766	296,588
Other income	5,894		5,894	5,128
Investment income	8,574		8,574	244
Net assets released from restrictions	4,000	(4,000)	-	-
Total Revenue and Support	<u>2,888,967</u>	<u>1,773,344</u>	<u>4,662,311</u>	<u>2,218,245</u>
Expenses				
Program Service	1,756,046	-	1,756,046	1,614,898
Management and General	181,935	-	181,935	245,820
Fundraising	316,729	-	316,729	447,291
Total Expenses	<u>2,254,710</u>	<u>-</u>	<u>2,254,710</u>	<u>2,308,009</u>
Change in Net Assets	634,257	1,773,344	2,407,601	(89,764)
Net Assets, Beginning of Year	<u>341,823</u>	<u>4,000</u>	<u>345,823</u>	<u>435,587</u>
Net Assets, End of Year	<u>\$ 976,080</u>	<u>\$ 1,777,344</u>	<u>\$ 2,753,424</u>	<u>\$ 345,823</u>

The accompanying notes are an integral part of the financial statements

Active Minds
Statement of Functional Expenses
For the Year Ended June 30, 2019

(With summarized comparative financial information for the year ended June 30, 2018)

	Program Expenses	Management & General Expenses	Fundraising Expenses	FYE 6/30/19 Total Expenses	FYE 6/30/18 Total Expenses
Personnel expenses	870,302	93,764	78,035	1,042,101	1,074,789
Professional fees	22,778	58,778	66,866	148,422	129,992
Supplies, office expenses	46,488	4,619	29,248	80,355	73,621
Information technology	47,139	594	2,262	49,995	124,820
Travel	18,466	1,294	3,164	22,924	12,847
Rent	136,678	14,725	12,255	163,658	153,176
Conference, events, programs	498,014	-	116,634	614,648	561,356
Advertising/marketing	48,144	831	2,164	51,139	49,489
Depreciation, amortization	7,146	770	641	8,557	9,265
Donated services	60,891	6,560	5,460	72,911	64,412
Bad debt expense	-	-	-	-	51,811
Other expenses	-	-	-	-	2,431
Total	1,756,046	181,935	316,729	2,254,710	2,308,009

The accompanying notes are an integral part of the financial statements

Active Minds
Statement of Cash Flows
For the Year Ended June 30, 2019

(With summarized comparative financial information for the year ended June 30, 2018)

	FYE 6/30/19	FYE 6/30/18
Cash Flows from Operating Activities		
Change in net assets	\$2,407,601	\$ (89,764)
Adjustment to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	8,557	9,265
Bad debt expense	-	51,811
(Increase) decrease in:		
Grants and accounts receivable	(1,396,906)	(86,691)
Prepaid expenses	(5,169)	(13,646)
Inventory	(17,835)	(7,357)
Other asset	(941)	2,430
Increase (decrease) in:		
Accounts payable & accrued expenses	(1,318)	35,289
Deferred revenue	9,251	2,850
Deferred rent	4,187	7,359
Net cash provided (used) by operating activities	1,007,427	(88,454)
Cash Flows from Investing Activities		
Purchase of property and equipment	(6,022)	(23,816)
Net cash (used) by investing activities	(6,022)	(23,816)
Increase (decrease) in Cash and Cash Equivalents	1,001,405	(112,270)
Cash and Cash Equivalents, Beginning of Year	117,432	229,702
Cash and Cash Equivalents, End of Year	\$1,118,837	\$ 117,432

The accompanying notes are an integral part of the financial statements

Active Minds
Notes to Financial Statements
June 30, 2019

Note 1 – Organization and Summary of Accounting Policies

Organization

Active Minds, Inc. (Active Minds) is the nation's premier nonprofit organization supporting mental health awareness and education for young adults. Active Minds has a presence on over 800 college, university, and high school campuses nationwide, and is powered by a robust Chapter Network, the nationally acclaimed Send Silence Packing® exhibit, and inspiring Active Minds Speakers. The organization is dedicated to ending the silence and changing the conversation about mental health for everyone. Active Minds was incorporated in 2003 under the laws of the District of Columbia.

Basis of presentation

The financial statements of Active Minds are presented on the accrual basis of accounting, and in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14 *Presentation of Financial Statements for Not-for-Profit Entities*. The ASU was adopted for the year ended June 30, 2019 and applied retrospectively. Active Mind's net assets previously reported as temporarily restricted and permanently restricted are now reported as net assets with donor restrictions. The net assets previously reported as unrestricted are now reported as net assets without donor restrictions.

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, 2018, from which the summarized information was derived.

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, 2019, 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, 2018, 2017 and 2016 remain open with both Federal and state taxing authorities.

Active Minds
Notes to Financial Statements
June 30, 2019

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.

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.

Grants and contributions receivable

Grants receivable that are expected to be collected in future years are recorded at their fair value, measured as the present value of their future cash flows. The discounts on these amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discount is included in grants and contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. All grants and contributions receivable are considered by management to be fully collectible.

Inventory

Inventory consists of branded items recorded at cost.

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.

Classification of net assets

Net assets without donor restrictions represent funds that are not subject to donor-imposed stipulations and are available for support of the organization's operations.

Net assets with donor restrictions represent funds subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor-imposed restrictions are released when a restriction expires, that is when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Active Minds does not have any donor-imposed restrictions which are perpetual in nature at June 30, 2019.

Active Minds
Notes to Financial Statements
June 30, 2019

Revenue recognition

Contributions and grants received without donor restrictions and with donor restrictions are recorded as revenue in the year notification is received from the donor. When a donor 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 Statement of Activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as contributions without donor restrictions.

Grant revenue under cost reimbursable government grants is recognized based upon direct costs incurred plus any allowable indirect costs. Revenue recognized but not received from the granting agency is included in grants and contributions receivable in the accompanying statement of financial position.

Revenue from all other sources is recognized when earned.

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.

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.

Functional allocation of expenses

The costs of providing services and other activities are summarized on a functional basis in the statement of activities. Expenses directly attributable to specific functional areas of the organization are reported as expenses of those functional areas, while indirect costs that benefit multiple functional areas have been allocated among the various functional areas on a basis of time and effort, such as salary dollars based on labor hours of employees, or other reasonable basis.

Active Minds
Notes to Financial Statements
June 30, 2019

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 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.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, which is intended to clarify and improve current guidance about whether a transfer of assets is an exchange transaction or a contribution. The amendments to this ASU provide a more robust framework to determine when a transaction should be accounted for as a contribution under Subtopic 958-605 or as an exchange transaction accounted for under other guidance (for example, Topic 606). The amendments also provide additional guidance about how to determine whether a contribution is conditional or unconditional. The amendments in this ASU could result in more grants and contracts being accounted for as contributions than under previous GAAP. The ASU recommends application on a modified prospective basis; however, retrospective application is permitted. The organization has not yet decided on a transition method. The ASU is effective for fiscal years beginning after December 15, 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.

Active Minds
Notes to Financial Statements
June 30, 2019

Note 2 - Grants and Accounts Receivable

Active Minds uses the allowance method to account for uncollectible receivables. Receivables are determined uncollectible based on management's review. As of June 30, 2019, allowance for uncollectible receivables was zero as all receivables were deemed collectible. Grants and contributions due in more than one year have been discounted using a rate of 5.5%.

Grants receivable due in less than one year	\$1,223,162
Grants receivable due in one-to-five years	<u>455,859</u>
Subtotal	1,679,021
Less: Allowance to discount balance to present value	<u>(23,765)</u>
Grants receivable, net	\$ <u>1,655,256</u>

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 consist of the following at June 30, 2019:

Furniture and equipment	\$ 87,004
Intangible assets: Logo design, trademarks	13,977
Accumulated depreciation & amortization	<u>(78,647)</u>
Book value	\$ <u>22,334</u>

Depreciation and amortization expense were \$8,557 for the period ended June 30, 2019.

Note 4 - Net Assets With Donor Restrictions

Net assets with donor restrictions were available for the following purposes at June 30, 2019:

Chapter development/campus mental health	\$ 1,204,566
Passage of time	<u>572,778</u>
Total	\$ <u>1,777,344</u>

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, 2019.

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

Active Minds
Notes to Financial Statements
June 30, 2019

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, 2019 was \$ 163,658.

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, 2020	\$201,744
June 30, 2021	205,737
June 30, 2022	209,831
June 30, 2023	7,007
Thereafter	-----
Total	<u>\$ 624,319</u>

Note 7 – Liquidity

Financial assets available for general expenditure, that is without donor restrictions or other restrictions limiting their use, within one year of the current Statement of Financial Position date, comprise the following:

Cash and cash equivalents	\$1,118,837
Grants, contributions receivable, net	<u>1,655,256</u>
Subtotal	2,774,093
Less: amounts time-restricted by donors beyond one year, and purpose-restricted	<u>(1,565,677)</u>
Total financial assets available for use for general purposes within one year	<u>\$1,208,416</u>

Active Minds' policy is to structure its financial assets to become available as general expenditures, liabilities, and other obligations become due.

Note 8 - Concentration of Risk

Financial instruments that potentially expose Active Minds to concentrations of credit risk consist primarily of cash and cash equivalents. Bank deposits at one institution are insured by the Federal Deposit Insurance Company (FDIC) up to a limit of \$250,000. Active Minds maintained a checking account balance in excess of federally insured limits (FDIC) and a money market account balance which is not federally insured at June 30, 2019. Management believed the risk is managed by 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.

Active Minds
Notes to Financial Statements
June 30, 2019

Note 9 – Investment Income

Included in investment income are the following:

Dividends and interest	\$ 8,125
Gain on investment	773
Investment fees	<u>(324)</u>
Total investment income	<u>\$ 8,574</u>

Note 10 – Other Asset

Active Minds is a participant (“subscriber”) in a reciprocal insurance exchange for health insurance purposes. Active Minds accounts for this asset using the fair value method. As a subscriber, Active Minds received an allocation to its subscriber savings account (SSA) for its share of net gains from the reciprocal’s underwriting and investment activity. Active Minds’ share of net income in the amount of \$941 is included in Other Income on the Statement of Activities. The accumulated balance as of June 30, 2019 is \$3,922, which is included in the Statement of Financial Position as Other Asset.

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, 2019, employer contributions totaled \$7,295.

Note 12 – In-kind Contributions

Active Minds received donated legal services in the amount of \$71,836 for the year ended June 30, 2019 as well as other miscellaneous donated services of \$1,075.

Note 13 - Subsequent Events

In preparing these financial statements, Active Minds has evaluated events and transactions for potential recognition or disclosure through January 14, 2020, the date the financial statements were issued.