

**FOUNDATION FOR COGNITIVE THERAPY
AND RESEARCH**

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

AND

INDEPENDENT AUDITORS' REPORT

FRIEDMAN LLP[®]
ACCOUNTANTS AND ADVISORS

FOUNDATION FOR COGNITIVE THERAPY AND RESEARCH

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Foundation for Cognitive Therapy and Research

We have audited the accompanying financial statements of the Foundation for Cognitive Therapy and Research (a not-for-profit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities and changes in net assets, 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.

Auditors' 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 audits to obtain reasonable assurance about whether the financial statements are free from 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 auditors' 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 Foundation'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 Foundation'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 the Foundation for Cognitive Therapy and Research as of December 31, 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 "Friedman LLP". The signature is written in a cursive, flowing style.

Philadelphia, Pennsylvania

July 22, 2020

FOUNDATION FOR COGNITIVE THERAPY AND RESEARCH

STATEMENTS OF FINANCIAL POSITION

	December 31,	
	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	\$ 328,116	\$ 304,091
Accounts receivable, net	686,638	275,613
Pledges receivable, current portion	68,090	71,224
Prepaid expenses and other	292,150	153,143
Total current assets	1,374,994	804,071
Investments	10,185,307	9,194,842
Pledges receivable, net of current portion	-	58,537
Fixed assets, net	164,229	109,234
Intangible assets, net	104,776	130,324
Total assets	\$ 11,829,306	\$ 10,297,008
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 270,105	\$ 195,303
Deferred revenue	788,142	330,011
Deferred rent obligation, current portion	4,863	10,221
Total current liabilities	1,063,110	535,535
Long-term liabilities		
Deferred rent obligation, net of current portion	-	4,863
Total liabilities	1,063,110	540,398
Commitments		
Net assets		
Without donor restrictions	10,707,659	9,638,073
With donor restrictions	58,537	118,537
Total net assets	10,766,196	9,756,610
Total liabilities and net assets	\$ 11,829,306	\$ 10,297,008

See notes to financial statements.

FOUNDATION FOR COGNITIVE THERAPY AND RESEARCH
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

	Year Ended December 31,	
	2019	2018
Operating revenue and support		
Program revenues		
Center for Psychotherapy income	\$ 556,186	\$ 432,797
Center for Training income		
Online training	1,767,429	1,568,947
Workshops	415,200	516,550
Supervision and consultation fees	91,602	150,950
Training for organizations	739,155	359,344
Center for Recovery-Oriented Cognitive Therapy (CT-R)	325,144	-
Trainee discounts and cancellation fees, net	(86,453)	(72,666)
Total Center for Training income	3,252,077	2,523,125
Diet income	55,688	102,975
Publication and royalties income	37,530	39,960
Total program revenues	3,901,481	3,098,857
Contributions	329,772	302,909
Donated goods and services	10,000	20,000
Miscellaneous	54,799	7,334
Net assets released from restrictions	60,000	61,463
Total operating revenue and support	4,356,052	3,490,563
Operating expenses		
Program	4,051,070	3,485,897
Management and general	776,620	648,635
Development	288,308	189,697
Total expenses	5,115,998	4,324,229
Changes in net assets from operations	(759,946)	(833,666)
Other changes		
Investment income	383,244	433,380
Net realized and unrealized gains (losses) on investments	1,446,288	(740,331)
	1,829,532	(306,951)
Change in net assets without donor restrictions	1,069,586	(1,140,617)
With donor restrictions		
Contributions	-	180,000
Net assets released from restrictions	(60,000)	(61,463)
	(60,000)	118,537
Change in net assets	1,009,586	(1,022,080)
Net assets, beginning of year	9,756,610	10,778,690
Net assets, end of year	\$ 10,766,196	\$ 9,756,610

See notes to financial statements.

FOUNDATION FOR COGNITIVE THERAPY AND RESEARCH

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2019

	Center for Psychotherapy	Center for Training Income					Diet	Program Subtotal	Management and General	Development	Total
		CT-R	Online Training	Workshops	Supervision & Consultation	Training for Organizations					
Payroll and benefits	\$ 434,881	\$ 279,784	\$ 365,320	\$ 308,515	\$ 147,251	\$ 334,576	\$ 108,499	\$ 1,978,826	\$ 635,523	\$ 91,447	\$ 2,705,796
Online training costs	-	-	934,499	-	-	-	-	934,499	-	-	934,499
Direct program expenses, other	2,584	3,952	-	70,005	3,213	7,812	3,024	90,590	2,274	124,406	217,270
Professional services *	-	-	-	40,500	46,417	206,198	-	293,115	-	-	293,115
Technology services	10,903	14,935	11,629	10,064	5,058	11,963	3,295	67,847	16,253	2,681	86,781
Depreciation and amortization	19,658	22,274	20,645	18,633	8,328	21,586	5,973	117,097	29,292	4,864	151,253
Operating expenses, other	24,439	21,099	15,151	21,088	7,648	28,740	5,179	123,344	20,466	16,060	159,870
Consulting and professional fees	13,274	13,324	40,846	12,856	5,378	16,059	3,989	105,726	19,067	39,065	163,858
Administrative expenses, other	9,485	17,369	6,231	4,243	1,915	5,800	1,241	46,284	6,283	1,815	54,382
Insurance	16,677	4,832	3,952	3,457	1,560	4,087	1,124	35,689	5,509	919	42,117
Marketing	10,792	15,373	10,464	16,212	4,340	12,264	3,787	73,232	-	-	73,232
Rent and related costs	46,057	30,274	30,230	26,770	11,883	30,912	8,695	184,821	41,953	7,051	233,825
Total expenses	\$ 588,750	\$ 423,216	\$ 1,438,967	\$ 532,343	\$ 242,991	\$ 679,997	\$ 144,806	\$ 4,051,070	\$ 776,620	\$ 288,308	\$ 5,115,998

* Professional services consist of amounts paid to supervisors and speakers. Supervisors generally receive a portion of the amount paid to the Foundation by third parties for supervision training. Speakers receive a flat fee per speaking engagement.

See notes to financial statements.

FOUNDATION FOR COGNITIVE THERAPY AND RESEARCH

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2018

	Center for Psychotherapy	Center for Training Income				Diet	Program Subtotal	Management and General	Development	Total
		Online Training	Workshops	Supervision & Consultation	Training for Organizations					
Payroll and benefits	\$ 361,136	\$ 362,173	\$ 187,673	\$ 138,043	\$ 252,978	\$ 78,545	\$ 1,380,548	\$ 538,782	\$ 74,522	\$ 1,993,852
Online training costs	-	851,251	-	-	-	-	851,251	-	-	851,251
Direct program expenses, other	670	59,565	150,818	2,148	4,502	3,397	221,100	23	26,093	247,216
Professional services *	-	-	52,500	88,620	105,467	-	246,587	-	-	246,587
Technology services	13,310	12,473	8,252	9,794	10,410	3,938	58,177	10,257	3,419	71,853
Depreciation and amortization	32,767	30,689	20,214	15,557	25,618	9,664	134,509	25,220	8,409	168,138
Operating expenses, other	28,396	14,473	21,625	9,292	20,934	5,788	100,508	12,143	9,842	122,493
Consulting and professional fees	27,237	56,394	17,226	13,069	22,962	7,913	144,801	20,227	54,051	219,079
Administrative expenses, other	6,457	3,655	3,218	1,624	3,225	1,024	19,203	5,466	1,096	25,765
Insurance	17,099	4,634	3,075	2,346	3,872	1,468	32,494	3,815	1,271	37,580
Marketing	22,054	20,209	41,299	10,556	17,281	7,056	118,455	-	-	118,455
Rent and related costs	46,021	39,288	26,404	19,645	34,155	12,751	178,264	32,702	10,994	221,960
Total expenses	\$ 555,147	\$ 1,454,804	\$ 532,304	\$ 310,694	\$ 501,404	\$ 131,544	\$ 3,485,897	\$ 648,635	\$ 189,697	\$ 4,324,229

* Professional services consist of amounts paid to supervisors and speakers. Supervisors generally receive a portion of the amount paid to the Foundation by third parties for supervision training. Speakers receive a flat fee per speaking engagement.

See notes to financial statements.

FOUNDATION FOR COGNITIVE THERAPY AND RESEARCH

STATEMENTS OF CASH FLOWS

	Year Ended December 31,	
	2019	2018
Cash flows from operating activities		
Change in net assets	\$ 1,009,586	\$ (1,022,080)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation and amortization	151,253	168,136
Contributed securities	(50,282)	(61,463)
Net realized and unrealized (gains) losses on investments	(1,446,288)	740,331
Changes in operating assets and liabilities		
Accounts receivable	(411,025)	(12,110)
Pledges receivable	61,671	(100,144)
Prepaid expenses and other	(139,007)	40,557
Accounts payable and accrued expenses	74,802	6,233
Deferred revenue	458,131	(43,304)
Deferred rent obligation	(10,221)	(7,156)
Net cash used in operating activities	(301,380)	(291,000)
Cash flows from investing activities		
Purchases of fixed assets	(121,396)	(29,546)
Purchases of intangible assets	(59,304)	(48,486)
Proceeds from sale of investments	1,784,419	3,026,492
Purchase of investments	(1,278,314)	(2,545,412)
Net cash provided by investing activities	325,405	403,048
Net increase in cash and cash equivalents	24,025	112,048
Cash and cash equivalents, beginning of year	304,091	192,043
Cash and cash equivalents, end of year	\$ 328,116	\$ 304,091

See notes to financial statements.

FOUNDATION FOR COGNITIVE THERAPY AND RESEARCH

NOTES TO FINANCIAL STATEMENTS

1 - NATURE OF THE ORGANIZATION

The Foundation for Cognitive Behavior Therapy (the “Foundation”), known as The Beck Institute for Cognitive Behavior Therapy, is a leading international source for training, therapy, and resources in Cognitive Behavior Therapy (“CBT”). The Foundation’s training department delivers workshops and training to a worldwide audience of mental health professionals, researchers, and educators, and the Foundation’s Philadelphia-based clinic provides state-of-the-art therapy and consultations.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements reflect the accounts of the Foundation and have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (US GAAP).

Net Assets

Net assets, revenue, and support are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions. The net assets whose use is restricted by the Board of Directors are also included within net assets without donor restrictions. The Foundation had no board designated net assets at December 31, 2019 and 2018.

Net Assets With Donor Restrictions – Net assets 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 or purposes specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that such resources be maintained in perpetuity. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for general or specific purposes.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

FOUNDATION FOR COGNITIVE THERAPY AND RESEARCH

NOTES TO FINANCIAL STATEMENTS

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues and Support

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) (“ASC 606”). The standard’s core principle is that an organization will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the organization expects to be entitled in exchange for those goods or services. This standard also includes expanded disclosure requirements that result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the entity’s contracts with customers. The standard supersedes existing revenue recognition guidance. This standard was effective for annual reporting periods beginning after December 15, 2018. Effective January 1, 2019, the Foundation adopted ASC 606 using the modified retrospective method. There was no cumulative effect of adopting ASC 606 to be recognized as an adjustment to opening net assets as of January 1, 2019. The initial application was applied to all contracts outstanding at January 1, 2019.

The Foundation determines the amount of revenue to be recognized from contracts with customers through application of the following steps:

- Identification of the contract, or contracts with customer;
- Identification of the performance obligations in the contract;
- Determination of the transaction price;
- Allocation of the transaction price to the performance obligations in the contract; and
- Recognition of revenue when or as the Organization satisfies the performance obligations.

Psychotherapy revenue – Psychotherapy revenue includes revenue received from patient fees. Patient service revenue is recognized as the customer receives benefit of the services, which is typically at a point in time. The Foundation has no obligation to provide further patient services.

Center for training revenue - The Foundation has several contracts with customers for which it provides in-person or online training services, as well as therapist supervision services. The in-person training contract revenue is recognized when the customer receives benefit of the services, which is typically at the point in time when the course is delivered online. Payment for online training service contracts is received upon registration. The Foundation utilizes a third party to deliver online content (See Note 10). Revenues and related costs associated with online training service contracts are presented on a gross basis for financial reporting purposes. Indicators identified by the Foundation for gross revenue reporting include; the Foundation has control of the goods or service before it is transferred to the customer, and has full discretion in establishing the price for the specified good or service. Supervision contract revenues are received in advance and the revenue is recognized over time as the services are performed as outlined in the contract. The contract period is typically within one year. Amounts received in advance on training revenue contracts are recorded as deferred revenue (contract liability).

FOUNDATION FOR COGNITIVE THERAPY AND RESEARCH

NOTES TO FINANCIAL STATEMENTS

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues and Support (Continued)

Revenue from contracts recognized over time was \$1,106,721 and \$490,834 for the years ended December 31, 2019 and 2018, respectively. Revenue from contracts recognized at a point in time was \$2,794,760 and \$2,608,023 for the years ended December 31, 2019 and 2018, respectively.

Taxes assessed by an governmental authority that are both imposed on and concurrent with a specific revenue-producing transaction, that are collected by the Foundation from a customer, are excluded from revenue.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities— Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* (Topic 958). This ASU provides a more robust framework to determine when a transaction should be accounted for as a contribution or as an exchange transaction and provides additional guidance about how to determine whether a contribution is conditional. The Foundation adopted ASU 2018-08 in 2019 on a modified prospective basis. The adoption of this ASU did not impact the financial statements.

Contributions –Unconditional promises to give cash and other assets to the Foundation are reported as contributions and recorded at fair value on the date the promise is received. All contributions are considered to be available for use without restriction unless specifically restricted by the donor. Contributions received for specific purposes or with donor stipulations are reported as increases in net assets with donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restrictions is accomplished, net assets with restrictions are reclassified to net assets without restrictions and reported in the statement of activities as net assets released from restrictions. Restricted contributions received, whose restrictions are met in the same reporting period, are reflected as contributions without restrictions.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

The Foundation considers money market funds held in investment accounts to be cash equivalents.

FOUNDATION FOR COGNITIVE THERAPY AND RESEARCH

NOTES TO FINANCIAL STATEMENTS

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end. Based on management's assessment, it has concluded that losses on balances outstanding at year-end will be immaterial.

Pledges Receivable

Pledges receivable consists of contributions promised to the Foundation but not yet collected as of year-end. The Foundation's management has determined that these pledges receivable are fully collectible; therefore, no allowance for uncollectible accounts is considered necessary at December 31, 2019 and 2018.

Investments

Investments in equity securities and mutual funds with readily determinable fair values and all investments in debt securities are measured at fair value in the statements of financial position. Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) is reported as increases or decreases in net assets in the reporting period.

Fixed Assets and Depreciation and Amortization

Fixed assets are stated at cost, or fair market value, if donated. Depreciation and amortization is provided using the straight-line method over the estimated useful lives of the related assets as follows:

Furniture and fixtures	5 years
Equipment	3-10 years
Leasehold improvements	Term of lease

The Foundation charges maintenance and repairs to expense in the period incurred. Acquisitions, major improvements and renewals are capitalized and depreciated. Gain or loss on disposition is included in the statements of activities and changes in net assets in the period of disposition.

Intangible Assets and Amortization

Intangible assets consist of production costs incurred for the online training programs and costs for the redesign of the Foundation's website. Intangible assets are stated at cost. Amortization is provided using the straight-line method over their estimated useful lives of three years from when the asset is put into use.

Advertising Costs

Advertising costs are expensed as incurred. Advertising costs were \$73,232 and \$118,455 for the years ended December 31, 2019 and 2018, respectively.

FOUNDATION FOR COGNITIVE THERAPY AND RESEARCH

NOTES TO FINANCIAL STATEMENTS

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Goods and Services

In addition to cash contributions, the Foundation receives donated goods and services, consisting primarily of professional services. These goods and services are reported at fair value at the time of receipt. The Foundation received donated legal services of \$10,000 and \$20,000 for the years ended December 31, 2019 and 2018, respectively.

Income Taxes

The Foundation qualifies as a tax exempt Foundation under Section 501(c)(3) of the Internal Revenue Code and similar state laws, therefore, there is no provision for federal or state income taxes. The Foundation is not a private foundation.

Management of the Foundation considers the likelihood of changes by taxing authorities in its filed income tax returns and recognizes a liability for or discloses potential significant changes that management believes are more likely than not to occur upon examination by tax authorities, including changes to the Foundation's status as a not-for-profit entity. Management believes the Foundation met the requirements to maintain its tax-exempt status and has no income subject to unrelated business income tax, therefore no provision for income taxes has been provided in these financial statements.

Functional Allocation of Expenses

The costs of providing program and supporting services have been summarized on a functional basis in the accompanying statements of functional expenses. The Foundation incurs expenses that directly relate to, and can be assigned to, a specific program or supporting activity. The Foundation also conducts several activities and generates costs which benefit all of its programs and supporting services. These indirect costs, which are not specifically attributable to a specific program or supporting activity, are allocated by management on a consistent basis among the various programs and supporting services that are the beneficiary.

The allocation of payroll, which is the fundamental basis for allocating shared costs across functions, is based on a time and effort schedule provided by the department heads and the executive director. The department heads and executive director indicate the approximate amount of time spent supporting the various functional areas of the Foundation. Their individual payroll expenses are then allocated to the functional areas in direct accordance with the time allocation schedule. Indirect costs, whose costs are not identifiable with any specific program, are then allocated in accordance with the combined allocation ratio of total payroll dollars by functional area.

FOUNDATION FOR COGNITIVE THERAPY AND RESEARCH

NOTES TO FINANCIAL STATEMENTS

3 - LIQUIDITY AND AVAILABILITY OF RESOURCES

The Foundation’s financial assets available within one year of the statement of financial position date for general expenditure are as follows:

	December 31,	
	2019	2018
Cash and cash equivalents	\$ 328,116	\$ 304,091
Investments	10,185,307	9,194,842
Accounts receivable, net	686,638	275,613
Pledge receivable	68,090	71,224
Total financial assets available to management for general expenditure within one year	\$ 11,268,151	\$ 9,845,770

The Foundation’s financial assets available to meet cash needs for general expenditures within one year represents funding for ongoing operational requirements and planned increase in program expenditures in fiscal year 2020.

Liquidity Management

The Foundation has an investment policy authorized by the Board of Directors that provides guidance and oversight for the management of cash and cash equivalents and investments. The policy provides that the Foundation maintain an adequate level of cash to meet on-going operational requirements. In addition, the policy sets forth the structure for investment of excess cash based on the financial needs of the Foundation, the time horizon of those needs and the Board of Directors’ investment philosophy.

4 - PLEDGE RECEIVABLE, NET

The Foundation has pledges receivable, net amounting to \$68,090 and \$129,761 as of December 31, 2019 and 2018, respectively. Contributions due in future years are discounted to their fair value. Management has determined that no discount is necessary because the stated amount would not materially differ from their present values. Valuation of the future contributions receivable takes place at the time of the contribution.

FOUNDATION FOR COGNITIVE THERAPY AND RESEARCH

NOTES TO FINANCIAL STATEMENTS

4 - PLEDGE RECEIVABLE, NET (Continued)

The receivables are expected to be collected as follows:

	Year Ended December 31,	
	2019	2018
Receivables due in less than one year	\$ 68,090	\$ 71,224
Receivables due in one to five years	-	58,537
Total pledges receivables, net	\$ 68,090	\$ 129,761

5 - INVESTMENTS

The Foundation's investments are reported at fair market value and consist of the following:

	December 31,	
	2019	2018
Equity securities	\$ 452,131	\$ 413,994
Mutual funds	7,792,217	7,017,578
Government agency bonds	1,940,959	1,763,270
	\$ 10,185,307	\$ 9,194,842

6 - FAIR VALUE MEASUREMENTS

The Foundation's investments are reported at fair value in the accompanying statements of financial position. The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

US GAAP defines fair value, provides guidance for measuring fair value and requires certain disclosures. GAAP discusses valuation techniques, such as the market approach (comparable market prices), the income approach (present value of future income or cash flow) and the cost approach (cost to replace the service capacity of an asset or replacement cost). GAAP provides for a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The following is a brief description of those three levels:

FOUNDATION FOR COGNITIVE THERAPY AND RESEARCH

NOTES TO FINANCIAL STATEMENTS

6 - FAIR VALUE MEASUREMENTS (Continued)

Level 1: Observable inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in markets that are not active.

Level 3: Unobservable inputs that reflect management's own assumptions.

The following is a description of the valuation methodologies used for the investments measured at fair value, including the general classification of such instruments pursuant to the valuation hierarchy, as applicable.

Equities and Mutual Funds – The fair value of equities and mutual funds is based on quoted market prices of the shares held by the Foundation at year-end.

Government Bonds – The fair value of bonds is based on the discounted cash flow approach, which is calculated on the present value of the bond's future interest payments and the bond's value upon maturity or par value.

The following tables summarize investment assets measured at fair value:

	Investment Assets at Fair Value as of December 31, 2019			
	Level 1	Level 2	Level 3	Total
Equities				
Financial sector	\$ 255,187	\$ -	\$ -	\$ 255,187
Healthcare sector	90,950	-	-	90,950
Technology sector	105,994	-	-	105,994
Mutual Funds				
Emerging markets	262,900	-	-	262,900
Financial	274,002	-	-	274,002
Foreign stock	1,788,346	-	-	1,788,346
Mid-Cap growth	112,468	-	-	112,468
Short-term bond	1,509,569	-	-	1,509,569
Large growth	2,577,805	-	-	2,577,805
Large blend	1,267,127	-	-	1,267,127
Bonds				
US government bonds	-	1,940,959	-	1,940,959
Total investment assets at fair value	\$ 8,244,348	\$ 1,940,959	\$ -	\$ 10,185,307

FOUNDATION FOR COGNITIVE THERAPY AND RESEARCH

NOTES TO FINANCIAL STATEMENTS

6 - FAIR VALUE MEASUREMENTS (Continued)

	Investment Assets at Fair Value as of December 31, 2018			
	Level 1	Level 2	Level 3	Total
Equities				
Financial sector	\$ 182,675	\$ -	\$ -	\$ 182,675
Healthcare sector	148,206	-	-	148,206
Technology sector	83,113	-	-	83,113
Mutual Funds				
Emerging markets	236,706	-	-	236,706
Financial	208,154	-	-	208,154
Foreign stock	1,703,021	-	-	1,703,021
Government	10,840	-	-	10,840
Mid-Cap growth	84,021	-	-	84,021
Short-term bond	1,162,490	-	-	1,162,490
Large growth	2,569,392	-	-	2,569,392
Large blend	1,042,954	-	-	1,042,954
Bonds				
US government bonds	-	1,763,270	-	1,763,270
Total investment assets at fair value	\$ 7,431,572	\$ 1,763,270	\$ -	\$ 9,194,842

7 - FIXED ASSETS, NET

Fixed assets, net consist of the following:

	December 31,	
	2019	2018
Furniture and fixtures	\$ 82,433	\$ 79,358
Equipment	273,937	162,350
Leasehold improvements	104,709	97,975
	461,079	339,683
Less accumulated depreciation and amortization	(296,850)	(230,449)
	\$ 164,229	\$ 109,234

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NOTES TO FINANCIAL STATEMENTS

8 - INTANGIBLE ASSETS, NET

Intangible assets, net consist of the following:

	December 31,	
	2019	2018
Intangible property	\$ 464,124	\$ 404,820
Less accumulated amortization	(359,348)	(274,496)
	\$ 104,776	\$ 130,324

Amortization expense for 2019 and 2018 was \$84,852 and \$119,146, respectively. Estimated amortization expense at December 31, 2019 for each of the three succeeding years is as follows:

Year ending December 31,	
2020	\$ 43,806
2021	30,238
2022	20,776
2023	7,965
2024	1,991
	\$ 104,776

9 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes:

	December 31,	
	2019	2018
Subject to the passage of time	\$ 58,537	\$ 118,537

10 - COMMITMENTS

Lease Commitments

The Foundation leases its organizational and training facilities under non-cancelable operating leases expiring in August 2020. Included in these leases are escalation clauses which are accounted for on the straight-line basis with the deferred rent obligation recorded as a liability at each statement of financial position date. In addition, the Foundation leases equipment under several non-cancelable operating leases with various expiration dates through June 2020.

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NOTES TO FINANCIAL STATEMENTS

10 - COMMITMENTS (Continued)

Lease Commitments (Continued)

The following is a schedule of future minimum annual lease payments required under operating leases as of December 31, 2019, whose initial lease terms were in excess of one year:

Year Ending December 31,	
2020	\$ 89,783
2021	4,800
2022	1,600
	<u>\$ 96,183</u>

Total facility rent expense and related costs for 2019 and 2018 were \$233,824 and \$221,960, respectively, and total equipment operating lease payments for 2019 and 2018 were \$9,924 and \$9,720, respectively.

Joint Venture

In 2015, the Foundation entered a joint venture agreement with an unrelated company. The purpose of this joint venture is to develop and deliver online CBT training courses for the term of the agreement, which is for five years and six months starting in September 2015. The company provides the Foundation all revenue and combined costs accounting quarterly and makes payment due to the Foundation with respect to such calendar quarter at the same time as the quarterly statement is due. The financial statements reflect the gross revenue earned on this joint venture and the expenses reflect the total combined costs including the profit sharing with the unrelated company.

11 - CONCENTRATION OF CREDIT RISK

A majority of the Foundation's assets are invested in the financial markets. The Foundation's future net realized and unrealized gains or losses from these investments are subject to financial market fluctuations. Although a downswing in the financial market would have a material effect on the financial strength of the Foundation, the Foundation's investment committee meets regularly to assess investments and makes necessary adjustments in holdings.

The Company maintains its cash in bank accounts which, at times, may exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per institution.

FOUNDATION FOR COGNITIVE THERAPY AND RESEARCH

NOTES TO FINANCIAL STATEMENTS

12 - PENSION EXPENSE

The Foundation has a 401(k) plan in which each eligible employee receives a fully-vested annual contribution of 3% of their salary. The Foundation also makes contributions on behalf of its president to the profit sharing portion of this plan. The pension expense for the years ended December 31, 2019 and 2018 was \$47,969 and \$43,957, respectively. The contributions made by the Foundation on behalf of its president to the profit sharing portion of the plan for the years ended December 31, 2019 and 2018 was \$13,836 and \$13,619, respectively.

13 - RELATED PARTY TRANSACTIONS

During the year ended December 31, 2019, the Foundation received contributions in the amount of \$100,000 from two board members of the Foundation. During the year ended December 31, 2018, the Foundation received contributions in the amount of \$200,000 from the same two board members.

During the years ended December 31, 2019 and 2018, the Foundation received a contribution of \$50,282 and \$50,000, respectively, from a family member of the President of the Foundation.

14 - SUBSEQUENT EVENTS

The Foundation has evaluated events and transactions for potential recognition or disclosure in the financial statements through July 22, 2020, the date on which the financial statements were available to be issued.

The Foundation's operations may be affected by the recent and ongoing outbreak of the coronavirus disease 2019 (COVID-19) which in March 2020, was declared a pandemic by the World Health Organization. The ultimate disruption which may be caused by the outbreak is uncertain; however it may result in a material adverse impact on the Foundation's financial position, activities and net assets, and cash flows. Possible areas that may be affected include, but are not limited to, disruption to the Foundation's customers and revenue, labor workforce, unavailability of products and supplies used in operations, and the decline in value of assets held by the Foundation, including, property and equipment and marketable securities.

As a result of COVID-19, on March 27, 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act (the "Act") was signed into law. The Act amends the Small Business Act to include a new guaranteed, unsecured loan program (the "Paycheck Protection Program"). The Company applied for a loan under the Paycheck Protection Program. On April 8, 2020, the loan was approved in the amount of \$508,900. The loan has a term of two years and is subject to interest of 1%. Interest (and potential principal payments) is deferred for the first six months. Subject to certain conditions as defined in the Act, up to 100% of the loan may be forgiven.