

**FOUNDATION FOR COGNITIVE THERAPY  
AND RESEARCH**

**FINANCIAL STATEMENTS**

**YEARS ENDED DECEMBER 31, 2020 AND 2019**

**AND**

**INDEPENDENT AUDITORS' REPORT**

**FRIEDMAN LLP<sup>®</sup>**  
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, 2020 and 2019, 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, 2020 and 2019, 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 19, 2021

**FOUNDATION FOR COGNITIVE THERAPY AND RESEARCH**

**STATEMENTS OF FINANCIAL POSITION**

	<b>December 31,</b>	
	<b>2020</b>	<b>2019</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 324,505	\$ 328,116
Accounts receivable, net	695,678	686,638
Pledges receivable	36,772	68,090
Prepaid expenses and other current assets	278,395	292,150
Total current assets	1,335,350	1,374,994
Investments	10,695,749	10,185,307
Fixed assets, net	282,193	164,229
Intangible assets, net	617,657	104,776
Total assets	\$ 12,930,949	\$ 11,829,306
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities</b>		
Accounts payable and accrued expenses	\$ 367,252	\$ 270,105
Deferred revenue	783,142	788,142
Deferred rent obligation	-	4,863
Total current liabilities	1,150,394	1,063,110
<b>Commitments</b>		
<b>Net assets</b>		
Without donor restrictions	11,780,555	10,707,659
With donor restrictions	-	58,537
Total net assets	11,780,555	10,766,196
Total liabilities and net assets	\$ 12,930,949	\$ 11,829,306

See notes to financial statements.

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

	<b>Year Ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
<b>Operating revenue and support</b>		
Program revenues		
Center for Psychotherapy income, net	\$ 583,976	\$ 556,186
Center for Training income		
Online training	2,572,572	1,767,429
Workshops	463,425	415,200
Supervision and consultation fees	163,246	91,602
Training for organizations	374,404	739,155
Center for Recovery-Oriented Cognitive Therapy (CT-R)	1,065,786	325,144
Trainee discounts and cancellation fees	(55,707)	(86,453)
Total Center for Training income	4,583,726	3,252,077
Diet income	129,563	55,688
Publication and royalties income	16,505	37,530
Total program revenues	5,313,770	3,901,481
Contributions	213,742	329,772
Grant income - paycheck protection program loan forgiveness	508,900	-
Donated goods and services	10,000	10,000
Miscellaneous	70,941	54,799
Net assets released from restrictions	58,537	60,000
Total operating revenue and support	6,175,890	4,356,052
<b>Operating expenses</b>		
Program	5,074,720	4,051,070
Management and general	847,578	776,620
Development	149,423	288,308
Total expenses	6,071,721	5,115,998
Changes in net assets from operations before other changes	104,169	(759,946)
<b>Other changes</b>		
Investment income	338,460	383,244
Net realized and unrealized gains on investments	630,267	1,446,288
	968,727	1,829,532
<b>Change in net assets without donor restrictions</b>	<b>1,072,896</b>	<b>1,069,586</b>
<b>With donor restrictions</b>		
Net assets released from restrictions	(58,537)	(60,000)
Change in total net assets	1,014,359	1,009,586
Net assets, beginning of year	10,766,196	9,756,610
<b>Net assets, end of year</b>	<b>\$ 11,780,555</b>	<b>\$ 10,766,196</b>

See notes to financial statements.

FOUNDATION FOR COGNITIVE THERAPY AND RESEARCH

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2020

	Center for Psychotherapy	Center for Training Income					Diet	Program Subtotal	Management and General	Development	Total
		Online Training	Workshops	Supervision & Consultation	CT-R & Training for Organizations						
Payroll and benefits	\$ 485,822	\$ 589,869	\$ 283,186	\$ 187,545	\$ 1,177,209	\$ 61,514	\$ 2,785,145	\$ 720,381	\$ 72,618	\$ 3,578,144	
Online training costs	-	1,342,455	-	-	-	-	1,342,455	921	24,270	1,367,646	
Direct program expenses, other	1,182	-	31,838	3,095	9,448	3,583	49,146	-	-	49,146	
Professional services *	-	-	20,150	79,898	73,706	-	173,754	-	-	173,754	
Technology services	19,727	19,219	16,361	8,097	59,634	2,697	125,735	-	-	125,735	
Depreciation and amortization	17,695	14,722	14,203	7,078	51,682	2,303	107,683	22,960	4,041	134,684	
Operating expenses, other	33,256	12,886	24,426	9,720	52,833	5,257	138,378	45,478	19,992	203,848	
Consulting and professional fees **	11,807	9,326	9,322	4,694	34,174	1,616	70,939	15,465	21,011	107,415	
Administrative expenses, other	2,210	350	246	120	1,231	43	4,200	388	72	4,660	
Insurance	20,342	3,841	3,427	1,712	12,500	580	42,402	5,539	983	48,924	
Advertising and marketing	5,734	5,748	10,147	2,547	18,228	1,281	43,685	-	-	43,685	
Rent and related costs	47,441	24,166	22,533	11,260	82,054	3,744	191,198	36,446	6,436	234,080	
<b>Total expenses</b>	<b>\$ 645,216</b>	<b>\$ 2,022,582</b>	<b>\$ 435,839</b>	<b>\$ 315,766</b>	<b>\$ 1,572,699</b>	<b>\$ 82,618</b>	<b>\$ 5,074,720</b>	<b>\$ 847,578</b>	<b>\$ 149,423</b>	<b>\$ 6,071,721</b>	

\* Professional services includes amounts paid to external faculty for the provision of training and supervision services on behalf of the Beck Institute.

\*\* Consulting and professional fees include donated legal services.

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
		Online Training	Workshops	Supervision & Consultation	CT-R & Training for Organizations					
Payroll and benefits	\$ 434,881	\$ 365,320	\$ 308,515	\$ 147,251	\$ 614,360	\$ 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	-	70,005	3,213	11,764	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	11,629	10,064	5,058	26,898	3,295	67,847	16,253	2,681	86,781
Depreciation and amortization	19,658	20,645	18,633	8,328	43,860	5,973	117,097	29,292	4,864	151,253
Operating expenses, other	24,439	15,151	21,088	7,648	49,839	5,179	123,344	20,466	16,060	159,870
Consulting and professional fees **	13,274	40,846	12,856	5,378	29,383	3,989	105,726	19,067	39,065	163,858
Administrative expenses, other	9,485	6,231	4,243	1,915	23,169	1,241	46,284	6,283	1,815	54,382
Insurance	16,677	3,952	3,457	1,560	8,919	1,124	35,689	5,509	919	42,117
Advertising and marketing	10,792	10,464	16,212	4,340	27,637	3,787	73,232	-	-	73,232
Rent and related costs	46,057	30,230	26,770	11,883	61,186	8,695	184,821	41,953	7,051	233,825
<b>Total expenses</b>	<b>\$ 588,750</b>	<b>\$ 1,438,967</b>	<b>\$ 532,343</b>	<b>\$ 242,991</b>	<b>\$ 1,103,213</b>	<b>\$ 144,806</b>	<b>\$ 4,051,070</b>	<b>\$ 776,620</b>	<b>\$ 288,308</b>	<b>\$ 5,115,998</b>

\* Professional services includes amounts paid to external faculty for the provision of training and supervision services on behalf of the Beck Institute.

\*\* Consulting and professional fees include donated legal services.

See notes to financial statements.



**FOUNDATION FOR COGNITIVE THERAPY AND RESEARCH**

**STATEMENTS OF CASH FLOWS**

	<b>Year Ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 1,014,359	\$ 1,009,586
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	134,684	151,253
Contributed securities	(61,031)	(50,282)
Net realized and unrealized gains on investments	(630,267)	(1,446,288)
Changes in operating assets and liabilities		
Accounts receivable	(9,040)	(411,025)
Pledges receivable	31,318	61,671
Prepaid expenses and other	13,755	(139,007)
Accounts payable and accrued expenses	97,147	74,802
Deferred revenue	(5,000)	458,131
Deferred rent obligation	(4,863)	(10,221)
Net cash provided by (used in) operating activities	581,062	(301,380)
<b>Cash flows from investing activities</b>		
Purchases of fixed assets	(196,771)	(121,396)
Purchases of intangible assets	(568,758)	(59,304)
Proceeds from sale of investments	1,661,903	1,784,419
Purchase of investments	(1,481,047)	(1,278,314)
Net cash (used in) provided by investing activities	(584,673)	325,405
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(3,611)</b>	<b>24,025</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>328,116</b>	<b>304,091</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 324,505</b>	<b>\$ 328,116</b>

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, 2020 and 2019.

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.

# FOUNDATION FOR COGNITIVE THERAPY AND RESEARCH

## NOTES TO FINANCIAL STATEMENTS

### 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Revenues and Support

The Foundation determines the amount of revenue to be recognized from contracts with customers in accordance with Accounting Standard Codification Topic 606, *Revenue from Contracts with Customers* (“ASC 606”) 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 net of patient fees discount. 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, virtual, and/or online training, as well as therapist supervision services. The in-person, online, and virtual training revenue is recognized when the customer receives the benefit of the services, which is typically at the point in time when the course is delivered. Payment for in-person, virtual, and online training services is typically received upon registration. The Foundation utilizes a third party to deliver online content (See Note 10). Revenues and related costs associated with online training are presented on a gross basis for financial reporting purposes. Indicators identified by the Foundation for gross revenue reporting includes: 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. Amounts received in advance of all training events are recorded as deferred revenue (contract liability). Payments for supervision services are typically received in advance and the revenue is recognized over time as the services are performed, as defined in each contract. Almost all training service contracts terminate within one year of execution.

Revenue from contracts recognized over time was \$1,582,657 and \$1,106,721 for the years ended December 31, 2020 and 2019, respectively. Revenue from contracts recognized at a point in time was \$3,731,113 and \$2,794,760 for the years ended December 31, 2020 and 2019, 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.

# FOUNDATION FOR COGNITIVE THERAPY AND RESEARCH

## NOTES TO FINANCIAL STATEMENTS

### 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **Revenues and Support (Continued)**

*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.

*Grant income* – Paycheck protection program loan forgiveness received under the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) in 2020 is recognized as grant income. Grant income is recognized as the Foundation meets the terms and conditions of the grants and there is reasonable assurance that the grants will be received. If the amount of payments received or receivable exceeds the amount of grants for which the terms and conditions have been met, the difference is recorded as a refundable advance. On November 2, 2020, the small business administration approved the Foundation’s application for forgiveness for 100% of the loan. As such, the management has determined that it has met the terms of conditions of the grant and there are no refundable advances at December 31, 2020.

#### **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.

#### **Accounts Receivable and Allowance for Doubtful Accounts**

Accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end. Management determines the allowance for doubtful accounts by regularly evaluating individual customer and patient receivables and considering their financial condition and historic payments. The allowance at December 31, 2020 and 2019 totaled \$2,290 and \$0, respectively.

**FOUNDATION FOR COGNITIVE THERAPY AND RESEARCH**

**NOTES TO FINANCIAL STATEMENTS**

**2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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, 2020 and 2019.

**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) are 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 \$43,685 and \$73,234 for the years ended December 31, 2020 and 2019, 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 for each of the years ended December 31, 2020 and 2019.

#### **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,	
	2020	2019
Cash and cash equivalents	\$ 324,505	\$ 328,116
Investments	10,695,749	10,185,307
Accounts receivable, net	695,678	686,638
Pledge receivable	36,772	68,090
Total financial assets available to management for general expenditure within one year	\$ 11,752,704	\$ 11,268,151

The Foundation's financial assets available to meet cash needs for general expenditures within one year represents funding for ongoing operational requirements and program expenditures in fiscal year 2021.

#### **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 - PLEDGES RECEIVABLE

The Foundation has pledges receivable amounting to \$36,772 and \$68,090 as of December 31, 2020 and 2019, 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

### 5 - INVESTMENTS

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

	December 31,	
	2020	2019
Equity securities	\$ 508,791	\$ 452,131
Mutual funds	8,174,395	7,792,217
Government agency bonds	2,012,563	1,940,959
	<u>\$ 10,695,749</u>	<u>\$ 10,185,307</u>

### 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:

- 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.



**FOUNDATION FOR COGNITIVE THERAPY AND RESEARCH**

**NOTES TO FINANCIAL STATEMENTS**

**6 - FAIR VALUE MEASUREMENTS (Continued)**

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, 2020			
	Level 1	Level 2	Level 3	Total
<b>Equities</b>				
Financial sector	\$ 273,290	\$ -	\$ -	\$ 273,290
Healthcare sector	147,270	-	-	147,270
Technology sector	88,231	-	-	88,231
<b>Mutual Funds</b>				
Emerging markets	245,563	-	-	245,563
Financial	268,333	-	-	268,333
Foreign stock	1,230,172	-	-	1,230,172
Mid-Cap growth	151,245	-	-	151,245
Short-term bond	1,746,620	-	-	1,746,620
Large growth	2,857,381	-	-	2,857,381
Large blend	1,675,081	-	-	1,675,081
<b>Bonds</b>				
US government bonds	-	2,012,563	-	2,012,563
<b>Total investment assets at fair value</b>	<b>\$ 8,683,186</b>	<b>\$ 2,012,563</b>	<b>\$ -</b>	<b>\$ 10,695,749</b>

**FOUNDATION FOR COGNITIVE THERAPY AND RESEARCH**

**NOTES TO FINANCIAL STATEMENTS**

**6 - FAIR VALUE MEASUREMENTS (Continued)**

	Investment Assets at Fair Value as of December 31, 2019			
	Level 1	Level 2	Level 3	Total
<b>Equities</b>				
Financial sector	\$ 255,187	\$ -	\$ -	\$ 255,187
Healthcare sector	90,950	-	-	90,950
Technology sector	105,994	-	-	105,994
<b>Mutual Funds</b>				
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
<b>Bonds</b>				
US government bonds	-	1,940,959	-	1,940,959
<b>Total investment assets at fair value</b>	<b>\$ 8,244,348</b>	<b>\$ 1,940,959</b>	<b>\$ -</b>	<b>\$ 10,185,307</b>

**7 - FIXED ASSETS, NET**

Fixed assets, net consist of the following:

	December 31,	
	2020	2019
Furniture and fixtures	\$ 85,877	\$ 82,433
Equipment	377,774	273,937
Leasehold improvements	194,199	104,709
	657,850	461,079
Less accumulated depreciation and amortization	(375,657)	(296,850)
	\$ 282,193	\$ 164,229

**FOUNDATION FOR COGNITIVE THERAPY AND RESEARCH**

**NOTES TO FINANCIAL STATEMENTS**

**8 - INTANGIBLE ASSETS, NET**

Intangible assets, net consist of the following:

	December 31,	
	2020	2019
Intangible property	\$ 1,032,882	\$ 464,124
Less accumulated amortization	(415,225)	(359,348)
	<u>\$ 617,657</u>	<u>\$ 104,776</u>

Amortization expense for 2020 and 2019 was \$55,877 and \$84,852, respectively. Estimated amortization expense at December 31, 2020 for each of the four succeeding years is as follows:

Year ending December 31,	
2021	\$ 177,714
2022	210,362
2023	185,480
2024	44,101
	<u>\$ 617,657</u>

**9 - NET ASSETS WITH DONOR RESTRICTIONS**

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

	December 31,	
	2020	2019
Subject to the passage of time	\$ -	\$ 58,537

**10 - COMMITMENTS**

**Lease Commitments**

The Foundation leases its organizational and training facilities under non-cancelable operating leases expiring in August 2022. In addition, the Foundation leased equipment under several non-cancelable operating leases which expire at various dates through February 2025.

## FOUNDATION FOR COGNITIVE THERAPY AND RESEARCH

### 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, 2020, whose initial lease terms were in excess of one year:

Year Ending December 31,	
2021	\$ 210,751
2022	141,501
2023	3,714
2024	3,714
2025	619
	<hr/>
	\$ 360,299

Total facility rent expense and related costs for 2020 and 2019 were \$234,080 and \$233,825, respectively, and total equipment operating lease payments for 2020 and 2019 were \$9,072 and \$9,924, 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. The agreement expired in March 2021 and was not extended.

#### 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, 2020 and 2019 was \$63,909 and \$47,969, 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, 2020 and 2019 were \$19,886 and \$13,836, respectively.

#### **13 - RELATED PARTY TRANSACTIONS**

During the years ended December 31, 2020 and 2019, the Foundation received a contribution of \$50,000 and \$50,282, respectively, from a family member of the President of the Foundation.

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

#### **14 - RISK AND UNCERTAINTIES**

The spread of a novel strain of coronavirus (COVID-19) around the world in 2020 has caused significant volatility in U.S. and international markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. and international economies and, as such, the Foundation is unable to determine if it will have a material impact to its operations in the future.

#### **15 - SUBSEQUENT EVENTS**

The Foundation has evaluated events and transactions for potential recognition or disclosure in the financial statements through July 19, 2021, the date on which the financial statements were available to be issued.