

**FOUNDATION FOR COGNITIVE THERAPY
AND RESEARCH**

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

AND

INDEPENDENT AUDITORS' REPORT

FRIEDMAN LLP[®]
ACCOUNTANTS AND ADVISORS

FOUNDATION FOR COGNITIVE THERAPY AND RESEARCH

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ACCOUNTANTS AND ADVISORS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Foundation for Cognitive Therapy and Research

Opinion

We have audited the accompanying financial statements of the Foundation for Cognitive Therapy and Research (a nonprofit organization), which comprise the statements of financial position as of December 31, 2021 and 2020, 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.

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, 2021 and 2020, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

(Continued)

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 for Cognitive Therapy and Research's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation for Cognitive Therapy and Research's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



Philadelphia, Pennsylvania

July 6, 2022

FOUNDATION FOR COGNITIVE THERAPY AND RESEARCH

STATEMENTS OF FINANCIAL POSITION

	December 31,	
	2021	2020
ASSETS		
Current assets		
Cash and cash equivalents	\$ 550,015	\$ 324,505
Accounts receivable, net	287,344	695,678
Pledges receivable	3,803	36,772
Prepaid expenses and other current assets	200,453	278,395
Total current assets	1,041,615	1,335,350
Investments	10,961,344	10,695,749
Fixed assets, net	381,807	282,193
Intangible assets, net	1,039,151	617,657
Total assets	\$ 13,423,917	\$ 12,930,949
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 265,790	\$ 367,252
Deferred revenue	470,307	783,142
Total current liabilities	736,097	1,150,394
Commitments		
Net assets		
Without donor restrictions	12,666,928	11,780,555
With donor restrictions	20,892	-
Total net assets	12,687,820	11,780,555
Total liabilities and net assets	\$ 13,423,917	\$ 12,930,949

See notes to financial statements.

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

	Year Ended December 31,	
	2021	2020
Operating revenue and support		
Program revenues		
Center for psychotherapy income, net	\$ 608,250	\$ 583,976
Center for training income		
Online training	2,234,386	2,572,572
Workshops	803,525	463,425
Supervision and consultation fees	287,893	163,246
Training for organizations	855,316	374,404
Center for Recovery-Oriented Cognitive Therapy (CT-R)	822,300	1,065,786
Trainee discounts and cancellation fees	(357,255)	(55,707)
Total center for training income	4,646,165	4,583,726
Diet income	223,468	129,563
Publication and royalties income	5,148	16,505
Total program revenues	5,483,031	5,313,770
Contributions	440,361	213,742
Grant income - Paycheck Protection Program loan forgiveness	-	508,900
Donated services	9,996	10,000
Miscellaneous	38,110	70,941
Net assets released from restrictions	-	58,537
Total operating revenue and support	5,971,498	6,175,890
Operating expenses		
Program	5,210,021	5,074,720
Management and general	1,180,202	847,578
Development	217,843	149,423
Total operating expenses	6,608,066	6,071,721
Changes in net assets from operations before other changes	(636,568)	104,169
Other changes		
Investment income, net	223,074	338,460
Net realized and unrealized gains on investments	1,299,867	630,267
	1,522,941	968,727
Change in net assets without donor restrictions	886,373	1,072,896
With donor restrictions		
Contributions	20,892	-
Net assets released from restrictions	-	(58,537)
Change in net assets with donor restrictions	20,892	(58,537)
Change in total net assets	907,265	1,014,359
Net assets, beginning of year	11,780,555	10,766,196
Net assets, end of year	\$ 12,687,820	\$ 11,780,555

See notes to financial statements.

FOUNDATION FOR COGNITIVE THERAPY AND RESEARCH

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2021

	Center for Training Income									
	Center for Psychotherapy	Online Training	Workshops	Supervision & Consultation	CT-R & Training for Organizations	Diet	Program Subtotal	Management and General	Development	Total
Payroll and benefits	\$ 634,963	\$ 464,325	\$ 368,115	\$ 239,400	\$ 1,461,906	\$ 118,273	\$ 3,286,982	\$ 958,232	\$ 142,291	\$ 4,387,505
Depreciation and amortization	29,888	38,781	61,288	16,605	136,834	9,336	292,732	63,918	10,947	367,597
Professional services *	-	-	44,500	102,452	193,650	-	340,602	-	-	340,602
Technology services	25,790	32,524	51,292	14,308	117,103	8,242	249,259	53,761	9,257	312,277
Operating expenses, other	36,562	83,186	51,304	8,037	65,559	6,965	251,613	30,225	18,309	300,147
Rent and related costs	20,417	25,308	39,473	11,329	91,878	6,585	194,990	41,622	7,153	243,765
Consulting and professional fees **	6,946	83,719	14,415	3,820	79,543	2,161	190,604	15,626	10,907	217,137
Online training costs	-	200,635	-	-	-	-	200,635	-	-	200,635
Direct program expenses, other	838	38,374	14,963	478	31,818	253	86,724	5,598	13,172	105,494
Insurance	4,396	5,492	8,548	2,450	19,814	1,410	42,110	9,049	1,565	52,724
Advertising and marketing	5,304	18,326	3,652	2,207	14,652	2,218	46,359	-	3,839	50,198
Other expenses	-	14,370	3,635	-	-	-	18,005	-	-	18,005
Administrative expenses, other	949	1,272	1,968	554	4,371	292	9,406	2,171	403	11,980
Total expenses	\$ 766,053	\$ 1,006,312	\$ 663,153	\$ 401,640	\$ 2,217,128	\$ 155,735	\$ 5,210,021	\$ 1,180,202	\$ 217,843	\$ 6,608,066

* 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, 2020

	Center for Training Income									
	Center for Psychotherapy	Online Training	Workshops	Supervision & Consultation	CT-R & Training for Organizations	Diet	Program Subtotal	Management and General	Development	Total
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
Rent and related costs	47,441	24,166	22,533	11,260	82,054	3,744	191,198	36,446	6,436	234,080
Operating expenses, other	33,256	12,886	24,426	9,720	52,833	5,257	138,378	45,478	19,992	203,848
Professional services *	-	-	20,150	79,898	73,706	-	173,754	-	-	173,754
Depreciation and amortization	17,695	14,722	14,203	7,078	51,682	2,303	107,683	22,960	4,041	134,684
Technology services	19,727	19,219	16,361	8,097	59,634	2,697	125,735	-	-	125,735
Consulting and professional fees **	11,807	9,326	9,322	4,694	34,174	1,616	70,939	15,465	21,011	107,415
Direct program expenses, other	1,182	-	31,838	3,095	9,448	3,583	49,146	-	-	49,146
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
Administrative expenses, other	2,210	350	246	120	1,231	43	4,200	388	72	4,660
Total expenses	\$ 645,216	\$ 2,022,582	\$ 435,839	\$ 315,766	\$ 1,572,699	\$ 82,618	\$ 5,074,720	\$ 847,578	\$ 149,423	\$ 6,071,721

* 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

	Year Ended December 31,	
	2021	2020
Cash flows from operating activities		
Change in net assets	\$ 907,265	\$ 1,014,359
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	367,597	134,684
Contributed securities	(60,594)	(61,031)
Loss on disposal of intangible assets	17,614	-
Net realized and unrealized gains on investments	(1,299,867)	(630,267)
Changes in operating assets and liabilities		
Accounts receivable, net	408,334	(9,040)
Pledges receivable	32,969	31,318
Prepaid expenses and other current assets	77,942	13,755
Accounts payable and accrued expenses	(101,462)	97,147
Deferred revenue	(312,835)	(5,000)
Deferred rent obligation	-	(4,863)
Net cash provided by operating activities	36,963	581,062
Cash flows from investing activities		
Purchases of fixed assets	(224,132)	(196,771)
Purchases of intangible assets	(682,187)	(568,758)
Proceeds from sale of investments	1,351,830	1,661,903
Purchase of investments	(256,964)	(1,481,047)
Net cash provided by (used in) investing activities	188,547	(584,673)
Net increase (decrease) in cash and cash equivalents	225,510	(3,611)
Cash and cash equivalents, beginning of year	324,505	328,116
Cash and cash equivalents, end of year	\$ 550,015	\$ 324,505

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 (U.S. 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, 2021 and 2020.

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.

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;

FOUNDATION FOR COGNITIVE THERAPY AND RESEARCH

NOTES TO FINANCIAL STATEMENTS

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues and Support (Continued)

- 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 Foundation satisfies the performance obligations.

Psychotherapy Revenue - Psychotherapy revenue includes revenue received from patient fees net of patient fees discounts. Patient service revenue is recognized as the customer receives the 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 utilized 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 they are transferred to the customer, and has full discretion in establishing the price for the specified goods 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.

Diet Income – Diet income includes revenue generated from diet counseling fees and diet workshops net of discounts. Diet income is recognized as the customer receives the benefit of the services, which is typically at a point in time.

Revenue from contracts recognized over time was \$1,930,080 and \$1,582,657 for the years ended December 31, 2021 and 2020, respectively. Revenue from contracts recognized at a point in time was \$3,552,951 and \$3,731,113 for the years ended December 31, 2021 and 2020, respectively.

Taxes assessed by a 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.

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.

FOUNDATION FOR COGNITIVE THERAPY AND RESEARCH

NOTES TO FINANCIAL STATEMENTS

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues and Support (Continued)

Contributions (Continued) - 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 statements of activities and changes in net assets 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 U.S. 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, 2021 and 2020 totaled \$3,975 and \$2,290, 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, 2021 and 2020.

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
Computer equipment and software	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 \$50,198 and \$43,685 for the years ended December 31, 2021 and 2020, respectively.

Donated Services

In addition to cash contributions, the Foundation received donated services, consisting primarily of professional services. These services are reported at fair value at the time of receipt. The Foundation received donated legal services of \$9,996 and \$10,000 for the years ended December 31, 2021 and 2020, respectively.

FOUNDATION FOR COGNITIVE THERAPY AND RESEARCH

NOTES TO FINANCIAL STATEMENTS

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 statements of financial position date for general expenditure are as follows:

	December 31,	
	2021	2020
Cash and cash equivalents	\$ 550,015	\$ 324,505
Investments	10,961,344	10,695,749
Accounts receivable, net	287,344	695,678
Pledge receivable	3,803	36,772
Total financial assets available within one year	11,802,506	11,752,704
Less: Amounts unavailable for general expenditures within one year, due to		
Restricted by donor with purpose restrictions	(12,892)	-
Restricted by donor with time restrictions	(6,000)	-
Total amounts unavailable for general expenditure within one year	(18,892)	-
Total financial assets available to management for general expenditure within one year	\$ 11,783,614	\$ 11,752,704

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 2022.

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 \$3,803 and \$36,772 as of December 31, 2021 and 2020, respectively. Contributions due in future years are discounted to their fair value. Management has determined that no discount is necessary because all pledges receivable are expected to be collected within the next fiscal year. 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,	
	2021	2020
Equity securities	\$ 706,171	\$ 508,791
Mutual funds	8,272,889	8,174,395
Government agency bonds	1,982,284	2,012,563
	<u>\$ 10,961,344</u>	<u>\$ 10,695,749</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.

U.S. GAAP defines fair value, provides guidance for measuring fair value and requires certain disclosures. U.S. 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). U.S. 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 Agency 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, 2021			
	Level 1	Level 2	Level 3	Total
Equities				
Financial sector	\$ 412,794	\$ -	\$ -	\$ 412,794
Healthcare sector	202,171	-	-	202,171
Technology sector	91,207	-	-	91,207
Mutual Funds				
Emerging markets	148,973	-	-	148,973
Financial	362,912	-	-	362,912
Foreign stock	1,314,046	-	-	1,314,046
Mid-Cap growth	182,213	-	-	182,213
Short-term bond	1,162,212	-	-	1,162,212
Large growth	3,137,684	-	-	3,137,684
Large blend	1,964,848	-	-	1,964,848
Fixed Income				
U.S. government bonds	-	1,982,284	-	1,982,284
Total investment assets at fair value	\$ 8,979,060	\$ 1,982,284	\$ -	\$ 10,961,344

FOUNDATION FOR COGNITIVE THERAPY AND RESEARCH

NOTES TO FINANCIAL STATEMENTS

6 - FAIR VALUE MEASUREMENTS (Continued)

	Investment Assets at Fair Value as of December 31, 2020			
	Level 1	Level 2	Level 3	Total
Equities				
Financial sector	\$ 273,290	\$ -	\$ -	\$ 273,290
Healthcare sector	147,270	-	-	147,270
Technology sector	88,231	-	-	88,231
Mutual Funds				
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
Fixed Income				
U.S. government bonds	-	2,012,563	-	2,012,563
Total investment assets at fair value	\$ 8,683,186	\$ 2,012,563	\$ -	\$ 10,695,749

7 - FIXED ASSETS, NET

Fixed assets, net consist of the following:

	December 31,	
	2021	2020
Furniture and fixtures	\$ 85,877	\$ 85,877
Computer equipment and software	597,625	377,774
Leasehold improvements	198,480	194,199
	881,982	657,850
Less - Accumulated depreciation and amortization	(500,175)	(375,657)
	\$ 381,807	\$ 282,193

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NOTES TO FINANCIAL STATEMENTS

8 - INTANGIBLE ASSETS, NET

Intangible assets, net consist of the following:

	December 31,	
	2021	2020
Intangible property	\$ 1,657,421	\$ 1,032,882
Less - Accumulated amortization	(618,270)	(415,225)
	\$ 1,039,151	\$ 617,657

Amortization expense for 2021 and 2020 was \$243,079 and \$55,877, respectively. Estimated amortization expense at December 31, 2021 for each of the four succeeding years is as follows:

Year ending December 31,		
2022	\$	423,596
2023		413,147
2024		201,057
2025		1,351
	\$	1,039,151

9 - NET ASSETS WITH DONOR RESTRICTIONS

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

	December 31,	
	2021	2020
Subject to expenditure for specified purposes		
Scholarships	\$ 12,892	\$ -
Subject to the passage of time	8,000	-
	\$ 20,892	\$ -

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NOTES TO FINANCIAL STATEMENTS

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 April 2025.

The following is a schedule of future minimum annual lease payments required under operating leases as of December 31, 2021, whose initial lease terms were in excess of one year:

Year Ending December 31,	
2022	\$ 146,429
2023	9,090
2024	9,090
2025	2,411
	<u>\$ 167,020</u>

Total facility rent expense and related costs for 2021 and 2020 were \$243,765 and \$234,080, respectively, and total equipment operating lease payments for 2021 and 2020 were \$8,514 and \$9,072, respectively.

Joint Venture

In 2015, the Foundation entered a joint venture agreement with an unrelated company. The purpose of this joint venture was to develop and deliver online CBT training courses for the term of the agreement, which was for five years and six months starting in September 2015. The company provided the Foundation all revenue and combined costs accounting quarterly and made payment due to the Foundation with respect to such calendar quarter at the same time as the quarterly statement was 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 Foundation 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. The Foundation has not experienced any losses in such accounts.

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, 2021 and 2020 was \$86,743 and \$63,909, 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, 2021 and 2020 were \$14,058 and \$19,886, respectively.

13 - RELATED PARTY TRANSACTIONS

For each of the years ended December 31, 2021 and 2020, the Foundation received a contribution of \$50,000, from a family member of the President of the Foundation.

During the year ended December 31, 2021, the Foundation received contributions totaling \$200,000 from a board member.

14 - RISK AND UNCERTAINTIES

The spread of a novel strain of coronavirus (COVID-19) around the world 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 6, 2022, the date on which the financial statements were available to be issued.