

International OCD
Foundation, Inc.

Financial Statements

Year Ended
December 31, 2023



International OCD Foundation, Inc.

Notes to Financial Statements
Year Ended December 31, 2023

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Independent Auditor's Report

To the Board of Directors and Management
International OCD Foundation, Inc.
Boston, Massachusetts

Opinion

We have audited the accompanying financial statements of International OCD Foundation, Inc. (a nonprofit Foundation), which comprised the statement of financial position as of December 31, 2023, the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above presents fairly, in all material respects, the financial position of International OCD Foundation, Inc. as of December 31, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of International OCD Foundation, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 International OCD Foundation, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's 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 generally accepted auditing standards 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 generally accepted auditing standards, 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 International OCD Foundation, Inc.'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 International OCD Foundation, Inc.'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.



Wakefield, Massachusetts

August 1, 2024

International OCD Foundation, Inc.

Statement of Financial Position

December 31, 2023

Assets

Current assets:

Cash and cash equivalents	\$ 2,090,308
Restricted cash and cash equivalents	537,986
Investments	1,686,532
Prepaid expenses and other current assets	531,671
Total current assets	<u>4,846,497</u>

Assets whose use is limited or restricted:

Donor restricted investments	777,220
Beneficial interest in charitable remainder trust	402,797
Total assets whose use is limited or restricted	<u>1,180,017</u>

Right-of-use assets under operating lease, net of accumulated amortization

1,669,520

Other assets:

Security deposits	<u>36,248</u>
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Total assets \$ 7,732,282

Liabilities and Net Assets

Current liabilities:

Accrued expenses and other current liabilities	\$ 128,284
Current portion of operating lease liabilities	210,407
Contract liabilities	210,149
Total current liabilities	<u>548,840</u>

Other liabilities:

Operating lease liabilities, net of current maturities	<u>1,557,571</u>
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Total liabilities 2,106,411

Net assets:

Net assets without donor restrictions	3,737,561
Net assets with donor restrictions	1,888,310
Total net assets	<u>5,625,871</u>

Total liabilities and net assets \$ 7,732,282

International OCD Foundation, Inc.

Statement of Activities
Year Ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenues			
Contributions and grants	\$ 1,760,111	\$ 1,468,031	\$ 3,228,142
Conferences	845,313	12,881	858,194
Membership dues	385,650	-	385,650
In-kind contributions	6,770	-	6,770
Behavior Therapy Institute fees	483,506	-	483,506
Miscellaneous income	55,000	-	55,000
Net assets released from restrictions	<u>1,101,181</u>	<u>(1,101,181)</u>	<u>-</u>
Total public support and revenue	<u>4,637,531</u>	<u>379,731</u>	<u>5,017,262</u>
Operating expenses:			
Program services	4,148,883	-	4,148,883
General and administrative	616,558	-	616,558
Fundraising	376,174	-	376,174
Total operating expenses	<u>5,141,615</u>	<u>-</u>	<u>5,141,615</u>
Non-operating activities:			
Change in value of charitable remainder trust	-	144,148	144,148
Realized and unrealized gain on investments	18,523	87,983	106,506
Interest and dividend income	96,730	-	96,730
Total non-operating activities	<u>115,253</u>	<u>232,131</u>	<u>347,384</u>
Change in net assets	(388,831)	611,862	223,031
Net assets, beginning of year	<u>4,126,392</u>	<u>1,276,448</u>	<u>5,402,840</u>
Net assets, end of year	<u>\$ 3,737,561</u>	<u>\$ 1,888,310</u>	<u>\$ 5,625,871</u>

International OCD Foundation, Inc.

Statement of Functional Expenses Year Ended December 31, 2023

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Expenses:				
Personnel costs:				
Salaries and wages	\$ 882,001	\$ 249,621	\$ 199,696	\$ 1,331,318
Employee benefits	208,135	58,907	47,124	314,166
Payroll taxes	79,020	22,365	17,890	119,275
Total personnel costs	<u>1,169,156</u>	<u>330,893</u>	<u>264,710</u>	<u>1,764,759</u>
Research awards and expenses	1,167,145	-	-	1,167,145
Annual conference	792,955	-	-	792,955
Training	355,938	-	-	355,938
Occupancy	161,957	45,837	36,669	244,463
Website and database	-	124,510	-	124,510
Office supplies and other expense	57,650	12,642	48,201	118,493
Conferences	111,729	-	-	111,729
Newsletters	64,693	-	-	64,693
Annual walk	59,843	-	-	59,843
Public awareness	55,709	-	-	55,709
Public relations	-	50,679	2,180	52,859
Payments to affiliates	44,149	-	-	44,149
Professional fees	29,200	8,265	6,612	44,077
Board meetings	16,362	16,362	-	32,724
Dues and subscriptions	18,375	5,201	4,160	27,736
Travel	16,280	4,071	3,256	23,607
Utilities	7,688	2,175	1,739	11,602
Insurance	7,458	2,111	1,689	11,258
Postage and shipping	-	5,300	4,402	9,702
Equipment lease and maintenance	4,524	1,281	1,025	6,830
State registration expense	4,033	1,142	913	6,088
Brochures, letterhead, and supplies	1,308	4,737	-	6,045
Bank and merchant fees	2,731	773	618	4,122
Depreciation and amortization	-	579	-	579
Total functional expenses	<u>\$ 4,148,883</u>	<u>\$ 616,558</u>	<u>\$ 376,174</u>	<u>\$ 5,141,615</u>

International OCD Foundation, Inc.

Statement of Cash Flows
Year Ended December 31, 2023

Cash flows from operating activities:

Change in net assets	\$ 223,031
Adjustments to reconcile net increase in net assets to net cash used in operating activities:	
Depreciation	579
Amortization of right of use assets	210,917
Gain in beneficial interest in charitable trust	(144,148)
Realized and unrealized gain on investments, net	(106,506)
Increases (decreases) in cash resulting from changes in operating assets and liabilities:	
Prepaid expenses and other current assets	58,679
Accrued expenses and other current liabilities	(93,580)
Operating lease liabilities	(202,446)
Contract liabilities	<u>15,815</u>
Net cash used in operating activities	<u>(37,659)</u>
Cash flows from investing activities:	
Purchases of investments, net	<u>(195,931)</u>
Net cash used in investing activities	<u>(195,931)</u>
Net decrease in cash, cash equivalents, and restricted cash	(233,590)
Cash, cash equivalents, and restricted cash, beginning of year	<u>2,861,884</u>
Cash, cash equivalents, and restricted cash, end of year	<u><u>\$ 2,628,294</u></u>

International OCD Foundation, Inc.

Notes to Financial Statements
Year Ended December 31, 2023

Note 1 - Foundation

International OCD Foundation, Inc. (the "Foundation") is an international not-for-profit Foundation with headquarters located in Boston, Massachusetts, and has various affiliates throughout the United States. The Foundation is comprised of people with Obsessive Compulsive Disorder ("OCD") and related disorders, their families, friends, treatment providers, researchers, and other concerned individuals. The Foundation's mission is to help everyone affected by OCD and related disorders to live full and productive lives by increasing access to effective treatment, ending the stigma associated with mental health issues, and fostering a community for those affected by OCD and the professionals who treat them. Major sources of revenue are derived from contributions and grants, membership dues, and conferences.

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Accordingly, revenues and support are recognized when earned and expenses are recognized when incurred.

Recently Adopted Accounting Pronouncements - Credit Losses

In June 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-13 (ASC Topic 326) Financial Instruments—Credit Losses, as clarified in various other ASU's subsequently issued by the FASB. The guidance requires the application of a current expected credit loss model, which is a new impairment model based on expected losses, and certain additional qualitative and quantitative disclosures. This ASU was effective for interim and annual reporting periods beginning after December 15, 2022. The Foundation adopted this ASU using the modified retrospective method for all financial assets measured at amortized cost and off-balance-sheet credit exposures, as applicable. The adoption of this ASU on January 1, 2023 did not have a material impact on The Foundation's financial statements.

Basis of Presentation

The Foundation has presented its financial statements in accordance with accounting principles generally accepted in the United States of America for not-for-profit Foundations. Under this guidance, The Foundation is required to classify resources for reporting purposes on the existence or absence of donor-imposed restrictions. This is accomplished by classification of fund balances into two classes of net assets: without donor restrictions and with donor restrictions.

International OCD Foundation, Inc.

Notes to Financial Statements
Year Ended December 31, 2023

Note 2 - Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

Descriptions of the two net asset categories and the types of transactions affecting each category is as follows:

Net Assets without Donor Restrictions

Represent amounts not restricted for identified purposes by donors or grantors. These amounts are available to be used for the general purposes of the Foundation.

Net Assets with Donor Restrictions

Net assets whose use is limited by law or donor-imposed stipulations that will either expire with the passage of time or be fulfilled by the actions of the Foundation. These include amounts that have been restricted by donors to be maintained by the Foundation in perpetuity and are comprised of investments and amounts held by Charitable trust funds for the benefit of the Foundation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Functional Allocations of Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis. The expenses have been allocated on the basis of estimated time and effort, as well as other reasonable allocation methods.

Cash and Cash Equivalents

For purposes of presentation in the statement of cash flows, cash and cash equivalents are defined as cash and any highly liquid investments that have an original maturity of three months or less.

Leases

The Foundation accounts for leases under ASC 842, Leases. ASC 842 increases the transparency and comparability of organizations by requiring the capitalization of substantially all leases on the balance sheet and disclosures of key information about leasing arrangements. Under this new guidance, at the lease commencement date, a lessee recognizes a right-of-use asset ("ROU asset") and lease liability, which is initially measured at the present value of the future lease payments. For income statement purposes, a dual model is used for lessees, requiring leases to be classified as either operating or finance leases. Under the operating lease model, lease expense is recognized on a straight-line basis over the lease term. Under the finance lease model, interest on the lease liability is recognized separately from amortization of the right-of-use asset.

International OCD Foundation, Inc.

Notes to Financial Statements
Year Ended December 31, 2023

Note 2 - Summary of Significant Accounting Policies (continued)

Leases (continued)

The Foundation made an accounting policy election to not recognize ROU assets and lease liabilities on the balance sheet for those leases with initial terms of one year or less and instead such lease obligations will be expensed on a straight-line basis over the lease term.

The Foundation determines if a contract contains a lease at inception based on the right to control the use of an identified asset and the right to obtain substantially all of the economic benefits from the use of that identified asset. The Foundation generally does not have access to the rate implicit in leases, therefore it utilizes risk free rate as the discount rate of operating lease liabilities on the statement of financial position.

The Foundation does not have significant restrictions or covenants in its lease agreement, and residual value guarantees are generally not included within its operating lease. As of December 31, 2023, the Foundation did not have any material additional operating leases that have not yet commenced.

The Foundation's operating lease is for operating facility located in Massachusetts. The Foundation's lease may include options to extend or terminate the lease at its discretion, as applicable. Where renewal or termination options are reasonably likely to be exercised, The Foundation recognizes the option as part of the ROU asset and lease liability.

See Note 10 for additional information regarding the Foundation's lease.

Receivables and Allowance for Credit Losses

Receivables consist of promises to give from private organizations and individuals. The Foundation records unconditional promises to give that are expected to be collected within approximately one year at net realizable value. Material unconditional promises to give expected to be collected in future periods are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statement of activities.

The Organization estimates the current expected credit losses by applying internally developed loss rates to all outstanding receivable balances by aging category. Pledges receivable are written off when deemed uncollectable. The Organization reviews the adequacy of the allowance for uncollectible pledges receivable periodically and, if necessary, increases or decreases the balance by recording a charge or credit to general and administrative expenses for the portion of the adjustment relating to uncollectible pledges receivable. The Foundation did not have any accounts, pledges or contributions receivable as of December 31, 2023.

Investments Valuation and Income Recognition

Investments in equity securities with readily determinable fair values are measured at fair value in the statement of financial position. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date.

International OCD Foundation, Inc.

Notes to Financial Statements
Year Ended December 31, 2023

Note 2 - Summary of Significant Accounting Policies (continued)

Investments Valuation and Income Recognition (continued)

Investments in non-marketable investments (alternative investments as described in the American Institute of Certified Public Accountants' document, *A Practice Guide for Auditors: Alternative Investments – Audit Consideration*) are generally carried at net asset value ("NAV") as estimated by management based on fair values provided by external investment managers. Because these investments are not readily marketable, the estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for the investments existed, and such difference could be material. The amount of gain or loss associated with these investments is reflected in the accompanying financial statements based on information provided by the management of the funds. The Foundation believes that the carrying amount of alternative investments is a reasonable estimate of the fair values as of December 31, 2023.

Purchases and sales of investments are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Realized gains or losses on the sale of investments are calculated using the specific-identification method. Unrealized gains and losses represent the change in the fair value of the individual investments for the year, or since the acquisition date, if acquired during the year.

Investment income and unrealized and realized gains and losses from investments without donor restrictions are reported as non-operating gains and losses. Investment income and investment gains and losses (realized and unrealized) with donor restrictions are reported as additions to the appropriate donor-restricted funds.

Investments are periodically reviewed for impairment based upon criteria that include the extent to which cost exceeds market value, the duration of the market decline, and specific issuer financial conditions. Impairments that are determined to be other than temporary are recognized as realized losses.

Fair Value Measurement

The Foundation's policy establishes a framework for measuring fair value and expands disclosures about fair value measurements by providing a consistent definition of fair value which focuses on an exit price which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The policy also prioritizes, within the measurement of fair value, the use of market-based information over entity specific information and establishes a three-level hierarchy for fair value measurements based on the nature of inputs used in the valuation of an asset or liability as of the measurement date.

Level 1 – Pricing inputs are quoted prices available in active markets for identical investments as of the reporting date.

Level 2 – Pricing inputs are quoted prices for similar investments, or inputs that are observable, either directly or indirectly, for substantially the full term through corroboration with observable market data. The Foundation does not have any instruments meeting the criteria of Level 2 inputs.

International OCD Foundation, Inc.

Notes to Financial Statements
Year Ended December 31, 2023

Note 2 - Summary of Significant Accounting Policies (continued)

Fair Value Measurement (continued)

Level 3 – Pricing inputs include unobservable inputs that reflect the reporting entity’s own presumptions about the assumptions market participants would use in pricing the asset or liability, which are developed based on the best information available. The Foundation does not have any instruments meeting the criteria of Level 3 inputs.

The assets or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value:

Cash Equivalents

Value based on yields currently available on comparable securities of issuers with similar credit ratings.

Equity Securities and Mutual Funds

Valued at the closing price reported in the active market in which the investment is traded.

Alternative Investment

Valued at NAV as estimated by management based on fair values provided by external investment managers. Because these investments are not readily marketable, the estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for the investments existed, and such difference could be material.

Assets measured at fair value on a recurring basis at December 31, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash equivalents	\$ 3,689	\$ -	\$ -	\$ 3,689
Equity securities and mutual funds	2,438,753	-	-	2,438,753
Other alternative investments at NAV	-	-	-	21,310
Total Investments	<u>\$ 2,442,442</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,463,752</u>

The Foundation’s equity securities and mutual funds is measured using level 1 inputs since the fair value can be determined based on other data values or market prices. The Foundation did not have any transfer of assets and liabilities between Levels 1, 2, and 3 during the years ended December 31, 2023.

Assets and liabilities measured at fair value on a non-recurring basis are recognized at fair value subsequent to initial recognition when they are deemed to be impaired. The Foundation does not have any assets subject to measurement at fair value on a non-recurring basis.

International OCD Foundation, Inc.

Notes to Financial Statements
Year Ended December 31, 2023

Note 2 - Summary of Significant Accounting Policies (continued)

Property and Equipment

The Foundation capitalizes expenditures for property and equipment in excess of \$2,500. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. Maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently. Property and equipment purchased by the Foundation is stated at cost. Donations of equipment are stated at their estimated fair value at the date of donation and recorded as unrestricted support unless the donor has restricted the donated asset to a specific purpose.

Impairment of Assets

Financial Accounting Standards Board ("FASB") Accounting Standard Codification ("ASC") 360-10-35, Accounting for the Impairment or Disposal of Long-Lived Assets, requires the Foundation to review long-lived assets, such as property and equipment or intangible assets, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset. As of December 31, 2023, the Foundation did not recognize any impairment.

Statement of Activities

For purpose of presentation, transactions deemed by management to be ongoing, major, or central to the mission of the Foundation are reported as revenue and expenses. Peripheral or incidental transactions are reported as non-operating activities.

Contributions and Grants

Contributions and grants, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

In June 2018, FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. This ASU was issued to standardize how grants and other contracts received and made are classified across the sector, as either an exchange transaction or a contribution. The standard provides guidance to assist in the determination of whether a transaction is a contribution or an exchange transaction. If the transaction is deemed to be a contribution, the guidance provides factors to consider with regard to whether the contribution is conditional or unconditional. For contributions received, if determined to be an unconditional contribution, the determination will then need to be made as to whether the contribution is restricted. The ASU assists in the determination of the nature of the transaction which then governs the revenue and expense recognition methodology and timing of the transaction. The guidance is effective for the Foundation's fiscal year 2020, and the adoption of this update did not have a material impact on the Foundations' financial statements.

International OCD Foundation, Inc.

Notes to Financial Statements
Year Ended December 31, 2023

Note 2 - Summary of Significant Accounting Policies (continued)

In-kind Contributions

Donated materials are reflected as contributions at the estimated fair value at the date of receipt if there is an objective basis for recording and assigning value to such donations. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation.

Numbers of unpaid volunteers, including members of the Board, have made significant contributions of their time to develop and promote the Foundation. The value of this contributed time is not reflected in these statements since it is not susceptible to objective measurement or valuation and such services do not meet the recognition criteria established by ASC 958-605.

See Note 12 for detailed in-kind contributions.

Revenue Recognition

In May 2014, the FASB issued Accounting Standards Update ("ASU") 2014-09, Revenue from Contracts with Customers (Topic 606), which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2015-14, which deferred the effective date for nonpublic entities until annual periods beginning after December 15, 2018. Earlier adoption is permitted subject to certain limitations. The amendments in this update are required to be applied retrospectively to each prior reporting period presented or with the cumulative effect being recognized at the date of initial application. In June 2020, the FASB issued ASU 2020-05, Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities, which, among other things, provides a one-year deferral of the effective date of ASC 606 for all privately-held entities that have not yet issued financial statements or made financial statements available. Accordingly, the effective date of Topic 606 for privately-held entities that chose to defer adoption of ASC 606 in accordance with ASU 2020-05 would apply the new revenue standard to annual reporting periods beginning after December 15, 2019.

The Foundation adopted ASU 2020-05 during 2020, which was reflected in these financial statements under five-step modified retrospective method. The Foundation determined key factors from the model to recognize revenue as prescribed by the new standard and completed an evaluation to compare the historical accounting policies and practices to the requirements of the new standard.

The Foundation elected to utilize the portfolio approach where contracts with similar characteristics were assessed collectively to evaluate the risk of being impacted by the adoption of ASC 606. Based on the completed assessment of ASC 606, the Foundation concluded that the adoption of the new revenue standard did not result in a change in revenue recognition for the Foundation's contracts with customers, and no adjustments to opening net assets or revenue were necessary.

International OCD Foundation, Inc.

Notes to Financial Statements
Year Ended December 31, 2023

Note 2 - Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Revenue from membership dues is recognized over time as performance obligations are satisfied, which is ratably over the course of 12 months. Conferences, Behavior Therapy Institute fees and miscellaneous services are recognized at a point in time, when the Foundation has transferred the services. For the year ended December 31, 2023, disaggregation of revenue from contracts with customers:

	<u>2023</u>
Membership dues	\$ 385,650
Conferences	858,194
Behavior Therapy Institute fees	483,506
Miscellaneous services	55,000
	<u>\$ 1,782,350</u>

Contract Assets and Liabilities

In accordance with ASC 606, contract assets are to be recognized when an entity has the right to receive consideration in exchange for goods and services that have been transferred to a customer when that right is conditional on something other than the passage of time. Also, in accordance with ASC 606, contract liabilities are to be recognized when an entity is obligated to transfer goods or services for which consideration has already been received. The Foundation recognize membership dues over the course of 12 months as the related membership period elapses. Accordingly, membership dues received that have yet to be earned are considered contract liabilities under ASC 606 until membership term elapses and the revenue is earned. For the year ended December 31, 2023, deferred revenue amounted to \$210,149.

Membership Dues

All memberships run for a period of 12 months, and membership dues are recorded as unrestricted revenue during the period for which the membership applies.

Conference Revenue and Behavior Therapy Institute Revenue

The Foundation generates revenue from attendance fees, advertising, sponsorships, and booth rental from the Foundation’s annual conferences and trainings. This is recognized as revenue in the period in which the conference takes place.

Advertising

Advertising costs are generally expensed in the period incurred. Advertising expense amounted to \$52,859 for the year ended December 31, 2023, and is included on the statement of functional expense.

International OCD Foundation, Inc.

Notes to Financial Statements
Year Ended December 31, 2023

Note 2 - Summary of Significant Accounting Policies (continued)

Income Taxes

The Foundation is a not-for-profit organization and is exempt from income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code (the "Code") and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. Accordingly, no provision for income taxes is reflected in the accompanying statements of activities.

Under ASC 740, an organization must recognize the financial statement effects of a tax position taken for tax return purposes when it is more likely than not that the position will not be sustained upon examination by a taxing authority. The Foundation does not believe it has taken any material uncertain tax positions, and accordingly, it has not recorded any liability for unrecognized tax benefits. For the year ended December 31, 2023, there were no interest or penalties recorded or included in the statements of activities.

Subsequent Events

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition through August 1, 2024, the date the financial statements were available to be issued.

Note 3 – Cash and Cash Equivalents and Restricted Cash

Cash and restricted cash equivalents as of December 31, 2023 consist of the following:

Cash and cash equivalents	\$ 2,090,308
Restricted cash	537,986
	<u>\$ 2,628,294</u>

Note 4 – Investments

Investment securities are stated at fair value and were comprised of the following as of December 31, 2023:

<u>Asset Class</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Unrealized Loss</u>
Mutual funds	<u>\$ 1,686,532</u>	<u>\$ 1,763,508</u>	<u>\$ (76,976)</u>
	<u>\$ 1,686,532</u>	<u>\$ 1,763,508</u>	<u>\$ (76,976)</u>

Investment income from investments was comprised of the following as of December 31, 2023:

Net realized and unrealized gain	\$ 18,523
Interest and dividend income	86,113
	<u>\$ 104,636</u>

International OCD Foundation, Inc.

Notes to Financial Statements
Year Ended December 31, 2023

Note 5 – Beneficial Interest in Charitable Remainder Trust

The Foundation has a beneficial interest in a charitable remainder trust. A charitable remainder trust provides for the payment of distributions to the grantor or other designated beneficiaries over the trust's term, which is the designated beneficiary's lifetime. At the end of the trust's term, the remaining assets will be transferred by a third-party trustee to the Foundation. The Foundation initially recorded the present value of the estimated future benefit to be received as an asset and as a time-restricted contribution based on a discount rate of 3.20% and certain internal assumptions, such as the anticipated rate of investment return and the mortality of the beneficiary. The value of the asset is adjusted in subsequent years based on factors such as changes in life expectancy, market conditions, and normal amortization. The Foundation recorded an increase in the value of its interest in the charitable remainder trust in the statements of activities of \$144,148 for the year ended December 31, 2023. The fair value of the interest in the charitable remainder trust was \$402,797 as of December 31, 2023.

Note 6 – Assets Whose Use is Limited or Restricted

Assets whose use is limited or restricted consisted of the following at December 31, 2023:

Cash equivalents	\$ 3,689
Alternative investments	21,310
Equity securities and mutual funds	752,221
Beneficial interest in charitable remainder trust	402,797
	<u>\$ 1,180,017</u>

Note 7 – Property and Equipment

A summary of the major components of property and equipment as of December 31, 2023 are as follows:

Furniture and equipment	\$ 63,899
Program equipment	73,224
Website redesign	52,224
	<u>189,347</u>
Accumulated depreciation	<u>(189,347)</u>
Property and equipment, net	<u>\$ -</u>

Depreciation expense for the year ended December 31, 2023 amounted to \$579.

International OCD Foundation, Inc.

Notes to Financial Statements
Year Ended December 31, 2023

Note 8 – Financial Assets and Liquidity Resources

Financial assets consist of cash, investments and promises to give expected to be collected within one year of the statement of financial position. General expenditures consist of operating expenses and capital expenditures not financed with debt.

As of December 31, 2023, financial assets available within one year for general expenditure were as follows:

Cash and cash equivalents	\$ 2,090,308
Investments (non-donor restricted)	<u>1,686,532</u>
Total financial assets available within one year	<u>\$ 3,776,840</u>

The foundation maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Note 9 – Endowments

The Foundation's endowment includes donor restricted endowment funds. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring realized and unrealized gains of net assets with donor restrictions to be retained in a net assets with donor restrictions classification until appropriated by the Foundation's Board of Directors and expended. UPMIFA allows the Board of Directors to appropriate as much of the net appreciation of net assets with donor restrictions as is prudent considering the Foundation's long-term and short-term needs, present and anticipated financial requirements, expected total return on investments, price-level trends, and general economic conditions as long as the amounts appropriated are expended on their restricted purpose.

Under the policy of the Foundation, the endowment assets are invested conservatively with the intent of providing a predictable stream of funding to the Foundation. The Foundation invests in cash equivalents, equity securities, and alternative investments to achieve its long-term return objectives within limited risk constraints.

Changes in endowment assets were as follows during the years ended December 31, 2023:

Endowment assets, beginning of year	\$ 689,237
Contributions	-
Realized and unrealized gain on investments	<u>87,983</u>
Endowment assets, end of year	<u>\$ 777,220</u>

International OCD Foundation, Inc.

Notes to Financial Statements
Year Ended December 31, 2023

Note 10 – Leases

Operating Lease

The Foundation leases office space in Boston, Massachusetts under an operating lease agreement expected to expire in May 2031.

The amounts recognized as a right-of-use asset and lease liability related to the operating lease agreement are included in the accompanying statement of financial position. As of December 31, 2023, the right-of-use asset and lease liability related to the operating lease were as follows:

Operating lease right-of-use assets, net	<u>\$ 1,669,520</u>
Operating lease liabilities:	
Current portion of operating lease liabilities	\$ 210,407
Long-term portion of operating lease liabilities	<u>1,557,571</u>
Total operating lease liabilities	<u>\$ 1,767,978</u>

The amounts recognized as rent expense on the statement of activities for operating leases for the years ending December 31, 2023 were as follows:

Rent expense:	
Right-of-use asset lease	<u>\$ 244,463</u>
Total rent expense	<u>\$ 244,463</u>

Supplemental cash flow information for the year ending December 31, 2023, was as follows:

Operating lease right-of-use assets obtained in exchange for new lease obligations	<u>\$ -</u>
Cash paid for amounts included in the measurement of lease liabilities	<u>\$ 202,446</u>
Weighted-average remaining lease term	7.42 years
Weighted-average discount rate:	1.63%

International OCD Foundation, Inc.

Notes to Financial Statements
Year Ended December 31, 2023

Note 10 – Leases (continued)

Operating Lease (continued)

The future minimum payments due under the operating lease agreement as of December 31, 2023 are as follows:

Year ended December 31,	
2024	\$ 237,346
2025	242,334
2026	247,322
2027	252,310
2028	257,298
Thereafter	<u>641,788</u>
	1,878,398
Less: effects of discounting	<u>(110,420)</u>
Operating lease liability recognized	<u>\$ 1,767,978</u>

Note 11 – Donor Imposed Restricted Net Assets

Net assets with donor restrictions as of December 31, 2023 consist of the following:

Research	\$ 505,632
Conference scholarships	34,161
Diversity initiatives	168,500
Beneficial interest in remainder trust	402,797
Investments to be held in perpetuity, the income from which is expendable to support the Foundation's research grants and Behavioral Therapy Training Institute ("BTTI")	<u>777,220</u>
	<u>\$ 1,888,310</u>

As of December 31, 2023, none of the net assets with donor restriction were used for unrestricted purposes prior to fulfilling the donor restrictions. For the year ended December 31, 2023, net assets totaling \$1,101,181 were released from donor restrictions for research projects.

International OCD Foundation, Inc.

Notes to Financial Statements
Year Ended December 31, 2023

Note 12 – In-Kind Contributions

During the fiscal year ended December 31, 2023, The Foundation received various noncash services and goods donation as follows:

<u>Nonfinancial Asset</u>	<u>2023</u>	<u>Usage in Program / Activites</u>	<u>Fair Value Techniques</u>
Travel expenses	\$ 559	Board of Directors meetings	Estimated based on actual expenses provided by Board of Directors
Consulting services	6,211	Faculty honorarium	Estimated based on current rates provided by various providers
	<u>\$ 6,770</u>		

Note 13 – Concentration of Risks

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash, accounts receivable and promises to give. The Foundation places its cash primarily in bank deposit and investment accounts. The investment accounts are not federally insured and the bank balances may exceed FDIC insured limits (\$250,000) from time to time during the year. The Foundation has not experienced any losses in such accounts and believes it is not exposed to significant credit risks on cash and cash equivalents.

The Foundation received approximately 39% of its total contributions and grants support from a Foundation during the year ended December 31, 2023.

Note 14 - Employee Benefit Plans

The Foundation maintains a qualified 401(k) plan under Section 401(k) of the Code that covers substantially all full-time employees. The Foundation makes an annual safe-harbor contribution based on 3% of each eligible employee's compensation. Additional matching contributions are made at the discretion of the board of trustees. Contribution expense for the defined contribution retirement plan was \$53,458 for the year ended December 31, 2023, and is included in employee benefits expense.

Note 15 – Risks and Uncertainties

In the normal course of business, various claims and legal actions are brought against the Foundation. In the opinion of management, no claims have been asserted against the Foundation which, either individually or in the aggregate, will be in excess of its insurance coverage.