

**INTERNATIONAL OCD FOUNDATION, INC.**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2015 AND 2014**



**FEELEY & DRISCOLL, P.C.**

Certified Public Accountants/Business Consultants

INTERNATIONAL OCD FOUNDATION, INC.

TABLE OF CONTENTS

|  | <u>Page</u> |
|--|-------------|
| Independent Auditor's Report   | 1           |
| Statements of Financial Position<br>December 31, 2015 and 2014             | 3           |
| Statements of Activities<br>For the years ended December 31, 2015 and 2014 | 5           |
| Statement of Functional Expenses<br>For the year ended December 31, 2015   | 6           |
| Statement of Functional Expenses<br>For the year ended December 31, 2014   | 7           |
| Statements of Cash Flows<br>For the years ended December 31, 2015 and 2014 | 8           |
| Notes to Financial Statements<br>December 31, 2015 and 2014                | 9           |





## **Feeley & Driscoll, P.C.**

Certified Public Accountants / Business Consultants

To the Board of Trustees  
International OCD Foundation, Inc.  
Boston, Massachusetts

### Independent Auditor's Report

We have audited the accompanying financial statements of International OCD Foundation, Inc., which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities, 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.

#### **Auditor's 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 audit 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report - Continued

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of International OCD Foundation, Inc. as of December 31, 2015 and 2014, 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.

Boston, Massachusetts  
May 11, 2016

*Feeley & Driscoll, P.C.*

INTERNATIONAL OCD FOUNDATION, INC.

Statements of Financial Position

December 31, 2015 and 2014

Assets

|   | <u>2015</u>         | <u>2014</u>         |
|---|---------------------|---------------------|
| Current assets:                                   |                     |                     |
| Cash and cash equivalents                         | \$ 869,293          | \$ 823,334          |
| Prepaid expenses                                  | 10,564              | 5,352               |
| Total current assets                              | <u>879,857</u>      | <u>828,686</u>      |
| Property and equipment:                           |                     |                     |
| Program equipment                                 | 73,224              | 73,224              |
| Furniture and equipment                           | 46,556              | 46,556              |
|   | <u>119,780</u>      | <u>119,780</u>      |
| Less accumulated depreciation and amortization    | 119,366             | 118,507             |
|   | <u>414</u>          | <u>1,273</u>        |
| Other assets:                                     |                     |                     |
| Deposits  | 8,106               | 11,183              |
| Beneficial interest in charitable remainder trust | 228,035             | 232,546             |
| Total other assets                                | <u>236,141</u>      | <u>243,729</u>      |
| Total assets                                      | <u>\$ 1,116,412</u> | <u>\$ 1,073,688</u> |

See accompanying notes to financial statements.

INTERNATIONAL OCD FOUNDATION, INC.

Statements of Financial Position - Continued

December 31, 2015 and 2014

Liabilities and Net Assets

|  | <u>2015</u>         | <u>2014</u>         |
|--|---------------------|---------------------|
| Current liabilities:                   |                     |                     |
| Accounts payable                       | \$ -                | \$ 9,460            |
| Accrued expenses                       | 52,347              | 53,249              |
| Research grants payable                | 12,263              | 10,883              |
| Deferred membership dues               | 116,047             | 119,243             |
| Current maturities of deferred rent    | 6,236               | 3,861               |
| Total current liabilities              | <u>186,893</u>      | <u>196,696</u>      |
| Long-term liabilities -                |                     |                     |
| Deferred rent, less current maturities | <u>10,915</u>       | <u>17,152</u>       |
| Total liabilities                      | <u>197,808</u>      | <u>213,848</u>      |
| Net assets:                            |                     |                     |
| Unrestricted                           | 503,624             | 252,986             |
| Temporarily restricted                 | 414,980             | 606,854             |
| Total net assets                       | <u>918,604</u>      | <u>859,840</u>      |
| Total liabilities and net assets       | <u>\$ 1,116,412</u> | <u>\$ 1,073,688</u> |

See accompanying notes to financial statements.

## INTERNATIONAL OCD FOUNDATION, INC.

## Statements of Activities

For the years ended December 31, 2015 and 2014

|   | 2015              |                           |                   | 2014              |                           |                   |
|---|-------------------|---------------------------|-------------------|-------------------|---------------------------|-------------------|
|   | Unrestricted      | Temporarily<br>Restricted | Total             | Unrestricted      | Temporarily<br>Restricted | Total             |
| Revenue and support from operations:              |                   |                           |                   |                   |                           |                   |
| Contributions and private grants                  | \$ 967,798        | \$ 114,968                | \$ 1,082,766      | \$ 1,105,882      | \$ 105,584                | \$ 1,211,466      |
| Conferences                                       | 473,957           | 800                       | 474,757           | 360,757           | 2,450                     | 363,207           |
| Membership dues                                   | 235,439           | -                         | 235,439           | 193,217           | -                         | 193,217           |
| In-kind contributions                             | 115,535           | -                         | 115,535           | 141,029           | -                         | 141,029           |
| Behavior Therapy Institute fees                   | 57,527            | -                         | 57,527            | 61,027            | -                         | 61,027            |
| Miscellaneous income                              | 15,977            | -                         | 15,977            | 21,624            | -                         | 21,624            |
| Net assets released from restrictions             | 303,136           | (303,136)                 | -                 | 152,945           | (152,945)                 | -                 |
| Total revenue and support from operations         | <u>2,169,369</u>  | <u>(187,368)</u>          | <u>1,982,001</u>  | <u>2,036,481</u>  | <u>(44,911)</u>           | <u>1,991,570</u>  |
| Operating expenses:                               |                   |                           |                   |                   |                           |                   |
| Research and education                            | 1,433,819         | -                         | 1,433,819         | 1,409,271         | -                         | 1,409,271         |
| General and administrative                        | 281,644           | -                         | 281,644           | 349,774           | -                         | 349,774           |
| Fundraising                                       | 203,479           | -                         | 203,479           | 156,466           | -                         | 156,466           |
| Total operating expenses                          | <u>1,918,942</u>  | <u>-</u>                  | <u>1,918,942</u>  | <u>1,915,511</u>  | <u>-</u>                  | <u>1,915,511</u>  |
| Increase (decrease) in net assets from operations | 250,427           | (187,368)                 | 63,059            | 120,970           | (44,911)                  | 76,059            |
| Non-operating activities:                         |                   |                           |                   |                   |                           |                   |
| Change in value of charitable remainder trust     | -                 | (4,511)                   | (4,511)           | -                 | (10,390)                  | (10,390)          |
| Interest and dividend income                      | 211               | 5                         | 216               | 159               | 5                         | 164               |
|   | <u>211</u>        | <u>(4,506)</u>            | <u>(4,295)</u>    | <u>159</u>        | <u>(10,385)</u>           | <u>(10,226)</u>   |
| Change in net assets                              | 250,638           | (191,874)                 | 58,764            | 121,129           | (55,296)                  | 65,833            |
| Net assets, beginning of year                     | <u>252,986</u>    | <u>606,854</u>            | <u>859,840</u>    | <u>131,857</u>    | <u>662,150</u>            | <u>794,007</u>    |
| Net assets, end of year                           | <u>\$ 503,624</u> | <u>\$ 414,980</u>         | <u>\$ 918,604</u> | <u>\$ 252,986</u> | <u>\$ 606,854</u>         | <u>\$ 859,840</u> |

See accompanying notes to financial statements.

## INTERNATIONAL OCD FOUNDATION, INC.

## Statement of Functional Expenses

For the year ended December 31, 2015

|                                     | Research and<br>Education | General and<br>Administrative | Fundraising       | Total               |
|-------------------------------------|---------------------------|-------------------------------|-------------------|---------------------|
| Salaries and wages                  | \$ 494,060                | \$ 111,317                    | \$ 124,773        | \$ 730,150          |
| Employee benefits                   | 40,769                    | 9,694                         | 10,296            | 60,759              |
| Payroll taxes                       | 36,613                    | 8,249                         | 9,246             | 54,108              |
| Payroll expenses                    | 571,442                   | 129,260                       | 144,315           | 845,017             |
| Annual conference                   | 296,711                   | 13,949                        | -                 | 310,660             |
| Research awards                     | 135,646                   | -                             | -                 | 135,646             |
| Website and database                | 135,215                   | -                             | -                 | 135,215             |
| Special projects                    | 127,241                   | 2,980                         | (925)             | 129,296             |
| Occupancy                           | 47,138                    | 10,620                        | 11,904            | 69,662              |
| Newsletters                         | 50,434                    | 1,987                         | -                 | 52,421              |
| Office supplies and other expense   | 7,393                     | 931                           | 29,953            | 38,277              |
| Bank and merchant fees              | -                         | 34,466                        | -                 | 34,466              |
| Board meetings                      | 9,310                     | 20,951                        | -                 | 30,261              |
| Payments to affiliates              | 17,438                    | 5,875                         | -                 | 23,313              |
| Conferences                         | 13,269                    | 7,967                         | -                 | 21,236              |
| Professional fees                   | -                         | 21,232                        | -                 | 21,232              |
| State registration expense          | -                         | -                             | 15,308            | 15,308              |
| Equipment lease and maintenance     | 6,598                     | 1,971                         | 1,667             | 10,236              |
| Postage and shipping                | 15                        | 8,886                         | -                 | 8,901               |
| Insurance                           | -                         | 7,846                         | -                 | 7,846               |
| Utilities                           | 4,399                     | 1,898                         | 1,110             | 7,407               |
| Travel                              | 3,636                     | 3,637                         | -                 | 7,273               |
| Public relations                    | 5,509                     | 1,204                         | -                 | 6,713               |
| Brochures, letterhead, and supplies | 1,844                     | 2,764                         | -                 | 4,608               |
| Dues and subscriptions              | -                         | 2,440                         | -                 | 2,440               |
| Depreciation and amortization       | 581                       | 131                           | 147               | 859                 |
| Miscellaneous                       | -                         | 649                           | -                 | 649                 |
|                                     | <u>\$ 1,433,819</u>       | <u>\$ 281,644</u>             | <u>\$ 203,479</u> | <u>\$ 1,918,942</u> |
| Percentage of total                 | <u>75%</u>                | <u>15%</u>                    | <u>10%</u>        | <u>100%</u>         |

See accompanying notes to financial statements.



INTERNATIONAL OCD FOUNDATION, INC.

Statement of Functional Expenses

For the year ended December 31, 2014

|                                     | Research and<br>Education | General and<br>Administrative | Fundraising       | Total               |
|-------------------------------------|---------------------------|-------------------------------|-------------------|---------------------|
| Salaries and wages                  | \$ 434,057                | \$ 125,429                    | \$ 106,024        | \$ 665,510          |
| Employee benefits                   | 35,022                    | 10,120                        | 8,554             | 53,696              |
| Payroll taxes                       | 36,676                    | 10,597                        | 8,958             | 56,231              |
| Payroll expenses                    | 505,755                   | 146,146                       | 123,536           | 775,437             |
| Annual conference                   | 306,149                   | -                             | -                 | 306,149             |
| Research awards                     | 122,091                   | -                             | -                 | 122,091             |
| Website and database                | 186,116                   | -                             | -                 | 186,116             |
| Special projects                    | 144,905                   | 957                           | 968               | 146,830             |
| Occupancy                           | 46,125                    | 13,328                        | 11,266            | 70,719              |
| Newsletters                         | 24,030                    | 19,926                        | -                 | 43,956              |
| Office supplies and other expense   | 3,154                     | 5,438                         | 14,018            | 22,610              |
| Bank and merchant fees              | -                         | 28,114                        | -                 | 28,114              |
| Board meetings                      | 1,704                     | 26,706                        | -                 | 28,410              |
| Payments to affiliates              | 20,825                    | -                             | -                 | 20,825              |
| Conferences                         | 3,653                     | 18,443                        | -                 | 22,096              |
| Professional fees                   | -                         | 18,026                        | -                 | 18,026              |
| State registration expense          | 9,231                     | -                             | -                 | 9,231               |
| Equipment lease and maintenance     | 7,584                     | 3,449                         | 1,852             | 12,885              |
| Postage and shipping                | 2,595                     | 9,873                         | 1,669             | 14,137              |
| Insurance                           | -                         | 8,510                         | -                 | 8,510               |
| Utilities                           | 4,762                     | 1,376                         | 1,164             | 7,302               |
| Travel                              | -                         | 16,039                        | -                 | 16,039              |
| Public relations                    | 14,112                    | 2,046                         | 856               | 17,014              |
| Brochures, letterhead, and supplies | 1,825                     | 3,672                         | -                 | 5,497               |
| Dues and subscriptions              | -                         | 2,549                         | -                 | 2,549               |
| Depreciation and amortization       | 4,655                     | 1,345                         | 1,137             | 7,137               |
| Donor database                      | -                         | 21,170                        | -                 | 21,170              |
| Miscellaneous                       | -                         | 2,661                         | -                 | 2,661               |
|                                     | <u>\$ 1,409,271</u>       | <u>\$ 349,774</u>             | <u>\$ 156,466</u> | <u>\$ 1,915,511</u> |
| Percentage of total                 | <u>74%</u>                | <u>18%</u>                    | <u>8%</u>         | <u>100%</u>         |

See accompanying notes to financial statements.

INTERNATIONAL OCD FOUNDATION, INC.

Statements of Cash Flows

For the years ended December 31, 2015 and 2014

|   | <u>2015</u>       | <u>2014</u>       |
|---|-------------------|-------------------|
| Cash flows from operating activities:   |                   |                   |
| Change in net assets  | \$ 58,764         | \$ 65,833         |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: |                   |                   |
| Depreciation and amortization   | 859               | 7,137             |
| Loss in beneficial interest in charitable remainder trust                                   | 4,511             | 10,390            |
| Increase (decrease) in cash resulting from changes in:                                      |                   |                   |
| Prepaid expenses  | (5,212)           | 7,359             |
| Deposits  | 3,077             | -                 |
| Accounts payable  | (9,460)           | 346               |
| Accrued expenses  | (902)             | (15,341)          |
| Research grants payable   | 1,380             | (28,399)          |
| Deferred revenue  | (3,196)           | 24,593            |
| Deferred rent   | (3,862)           | (1,485)           |
| Net cash provided by operating activities   | <u>45,959</u>     | <u>70,433</u>     |
| Net increase in cash and cash equivalents   | 45,959            | 70,433            |
| Cash and cash equivalents, beginning of year  | <u>823,334</u>    | <u>752,901</u>    |
| Cash and cash equivalents, end of year  | <u>\$ 869,293</u> | <u>\$ 823,334</u> |

See accompanying notes to financial statements.

INTERNATIONAL OCD FOUNDATION, INC.

Notes to Financial Statements

December 31, 2015 and 2014

Note 1 - Organization

International OCD Foundation, Inc. (the “Foundation”) is an international nonprofit organization with headquarters 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 mission of the Foundation is to educate the public and professional communities about OCD and related disorders, provide assistance to individuals with OCD and related disorders and their family and friends, and to support research into the causes and effective treatments of OCD and related disorders. Major sources of revenue are derived from contributions and private grants, membership dues, and conferences.

Note 2 - Summary of Significant Accounting Policies

A summary of the significant accounting policies followed by the Foundation in the preparation of the accompanying financial statements is set forth below:

Basis of Presentation - The accounts of the Foundation are prepared in conformity with the accounting principles generally accepted in the United States of America and maintained on the accrual basis of accounting. Net assets are classified into unrestricted and temporarily restricted net assets, when appropriate, to properly disclose the nature and amount of significant resources that have been restricted in accordance with specified objectives as follows:

*Unrestricted:* Net assets that are not subject to donor-imposed stipulations and are available for support of operations.

*Temporarily restricted:* 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.

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, the 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 vary from the estimates that were used.

Cash and Cash Equivalents - For purposes of the statements of cash flows, the Foundation considers highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Property and Equipment - All property and equipment are stated at cost. Major renewals, additions, and betterments are charged to the property accounts, while replacements, maintenance, and repairs, which do not improve or extend the lives of the respective assets, are expensed in the year incurred.

INTERNATIONAL OCD FOUNDATION, INC.

Notes to Financial Statements - Continued

December 31, 2015 and 2014

Note 2 - Summary of Significant Accounting Policies - Continued

Depreciation and Amortization - Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the related assets as follows:

| <u>Description</u>      | <u>Life in Years</u> |
|-------------------------|----------------------|
| Program equipment       | 5-20 years           |
| Furniture and equipment | 5 years              |

Statement of Activities - For purposes 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 - Contributions, 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. An allowance for uncollectible contributions receivable is provided based upon management's judgment of potential defaults. The determination includes such factors as prior collection history, type of contribution, and the nature of fund raising activity.

Membership Dues - All memberships run for a period of twelve months, and membership dues are recorded as unrestricted revenue and net assets during the period for which the membership applies.

Deferred member dues consist of membership dues received which have not been earned by the Foundation. The Foundation recognizes membership dues revenue over the course of twelve months as the related membership period elapses. Accordingly, membership fees received that have yet to be earned are deferred until the membership term elapses and the revenue is earned.

Donated Materials and Services - 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. Volunteers also provided event support and fundraising services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met.

Functional Allocation of Expenses - The costs of providing the Foundation's various programs and activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

INTERNATIONAL OCD FOUNDATION, INC.

Notes to Financial Statements - Continued

December 31, 2015 and 2014

Note 2 - Summary of Significant Accounting Policies - Continued

Income Taxes - The Foundation is a nonprofit organization and is exempt from income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is reflected in the accompanying statements of activities.

The Foundation annually evaluates its tax status and tax positions taken with respect to its operations and financial position. Tax years from 2012 through the current tax year remain open for examination by federal and state tax authorities.

Subsequent Events - The Foundation has evaluated subsequent events through May 11, 2016, which is the date the financial statements were available to be issued.

Note 3 - Beneficial Interest in 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 temporarily time-restricted contribution based on a discount rate of 3.53% 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 a (decrease) in the value of its split-interest agreement in the statements of activities of (\$4,511) and (\$10,390) for the years ended December 31, 2015 and 2014, respectively. The fair value of the split-interest agreement at December 31, 2015 and 2014, was \$228,035 and \$232,546, respectively.

Note 4 - Fair Value Measurements

The Financial Accounting Standards Board (FASB) *Accounting Standards Codification, Fair Value Measurements and Disclosures*, provides a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

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|         |   |
|---------|---|
| Level 1 | Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access. |
|---------|---|

INTERNATIONAL OCD FOUNDATION, INC.

Notes to Financial Statements - Continued

December 31, 2015 and 2014

Note 4 - Fair Value Measurements - Continued

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|         |   |
|---------|---|
| Level 2 | <p>Inputs to the valuation methodology include:</p> <ul style="list-style-type: none"> <li>• quoted prices for similar assets or liabilities in active markets;</li> <li>• quoted prices for identical or similar assets or liabilities in inactive markets;</li> <li>• inputs other than quoted prices that are observable for the asset or liability;</li> <li>• inputs that are derived principally from or corroborated by observable market data by correlation or other means.</li> </ul> |
|---------|---|

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

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|         |   |
|---------|---|
| Level 3 | Inputs to the valuation methodology are unobservable and significant to the fair value measurement. |
|---------|---|

The asset 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. There have been no changes in the methodologies used at December 31, 2015 and 2014.

*Beneficial interest in remainder trust:* The asset is recorded at the present value of the anticipated residual interest in the trust with a discount rate adjusted for any market conditions to arrive at fair value. The asset is classified as level 3 due to the assumptions used as a component of calculating the residual interest, which are not observable.

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of December 31, 2015:

|  | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|--|----------------|----------------|----------------|--------------|
| Beneficial interest in remainder trust | \$ -           | \$ -           | \$ 228,035     | \$ 228,035   |

The following table represents the change in assets classified as level 3 on a recurring basis for the year ended December 31, 2015:

|   |                   |
|---|-------------------|
| Balance at beginning of year                      | \$ 232,546        |
| Unrealized loss included in changes in net assets | <u>4,511</u>      |
| Balance at end of year                            | <u>\$ 228,035</u> |

INTERNATIONAL OCD FOUNDATION, INC.

Notes to Financial Statements - Continued

December 31, 2015 and 2014

Note 4 - Fair Value Measurements - Continued

The unrealized loss of \$4,511 associated with the Foundation's beneficial interest in a charitable remainder trust is included in the change in temporarily restricted net assets for the year ended December 31, 2015.

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of December 31, 2014:

|  | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u>    | <u>Total</u>      |
|--|----------------|----------------|-------------------|-------------------|
| Beneficial interest in remainder trust | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ 232,546</u> | <u>\$ 232,546</u> |

The following table represents the change in assets classified as level 3 on a recurring basis for the year ended December 31, 2014:

|   |                   |
|---|-------------------|
| Balance at beginning of year                      | \$ 242,936        |
| Unrealized loss included in changes in net assets | <u>10,390</u>     |
| Balance at end of year                            | <u>\$ 232,546</u> |

The unrealized loss of \$10,390 associated with the Foundation's beneficial interest in a charitable remainder trust is included in the change in temporarily restricted net assets for the year ended December 31, 2014.

Note 5 - Donated Materials and Services

During the years ended December 31, 2015 and 2014, the Foundation benefited from donated materials and services related to the following functional expense categories:

|                      | <u>2015</u>       | <u>2014</u>       |
|----------------------|-------------------|-------------------|
| Website and database | \$ 97,562         | \$ 99,538         |
| Special projects     | 11,060            | 30,520            |
| Annual conference    | 5,600             | 6,224             |
| Board meetings       | 1,313             | 331               |
| Operations           | <u>-</u>          | <u>4,416</u>      |
|                      | <u>\$ 115,535</u> | <u>\$ 141,029</u> |

These amounts have been reported as both in-kind revenue and as expenses on the statements of activities.

INTERNATIONAL OCD FOUNDATION, INC.

Notes to Financial Statements - Continued

December 31, 2015 and 2014

Note 6 - Temporarily Restricted Net Assets

Temporarily restricted net assets were available for the following projects and initiatives at December 31:

|  | <u>2015</u>       | <u>2014</u>       |
|--|-------------------|-------------------|
| Purpose restricted:                    |                   |                   |
| Research                               | \$ 144,142        | \$ 163,901        |
| Development consultant                 | 42,803            | 180,407           |
| Pediatric Green Project                | -                 | 30,000            |
|  | <u>186,945</u>    | <u>374,308</u>    |
| Time restricted -                      |                   |                   |
| Beneficial interest in remainder trust | <u>228,035</u>    | <u>232,546</u>    |
|  | <u>\$ 414,980</u> | <u>\$ 606,854</u> |

Temporarily restricted net assets were released from restrictions for the following projects and initiatives during the years ended December 31:

|                         | <u>2015</u>       | <u>2014</u>       |
|-------------------------|-------------------|-------------------|
| Development consultant  | \$ 137,604        | \$ -              |
| Research                | 134,732           | 150,495           |
| Pediatric Green Project | 30,000            | -                 |
| Scholarships            | 800               | 2,450             |
|                         | <u>\$ 303,136</u> | <u>\$ 152,945</u> |



INTERNATIONAL OCD FOUNDATION, INC.

Notes to Financial Statements - Continued

December 31, 2015 and 2014

Note 7 - Operating Leases

The Foundation leases office space in Massachusetts for use in operations. The Foundation entered into an office lease agreement in December 2012 that calls for no monthly payments through March 2013 and then monthly payments of \$5,544 that escalates on an annual basis to \$6,336 during the remaining term of the lease, which expires in March 2018. The Foundation is also responsible for its share of certain operating expenses and real estate taxes, as outlined in the lease agreement.

The Foundation records rent expense on the straight-line basis. Rent expense and the Foundation's share of operating expenses and real estate taxes was \$69,662 and \$70,719 for the years ended December 31, 2015 and 2014, respectively.

The Foundation also leases a copier with monthly payments of \$537 through March 2020.

Future minimum lease payments under the above agreements are as follows for the years ending December 31:

|      |    |                |
|------|----|----------------|
| 2016 | \$ | 79,512         |
| 2017 |    | 81,888         |
| 2018 |    | 25,458         |
| 2019 |    | 6,450          |
| 2020 |    | <u>1,612</u>   |
|      | \$ | <u>194,920</u> |

Note 8 - Retirement Plan

The Foundation maintains a qualified 401(k) plan under Section 401(k) of the Internal Revenue 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. Expenses related to the defined contribution retirement plan were \$22,500 and \$19,368 for the years ended December 31, 2015 and 2014, respectively, and is included in employee benefits expense.

Note 9 - Concentrations

The Foundation has a potential concentration of credit risk in that it maintains deposits with financial institutions in excess of amounts insured by the Federal Deposit Insurance Corporation (FDIC). The maximum deposit insurance amount was \$250,000 for interest and non-interest bearing accounts, which was applied per depositor, per insured bank for each account ownership category. As of December 31, 2015, the Foundation had approximately \$360,613 in excess of FDIC limits.