



# Sonnenberg & Company, CPAs

A Professional Corporation

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Leonard C. Sonnenberg, CPA

## AUTISM RESEARCH INSTITUTE

Audited Financial Statements

Year Ended December 31, 2014

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
**AUTISM RESEARCH INSTITUTE**

We have audited the accompanying financial statements of Autism Research Institute (a nonprofit organization), which comprise the statement of financial position as of December 31, 2014, and the related statements of activities, functional expenses, and cash flows for the year 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 U.S. generally accepted accounting principles; 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 audit. We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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.

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Autism Research Institute as of December 31, 2014 and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

***Report on Summarized Comparative Information***

We have previously audited Autism Research Institute's December 31, 2013 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated September 12, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

September 16, 2015



Sonnenberg & Company, CPAs

**AUTISM RESEARCH INSTITUTE**  
Statement of Financial Position  
December 31, 2014  
(With Comparative Information for December 31, 2013)

ASSETS:	<u>2014</u>	<u>2013</u>
Cash & Cash Equivalents	\$ 1,478,855	\$ 2,432,967
Inventory	12,210	26,175
Investments	2,339,421	1,573,009
Property & Equipment (Net)	<u>21,738</u>	<u>21,525</u>
Total Assets	<u>\$ 3,852,224</u>	<u>\$ 4,053,676</u>
LIABILITIES:		
Accounts Payable & Accrued Liabilities	\$ 50,366	\$ 32,254
Grants Payable	<u>-</u>	<u>19,636</u>
Total Liabilities	50,366	51,890
NET ASSETS:		
Unrestricted	3,788,808	3,978,729
Temporarily Restricted	<u>13,050</u>	<u>23,057</u>
Total Net Assets	<u>3,801,858</u>	<u>4,001,786</u>
Total Liabilities & Net Assets	<u>\$ 3,852,224</u>	<u>\$ 4,053,676</u>

The Accompanying Notes are an Integral Part of the Financial Statements

**AUTISM RESEARCH INSTITUTE**  
**Statement of Activities**  
For the Year Ended December 31, 2014  
(With Summarized Comparative Information for the Year Ended December 31, 2013)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2014 Totals</u>	<u>2013 Totals</u>
<b>SUPPORT &amp; REVENUE:</b>				
Contributions	\$ 1,089,424	\$ 38,275	\$ 1,127,699	\$ 1,460,498
Fundraising	101,524		101,524	101,570
Membership Dues	9,055		9,055	14,705
Book & Art Gallery Sales	10,548		10,548	23,605
Interest & Dividends	62,864		62,864	36,956
Gain / (Loss) on Investments	12,085		12,085	(13,047)
Other Income	374		374	1,112
Net Assets Released from Restrictions:				
Satisfaction of Program Restrictions	<u>48,282</u>	<u>(48,282)</u>	<u>-</u>	<u>-</u>
<b>Total Support &amp; Revenue</b>	<u>1,334,156</u>	<u>(10,007)</u>	<u>1,324,149</u>	<u>1,625,399</u>
<b>EXPENSES:</b>				
Program Services	1,297,170		1,297,170	1,176,149
Supporting Services				
Management & General	142,288		142,288	204,411
Fund Raising	<u>84,619</u>		<u>84,619</u>	<u>106,108</u>
<b>Total Supporting Services</b>	<u>226,907</u>	<u>-</u>	<u>226,907</u>	<u>310,519</u>
<b>Total Expenses</b>	<u>1,524,077</u>	<u>-</u>	<u>1,524,077</u>	<u>1,486,668</u>
Change in Net Assets	(189,921)	(10,007)	(199,928)	138,731
Net Assets, Beginning of Year	<u>3,978,729</u>	<u>23,057</u>	<u>4,001,786</u>	<u>3,863,055</u>
Net Assets, End of Year	<u>\$ 3,788,808</u>	<u>\$ 13,050</u>	<u>\$ 3,801,858</u>	<u>\$ 4,001,786</u>

The Accompanying Notes are an Integral Part of the Financial Statements

**AUTISM RESEARCH INSTITUTE**  
Statement of Functional Expenses  
For the Year Ended December 31, 2014  
(With Summarized Comparative Information for the Year Ended December 31, 2013)

	<u>SUPPORTING SERVICES</u>			<u>2014 Totals</u>	<u>2013 Totals</u>
	<u>Program Services</u>	<u>Management &amp; General</u>	<u>Fund Raising</u>		
<b>Personnel &amp; Related</b>					
Salaries & Wages	\$ 389,759	\$ 57,038	\$ 28,519	\$ 475,316	\$ 476,217
Payroll Taxes	27,288	3,993	1,997	33,278	32,324
Employee Benefits	19,147	2,802	1,401	23,350	22,100
<b>Total Personnel &amp; Related</b>	<u>436,194</u>	<u>63,833</u>	<u>31,917</u>	<u>531,944</u>	<u>530,641</u>
<b>Other Expenses</b>					
Accounting & Payroll Services		20,542		20,542	24,216
Bank & Merchant Fees	10,156	42	2,497	12,695	17,320
Conferences & Webinars	47,241			47,241	133,941
Contract Services	70,838			70,838	96,864
Equipment Rental & Maintenance	2,922	835	418	4,175	8,720
Fundraising			26,965	26,965	31,632
Insurance		11,617		11,617	11,606
Legal Fees		28,519		28,519	30,251
Miscellaneous	12,125	6,268	6,417	24,810	10,230
Special Projects	74,671			74,671	23,147
Sponsorships & Awards	17,500			17,500	17,500
Office Expenses	22,027	3,223	1,612	26,862	31,845
Physicians' Training Program	34,500			34,500	-
Postage & Delivery	3,418	427	427	4,272	6,978
Printing & Dissemination	36,675		9,288	45,963	63,251
Rent	29,506	4,318	2,159	35,983	48,895
Research & Development	39,791			39,791	24,628
Research Grants	297,658			297,658	199,048
Retreat	29,313			29,313	18,301
Telephone/Internet/Utilities	10,972	1,606	803	13,381	22,809
Travel	86,400			86,400	75,273
Website	32,363		1,703	34,066	49,821
<b>Total Other Expenses</b>	<u>858,076</u>	<u>77,397</u>	<u>52,288</u>	<u>987,762</u>	<u>946,276</u>
Depreciation	2,899	828	414	4,142	9,405
Loss on Disposal of Assets		229		229	346
<b>Total Expenses</b>	<u>\$ 1,297,170</u>	<u>\$ 142,288</u>	<u>\$ 84,619</u>	<u>\$ 1,524,077</u>	<u>\$ 1,486,668</u>

The Accompanying Notes are an Integral Part of the Financial Statements

**AUTISM RESEARCH INSTITUTE**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2014**  
**(With Comparative Information for the Year Ended December 31, 2013)**

	2014	2013
<b>CASH FLOWS FROM:</b>		
<b>Operating Activities:</b>		
Change in Net Assets	\$ (199,928)	\$ 138,731
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	4,142	9,405
Loss on Disposal of Assets	229	346
(Gain) / Loss on Investments	(12,085)	13,047
(Increase) / Decrease in:		
Deposits & Prepaid Expenses	-	5,350
Inventory	13,965	1,636
Increase / (Decrease) in:		
Accounts Payable	18,112	14,052
Grants Payable	(19,636)	(128,414)
Net Cash Provided / (Used) by Operating Activities	(195,201)	54,153
<b>Investing Activities:</b>		
Purchases of Equipment	(4,584)	-
Reinvestment of Interest	(62,242)	(36,482)
Purchases of Investments	(692,085)	(1,005,174)
Net Cash Used by Investing Activities	(758,911)	(1,041,656)
Net Decrease in Cash & Cash Equivalents	(954,112)	(987,503)
<b>Cash &amp; Cash Equivalents at:</b>		
Beginning of Year	2,432,967	3,420,470
End of Year	\$ 1,478,855	\$ 2,432,967

The Accompanying Notes are an Integral Part of the Financial Statements

## AUTISM RESEARCH INSTITUTE

Notes to Financial Statements  
Year Ended December 31, 2014

### **Note 1. Nature of Organization**

The Autism Research Institute (ARI), a non-profit organization, is the hub of a worldwide network of parents and professionals concerned with autism. ARI was founded in 1967 to conduct and foster scientific research designed to improve the methods of diagnosing, treating, and preventing autism. ARI also sponsors the Autistic Global Initiative, a program focused on adult-related issues. This is accomplished by the following activities:

- Funding, conducting and facilitating cutting-edge research on underlying cause(s) and effective treatments.
- Maintaining autism.com website, that provides biomedical and educational information on autism.
- Maintaining the ARI data bank, the world's largest, contains over 42,000 detailed case histories of autism from over 60 countries.
- Collaborating with the National Institute of Child Health and Human Development Brain and Tissue Bank and Massachusetts General Hospital gastrointestinal tissue bank to provide research material for scientists investigating the systemic causes and effects of autism.
- Partnering with the Cleveland Clinic to provide online medical courses, with CME credit, to physicians.
- Sponsoring popular Internet webcasts focused on cutting-edge research and evidence-based interventions, with over 100,000 views on YouTube.
- Compiling parent surveys to determine which treatments for autism are beneficial and which are ineffective or even harmful.
- Publishing several e-newsletters with over 60,000 subscribers and a quarterly (hardcopy) science newsletter.
- Creating and “growing” a powerful network of parents and professionals involved in identifying and exploring new treatment avenues.
- Sponsoring regional, national, and international multidisciplinary think tanks involving researchers and experienced clinicians.
- Collaborating with other autism organizations internationally to combine resources and maximize services.
- Running the Autism Resource Call Center. This service provides free information and support for parents.
- Translating materials into 15 different languages.
- Sponsoring the Autism Network for Hearing and Visually Impaired Persons.
- Maintaining and updating online courses to provide training to parents and professionals on issues associated with adult daily living and employment.
- Investigating accurate ways to diagnose autism and its relationship to treatment efficacy.

ARI is supported primarily by contributions.



**AUTISM RESEARCH INSTITUTE**  
Notes to Financial Statements  
Year Ended December 31, 2014

**Note 2.      Summary of Significant Accounting Policies**

*Basis of Presentation:* The accompanying financial statements are prepared on the accrual basis of accounting in accordance with U.S generally accepted accounting principles and accordingly reflect all significant receivables, payables, and other liabilities.

ARI is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted Net Assets - Net assets not subject to donor-imposed restrictions or stipulations as to purpose of use.

Temporarily Restricted Net Assets - Net assets that are subject to donor-imposed restrictions or stipulations that may or will be met either by actions of ARI or the passage of time.

Permanently Restricted Net Assets - Net assets that are subject to donor-imposed restrictions of investing the principal contribution in perpetuity and the investment income be used for ARI's operations and programs. ARI does not have any permanently restricted net assets as of December 31, 2014.

*Cash and Cash Equivalents:* ARI has defined cash and cash equivalents as cash in banks and highly liquid investments with an initial maturity of three months or less.

*Inventories:* Inventories, which consist primarily of Autism Spectrum Disorder books, are valued at lower of cost or net realizable value.

*Fair Value Measurements:* ARI measures fair value at the price that would be received upon sale of an asset, or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Authoritative guidance establishes a hierarchy for ranking the quality and reliability of the information used to determine fair values, requiring that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

Level 1: Unadjusted quoted market prices for identical assets or liabilities in active markets.

Level 2: Unadjusted quoted market prices for similar assets and liabilities in active markets, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability.

Level 3: Significant unobservable inputs for the asset or liability.

**AUTISM RESEARCH INSTITUTE**  
Notes to Financial Statements  
Year Ended December 31, 2014

**Note 2. Summary of Significant Accounting Policies, continued**

Property and Equipment: Property and equipment is recorded at cost if purchased or at fair value at the date of donation if donated. Maintenance and repair costs are charged to expense as incurred. Property and equipment is capitalized if the cost of an asset is greater than or equal to \$1,000 and the useful life is greater than one year. Depreciation is computed using the straight-line method over the useful lives of the assets, which are seven years for furniture and five years for equipment. Depreciation expense for the year ended December 31, 2014 amounted to \$4,142.

Contributions: Contributions are recorded when received. All contributions are available for unrestricted use unless specifically restricted by the donor. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Donated Materials and Services: Donated materials and services are recognized as contributions if the materials or services (a) create or enhance non-financial assets, or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by ARI. Volunteers provide services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met.

Use of Estimates: The preparation of the financial statements in conformity with U.S. generally accepted accounting principles 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 these estimates. Management believes that these estimates and assumptions provide a reasonable basis for the fair presentation of the financial statements. Significant estimates used in preparing these financial statements include those assumed in the functional allocation of expenses.

Functional Allocation of Expenses: The costs of providing the various programs and supporting services have been summarized on a functional basis in the statement of functional expenses. Costs that are not directly associated with providing specific services have been allocated based upon the relative time spent by employees of ARI providing these services.

Comparative Financial Information: The financial statements include certain prior-year summarized comparative information in total but not by asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, it should be read in conjunction with ARI's financial statements for the year ended December 31, 2013 from which the summarized information was derived.

**AUTISM RESEARCH INSTITUTE**  
Notes to Financial Statements  
Year Ended December 31, 2014

**Note 2. Summary of Significant Accounting Policies, continued**

*Date of Management Review:* ARI's management has evaluated subsequent events through September 16, 2015, the date the financial statements were available to be issued. Management is not aware of any such subsequent events that would require adjustment to, or disclosures in, the financial statements.

**Note 3. Income Tax Status**

ARI is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California State Revenue and Taxation Code. ARI may be subject to tax on income which is not related to its exempt purposes.

ASC 740-10-25, Income Taxes, prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Management of ARI has evaluated its uncertain tax positions and related income tax contingencies. ARI's tax returns are subject to examination by Federal taxing authorities for a period of three years from the date they are filed and a period of four years for California taxing authorities.

**Note 4. Cash and Cash Equivalents**

At December 31, 2014, cash and cash equivalents consisted of the following:

Petty Cash	\$ 500
Cash in Checking Accounts	400,692
Cash in Savings Accounts	311,594
Bank Deposit Sweep	766,069
Total	<u>\$ 1,478,855</u>

**Note 5. Concentration of Credit Risk**

ARI maintains cash balances at three financial institutions. The balances at JPMorgan Chase Bank, N.A. are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2014, ARI's uninsured cash balance at JPMorgan Chase Bank, N.A. was \$272,910. ARI also maintains bank deposit sweep with Wells Fargo Advisors. Balances in the Wells Fargo Advisors Bank Deposit Sweep are insured up to \$250,000 per Affiliated Bank by the FDIC for a total of \$750,000. At December 31, 2014, ARI's uninsured cash balance at Wells Fargo Advisors is \$16,069. Cash and cash equivalents held at Charles Schwab are included in investments in the accompanying financial statements (see Note 6). The total amount of \$23,880 held in three accounts is fully uninsured by the FDIC.

**AUTISM RESEARCH INSTITUTE**  
Notes to Financial Statements  
Year Ended December 31, 2014

**Note 6.      Investments**

Investments consist primarily of assets invested in marketable equity and debt securities. Cash and cash equivalents that are not used for operations are treated as investments due to their nature as long-term investments.

Investments are carried at fair value based on quoted market prices in active market (all level 1 measurements). The realized and unrealized gains and losses on investments are reflected in the statement of activities. Investment revenues are reported net of related investment expenses in the statement of activities.

Investments are exposed to various risks such as significant world events, interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair value of investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

At December 31, 2014, investments consisted of the following:

	Cost	Fair Value
Charles Schwab		
Cash and cash equivalents held for long-term investments	\$ 23,880	\$ 23,880
Equities	1,343,105	1,357,308
Other assets	354,498	358,048
American Century Investments, 53% stocks, 45% bonds, 2% money market	600,305	600,185
Total	\$ 2,321,788	\$ 2,339,421

**Note 7.      Property and Equipment**

Property and equipment consist of the following at December 31, 2014:

Leasehold improvements	\$ 18,018	
Media equipment	128,834	
Office equipment	14,821	
Vehicle	24,500	
	186,173	
Less: accumulated depreciation		(164,435)
Net property and equipment	\$ 21,738	

**AUTISM RESEARCH INSTITUTE**  
Notes to Financial Statements  
Year Ended December 31, 2014

**Note 8. Temporarily Restricted Net Assets**

Temporarily restricted net assets at December 31, 2014 are restricted as follows:

	January 1, 2014	Additions	Released	December 31, 2014
Oxalate Study	\$ 4,600	\$ 3,275	\$ (2,550)	\$ 5,325
AGI Residential Curriculum	10,732	35,000	(45,732)	-
Global Autism Collaboration	7,725			7,725
Total	<u>\$ 23,057</u>	<u>\$ 38,275</u>	<u>\$ (48,282)</u>	<u>\$ 13,050</u>

**Note 9. Concentration of Contributions**

During the year ended December 31, 2014, ARI received \$500,000 (approximately 38% of its total support and revenue) from one donor. It is always considered reasonably possible that contributors might be lost in the near term.

**Note 10. Contributions from Charitable Lead Trust**

ARI is a beneficiary of The Mooring Line Irrevocable Charitable Lead Trust. Distributions of \$500 are received annually for the period of time determined by the donor. No receivable has been recorded in the accompanying financial statements in relation to the Trust.

**Note 11. Operating Leases**

ARI has entered into operating leases for its facilities in San Diego, California, as follows:

- Office space and art gallery at 4182, 4184, 4186, and 4186 1/2 Adams Avenue under a month to month rental agreement. The monthly rent is \$2,300 for a total of \$27,600 for the year ended December 31, 2014.
- Storage space under a month to month agreement. The monthly rent is \$690; the total expense for the year ended December 31, 2014 is \$8,383.
- A copy machine under a 63 month lease starting May 2013 at a monthly base amount of \$419 plus tax and insurance. The monthly base payment increased to \$425 in 2014. The future minimum payments on the copy machine lease are as follows:

Year Ending December 31,	
2015	\$ 5,650
2016	5,650
2017	5,650
2018	3,295
Total	<u>\$ 20,245</u>

## AUTISM RESEARCH INSTITUTE

Notes to Financial Statements  
Year Ended December 31, 2014

### **Note 12. Employee Benefits**

ARI maintains 403(b)(7) retirement plan for its employees. Employees may defer part of their compensation each year up to a maximum amount allowed by the Internal Revenue Code. No employer contributions to the plan were made during the year ended December 31, 2014.

ARI also maintains Section 125 Premium Only Plan. The plan allows employees to pay health insurance premiums on a pre-tax basis.

### **Note 13. Service Contract Commitments**

During the year ended December 31, 2014, Dr. Stephen Edelson served as ARI's President and Chief Executive Officer pursuant to the employment agreement. The total compensation for 2014 under the agreement was \$160,425, plus \$10,000 for disability insurance, a more comprehensive health insurance, and 401 (K) retirement fund. The agreement was renewed in November 2014 for two years commencing January 1, 2015 and continuing through December 31, 2016. An annual base compensation in accordance with the agreement is \$160,425 plus \$15,000 for disability, life insurance, and retirement contributions.

During the year ended December 31, 2014, Dr. Valerie Paradiz served as Autistic Global Initiative program director pursuant to the employment agreement. The total compensation for 2014 was \$125,000. The agreement was renewed for 2015. The compensation in accordance with the agreement is \$75,000.

ARI entered into an agreement with Cleveland Clinic for physician's training webcast program. Physicians receive continuing medical education credit for viewing online videos produced by ARI. The videos are available on Cleveland Clinic website. ARI reimburses Cleveland Clinic for all related expenses. As of December 31, 2014, a payment of \$16,042 was made. The remaining obligation under the contract in the amount of \$37,433 is payable in installments with the final balance due on January 1, 2016.

As of December 31, 2014, ARI has entered into a contract for hotel room, meeting space, and food and beverage services for the April 2015 Think Tank. In accordance with the contract, cancellation fee ranges from 10% of total room revenue if the contract is cancelled more than nine months prior to the event to 100% of total room revenue if the contract is cancelled less than 30 days prior to the event.

### **Note 14. Related Party Transactions**

A contractor related to the Executive Director has provided translation services to ARI during the year. The compensation for 2014 is \$9,772.