



# Sonnenberg & Company, CPAs

A Professional Corporation

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Leonard C. Sonnenberg, CPA

## AUTISM RESEARCH INSTITUTE Audited Financial Statements Year Ended December 31, 2016

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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, 2016, 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, 2016 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, 2015 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated August 4, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

October 18, 2017

A handwritten signature in blue ink, appearing to read "David Beaudry".

Sonnenberg & Company, CPAs

**AUTISM RESEARCH INSTITUTE**  
Statement of Financial Position  
December 31, 2016  
(With Comparative Information for December 31, 2015)

ASSETS:	<u>2016</u>	<u>2015</u>
Cash & cash equivalents	\$ 611,800	\$ 1,062,669
Contributions receivable	10,081	-
Prepaid expenses	9,552	957
Inventory	4,732	4,884
Investments	2,472,556	2,316,545
Property & equipment (net)	<u>16,415</u>	<u>18,781</u>
Total Assets	<u>\$ 3,125,136</u>	<u>\$ 3,403,836</u>
LIABILITIES:		
Accounts payable & accrued liabilities	<u>\$ 45,807</u>	<u>\$ 49,382</u>
Total Liabilities	45,807	49,382
NET ASSETS:		
Unrestricted	3,032,059	3,199,484
Temporarily restricted	<u>47,270</u>	<u>154,970</u>
Total Net Assets	<u>3,079,329</u>	<u>3,354,454</u>
Total Liabilities & Net Assets	<u>\$ 3,125,136</u>	<u>\$ 3,403,836</u>

The Accompanying Notes are an Integral Part of the Financial Statements

**AUTISM RESEARCH INSTITUTE**  
Statement of Activities  
For the Year Ended December 31, 2016  
(With Summarized Comparative Information for the Year Ended December 31, 2015)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2016 Totals</u>	<u>2015 Totals</u>
<b>SUPPORT &amp; REVENUE:</b>				
Contributions	\$ 602,530	\$ 42,300	\$ 644,830	\$ 746,310
Special event	109,545		109,545	113,319
Less: direct special event expenses	(65,430)		(65,430)	(39,100)
Membership dues	7,670		7,670	8,089
Book sales	1,349		1,349	4,847
Interest & dividends	58,658		58,658	70,918
Gain / (loss) on investments	121,351		121,351	(120,115)
Other income	134		134	405
Net assets released from restrictions:				
Satisfaction of program restrictions	<u>150,000</u>	<u>(150,000)</u>	<u>-</u>	<u>-</u>
<b>Total Support &amp; Revenue</b>	<u>985,807</u>	<u>(107,700)</u>	<u>878,107</u>	<u>784,673</u>
<b>EXPENSES:</b>				
Program Services	997,016		997,016	1,058,444
Supporting Services				
Management & general	116,469		116,469	132,427
Fund raising	<u>39,747</u>		<u>39,747</u>	<u>41,206</u>
<b>Total Supporting Services</b>	<u>156,216</u>	<u>-</u>	<u>156,216</u>	<u>173,633</u>
<b>Total Expenses</b>	<u>1,153,232</u>	<u>-</u>	<u>1,153,232</u>	<u>1,232,077</u>
<b>Change in Net Assets</b>	<u>(167,425)</u>	<u>(107,700)</u>	<u>(275,125)</u>	<u>(447,404)</u>
Net Assets, Beginning of Year	<u>3,199,484</u>	<u>154,970</u>	<u>3,354,454</u>	<u>3,801,858</u>
Net Assets, End of Year	<u>\$ 3,032,059</u>	<u>\$ 47,270</u>	<u>\$ 3,079,329</u>	<u>\$ 3,354,454</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, 2016

(With Summarized Comparative Information for the Year Ended December 31, 2015)

	<u>SUPPORTING SERVICES</u>			<u>2016 Totals</u>	<u>2015 Totals</u>
	<u>Program Services</u>	<u>Management &amp; General</u>	<u>Fund Raising</u>		
<b>Personnel &amp; Related</b>					
Salaries & wages	\$ 290,514	\$ 42,514	\$ 21,257	\$ 354,285	\$ 417,202
Payroll taxes	20,710	3,031	1,515	25,256	31,678
Employee benefits	7,087	1,037	519	8,643	21,041
<b>Total Personnel &amp; Related</b>	<u>318,311</u>	<u>46,582</u>	<u>23,291</u>	<u>388,184</u>	<u>469,921</u>
<b>Other Expenses</b>					
Accounting & payroll services		31,318		31,318	26,982
Bank & merchant fees	5,013	615		5,628	7,044
Conferences & webinars	4,000			4,000	11,930
Contract services	52,006			52,006	56,710
Equipment rental & maintenance	4,328	1,236	618	6,182	6,207
Fundraising			7,719	7,719	-
Insurance		5,726		5,726	7,381
Legal fees		19,271		19,271	28,181
Miscellaneous	2,948	667		3,615	10,644
Special projects	18,794			18,794	73,574
Sponsorships & awards				-	8,000
Office expenses	11,909	1,141	571	13,621	15,755
Physicians' training program	37,200			37,200	59,991
Postage & delivery	4,344	543	543	5,430	5,052
Printing & dissemination	10,511		4,433	14,944	22,669
Rent	24,994	3,658	1,829	30,480	32,776
Research grants	409,946			409,946	263,441
Retreat		4,226		4,226	-
Telephone/internet/utilities	8,217	1,203	601	10,021	13,487
Think tanks	38,736			38,736	41,426
Travel	13,283			13,283	28,367
Website	30,536			30,536	39,582
<b>Total Other Expenses</b>	<u>676,765</u>	<u>69,603</u>	<u>16,314</u>	<u>762,682</u>	<u>759,199</u>
Depreciation	1,940	284	142	2,366	2,957
<b>Total Expenses</b>	<u>\$ 997,016</u>	<u>\$ 116,469</u>	<u>\$ 39,747</u>	<u>\$ 1,153,232</u>	<u>\$ 1,232,077</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, 2016  
(With Comparative Information for the Year Ended December 31, 2015)

	2016	2015
<b>CASH FLOWS FROM:</b>		
<b>Operating Activities:</b>		
Change in net assets	\$ (275,125)	\$ (447,404)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	2,366	2,957
(Gain) / loss on investments	(121,351)	120,115
(Increase) / Decrease in:		
Contributions receivable	(10,081)	-
Prepaid expenses	(8,595)	(957)
Inventory	152	7,326
Increase / (Decrease) in:		
Accounts payable	(3,575)	(984)
Net Cash Used by Operating Activities	(416,209)	(318,947)
<b>Investing Activities:</b>		
Reinvestment of interest	(58,622)	(70,677)
Sale of investments	91,881	12,970
Purchases of investments	(67,919)	(39,532)
Net Cash Used by Investing Activities	(34,660)	(97,239)
Net Decrease in Cash & Cash Equivalents	(450,869)	(416,186)
Cash & Cash Equivalents at:		
Beginning of Year	1,062,669	1,478,855
End of Year	\$ 611,800	\$ 1,062,669

The Accompanying Notes are an Integral Part of the Financial Statements

## **AUTISM RESEARCH INSTITUTE**

Notes to Financial Statements  
Year Ended December 31, 2016

### **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. 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 medical, biomedical, nutritional, 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.
- Offering in joint providership with the Cleveland Clinic complimentary AMA, PRA Category 1 Credit to physicians and the general public on gastrointestinal, medical, metabolic, and neurological comorbidities in autism.
- Sponsoring popular Internet webcasts focused on cutting-edge research and evidence-based interventions, with over 300,000 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 90,000 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 a national multidisciplinary think tank involving researchers and experienced clinicians.
- Running the Autism Resource Call Center. This service provides free information and support for parents.
- Translating materials into 19 different languages.
- Sponsoring the Autism Network for Hearing and Visually Impaired Persons.
- Investigating accurate ways to diagnose autism and its relationship to treatment efficacy.

ARI is supported primarily by contributions.

### **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.



## AUTISM RESEARCH INSTITUTE

Notes to Financial Statements  
Year Ended December 31, 2016

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

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, 2016.

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.

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, 2016 amounted to \$2,366.

Compensated Absences: Compensated absences for paid vacation and personal time off have not been accrued since they cannot be reasonably estimated. ARI's policy is to recognize these costs when actually paid.

**AUTISM RESEARCH INSTITUTE**  
Notes to Financial Statements  
Year Ended December 31, 2016

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

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, 2015 from which the summarized information was derived. Some items have been reclassified for purposes of overall comparability and consistency of presentation.

Date of Management Review: ARI's management has evaluated subsequent events through October 18, 2017, 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.

## AUTISM RESEARCH INSTITUTE

Notes to Financial Statements  
Year Ended December 31, 2016

### 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, 2016, cash and cash equivalents consisted of the following:

Petty Cash	\$	406
Cash in Checking Accounts		378,374
Bank Deposit Sweep		233,020
Total	\$	<u>611,800</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, 2016, ARI's uninsured cash balance at JPMorgan Chase Bank, N.A. was \$65,645.

ARI also maintains bank deposit sweep with Wells Fargo Advisors. At December 31, 2016, cash balances at Wells Fargo Advisors are fully insured by FDIC.

Cash and cash equivalents held at Charles Schwab are included in investments in the accompanying financial statements (see Note 6). At December 31, 2016, cash balances are fully insured by FDIC.

### 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.

**AUTISM RESEARCH INSTITUTE**

Notes to Financial Statements  
Year Ended December 31, 2016

**Note 6. Investments, continued**

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, 2016, investments consisted of the following:

Charles Schwab	
Cash and cash equivalents held for long-term investments	\$ 15,212
Equities, Mutual Funds, and Other Assets	1,802,210
American Century Investments, 55% stocks, 44% bonds, 1% money market	655,134
Total	<u>\$ 2,472,556</u>

**Note 7. Property and Equipment**

Property and equipment consist of the following at December 31, 2016:

Leasehold improvements	\$ 18,018
Media equipment	128,834
Office equipment	14,821
Vehicle	24,500
	<u>186,173</u>
Less: accumulated depreciation	<u>(169,758)</u>
Net property and equipment	<u>\$ 16,415</u>

**Note 8. Temporarily Restricted Net Assets**

Temporarily restricted net assets at December 31, 2016 are restricted as follows:

	January 1, 2016	Additions	Released	Dec 31, 2016
Oxalate Study	\$ 4,970	\$ 2,300		\$ 7,270
Grants-Underlying Causes of Autism	120,000		(120,000)	-
Grants-Methods of Diagnosing, Treating & Preventing Autism	30,000	40,000	(30,000)	40,000
Total	<u>\$ 154,970</u>	<u>\$ 42,300</u>	<u>\$ (150,000)</u>	<u>\$ 47,270</u>

**AUTISM RESEARCH INSTITUTE**

Notes to Financial Statements  
Year Ended December 31, 2016

**Note 9. 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 10. 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, 2016.

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

**Note 11. Operating Leases**

ARI has entered into operating leases 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 was \$2,500 during the year ended December 31, 2016 for a total of \$30,000. ARI received \$7,800 for sublease of the office during the year.
- Storage space under a month to month agreement. The monthly rent is \$690; the total expense for the year ended December 31, 2016 is \$8,280.
- A copy machine under a 63 month lease starting May 2013 with a monthly base payment of \$419 plus tax. The future minimum payments under the agreement are as follows:

Year Ending December 31,	
2017	\$ 5,650
2018	3,295
Total	<u>\$ 8,945</u>

**Note 12. Service Contracts and Commitments**

During the year ended December 31, 2016, Dr. Stephen Edelson served as ARI's President and Chief Executive Officer pursuant to the November 2014 employment agreement. The agreement is for two years commencing January 1, 2015 and continuing through December 31, 2016. An annual base compensation in accordance with the agreement was \$160,425 plus \$15,000 for disability, life insurance, and retirement contributions. The total compensation for 2016 was \$175,425.

**AUTISM RESEARCH INSTITUTE**  
Notes to Financial Statements  
Year Ended December 31, 2016

**Note 12.      Service Contracts and Commitments, continued**

In September 2014, ARI entered into an agreement with Cleveland Clinic for physicians' 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, 2016, ARI's future obligation under the agreement is \$43,189 to be fulfilled in accordance with the budget and payment schedule.

**Note 13.      Fundraising Event**

ARI organizes an annual fundraising event, "Zoowalk for Autism Research" jointly with the Autism/Asperger's Research Program at Arizona State University (the Program). Under the agreement, ARI handles all the accounting and the Program is in charge of all aspects of organizing and running the event. Eighty percent of the event's profit is to be used for autism/Asperger's research at Arizona State University, ten percent for expenses associated with joint Arizona State University-ARI research collaborations, and ten percent for ARI's administrative costs. In 2016, the event raised \$109,545. Direct fundraising expenses were \$65,430.