



Sonnenberg & Company, CPAs

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Leonard C. Sonnenberg, CPA

AUTISM RESEARCH INSTITUTE Audited Financial Statements Year Ended December 31, 2017

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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, 2017, 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, 2017 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, 2016 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated October 18, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

July 30, 2018


Sonnenberg & Company, CPAs

AUTISM RESEARCH INSTITUTE
Statement of Financial Position
December 31, 2017
(With Comparative Information for December 31, 2016)

ASSETS:	<u>2017</u>	<u>2016</u>
Cash & cash equivalents	\$ 526,093	\$ 611,800
Accounts and contributions receivable	1,950	10,081
Prepaid expenses	1,383	9,552
Inventory	4,582	4,732
Investments	2,629,371	2,472,556
Property & equipment (net)	<u>14,256</u>	<u>16,415</u>
Total Assets	<u>\$ 3,177,635</u>	<u>\$ 3,125,136</u>
LIABILITIES:		
Accounts payable & accrued liabilities	<u>\$ 33,384</u>	<u>\$ 45,807</u>
Total Liabilities	33,384	45,807
NET ASSETS:		
Unrestricted	3,077,246	3,032,059
Temporarily restricted	<u>67,005</u>	<u>47,270</u>
Total Net Assets	<u>3,144,251</u>	<u>3,079,329</u>
Total Liabilities & Net Assets	<u>\$ 3,177,635</u>	<u>\$ 3,125,136</u>

The Accompanying Notes are an Integral Part of the Financial Statements

AUTISM RESEARCH INSTITUTE
Statement of Activities
For the Year Ended December 31, 2017
(With Summarized Comparative Information for the Year Ended December 31, 2016)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2017 Totals</u>	<u>2016 Totals</u>
SUPPORT & REVENUE:				
Contributions	\$ 575,519	\$ 100,735	\$ 676,254	\$ 644,830
Special event	86,221		86,221	109,545
Less: direct special event expenses	(48,631)		(48,631)	(65,430)
Membership dues	5,628		5,628	7,670
Book sales	841		841	1,349
Interest & dividends	19,875		19,875	58,658
Gain on investments	234,441		234,441	121,351
Other income	1,144		1,144	134
Net assets released from restrictions:				
Satisfaction of program restrictions	<u>81,000</u>	<u>(81,000)</u>	<u>-</u>	<u>-</u>
Total Support & Revenue	<u>956,038</u>	<u>19,735</u>	<u>975,773</u>	<u>878,107</u>
EXPENSES:				
Program Services	781,903		781,903	997,016
Supporting Services				
Management & general	99,395		99,395	116,469
Fund raising	<u>29,553</u>		<u>29,553</u>	<u>39,747</u>
Total Supporting Services	<u>128,948</u>	<u>-</u>	<u>128,948</u>	<u>156,216</u>
Total Expenses	<u>910,851</u>	<u>-</u>	<u>910,851</u>	<u>1,153,232</u>
Change in Net Assets	45,187	19,735	64,922	(275,125)
Net Assets, Beginning of Year	<u>3,032,059</u>	<u>47,270</u>	<u>3,079,329</u>	<u>3,354,454</u>
Net Assets, End of Year	<u>\$ 3,077,246</u>	<u>\$ 67,005</u>	<u>\$ 3,144,251</u>	<u>\$ 3,079,329</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, 2017

(With Summarized Comparative Information for the Year Ended December 31, 2016)

	<u>SUPPORTING SERVICES</u>				
	<u>Program</u>	<u>Management</u>	<u>Fund</u>	<u>2017</u>	<u>2016</u>
	<u>Services</u>	<u>& General</u>	<u>Raising</u>	<u>Totals</u>	<u>Totals</u>
Personnel & Related					
Salaries & wages	\$ 254,835	\$ 37,293	\$ 18,646	\$ 310,774	\$ 354,285
Payroll taxes	16,098	2,356	1,178	19,632	25,256
Employee benefits	6,543	957	479	7,979	8,643
Total Personnel & Related	<u>277,476</u>	<u>40,606</u>	<u>20,303</u>	<u>338,385</u>	<u>388,184</u>
Other Expenses					
Accounting & payroll services	2,538	28,008	186	30,732	31,318
Bank & merchant fees	3,984	1,034		5,018	5,628
Contract services	33,215			33,215	52,006
Fundraising			1,246	1,246	7,719
Insurance		8,173		8,173	5,726
Legal fees		1,792		1,792	19,271
Miscellaneous	8,362	2,993		11,355	3,615
Special projects	4,060			4,060	18,794
Office expenses	17,606	2,577	1,288	21,471	19,803
Physicians' training program	25,253			25,253	37,200
Postage & delivery	4,442	555	555	5,552	5,430
Printing & dissemination	9,323	6,821		16,144	14,944
Rent	24,776	3,626	1,813	30,215	30,480
Research grants	278,414			278,414	409,946
Retreat				-	4,226
Telephone/internet/utilities	7,186	1,052	526	8,763	10,021
Think tanks	42,427			42,427	38,736
Travel	13,040		3,636	16,676	13,283
Webinars	4,250			4,250	4,000
Website	25,551			25,551	30,536
Total Other Expenses	<u>504,427</u>	<u>56,630</u>	<u>9,250</u>	<u>570,307</u>	<u>762,682</u>
Depreciation		<u>2,159</u>		<u>2,159</u>	<u>2,366</u>
Total Expenses	<u>\$ 781,903</u>	<u>\$ 99,395</u>	<u>\$ 29,553</u>	<u>\$ 910,851</u>	<u>\$ 1,153,232</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, 2017
(With Comparative Information for the Year Ended December 31, 2016)

	2017	2016
CASH FLOWS FROM:		
Operating Activities:		
Change in net assets	\$ 64,922	\$ (275,125)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	2,159	2,366
Gain on investments	(196,215)	(121,351)
(Increase) / Decrease in:		
Contributions receivable	8,131	(10,081)
Prepaid expenses	8,169	(8,595)
Inventory	150	152
Increase / (Decrease) in:		
Accounts payable	(12,423)	(3,575)
Net Cash Used by Operating Activities	(125,107)	(416,209)
Investing Activities:		
Reinvestment of interest	(33,156)	(58,622)
Sale of investments	2,472,556	91,881
Purchases of investments	(2,400,000)	(67,919)
Net Cash Provided (Used) by Investing Activities	39,400	(34,660)
Net Decrease in Cash & Cash Equivalents	(85,707)	(450,869)
Cash & Cash Equivalents at:		
Beginning of Year	611,800	1,062,669
End of Year	\$ 526,093	\$ 611,800

The Accompanying Notes are an Integral Part of the Financial Statements

AUTISM RESEARCH INSTITUTE

Notes to Financial Statements
Year Ended December 31, 2017

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, one of 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 100,000 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 20 different languages.
- 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, 2017

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, 2017.

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 \$2,000 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, 2017 amounted to \$2,159.

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, 2017

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, 2016 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 July 30, 2018, 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, 2017

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. 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, 2017, cash and cash equivalents consisted of the following:

Petty Cash	\$ 76
Cash in Checking Accounts	392,230
Bank Deposit Sweep	133,787
Total	<u>\$ 526,093</u>

Note 5. Concentration of Credit Risk

Financial instruments that potentially subject ARI to concentrations of credit risk consist principally of cash deposits. Cash balances at each financial institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2017, ARI's uninsured cash balance was \$79,138.

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.

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, 2017, investments consisted of the following:

Cash and cash equivalents held for long-term investments	\$ 87,033
Equities	1,736,818
Fixed income	805,520
Total	<u>\$ 2,629,371</u>

AUTISM RESEARCH INSTITUTE
Notes to Financial Statements
Year Ended December 31, 2017

Note 7. Property and Equipment

Property and equipment consist of the following at December 31, 2017:

Leasehold improvements	\$ 18,018
Media equipment	58,451
Office equipment	5,557
Vehicle	24,500
	<u>106,526</u>
Less: accumulated depreciation	<u>(92,270)</u>
Net property and equipment	<u>\$ 14,256</u>

Note 8. Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2017 are restricted as follows:

	January 1, 2017	Addition	Released	Dec 31, 2017
Oxalate Study	\$ 7,270	\$ 735	\$ -	\$ 8,005
Webinars		20,000	(1,000)	19,000
Neuropathology of Autism and Neurometabolism in Autism Studies		40,000		40,000
Methods of Diagnosing, Treating & Preventing	40,000	40,000	(80,000)	-
Total	<u>\$ 47,270</u>	<u>\$ 100,735</u>	<u>\$ (81,000)</u>	<u>\$ 67,005</u>

Note 9. Contributions from Charitable Lead Trust

ARI is a beneficiary of two irrevocable trusts. Trust distributions of \$1,000 and \$500 are to be received annually from the trusts. No receivable has been recorded in the accompanying financial statements in relation to the trusts.

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, 2017.

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

AUTISM RESEARCH INSTITUTE
Notes to Financial Statements
Year Ended December 31, 2017

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, 2017 for a total of \$30,000. ARI received \$7,800 for sublease of the office space.
- Storage space under a month to month agreement. The monthly rent is \$690; the total expense for the year ended December 31, 2017 is \$8,015.
- A copy machine under a 63 month lease starting May 2013 with a monthly base payment of \$419 plus tax. The remaining lease obligation for 2018 under the contract is \$3,295.

Note 12. Service Contracts and Commitments

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, 2017, ARI's future obligation under the agreement is \$19,936 to be fulfilled in accordance with the budget and payment schedule.

Note 13. Related Parties

ARI paid \$8,200 in 2017 to a Board member for developing curriculum and moderating several continuing education webcasts for licensed medical professionals.

Note 14. 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 2017, the event raised \$86,221. Direct fundraising expenses were \$48,631 including administrative costs.