



# Sonnenberg & Company, CPAs

A Professional Corporation

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Leonard C. Sonnenberg, CPA

## AUTISM RESEARCH INSTITUTE Audited Financial Statements Year Ended December 31, 2013

	<u>Page</u>
CONTENTS	
Independent Auditor's Report	1-2
Financial Statements	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7-13



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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, 2013, 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, 2013 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, 2012 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated September 12, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

September 12, 2014

  
Sonnenberg & Company, CPAs

**AUTISM RESEARCH INSTITUTE**  
Statement of Financial Position  
December 31, 2013  
(With Comparative Information for December 31, 2012)

ASSETS:	<u>2013</u>	<u>2012</u>
Cash & Cash Equivalents	\$ 2,432,967	\$ 3,420,470
Deposits & Prepaid Expenses	-	5,350
Inventory	26,175	27,811
Investments	1,573,009	544,400
Property & Equipment	182,241	188,350
Less: Accumulated Depreciation	<u>(160,716)</u>	<u>(157,074)</u>
Total Assets	<u>\$ 4,053,676</u>	<u>\$ 4,029,307</u>
LIABILITIES:		
Accounts Payable & Accrued Liabilities	\$ 32,254	\$ 18,202
Grants Payable	<u>19,636</u>	<u>148,050</u>
Total Liabilities	51,890	166,252
NET ASSETS:		
Unrestricted	3,978,729	3,848,322
Temporarily Restricted	<u>23,057</u>	<u>14,733</u>
Total Net Assets	<u>4,001,786</u>	<u>3,863,055</u>
Total Liabilities & Net Assets	<u>\$ 4,053,676</u>	<u>\$ 4,029,307</u>

The Accompanying Notes are an Integral Part of the Financial Statements

**AUTISM RESEARCH INSTITUTE**  
Statement of Activities  
For the Year Ended December 31, 2013  
(With Summarized Comparative Information for the Year Ended December 31, 2012)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2013 Totals</u>	<u>2012 Totals</u>
<b>SUPPORT &amp; REVENUE:</b>				
Contributions	\$ 1,381,098	\$ 79,400	\$ 1,460,498	\$ 1,233,654
Conferences			-	227,673
Fundraising	101,570		101,570	115,444
Membership Dues	14,705		14,705	13,654
Book & Art Gallery Sales	23,605		23,605	11,621
Interest & Dividends	36,956		36,956	19,645
Gain / (Loss) on Investments	(13,047)		(13,047)	158,149
Other Income	1,112		1,112	359
Net Assets Released from Restrictions:				
Satisfaction of Program Restrictions	<u>71,076</u>	<u>(71,076)</u>	<u>-</u>	<u>-</u>
 Total Support & Revenue	 <u>1,617,075</u>	 <u>8,324</u>	 <u>1,625,399</u>	 <u>1,780,199</u>
 <b>EXPENSES:</b>				
Program Services	1,176,149		1,176,149	2,031,281
Supporting Services				
Management & General	204,411		204,411	161,429
Fund Raising	<u>106,108</u>		<u>106,108</u>	<u>96,353</u>
 Total Supporting Services	 <u>310,519</u>	 <u>-</u>	 <u>310,519</u>	 <u>257,782</u>
 Total Expenses	 <u>1,486,668</u>	 <u>-</u>	 <u>1,486,668</u>	 <u>2,289,063</u>
 Change in Net Assets	 130,407	 8,324	 138,731	 (508,864)
 Net Assets, Beginning of Year	 <u>3,848,322</u>	 <u>14,733</u>	 <u>3,863,055</u>	 <u>4,371,919</u>
 Net Assets, End of Year	 <u>\$ 3,978,729</u>	 <u>\$ 23,057</u>	 <u>\$ 4,001,786</u>	 <u>\$ 3,863,055</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, 2013

(With Summarized Comparative Information for the Year Ended December 31, 2012)

	<u>SUPPORTING SERVICES</u>				
	<u>Program Services</u>	<u>Management &amp; General</u>	<u>Fund Raising</u>	<u>2013 Totals</u>	<u>2012 Totals</u>
Personnel & Related					
Salaries & Wages	\$ 333,352	\$ 95,243	\$ 47,622	\$ 476,217	\$ 443,623
Payroll Taxes	22,627	6,465	3,232	32,324	32,382
Employee Benefits	15,470	4,420	2,210	22,100	18,451
Total Personnel & Related	<u>371,449</u>	<u>106,128</u>	<u>53,064</u>	<u>530,641</u>	<u>494,456</u>
Other Expenses					
Accounting & Payroll Services		24,216		24,216	17,894
Bank & Merchant Fees	14,412	884	2,024	17,320	21,735
Books, Videos, Art	5,807			5,807	13,359
Conferences and Webinars	133,941			133,941	473,448
Contract Services	112,737			112,737	245,464
Equipment Rental & Maintenance	6,104	1,744	872	8,720	8,928
Fundraising			31,632	31,632	22,142
Grants	199,048			199,048	405,331
Insurance		11,606		11,606	8,312
Legal Fees		30,251		30,251	49,584
Miscellaneous	7,230	5,948		13,178	11,181
Special Projects	23,147			23,147	46,001
Sponsorships & Awards	17,500			17,500	42,370
Office Expenses	22,291	6,369	3,185	31,845	30,821
Postage & Delivery	5,582	698	698	6,978	25,753
Printing	56,729		6,522	63,251	49,969
Public Relations				-	56,809
Rent	34,227	9,778	4,890	48,895	61,090
Retreat	18,301			18,301	-
Telephone/Internet/Utilities	15,966	4,562	2,281	22,809	23,832
Travel	75,273			75,273	128,848
Website	49,821			49,821	32,081
Total Other Expenses	<u>798,117</u>	<u>96,056</u>	<u>52,104</u>	<u>946,276</u>	<u>1,774,952</u>
Depreciation	6,584	1,881	941	9,405	19,314
Loss on Disposal of Assets		346		346	341
Total Expenses	<u>\$ 1,176,149</u>	<u>\$ 204,411</u>	<u>\$ 106,108</u>	<u>\$ 1,486,668</u>	<u>\$ 2,289,063</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, 2013  
(With Comparative Information for the Year Ended December 31, 2012)

	2013	2012
<b>CASH FLOWS FROM:</b>		
<b>Operating Activities:</b>		
Change in Net Assets	\$ 138,731	\$ (508,864)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	9,405	19,314
Loss on Disposal of Assets	346	341
(Gain) / Loss on Investments	13,047	(158,149)
(Increase) / Decrease in:		
Contributions Receivable	-	150,000
Deposits & Prepaid Expenses	5,350	(4,000)
Inventory	1,636	(3,743)
Increase / (Decrease) in:		
Accounts Payable	14,052	11,030
Event Deposits	-	(23,798)
Grants Payable	(128,414)	66,050
Net Cash Provided / (Used) by Operating Activities	54,153	(451,819)
<b>Investing Activities:</b>		
Purchases of Equipment	-	(2,574)
Reinvestment of Interest	(36,482)	(17,358)
Proceeds from Sales of Investments	-	691,723
Purchases of Investments	(1,005,174)	-
Net Cash Provided / (Used) by Investing Activities	(1,041,656)	671,791
Net Increase / (Decrease) in Cash & Cash Equivalents	(987,503)	219,972
<b>Cash &amp; Cash Equivalents at:</b>		
Beginning of Year	3,420,470	3,200,498
End of Year	\$ 2,432,967	\$ 3,420,470

The Accompanying Notes are an Integral Part of the Financial Statements

## AUTISM RESEARCH INSTITUTE

Notes to Financial Statements

Year Ended December 31, 2013

### 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:

- Conducting, funding, and facilitating cutting-edge research on effective treatments.
- Funding state-of-the-art treatments that can help individuals on the autism spectrum today.
- Maintaining two websites, autism.com and autism.org, which are the Internet's largest resource for biomedical and educational information on autism. 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.
- Sponsoring major conferences and internet webinars.
- Compiling parent surveys to determine which treatments for autism are beneficial and which are ineffective or even harmful.
- Publishing several e-newsletters and a quarterly (hardcopy) research review newsletter.
- Creating and "growing" a powerful network of parents and professionals involved in identifying and exploring new treatment avenues.
- Sponsoring think tanks involving researchers and experienced clinicians.
- Signing formal agreements with other autism organizations 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 an online course to provide training to parents and professionals on an adult daily living curriculum.
- 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 Accounting:* The accompanying financial statements are prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

*Fund Accounting:* To ensure observance of limitations and restrictions placed on the use of available resources, the accounts of ARI are maintained in accordance with the principles of fund accounting. Under such principles, resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with specified activities or objectives.



**AUTISM RESEARCH INSTITUTE**  
Notes to Financial Statements  
Year Ended December 31, 2013

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

ARI also prepares financial statements in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205 and subsections. Under ASC 958-205, 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, 2013.

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.

Fair Value Measurements: ARI measures fair value in accordance with ASC Topic 820, Fair Value Measurement. ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 establishes 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 measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

**Level 1:** Quoted prices in active markets for identical securities.

**Level 2:** Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayments, spreads, credit risk, etc.).

**Level 3:** Significant unobservable inputs (including ARI's own assumptions in determining the fair value of investments).

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, 2013 amounted to \$9,405.

**AUTISM RESEARCH INSTITUTE**  
Notes to Financial Statements  
Year Ended December 31, 2013

**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.

Grants payable: Research grants made by ARI to other organizations are recorded as grant expense in the period such grants have been approved and grant recipients are notified about the award.

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, 2012 from which the summarized information was derived.

Date of Management Review: ARI's management has evaluated subsequent events through September 12, 2014, 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, 2013

**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, 2013, cash and cash equivalents consisted of the following:

Petty Cash	\$	500
Cash in Checking Accounts		710,161
Cash in Savings Accounts		273,715
Bank Deposit Sweep		1,448,591
Total	\$	<u>2,432,967</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, 2013, ARI's uninsured cash balance at JPMorgan Chase Bank, N.A. was \$721,622. 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, 2013, ARI's uninsured cash balance at Wells Fargo Advisors is \$698,591. Cash and cash equivalents held at Charles Schwab are included in investments in the accompanying financial statements (see note 6). The total held in three accounts is \$612,148, of which \$362,148 are uninsured by the 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.

**AUTISM RESEARCH INSTITUTE**  
Notes to Financial Statements  
Year Ended December 31, 2013

**Note 6. Investments (continued)**

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, 2013, investments consisted of the following:

	<u>Cost</u>	<u>Fair Value</u>
Charles Schwab		
Cash and cash equivalent held for long-term investments	\$ 612,148	\$ 612,148
Equities	187,008	192,841
EFT and other assets	201,685	202,825
American Century Investments, 52% stocks, 46% bonds, 2% money market	559,405	557,657
Wells Fargo Advisors (stocks)	7,378	7,538
Total	<u>\$ 1,567,624</u>	<u>\$ 1,573,009</u>

**Note 7. Temporarily Restricted Net Assets**

Temporarily restricted net assets at December 31, 2013 are restricted as follows:

AGI Residential Curriculum Project	\$ 10,732
Oxalate Study	4,600
Global Autism Collaboration	<u>7,725</u>
Total	<u>\$ 23,057</u>

**Note 8. 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, 2013.

**AUTISM RESEARCH INSTITUTE**  
Notes to Financial Statements  
Year Ended December 31, 2013

**Note 8.        Operating Leases (continued)**

- Office space at 4202 Adams Avenue under for 25 month agreement at \$1,350 per month. The lease ended in November 2013. The total rent expense for the year ended December 31, 2013 is \$13,015.
- Storage space under a month to month agreement. The monthly rent is \$690 for a total of \$8,280 for the year ended December 31, 2013.
- A copy machine under a 63 month lease starting May 2013 at a monthly base amount of \$419 plus tax. The future minimum payments on the copy machine lease are as follows:

Year Ending December 31,		
2014	\$	5,566
2015		5,566
2016		5,566
2017		5,566
2018		3,247
Total	\$	<u>25,509</u>

**Note 9.        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, 2013.

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

**Note 10.       Concentration of Contributions**

During the year ended December 31, 2013, ARI received approximately 49% of its total support and revenue from two donors including \$500,000 contribution from an unrelated organization and \$300,000 from a member of the Board of Directors.

**Note 11.       Service Contracts and Related Party Transactions**

An employment agreement for the Executive Director services with Dr. Stephen Edelson was renewed on December 18, 2012. According to the agreement, the term of employment is two years commencing January 1, 2013 through December 31, 2014. The annual compensation under the agreement is \$160,425, plus \$10,000 for a) disability insurance, b) a more comprehensive health insurance, and c) 401 (K) retirement fund.

**AUTISM RESEARCH INSTITUTE**  
Notes to Financial Statements  
Year Ended December 31, 2013

**Note 11.      Service Contracts and Related Party Transactions (continued)**

During the year ended December 31, 2013, Autistic Global Initiative program director, Dr. Valerie Paradiz, was related by marriage to the Executive Director. The program director, with the Board of Directors' approval, received employment compensation totaling \$113,700, independent contractor compensation totaling \$3,000 and office expense reimbursement of \$2,742 for 2013.

A contractor related to the Executive Director has provided translation services to ARI during the year. The compensation for 2013 is \$1,800.