

SOUTHWEST AUTISM RESEARCH AND
RESOURCE CENTER

Phoenix, Arizona

FINANCIAL STATEMENTS

Year Ended December 31, 2013





HENRY & HORNE, LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Southwest Autism Research and Resource Center
Phoenix, Arizona

Report on the Financial Statements

We have audited the accompanying financial statements of Southwest Autism Research and Resource Center (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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Southwest Autism Research and Resource Center as of December 31, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Henry + Home, LLP

Tempe, Arizona
September 22, 2014

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER
STATEMENT OF FINANCIAL POSITION
December 31, 2013

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 2,957,152
Promises to give, current portion	1,560,298
Contracts receivable, net of allowance	571,510
Prepaid expenses and other assets	<u>126,467</u>

TOTAL CURRENT ASSETS 5,215,427

PROMISES TO GIVE, net of current portion,
unamortized discount and allowance for
uncollectible promises

293,489

INVESTMENTS

2,667,383

INVESTMENTS HELD BY THE ARIZONA
COMMUNITY FOUNDATION

316,573

OTHER INVESTMENTS

48,200

PROPERTY AND EQUIPMENT, net

5,083,802

TOTAL ASSETS \$ 13,624,874

LIABILITIES

CURRENT LIABILITIES

Accounts payable	\$ 107,537
Accrued expenses	416,817
Deferred revenue	<u>130,899</u>

TOTAL CURRENT LIABILITIES 655,253

FORGIVABLE LOAN

106,305

TOTAL LIABILITIES 761,558

NET ASSETS

Unrestricted	7,145,382
Temporarily restricted	3,087,934
Permanently restricted	<u>2,630,000</u>

TOTAL NET ASSETS 12,863,316

TOTAL LIABILITIES AND NET ASSETS \$ 13,624,874

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SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER
STATEMENT OF ACTIVITIES
Year Ended December 31, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
SUPPORT AND REVENUES				
Contract revenue	\$ 3,629,971	\$ -	\$ -	\$ 3,629,971
Contributions - foundations and corporations	373,252	-	-	373,252
Contributions - individuals	335,883	-	-	335,883
Special events contributions	424,903	1,021,887	-	1,446,790
In-kind support	162,499	-	-	162,499
Miscellaneous revenue	42,260	-	-	42,260
Investment income	(36,233)	275,856	-	239,623
Net assets released from restrictions	<u>1,176,577</u>	<u>(1,176,577)</u>	<u>-</u>	<u>-</u>
TOTAL SUPPORT AND REVENUES	<u>6,109,112</u>	<u>121,166</u>	<u>-</u>	<u>6,230,278</u>
EXPENSES				
Programs Services				
Research	869,972	-	-	869,972
Community outreach	2,376,042	-	-	2,376,042
Vocational center	932,429	-	-	932,429
Social enterprise program	<u>171,946</u>	<u>-</u>	<u>-</u>	<u>171,946</u>
	<u>4,350,389</u>	<u>-</u>	<u>-</u>	<u>4,350,389</u>
Support Services				
Management and General	983,724	-	-	983,724
Fundraising	<u>855,906</u>	<u>-</u>	<u>-</u>	<u>855,906</u>
	<u>1,839,630</u>	<u>-</u>	<u>-</u>	<u>1,839,630</u>
TOTAL EXPENSES	<u>6,190,019</u>	<u>-</u>	<u>-</u>	<u>6,190,019</u>
CHANGE IN NET ASSETS	<u>(80,907)</u>	<u>121,166</u>	<u>-</u>	<u>40,259</u>
NET ASSETS, BEGINNING OF YEAR	<u>7,226,289</u>	<u>2,966,768</u>	<u>2,630,000</u>	<u>12,823,057</u>
NET ASSETS, END OF YEAR	<u><u>\$ 7,145,382</u></u>	<u><u>\$ 3,087,934</u></u>	<u><u>\$ 2,630,000</u></u>	<u><u>\$ 12,863,316</u></u>

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2013

	Program Services				
	Research	Community Outreach	Vocational Center	Social Enterprise	Total Program
Salaries and wages	\$ 440,932	\$ 1,490,858	\$ 615,917	\$ 130,451	\$ 2,678,158
Payroll taxes	29,874	110,535	43,816	7,771	191,996
Employee benefits	39,294	206,627	72,247	4,491	322,659
Total personnel costs	<u>510,100</u>	<u>1,808,020</u>	<u>731,980</u>	<u>142,713</u>	<u>3,192,813</u>
Contract labor	101,610	6,728	6,920	-	115,258
Professional services	338	118,925	2,925	185	122,373
Travel	2,304	70,242	16,540	573	89,659
Occupancy and communication	26,848	99,509	39,722	9,682	175,761
Postage, supplies, and printing	1,288	17,190	2,099	1,841	22,418
Marketing and subscriptions	538	7,755	2,800	129	11,222
Staff development	2,728	16,465	4,574	-	23,767
Program supplies and other expenses	45,790	31,566	50,077	4,066	131,499
Other operational services	514	4,266	2,319	558	7,657
Insurance	35,170	27,370	-	-	62,540
Special events venue and meals	-	-	-	-	-
Interest expense	24	-	-	-	24
Bad debt expense	90,000	-	10	-	90,010
Total functional expenses before in-kind and depreciation expenses	<u>817,252</u>	<u>2,208,036</u>	<u>859,966</u>	<u>159,747</u>	<u>4,045,001</u>
In-kind expenses	<u>8,588</u>	<u>12,140</u>	<u>9,554</u>	<u>-</u>	<u>30,282</u>
Total expenses before depreciation	<u>825,840</u>	<u>2,220,176</u>	<u>869,520</u>	<u>159,747</u>	<u>4,075,283</u>
Depreciation	<u>44,132</u>	<u>155,866</u>	<u>62,909</u>	<u>12,199</u>	<u>275,106</u>
TOTAL EXPENSES	<u><u>\$ 869,972</u></u>	<u><u>\$ 2,376,042</u></u>	<u><u>\$ 932,429</u></u>	<u><u>\$ 171,946</u></u>	<u><u>\$ 4,350,389</u></u>

<u>Supporting Services</u>		
<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
\$ 496,501	\$ 297,051	\$ 3,471,710
34,864	19,837	246,697
<u>137,557</u>	<u>31,860</u>	<u>492,076</u>
<u>668,922</u>	<u>348,748</u>	<u>4,210,483</u>
47,103	-	162,361
34,747	50,738	207,858
5,212	7,989	102,860
30,006	23,439	229,206
26,438	11,448	60,304
4,153	3,789	19,164
982	808	25,557
15,002	40,325	186,826
52,058	767	60,482
6,151	10,545	79,236
-	150,778	150,778
1,667	-	1,691
<u>20</u>	<u>84,171</u>	<u>174,201</u>
892,461	733,545	5,671,007
<u>40,292</u>	<u>91,926</u>	<u>162,500</u>
932,753	825,471	5,833,507
<u>50,971</u>	<u>30,435</u>	<u>356,512</u>
<u>\$ 983,724</u>	<u>\$ 855,906</u>	<u>\$ 6,190,019</u>

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER
STATEMENT OF CASH FLOWS
Year Ended December 31, 2013

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 40,259
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	356,512
Net realized/unrealized gain on investments	(182,631)
Net unrealized loss on other investments	18,282
Changes in allowance for doubtful accounts for contracts receivable	82,919
Changes in allowance for doubtful accounts for promises to give	48,900
Changes in promise to give discount	5,438
Changes in operating assets and liabilities:	
(Increase) in:	
Contracts receivable	(191,318)
Promises to give	(49,464)
Prepaid expenses and other assets	(18,212)
Increase (decrease) in:	
Accounts payable	(2,973)
Accrued expenses	72,193
Deferred revenue	43,398
	<u>223,303</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	
	<u>223,303</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of property and equipment	(21,583)
Purchases of investments	(2,676,872)
Proceeds from sales of investments	2,636,751
	<u>(61,704)</u>
NET CASH USED BY INVESTING ACTIVITIES	
	<u>(61,704)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Payments on note payable	(100,000)
	<u>(100,000)</u>
NET INCREASE IN CASH	61,599
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>2,895,553</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 2,957,152</u></u>

See accompanying notes.

SUPPLEMENTAL DISCLOSURE OF CASH FLOW
INFORMATION

Cash paid for interest expense

\$ 1,691

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SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES

Southwest Autism Research and Resource Center ("the Center") is incorporated as a nonprofit corporation in the State of Arizona. Founded in 1997, the Center has a mission designed to advance research and provide a lifetime of support for individuals with autism and their families.

The Center provides several programs to further its mission, including but not limited to the following:

Research – Through the research program, the Center performs self-directed research, including genetic studies and pharmaceutical trials, and serves as a satellite site for national and international projects. The Center continues to excel as a top recruitment site for autism research studies that will help identify the causes and effective treatments for the disorder.

Community Outreach – The Center models and promotes best practices that enhance the quality of life for children and adults with autism spectrum disorders through outreach and education, empowering children, families, and professionals with information training, and programs. The Center provides research, individualized intervention, and educational experiences to children, teens, and adults with autism spectrum disorders. The Center also provides support services to parents, family members, typical peers and community members, as well as training and education to educational and medical professionals.

Vocational Center – The Vocational & Life Skills Academy was established by the Center to maximize the independence, productivity, and quality of life of young adults and adults with autism and related developmental disorders.

Social Enterprise – The social enterprise program is committed to creating sustainable businesses owned by the Center that increase community awareness and employment opportunities for adults with autism.

Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

Cash and Cash Equivalents

For the purpose of the statements of cash flows, the Center considers all highly liquid debt instruments with an original maturity of three months or less at date of acquisition to be cash equivalents. Cash and money market funds held in accounts with stock brokerage firms are reported as investments instead of cash because they are considered to be part of the investment pool.

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (Continued)

Contracts Receivable

Contracts receivable consist of amounts due for contract services and are stated at the amount management expects to collect under the terms of the service contracts and agreements. Accounts receivable are carried at the outstanding balances less an allowance for doubtful accounts, if applicable. Management evaluates the collectability of its contracts receivable based on a combination of factors, including an assessment of the current status of individual contracts and a historical percentage of uncollectible amounts. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance. Allowance for doubtful accounts was \$114,501 for the year ended December 31, 2013.

Promises to Give

Unconditional promises to give are recognized as revenues in the period the promise is received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give that are to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using rates as determined by management applicable to the years in which the promises are received. Amortization of the discounts is included in contributions. In circumstances where it is aware of a specific amount where there may be an inability to meet the financial obligation, and for balances for which a scheduled payment was not received in the prior year, the Center records a specific reserve to reduce the amounts recorded to what it believes will be collected. Promises are charged off against the allowance when they are deemed to be uncollectible.

Fair Value Measurements

A framework for measuring fair value has been established by the Accounting Standards Codification and provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (Continued)

The three levels of the fair value hierarchy are as follows:

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

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement, and usually reflect the Center's own assumptions about the assumptions that market participants would use in pricing the assets (i.e. real estate valuations, broker quotes).

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs.

Investments

Investments are measured at fair value in the statement of financial position. Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) are recognized in the statement of activities.

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (Continued)

Property and Equipment

Acquisitions of property and equipment in excess of \$500 are capitalized. Property and equipment are stated at cost or, if donated, at the approximate fair value at the date of donation. Depreciation of buildings and equipment is calculated using the straight-line method over the estimated useful lives of the respective assets.

Major additions and improvements are capitalized. Maintenance and repairs are expensed as incurred. When assets are retired or otherwise disposed of, the related costs and accumulated depreciation are removed from the accounts and gains and losses are included in operations.

Impairment of Long-Lived Assets

The Center reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

Endowment Funds

The Center's endowments consist of funds established to support a variety of charitable efforts of the Center. Its endowments consist of donor-restricted endowment funds. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. Income from the endowment fund assets can be used to support general activities of the Center.

The Center follows Arizona's Management of Charitable Funds Act (MCFA) and its own governing documents. MCFA requires the preservation of endowment funds when a donor's intent is not expressed. MCFA directs the Center to spend an amount that is prudent, consistent with the purposes of the fund, relevant economic factors and the donor's intent that the fund continue in perpetuity.

The Center classifies in permanently restricted funds (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund not classified as permanently restricted is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Center's Board.

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (Continued)

Endowment Funds (Continued)

In accordance with MCFA, the Center considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) the Center's other resources, and (7) the Center's investment policies.

Return Objectives, Risk Parameters and Spending Policy. The Center has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to the programs supported by the endowments while also maintaining the purchasing power of those endowment assets over the long term. The endowment assets are invested in a manner that is intended emphasize long-term capital appreciation with consideration for current income to provide liquidity as needed. The investment objective is to achieve a 4%-6% real rate of return over a market cycle (5 or more years). Amounts are currently not being appropriated for expenditure from endowment funds as per board resolution.

Revenue Recognition for Program Services

Program service revenues consist of fees earned for research trials and services provided to various clients for various programs as well as cost reimbursement governmental grants. Program service fees are recognized when services are rendered. Income from program services that is collected in advance is recorded as deferred revenue and recognized as the related qualifying expenditures are incurred or as services are performed.

Contributions

Contributions and grants, including promises to give, are received and recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. When a donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily or permanently restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Center reports the support as unrestricted.

Donated Services

Donated services are recorded at their estimated fair value if they require specialized skills that the Center would normally purchase if not provided by donation. No amounts have been reflected in the financial statements for certain donated volunteer services because they did not qualify for recording under the generally accepted accounting principle guidelines.

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (Continued)

Functional Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The costs are allocated based on square footage, number of employees or actual units utilized and time studies.

Income Tax Status

Southwest Autism Research and Resource Center qualifies as a tax exempt organization under Section 501(c)(3) of the Internal Revenue Code (the Code), and accordingly, there is no provision for corporate income taxes in the accompanying financial statements. In addition, the Center qualifies for the charitable contribution deduction under Section 170 of the Code and has been classified as an organization that is not a private foundation. Income determined to be unrelated business taxable income (UBTI) would be taxable.

The Center follows accounting standards for uncertainty in income taxes, which require that tax positions initially need to be recognized in the financial statements when it is more likely-than-not that the positions will not be sustained upon examination by the tax authorities. As of December 31, 2013, the Center had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

The Center's federal and state exempt returns are no longer subject to examination by the Internal Revenue Service and the State of Arizona for fiscal years prior to 2010 and 2009, respectively, generally three to four years after they were filed.

The Center recognizes interest and penalties associated with income tax in operating expenses. During the year ended December 31, 2013, the Center did not have any income tax related interest and penalty expense.

Management's Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from these estimates.

Date of Management's Review

In preparing these financial statements, the Center has evaluated events and transactions for potential recognition or disclosure through September 22, 2014, the date the financial statements were available to be issued.

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2013

NOTE 2 CONCENTRATION OF CREDIT RISK

Financial instruments that subject the Center to potential concentrations of credit risk consist principally of cash and cash equivalents, contracts receivable, and promises to give. The Center maintains its cash in bank accounts with financial institutions which at times may exceed federally insured limits. As of December 31, 2013, the Center's bank balances exceeded federally insured limits by approximately \$2,483,000. The Center has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash balances.

Gross promises to give include amounts from three donors which make up 66% of total gross promises to give at December 31, 2013. Gross contracts receivable include amounts from two contractors which make up 38% of total gross contracts receivable at December 31, 2013. Concentrations of credit risk with respect to promises to give is limited due to the collection history and relationships with these donors.

NOTE 3 PROMISES TO GIVE

Promises to give consist of the following unconditional promises to give at December 31, 2013:

Receivable in less than one year	\$ 1,560,298
Receivable in two to five years	589,406
Receivable in more than five years	<u>16,800</u>
Total promises to give	2,166,504
Discount to present value	(25,603)
Allowance for uncollectible promises	<u>(287,114)</u>
Net promises to give	1,853,787
Current portion	<u>(1,560,298)</u>
Non-current portion	<u><u>\$ 293,489</u></u>

The estimated cash flows for promises to give were discounted over the collection period using a discount range of .76% to 2.2% as determined by management.

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 4 INVESTMENTS

Investments consist of the following at December 31, 2013:

Cash and money market	\$ 38,797
Fixed income funds	786,249
Equity funds	1,842,337
Preferred stock	48,200
Arizona Community Foundation	<u>316,573</u>
 Total investments	 <u><u>\$ 3,032,156</u></u>

Investment income is summarized as follows for the year ended December 31, 2013:

Interest and dividends	\$ 73,918
Realized investment gain- investments	109,810
Unrealized investment gain - investments	74,177
Unrealized investment loss - other investments	<u>(18,282)</u>
 Investment income	 <u><u>\$ 239,623</u></u>

NOTE 5 FAIR VALUE MEASUREMENTS

The following table presents assets measured at fair value on a recurring basis by classification within the fair value hierarchy as of December 31, 2013:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and money market	\$ 38,797	\$ -	\$ -	\$ 38,797
Fixed income funds	786,249	-	-	786,249
Equity funds	1,842,337	-	-	1,842,337
Preferred stock	-	48,200	-	48,200
Arizona Community Foundation	<u>-</u>	<u>-</u>	<u>316,573</u>	<u>316,573</u>
 Total assets at fair value	 <u><u>\$2,667,383</u></u>	 <u><u>\$ 48,200</u></u>	 <u><u>\$ 316,573</u></u>	 <u><u>\$3,032,156</u></u>

Investments with readily determinable fair values are measured at fair value in the statement of financial position as determined by quoted market prices in active markets (Level 1). Investments in preferred stock are valued based on observable inputs, which include statements provided by the issuers of the preferred stock (Level 2). Investments in hedge funds and private equity funds with the Arizona Community Foundation (ACF) are valued based on unobservable inputs, which include the fair value of the underlying assets held by ACF and the Center's percentage interest in ACF's investments (Level 3).

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 5 FAIR VALUE MEASUREMENTS (continued)

The following is a reconciliation of beginning and ending balances of assets measured at fair value on a recurring basis using significant unobservable (Level 3) inputs during the year ended December 31, 2013:

Balance, December 31, 2012	\$ 268,153
Realized and unrealized gains	<u>48,420</u>
Balance, December 31, 2013	<u><u>\$ 316,573</u></u>

NOTE 6 PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2013:

Land	\$ 821,969
Buildings and improvements	5,498,794
Vehicles	76,041
Office furniture and equipment	<u>710,340</u>
	7,107,144
Accumulated depreciation and amortization	<u>(2,023,342)</u>
	<u><u>\$ 5,083,802</u></u>

Depreciation expense was \$356,512 for the year ended December 31, 2013.

NOTE 7 FORGIVABLE LOAN

During the year ended December 31, 2009, the Center executed a note payable in the amount available of \$140,000 with the City of Phoenix with \$106,305 outstanding at December 31, 2013. The loan carries an interest rate of zero percent. The loan is secured by a ten-year lien on real property. The loan is forgivable in amounts equal to 20% of the outstanding balance annually, beginning in June 2017, and is expected to mature in June 2021.

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2013

NOTE 8 RESTRICTED NET ASSETS

Restricted net assets consist of the following at December 31, 2013:

Temporarily restricted:

Time restricted:

Promises to give	\$ 1,354,014
Portion of endowment funds subject to time restriction under MCFA	353,956

Purpose restricted:

Capital	330,804
Development	8,725
Social enterprise Program	34,567
Research	135,917
Vocational	291,093
	79,085

Time and purpose restricted:

Social enterprise Program	48,865
Research	170,908
Vocational	250,000
	<u>30,000</u>

Total temporarily restricted \$ 3,087,934

Permanently restricted:

Donor restricted endowment funds \$ 2,630,000

NOTE 9 ENDOWMENT FUNDS

Endowment funds are included in investments and investments held by the Arizona Community Foundation.

Endowment net asset composition as of December 31, 2013 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted endowment funds	<u>\$ -</u>	<u>\$ 353,956</u>	<u>\$2,630,000</u>	<u>\$2,983,956</u>

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER
NOTES TO FINANCIAL STATEMENTS
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NOTE 9 ENDOWMENT FUNDS (continued)

Changes in endowment net assets for the year ended December 31, 2013 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, December 31, 2012	\$ -	\$ 131,204	\$ 2,630,000	\$ 2,761,204
Realized and unrealized gains		182,631	-	182,631
Interest income		73,918	-	73,918
Investment fees		<u>(33,797)</u>	<u>-</u>	<u>(33,797)</u>
 Endowment net assets, December 31, 2013	 <u>\$ -</u>	 <u>\$ 353,956</u>	 <u>\$ 2,630,000</u>	 <u>\$ 2,983,956</u>

NOTE 10 RETIREMENT PLAN

The Center sponsors a 401(k) retirement plan (“the Plan”) for its eligible employees. Under the terms of the Plan, employees may make voluntary contributions, subject to Internal Revenue Service limitations. The Center matches 50% of the employee contributions up to a maximum of 3% of eligible compensation subject to certain eligibility criteria as stated in the Plan document. The Center recorded contribution expense of \$59,459 during the year ended December 31, 2013.

NOTE 11 DONATED SERVICES

Donated services for the year ended December 31, 2013 are as follows:

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Advisory and public relations services	\$ 22,266	\$ 20,447	\$ 84,028	\$ 126,741
Legal and professional fees	<u>11,135</u>	<u>16,725</u>	<u>7,898</u>	<u>35,758</u>
 Total in-kind services	 <u>\$ 33,401</u>	 <u>\$ 37,172</u>	 <u>\$ 91,926</u>	 <u>\$ 162,499</u>

No amounts have been reflected in the financial statements for certain donated volunteer services because they did not qualify for recording under the generally accepted accounting principle guidelines.

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 12 OPERATING LEASES

The Center leases office and building equipment under operating lease agreements that expire at various dates through March 2021. This includes a lease to provide a solar energy source to the Center for an agreed upon annual expense. Minimum future payments under these non-cancelable operating leases as of December 31, 2013, are as follows:

<u>Years Ending December 31,</u>	
2014	\$ 32,107
2015	31,407
2016	22,503
2017	22,503
2018	22,503
Thereafter	<u>49,698</u>
	<u>\$ 180,721</u>

Total rental expense under these leases and month-to-month office equipment leases was approximately \$39,000 during the year ended December 31, 2013.

NOTE 13 RELATED PARTY TRANSACTIONS

Beginning in 2006, the Center invested endowed funds with a community foundation. The Center's co-founder is a member of the community foundation's Board of Directors and does not participate in decisions directly related to the Center.

The Center's chairman of the Board of Directors and member of the Executive Committee is a partner in the law firm that the Center has used as legal counsel since 2001. Legal services provided by the board member to the Center are pro bono and reimbursable costs relate to paralegal work and filing and registration fees resulting from the pro bono work. During the year ended December 31, 2013, the services provided were valued at approximately \$7,600. This amount is recorded as in-kind revenue and expense on the statement of activities.

One of the Center's founders provides in-kind advisory and public relations services to the Center. During the year ended December 31, 2013, the services provided were valued at approximately \$122,000. This amount is recorded as in-kind revenue and expense on the statement of activities.

One of the Center's founders operates a clinic that provides services to the Center. During the year ended December 31, 2013, these services totaled approximately \$136,000 and were paid by the Center. In-kind services valued at approximately \$7,800 were also provided to the Center during the year ended December 31, 2013. This amount is recorded as in-kind revenue and expense on the statement of activities.