

SOUTHWEST AUTISM RESEARCH AND
RESOURCE CENTER

Phoenix, Arizona

FINANCIAL STATEMENTS

Years Ended December 31, 2014 and 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 statements of financial position as of December 31, 2014 and 2013, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits 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, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Henry + Home, LLP

Tempe, Arizona

June 17, 2015

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER
 STATEMENTS OF FINANCIAL POSITION
 December 31, 2014 and 2013

ASSETS	2014	2013
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,209,159	\$ 2,957,152
Promises to give, current portion	1,527,373	1,560,298
Contracts receivable, net of allowance of doubtful accounts	659,189	571,510
Prepaid expenses and other assets	111,837	126,467
TOTAL CURRENT ASSETS	4,507,558	5,215,427
PROMISES TO GIVE, net of current portion, unamortized discount and allowance for uncollectible promises	47,778	293,489
INVESTMENTS	4,014,018	2,667,383
INVESTMENTS HELD BY THE ARIZONA COMMUNITY FOUNDATION	328,754	316,573
OTHER INVESTMENTS	48,200	48,200
PROPERTY AND EQUIPMENT, net	4,776,908	5,083,802
TOTAL ASSETS	\$ 13,723,216	\$ 13,624,874
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 78,710	\$ 107,537
Accrued expenses	390,181	416,817
Deferred revenue	80,470	130,899
TOTAL CURRENT LIABILITIES	549,361	655,253
FORGIVABLE LOAN	106,305	106,305
TOTAL LIABILITIES	655,666	761,558
NET ASSETS		
Unrestricted	7,475,727	7,145,382
Temporarily restricted	2,961,823	3,087,934
Permanently restricted	2,630,000	2,630,000
TOTAL NET ASSETS	13,067,550	12,863,316
TOTAL LIABILITIES AND NET ASSETS	\$ 13,723,216	\$ 13,624,874

See accompanying notes.

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2014 and 2013

	2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUES				
Contract revenue	\$ 3,802,047	\$ -	\$ -	\$ 3,802,047
Contributions - foundations and corporations	572,143	191,583	-	763,726
Contributions - individuals	295,787	100,000	-	395,787
Special events contributions	53,523	1,635,385	-	1,688,908
In-kind support	257,984	-	-	257,984
Miscellaneous revenue	56,158	-	-	56,158
Investment income	106,701	41,712	-	148,413
Net assets released from restrictions	2,094,791	(2,094,791)	-	-
	<u>7,239,134</u>	<u>(126,111)</u>	<u>-</u>	<u>7,113,023</u>
Special events revenue	150,050	-	-	150,050
Direct donor benefits	(35,355)	-	-	(35,355)
	<u>114,695</u>	<u>-</u>	<u>-</u>	<u>114,695</u>
TOTAL SUPPORT AND REVENUES	<u>7,353,829</u>	<u>(126,111)</u>	<u>-</u>	<u>7,227,718</u>
EXPENSES				
Program Services				
Research	835,106	-	-	835,106
Community outreach	2,809,186	-	-	2,809,186
Vocational center	750,244	-	-	750,244
Social enterprise program	337,708	-	-	337,708
	<u>4,732,244</u>	<u>-</u>	<u>-</u>	<u>4,732,244</u>
Support Services				
Management and general	1,297,109	-	-	1,297,109
Fundraising	994,131	-	-	994,131
	<u>2,291,240</u>	<u>-</u>	<u>-</u>	<u>2,291,240</u>
TOTAL EXPENSES	<u>7,023,484</u>	<u>-</u>	<u>-</u>	<u>7,023,484</u>
CHANGE IN NET ASSETS	<u>330,345</u>	<u>(126,111)</u>	<u>-</u>	<u>204,234</u>
NET ASSETS, BEGINNING OF YEAR	<u>7,145,382</u>	<u>3,087,934</u>	<u>2,630,000</u>	<u>12,863,316</u>
NET ASSETS, END OF YEAR	<u>\$ 7,475,727</u>	<u>\$ 2,961,823</u>	<u>\$ 2,630,000</u>	<u>\$ 13,067,550</u>

See accompanying notes.

2013

Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 3,629,971	\$ -	\$ -	\$ 3,629,971
373,252	-	-	373,252
335,883	-	-	335,883
424,903	1,021,887	-	1,446,790
162,499	-	-	162,499
42,260	-	-	42,260
(36,233)	275,856	-	239,623
<u>1,176,577</u>	<u>(1,176,577)</u>	<u>-</u>	<u>-</u>
<u>6,109,112</u>	<u>121,166</u>	<u>-</u>	<u>6,230,278</u>
-	-	-	-
-	-	-	-
-	-	-	-
<u>6,109,112</u>	<u>121,166</u>	<u>-</u>	<u>6,230,278</u>
869,972	-	-	869,972
2,376,042	-	-	2,376,042
932,429	-	-	932,429
171,946	-	-	171,946
<u>4,350,389</u>	<u>-</u>	<u>-</u>	<u>4,350,389</u>
983,726	-	-	983,726
855,904	-	-	855,904
<u>1,839,630</u>	<u>-</u>	<u>-</u>	<u>1,839,630</u>
<u>6,190,019</u>	<u>-</u>	<u>-</u>	<u>6,190,019</u>
<u>(80,907)</u>	<u>121,166</u>	<u>-</u>	<u>40,259</u>
<u>7,226,289</u>	<u>2,966,768</u>	<u>2,630,000</u>	<u>12,823,057</u>
<u>\$ 7,145,382</u>	<u>\$ 3,087,934</u>	<u>\$ 2,630,000</u>	<u>\$ 12,863,316</u>

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2014

	<u>Program Services</u>		
	<u>Research</u>	<u>Community Outreach</u>	<u>Vocational Center</u>
Salaries and wages	\$ 454,774	\$ 1,817,161	\$ 527,775
Payroll taxes	31,508	129,437	38,441
Employee benefits	43,070	257,690	48,984
Total personnel costs	<u>529,352</u>	<u>2,204,288</u>	<u>615,200</u>
Contract labor	120,160	5,875	-
Professional services	2,700	97,730	11,907
Travel	6,642	86,465	14,357
Occupancy and communication	24,359	97,551	29,549
Postage, supplies, and printing	1,362	20,130	1,310
Marketing and subscriptions	694	33,212	6,362
Staff development	2,087	13,390	4,491
Program supplies and other expenses	46,193	68,560	15,953
Other operational services	1,482	9,208	294
Insurance	37,309	-	-
Special events venue and meals	-	-	-
Interest expense	-	-	-
Bad debt expense	-	10,871	-
Total functional expenses before in-kind and depreciation expenses	<u>772,340</u>	<u>2,647,280</u>	<u>699,423</u>
In-kind expenses	<u>22,648</u>	<u>4,384</u>	<u>3,320</u>
Total expenses before depreciation	794,988	2,651,664	702,743
Depreciation	<u>40,118</u>	<u>157,522</u>	<u>47,501</u>
TOTAL EXPENSES	<u><u>\$ 835,106</u></u>	<u><u>\$ 2,809,186</u></u>	<u><u>\$ 750,244</u></u>

See accompanying notes.

Program Services		Supporting Services		
Social Enterprise	Total Program	Management and General	Fundraising	Total
\$ 231,043	\$ 3,030,753	\$ 623,008	\$ 292,460	\$ 3,946,221
16,470	215,856	49,955	21,056	286,867
29,778	379,522	174,456	25,952	579,930
<u>277,291</u>	<u>3,626,131</u>	<u>847,419</u>	<u>339,468</u>	<u>4,813,018</u>
2,206	128,241	62,198	16,492	206,931
2,696	115,033	40,676	51,240	206,949
2,993	110,457	9,006	11,706	131,169
14,720	166,179	39,225	22,089	227,493
1,868	24,670	29,044	34,992	88,706
297	40,565	4,338	27,297	72,200
-	19,968	5,636	1,832	27,436
12,036	142,742	21,342	38,569	202,653
2,170	13,154	77,021	603	90,778
-	37,309	35,460	795	73,564
-	-	-	163,213	163,213
-	-	(1,312)	-	(1,312)
-	10,871	-	108,667	119,538
<u>316,277</u>	<u>4,435,320</u>	<u>1,170,053</u>	<u>816,963</u>	<u>6,422,336</u>
<u>1,625</u>	<u>31,977</u>	<u>72,909</u>	<u>151,473</u>	<u>256,359</u>
317,902	4,467,297	1,242,962	968,436	6,678,695
<u>19,806</u>	<u>264,947</u>	<u>54,147</u>	<u>25,695</u>	<u>344,789</u>
<u><u>\$ 337,708</u></u>	<u><u>\$ 4,732,244</u></u>	<u><u>\$ 1,297,109</u></u>	<u><u>\$ 994,131</u></u>	<u><u>\$ 7,023,484</u></u>

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

	Program Services		
	Research	Community Outreach	Vocational Center
Salaries and wages	\$ 440,932	\$ 1,490,858	\$ 615,917
Payroll taxes	29,874	110,535	43,816
Employee benefits	39,294	206,627	72,247
Total personnel costs	<u>510,100</u>	<u>1,808,020</u>	<u>731,980</u>
Contract labor	101,610	6,728	6,920
Professional services	338	118,925	2,925
Business and travel	2,304	70,242	16,540
Occupancy and communication	26,848	99,509	39,722
Postage, supplies, and printing	1,288	17,190	2,099
Marketing and subscriptions	538	7,755	2,800
Staff development	2,728	16,465	4,574
Program supplies and other expenses	45,790	31,566	50,077
Other operational services	514	4,266	2,319
Insurance	35,170	27,370	-
Special events	-	-	-
Interest expense	24	-	-
Bad debt expense	90,000	-	10
Total functional expenses before in-kind and depreciation expenses	<u>817,252</u>	<u>2,208,036</u>	<u>859,966</u>
In-kind	<u>8,588</u>	<u>12,140</u>	<u>9,554</u>
Total functional expenses before depreciation	825,840	2,220,176	869,520
Depreciation	<u>44,132</u>	<u>155,866</u>	<u>62,909</u>
TOTAL FUNCTIONAL EXPENSES	<u>\$ 869,972</u>	<u>\$ 2,376,042</u>	<u>\$ 932,429</u>

See accompanying notes.

Program Services		Supporting Services		
Social Enterprise Program	Total Program	Management and General	Fundraising	Total
\$ 130,451	\$ 2,678,158	\$ 496,501	\$ 297,051	\$ 3,471,710
7,771	191,996	34,864	19,837	246,697
4,491	322,659	137,557	31,860	492,076
<u>142,713</u>	<u>3,192,813</u>	<u>668,922</u>	<u>348,748</u>	<u>4,210,483</u>
-	115,258	47,103	-	162,361
185	122,373	34,747	50,738	207,858
573	89,659	5,212	7,989	102,860
9,682	175,761	30,006	23,439	229,206
1,841	22,418	26,438	11,448	60,304
129	11,222	4,153	3,789	19,164
-	23,767	982	808	25,557
4,066	131,499	15,002	40,325	186,826
558	7,657	52,060	767	60,484
-	62,540	6,151	10,545	79,236
-	-	-	150,776	150,776
-	24	1,667	-	1,691
-	90,010	20	84,171	174,201
<u>159,747</u>	<u>4,045,001</u>	<u>892,463</u>	<u>733,543</u>	<u>5,671,007</u>
<u>-</u>	<u>30,282</u>	<u>40,292</u>	<u>91,926</u>	<u>162,500</u>
159,747	4,075,283	932,755	825,469	5,833,507
<u>12,199</u>	<u>275,106</u>	<u>50,971</u>	<u>30,435</u>	<u>356,512</u>
<u>\$ 171,946</u>	<u>\$ 4,350,389</u>	<u>\$ 983,726</u>	<u>\$ 855,904</u>	<u>\$ 6,190,019</u>

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 204,234	\$ 40,259
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	344,789	356,512
Net realized/unrealized gain on investments	(75,003)	(182,631)
Net unrealized loss on other investments	-	18,282
Changes in allowance for doubtful accounts for contracts receivable	(49,859)	82,919
Changes in allowance for doubtful accounts for promises to give	73,507	48,900
Changes in promise to give discount	-	5,438
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Contracts receivable	(37,820)	(191,318)
Promises to give	205,129	(49,464)
Prepaid expenses and other assets	14,630	(18,212)
Increase (decrease) in:		
Accounts payable	(28,827)	(2,973)
Accrued expenses	(26,636)	72,193
Deferred revenue	(50,429)	43,398
	<u>573,715</u>	<u>223,303</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(37,895)	(21,583)
Purchases of investments	(3,100,591)	(2,676,872)
Proceeds from sales of investments	<u>1,816,778</u>	<u>2,636,751</u>
	<u>(1,321,708)</u>	<u>(61,704)</u>
NET CASH USED IN INVESTING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on note payable	<u>-</u>	<u>(100,000)</u>
NET INCREASE (DECREASE) IN CASH	(747,993)	61,599
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>2,957,152</u>	<u>2,895,553</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 2,209,159</u>	<u>\$ 2,957,152</u>

See accompanying notes.

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 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, 2014 and 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 \$64,642 and \$114,501 for the years ended December 31, 2014 and 2013, respectively.

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, 2014 and 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, 2014 and 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 continues 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, 2014 and 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). With the exception of related investment fees, 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.

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, 2014 and 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. Certain costs have been allocated among the programs and supporting services benefited. Personnel costs are allocated based on actual employee activities, and indirect expenses are allocated based on the percentage of personnel costs in a particular program or area compared to total personnel costs for the Center.

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, 2014, 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 2011 and 2010, 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 years ended December 31, 2014 and 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.

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

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

Date of Management's Review

In preparing these financial statements, the Center has evaluated events and transactions for potential recognition or disclosure through June 17, 2015, the date the financial statements were available to be issued.

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. At December 31, 2014 and 2013, the Center's bank balances exceeded federally insured limits by approximately \$1,778,000 and \$2,483,000, respectively. 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 two donors which make up 48% of total gross promises to give at December 31, 2014, and amounts from three donors which make up 66% of total gross promises to give at December 31, 2013. Gross contracts receivable include amounts from one contractor which make up 12% of total gross contracts receivable at December 31, 2014, and 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 and contracts receivable are limited due to the collection history and relationships with these donors and contractors.

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2014 and 2013

NOTE 3 PROMISES TO GIVE

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

	<u>2014</u>	<u>2013</u>
Receivable in less than one year	\$ 1,527,373	\$ 1,560,298
Receivable in two to five years	425,702	589,406
Receivable in more than five years	<u>8,300</u>	<u>16,800</u>
Total promises to give	1,961,375	2,166,504
Discount to present value	(25,603)	(25,603)
Allowance for uncollectible promises	<u>(360,621)</u>	<u>(287,114)</u>
Net promises to give	1,575,151	1,853,787
Current portion	<u>(1,527,373)</u>	<u>(1,560,298)</u>
Non-current portion	<u>\$ 47,778</u>	<u>\$ 293,489</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, 2014 and 2013

NOTE 4 INVESTMENTS

Investments consist of the following at December 31:

	<u>2014</u>	<u>2013</u>
Cash and money market	\$ 45,285	\$ 38,797
Fixed income funds	1,210,174	786,249
Equity funds	2,758,559	1,842,337
Preferred stock (other investments)	48,200	48,200
Arizona Community Foundation	<u>328,754</u>	<u>316,573</u>
Total investments	<u>\$ 4,390,972</u>	<u>\$ 3,032,156</u>

Investment income is summarized as follows for the years ended December 31:

	<u>2014</u>	<u>2013</u>
Interest and dividends	\$ 73,410	\$ 73,918
Realized investment gain- investments	76,364	109,810
Unrealized investment gain - investments	(1,361)	74,177
Unrealized investment loss - other investments	<u>-</u>	<u>(18,282)</u>
Investment income	<u>\$ 148,413</u>	<u>\$ 239,623</u>

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

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, 2014:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and money market	\$ 45,285	\$ -	\$ -	\$ 45,285
Fixed income funds	1,210,174	-	-	1,210,174
Equity funds	2,758,559	-	-	2,758,559
Preferred stock (other investments)	-	48,200	-	48,200
Arizona Community Foundation	-	-	328,754	328,754
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets at fair value	<u>\$4,014,018</u>	<u>\$ 48,200</u>	<u>\$ 328,754</u>	<u>\$ 4,390,972</u>

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 (other investments)	-	48,200	-	48,200
Arizona Community Foundation	-	-	316,573	316,573
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets at fair value	<u>\$2,667,383</u>	<u>\$ 48,200</u>	<u>\$ 316,573</u>	<u>\$ 3,032,156</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, 2014 and 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 years ended December 31, 2014 and 2013:

Balance, December 31, 2012	\$ 268,153
Realized and unrealized gains	<u>48,420</u>
Balance, December 31, 2013	316,573
Realized and unrealized gains	<u>12,181</u>
Balance, December 31, 2014	<u><u>\$ 328,754</u></u>

NOTE 6 PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	<u>2014</u>	<u>2013</u>
Land	\$ 821,969	\$ 821,969
Buildings and improvements	5,527,924	5,498,794
Vehicles	76,041	76,041
Office furniture and equipment	<u>719,105</u>	<u>710,340</u>
	7,145,039	7,107,144
Accumulated depreciation and amortization	<u>(2,368,131)</u>	<u>(2,023,342)</u>
	<u><u>\$ 4,776,908</u></u>	<u><u>\$ 5,083,802</u></u>

Depreciation expense was \$344,789 and \$356,512 for the years ended December 31, 2014 and 2013, respectively.

NOTE 7 LINE OF CREDIT

In April 2014, the Center obtained a revolving line of credit with a financial institution which provides for maximum borrowings of \$900,000. The line of credit bears interest at the 30 day LIBOR rate plus 1.85%. The line of credit is collateralized by securities held by the Organization and classified as investments. No borrowings occurred during 2014, and none have occurred in 2015 through the date the financial statements were available to be issued.

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2014 and 2013

NOTE 8 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, 2014 and 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.

NOTE 9 RESTRICTED NET ASSETS

Restricted net assets consist of the following at December 31:

	<u>2014</u>	<u>2013</u>
Temporarily restricted:		
Time restricted:		
Promises to give	\$ 1,302,900	\$ 1,354,014
Portion of endowment funds subject to time restriction under MCFA	373,188	353,956
Purpose restricted:		
Capital	318,137	330,804
Development	13,281	8,725
Social enterprise Program	8,988	34,567
Research	224,712	135,917
Vocational	349,605	291,093
	98,762	79,085
Time and purpose restricted (promises to give):		
Social enterprise Program	-	48,865
Research	206,250	170,908
Vocational	30,000	250,000
	<u>36,000</u>	<u>30,000</u>
Total temporarily restricted	<u>\$ 2,961,823</u>	<u>\$ 3,087,934</u>
Permanently restricted:		
Donor restricted endowment funds	<u>\$ 2,630,000</u>	<u>\$ 2,630,000</u>

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2014 and 2013

NOTE 10 ENDOWMENT FUNDS

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

Endowment net asset composition as of December 31, 2014 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted endowment funds	<u>\$ -</u>	<u>\$ 373,188</u>	<u>\$ 2,630,000</u>	<u>\$ 3,003,188</u>

Endowment funds 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>

Changes in endowment net assets for the year ended December 31, 2014 and 2013 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment funds, 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	-	(33,797)	-	(33,797)
	<u>-</u>	<u>353,956</u>	<u>2,630,000</u>	<u>2,983,956</u>
Endowment funds, December 31, 2013	-	353,956	2,630,000	2,983,956
Realized and unrealized losses	-	(8,715)	-	(8,715)
Interest income	-	50,427	-	50,427
Investment fees	-	(22,480)	-	(22,480)
	<u>-</u>	<u>373,188</u>	<u>2,630,000</u>	<u>3,003,188</u>
Endowment funds, December 31, 2014	<u>\$ -</u>	<u>\$ 373,188</u>	<u>\$ 2,630,000</u>	<u>\$ 3,003,188</u>

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2014 and 2013

NOTE 11 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 \$69,310 and \$59,459 during the years ended December 31, 2014 and 2013, respectively.

NOTE 12 DONATED SERVICES

Donated services for the year ended December 31, 2014 are as follows:

	Program Services	Management and General	Fundraising	Total
Advisory and public relations services	\$ 19,132	\$ 45,083	\$ 148,361	\$ 212,576
Legal and professional fees	-	27,745	-	27,745
Other	14,420	-	3,243	17,663
Total in-kind services	<u>\$ 33,552</u>	<u>\$ 72,828</u>	<u>\$ 151,604</u>	<u>\$ 257,984</u>

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

	Program Services	Management and General	Fundraising	Total
Advisory and public relations services	\$ 22,266	\$ 20,447	\$ 84,028	\$ 126,741
Legal and professional fees	11,135	16,725	7,898	35,758
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, 2014 and 2013

NOTE 13 JOINT COSTS

During the years ended December 31, 2014 and 2013, the Center produced a magazine that included requests for contributions, as well as program component. The costs of producing the Outreach magazine included a total of \$15,280 and \$10,568 of joint costs during the years ended December 31, 2014 and 2013, respectively, which were allocated as follows:

	<u>2014</u>	<u>2013</u>
Community Outreach program	\$ 9,391	\$ 9,395
Management & general	\$ 3,979	
Fundraising	<u>1,910</u>	<u>1,173</u>
Total	<u>\$ 15,280</u>	<u>\$ 10,568</u>

NOTE 14 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, 2014, are as follows:

Years Ending December 31,

2015	31,407
2016	22,503
2017	22,503
2018	22,503
2019	22,503
Thereafter	<u>27,195</u>
	<u>\$ 148,614</u>

Total rental expense under these leases and month-to-month office equipment leases was approximately \$32,000 and \$39,000 during the years ended December 31, 2014 and 2013.

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 15 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.

One of the Center's founders provides in-kind advisory and public relations services to the Center. During the years ended December 31, 2014 and 2013, the services provided were valued at approximately \$84,000 and \$122,000, respectively. These amounts are 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 years ended December 31, 2014 and 2013, these services totaled approximately \$132,000 and \$136,000, respectively, 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.