



SARRC

Southwest  
Autism  
Research &  
Resource  
Center

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER

Phoenix, Arizona

FINANCIAL STATEMENTS

Years Ended December 31, 2021 and 2020



Henry+Horne

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER  
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## INDEPENDENT AUDITORS' REPORT

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

### **Opinion**

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 December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2021 and 2020, 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.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Southwest Autism Research and Resource Center and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Emphasis of Matter**

As discussed in Note 18 to the financial statements, the December 31, 2019 and 2020 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Southwest Autism Research and Resource Center's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Southwest Autism Research and Resource Center's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Southwest Autism Research and Resource Center's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Henry + Horne, LLP*

Tempe, Arizona  
June 1, 2022

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER  
STATEMENTS OF FINANCIAL POSITION  
December 31, 2021 and 2020

ASSETS	2021	2020 (Restated)
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 2,028,995	\$ 2,504,755
Promises to give, current portion, net of allowance of \$48,337 and \$74,979, respectively	1,030,472	849,015
Contracts and insurance receivable, net of allowance of \$699,434 and \$920,114, respectively	1,505,613	1,538,381
Prepaid expenses and other assets	249,578	236,517
Deposits	69,493	-
<b>TOTAL CURRENT ASSETS</b>	4,884,151	5,128,668
PROMISES TO GIVE, net of current portion, unamortized discount of \$24,394 and \$21,742, respectively, and allowance of \$5,371 and \$8,331, respectively	611,390	627,958
<b>INVESTMENTS</b>		
Endowments	5,587,856	5,146,952
Other	3,142,344	2,965,572
	8,730,200	8,112,524
CASH RESTRICTED FOR LONG-TERM PURPOSES	-	172,099
PROPERTY AND EQUIPMENT, net	4,699,288	4,125,682
DEPOSITS	-	69,493
<b>TOTAL ASSETS</b>	\$ 18,925,029	\$ 18,236,424
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 140,244	\$ 96,371
Insurance overpayments	70,207	41,099
Accrued expenses	1,092,630	967,037
Deferred revenue	238,960	449,456
<b>TOTAL CURRENT LIABILITIES</b>	1,542,041	1,553,963
FORGIVABLE LOAN	-	21,261
<b>TOTAL LIABILITIES</b>	1,542,041	1,575,224
<b>NET ASSETS</b>		
Without donor restrictions:		
Undesignated	9,477,092	9,012,885
Board designated	1,526,091	1,337,410
	11,003,183	10,350,295
With donor restrictions	6,379,805	6,310,905
<b>TOTAL NET ASSETS</b>	17,382,988	16,661,200
<b>TOTAL LIABILITIES AND NET ASSETS</b>	\$ 18,925,029	\$ 18,236,424

See accompanying notes.

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER  
 STATEMENTS OF ACTIVITIES  
 Years Ended December 31, 2021 and 2020

	2021			2020 (Restated)		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
<b>SUPPORT AND REVENUES</b>						
Net patient services	\$ 7,853,343	\$ -	\$ 7,853,343	\$ 8,360,820	\$ -	\$ 8,360,820
Research contract revenue	923,091	-	923,091	934,278	-	934,278
Residential contract revenue	827,867	-	827,867	845,018	-	845,018
Community school tuition	283,297	-	283,297	271,011	-	271,011
Other program revenue	120,860	-	120,860	166,143	-	166,143
Government grants	523,397	-	523,397	143,604	-	143,604
Paycheck Protection Program Government grant	-	-	-	1,853,500	-	1,853,500
Contributions - foundations and corporations	2,424,734	1,169,533	3,594,267	633,626	1,266,600	1,900,226
Contributions - individuals	236,838	58,680	295,518	370,566	20,361	390,927
Special events contributions	762,102	511,724	1,273,826	638,323	362,097	1,000,420
In-kind support	299,369	-	299,369	25,535	-	25,535
Miscellaneous revenue	14,496	-	14,496	21,219	-	21,219
Net assets released:						
Time restrictions	571,216	(571,216)	-	520,341	(520,341)	-
Time and purpose restrictions	85,000	(85,000)	-	212,500	(212,500)	-
Purpose restrictions	1,267,047	(1,267,047)	-	772,217	(772,217)	-
<b>TOTAL SUPPORT AND REVENUES AS RESTATED</b>	<b>16,192,657</b>	<b>(183,326)</b>	<b>16,009,331</b>	<b>15,768,701</b>	<b>144,000</b>	<b>15,912,701</b>

See accompanying notes.

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER  
STATEMENTS OF ACTIVITIES (Continued)  
Years Ended December 31, 2021 and 2020

	2021			2020 (Restated)		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
EXPENSES						
Program Services						
Research	\$ 1,914,774	\$ -	\$ 1,914,774	\$ 1,774,468	\$ -	\$ 1,774,468
Clinical services	8,954,190	-	8,954,190	7,836,700	-	7,836,700
Residential	1,075,545	-	1,075,545	981,680	-	981,680
	11,944,509	-	11,944,509	10,592,848	-	10,592,848
Support Services						
Management and general	3,106,143	-	3,106,143	2,767,827	-	2,767,827
Fundraising	1,181,160	-	1,181,160	1,067,061	-	1,067,061
	4,287,303	-	4,287,303	3,834,888	-	3,834,888
TOTAL EXPENSES	16,231,812	-	16,231,812	14,427,736	-	14,427,736
CHANGE IN NET ASSETS BEFORE INVESTMENT RETURN (LOSS)	(39,155)	(183,326)	(222,481)	1,340,965	144,000	1,484,965
INVESTMENT RETURN (LOSS)	692,043	252,226	944,269	449,196	358,249	807,445
CHANGE IN NET ASSETS	652,888	68,900	721,788	1,790,161	502,249	2,292,410
NET ASSETS AT BEGINNING OF YEAR, AS RESTATED	10,350,295	6,310,905	16,661,200	8,560,134	5,808,656	14,368,790
NET ASSETS AT END OF YEAR	\$ 11,003,183	\$ 6,379,805	\$ 17,382,988	\$ 10,350,295	\$ 6,310,905	\$ 16,661,200

See accompanying notes.

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER  
STATEMENT OF FUNCTIONAL EXPENSES  
Year Ended December 31, 2021

	Program Services				Supporting Services			
	Research	Clinical Services	Social Enterprise	Residential Transition Academy	Total Program	Management and General	Fundraising	Total
Salaries and wages	\$ 1,168,211	\$ 6,244,328	\$ -	\$ 785,552	\$ 8,198,091	\$ 1,796,272	\$ 677,622	\$ 10,671,985
Payroll taxes	88,038	465,064	-	57,856	610,958	123,674	48,487	783,119
Employee benefits	143,073	820,973	-	146,315	1,110,361	345,139	75,622	1,531,122
Total personnel costs	1,399,322	7,530,365	-	989,723	9,919,410	2,265,085	801,731	12,986,226
Contract labor	143,800	1,889	-	-	145,689	68,834	34,346	248,869
Professional services	103,713	12,486	-	4,880	121,079	121,654	129,503	372,236
Business and travel	2,148	58,488	-	2,216	62,852	22,663	4,733	90,248
Occupancy and communication	42,197	357,435	-	34,151	433,783	89,326	51,144	574,253
Postage, supplies, and printing	11,742	22,141	-	5,433	39,316	52,876	31,150	123,342
Marketing and subscriptions	9,381	132,015	-	5,301	146,697	109,242	21,142	277,081
Staff development	1,688	41,163	-	5,800	48,651	24,488	4,994	78,133
Program supplies and other expenses	96,133	253,193	-	2,437	351,763	99,009	21,556	472,328
Cost of goods sold	-	-	3,158	-	3,158	-	-	3,158
Other operational services	874	10,406	-	753	12,033	98,439	25,937	136,409
Insurance	7,888	23,665	-	-	31,553	91,471	7,888	130,912
Special events venue, meals, and supplies	-	-	-	-	-	-	34,601	34,601
Depreciation	59,888	291,375	-	24,851	376,114	61,990	20,020	458,124
Interest expense	-	-	-	-	-	1,066	-	1,066
Bad debt expense	36,000	219,569	-	-	255,569	-	(7,585)	247,984
	1,914,774	8,954,190	3,158	1,075,545	11,947,667	3,106,143	1,181,160	16,234,970
Cost of goods sold (included in revenue on statement activities)	-	-	(3,158)	-	(3,158)	-	-	(3,158)
<b>TOTAL EXPENSES</b>	<b>\$ 1,914,774</b>	<b>\$ 8,954,190</b>	<b>\$ -</b>	<b>\$ 1,075,545</b>	<b>\$ 11,944,509</b>	<b>\$ 3,106,143</b>	<b>\$ 1,181,160</b>	<b>\$ 16,231,812</b>

See accompanying notes.



SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER  
STATEMENT OF FUNCTIONAL EXPENSES  
Year Ended December 31, 2020

	Program Services				Supporting Services			
	Research	Clinical Services	Social Enterprise	Residential Transition Academy	Total Program	Management and General	Fundraising	Total
Salaries and wages	\$ 1,103,910	\$ 5,407,551	\$ -	\$ 729,111	\$ 7,240,572	\$ 1,680,115	\$ 676,101	\$ 9,596,788
Payroll taxes	80,619	404,038	-	54,562	539,219	114,591	48,469	702,279
Employee benefits	127,375	791,566	-	108,133	1,027,074	303,432	70,767	1,401,273
Total personnel costs	1,311,904	6,603,155	-	891,806	8,806,865	2,098,138	795,337	11,700,340
Contract labor	132,602	2,211	-	-	134,813	35,464	29,104	199,381
Professional services	65,627	7,061	-	110	72,798	122,465	39,124	234,387
Business and travel	1,935	78,075	-	3,050	83,060	12,936	5,549	101,545
Occupancy and communication	46,836	317,756	-	35,932	400,524	74,586	54,105	529,215
Postage, supplies, and printing	16,098	16,579	-	4,456	37,133	45,774	28,123	111,030
Marketing and subscriptions	4,934	90,224	-	8,524	103,682	96,177	16,117	215,976
Staff development	4,287	92,623	-	7,344	104,254	19,504	3,255	127,013
Program supplies and other expenses	102,985	62,144	-	4,247	169,376	86,617	17,332	273,325
Cost of goods sold	-	-	5,300	-	5,300	-	-	5,300
Other operational services	947	8,885	-	1,384	11,216	51,223	3,416	65,855
Insurance	28,116	7,140	-	2,380	37,636	78,348	2,380	118,364
Special events venue, meals, and supplies	-	-	-	-	-	-	29,257	29,257
Depreciation	58,197	255,291	-	22,447	335,935	46,595	20,146	402,676
Bad debt expense	-	295,556	-	-	295,556	-	23,816	319,372
	1,774,468	7,836,700	5,300	981,680	10,598,148	2,767,827	1,067,061	14,433,036
Cost of goods sold (included in revenue on statement activities)	-	-	(5,300)	-	(5,300)	-	-	(5,300)
<b>TOTAL EXPENSES</b>	<b>\$ 1,774,468</b>	<b>\$ 7,836,700</b>	<b>\$ -</b>	<b>\$ 981,680</b>	<b>\$ 10,592,848</b>	<b>\$ 2,767,827</b>	<b>\$ 1,067,061</b>	<b>\$ 14,427,736</b>

See accompanying notes.

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER  
STATEMENTS OF CASH FLOWS  
Years Ended December 31, 2021 and 2020

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 721,788	\$ 2,292,410
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	458,124	402,676
Net realized/unrealized loss (gain) on investments	(840,180)	(719,872)
Forgiveness of debt	(21,261)	-
Provision for bad debts	255,569	295,556
Provision for uncollectible promises to give	(7,585)	23,816
Change in discount on long-term promises to give	2,652	(7,946)
Donated property and equipment	(215,519)	-
(Increase) decrease in:		
Contracts and insurance receivable	(222,801)	(438,402)
Promises to give	(159,956)	(8,634)
Prepaid expenses and other assets	(13,061)	(58,997)
Deposits	-	(21,660)
Increase (decrease) in:		
Accounts payable	43,873	39,963
Insurance overpayments	29,108	(24,558)
Accrued expenses	125,593	226,587
Deferred revenue	(210,496)	106,300
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>(54,152)</b>	<b>2,107,239</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(816,211)	(611,483)
Purchases of investments	(155,878)	(399,079)
Sales of investments	378,382	89,000
<b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>	<b>(593,707)</b>	<b>(921,562)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from line of credit	600,000	-
Payments towards line of credit	(600,000)	-
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>-</b>	<b>-</b>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>(647,859)</b>	<b>1,185,677</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>2,676,854</b>	<b>1,491,177</b>
<b>END OF YEAR</b>	<b>\$ 2,028,995</b>	<b>\$ 2,676,854</b>
<b>RECONCILIATION TO STATEMENT OF FINANCIAL POSITION:</b>		
Cash and cash equivalents	\$ 2,028,995	\$ 2,504,755
Cash restricted for long-term purposes	-	172,099
	<b>\$ 2,028,995</b>	<b>\$ 2,676,854</b>

See accompanying notes.

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER  
NOTES TO FINANCIAL STATEMENTS  
Years Ended December 31, 2021 and 2020

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 with a mission designed to advance research and provide a lifetime of support for individuals with autism and their families.

The Center currently has four locations in Arizona, including a new facility opened in Scottsdale, Arizona during the year ended December 31, 2021. The Center provides several programs to further its mission, including but not limited to the following:

Research – The research department focuses on three areas of interest: 1) Sponsored pharmaceutical trials: the Center is contracted by pharmaceutical companies to execute their protocol and collect safety and efficacy data for their investigational product; 2) Independent research: the Center's staff prepares grant applications (independently or with collaborators) to study methods to improve screening and diagnosis, measure the efficacy of clinical programs, and to develop and measure the efficacy of novel intervention approaches; and 3) a fee-for-service diagnostic evaluations for autism spectrum disorder (ASD) for the community.

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

Residential Transition Academy – The First Place AZ Transition Academy (First Place AZ) operated by the Center, is a two-year intensive and comprehensive community program designed to transition young adults with autism to living independently in the community. Through this partnership between First Place AZ and the Center, students live in their own apartments within the community while learning essential skills in employment, independent living, and community engagement.

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

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 958, *Presentation of Financial Statements of Not-for-Profit Entities*.

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER  
NOTES TO FINANCIAL STATEMENTS  
Years Ended December 31, 2021 and 2020

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

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 as they represent accounts used for the purchase and sales of investments and are excluded from this definition. Cash and highly liquid financial instruments restricted to endowments that are perpetual in nature, or other long-term purposes are also excluded from this definition.

Contracts and Insurance Receivable

Contracts and insurance receivable consist of amounts due for contract services and insurance billings and are stated at the amount management expects to collect under the terms of the service contracts and agreements. Contracts and insurance receivable are carried at the outstanding balances less an allowance for doubtful accounts, if applicable. Management evaluates the collectability of its receivables 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. The allowance for doubtful accounts was \$699,434 and \$920,114 for the years ended December 31, 2021 and 2020, 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. 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 risk-free interest 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. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER  
NOTES TO FINANCIAL STATEMENTS  
Years Ended December 31, 2021 and 2020

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

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).

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 statements of financial position. Investment return or loss is included in the statements of activities and consists of interest and dividend income, realized and unrealized gains and losses, less external investment expenses.

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER  
NOTES TO FINANCIAL STATEMENTS  
Years Ended December 31, 2021 and 2020

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

Risk and Uncertainty

The Center invests in various types of investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes, could materially affect the amount reported in the statements of financial position.

Property and Equipment

Acquisitions of property and equipment in excess of \$2,500 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. Management does not believe impairment indicators are present.

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 and one board designated endowment fund. 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.

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER  
NOTES TO FINANCIAL STATEMENTS  
Years Ended December 31, 2021 and 2020

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

Endowment Funds (Continued)

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 as net assets with donor restrictions (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 donor-restricted endowment funds also include accumulated earnings in the funds that are also classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Center's Board.

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.

*Investment 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 to emphasize long-term capital appreciation with consideration for current income to provide liquidity as needed. The investment objective is to achieve a 4% to 6% real rate of return over a market cycle (5 or more years). The annual spending target from the endowment is 4% of the three-year average value of the fund. The annual spending range is 3% to 6% as approved by the board.

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER  
NOTES TO FINANCIAL STATEMENTS  
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NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES (Continued)

Revenue Recognition for Program Services

The majority of the Center's revenue arrangements generally consist of a single performance obligation to transfer promised services.

Net clinical patient services revenue is recognized in the period in which the Center satisfies performance obligations under contracts by transferring services to its patients. Clinical patient services revenue is recognized at a point in time, in the period the services are provided. Net clinical patient services revenue is principally for patients covered by various health plans, as well as uninsured patients, and includes amounts due from patients and third-party payers. This revenue is recognized in the amounts to which the Center expects to be entitled, based on contracted rates with funding sources. Payments are due upon receipt.

Research contract revenue mainly includes the Center's participation in pharmaceutical trials and the performance of screenings of patients. Pharmaceutical trial contracts are entered into with research study sponsors, collaborating research institutions and private donors and are performed based on a contract term that extends over a period of time. Amounts are earned as services and screenings are performed and are recorded as revenue in the period the performance obligations for these services are met. The contracts include payment terms which are based on certain milestones being met throughout the contract term. Amounts received in advance for tuition are recorded as contract liabilities which are included in deferred revenue on the accompanying statements of financial position.

Residential program revenue includes revenue from the Center's operation of a comprehensive community residential program to transition young adults with autism to living independently. The Center's performance obligation is to provide services at the residential facility. Revenue is earned at a point in time on a direct cost reimbursement basis and is recorded in the period the services are rendered, which is in the period the associated costs are incurred. Payment terms are due upon receipt.

Community school tuition is billed as the performance obligation is satisfied, which is as the Center provides educational services to children. Daily tuition fees are billed either to parents directly at published rates or to third party insurance payers at contracted rates and are due upon receipt. The monthly amount billed is based on the number of days of attendance at the school. The Center records the revenue in the period the service is provided based on the amount expected to be collected, which is the amount billed, with a reduction for the private payer billings based on historical experience of collections with this payer source. Amounts received in advance for tuition are recorded as contract liabilities which are included in deferred revenue on the accompanying statements of financial position.



SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER  
 NOTES TO FINANCIAL STATEMENTS  
 Years Ended December 31, 2021 and 2020

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

Revenue Recognition for Program Services (Continued)

Contract balances as of December 31 are as follows:

	2021	2020	2019
Contract assets, net			
Net patient services	\$ 1,223,456	\$ 1,189,516	\$ 815,069
Research contract revenue	233,999	291,913	509,639
Residential contract revenue	46,750	43,371	62,093
Community school tuition	1,408	13,581	8,734
	<u>\$ 1,505,613</u>	<u>\$ 1,538,381</u>	<u>\$ 1,395,535</u>
Contract liabilities, net			
Research contract revenue	\$ -	\$ 45,393	\$ -
Community school deposits	151,430	215,733	212,256
	<u>\$ 151,430</u>	<u>\$ 261,126</u>	<u>\$ 212,256</u>

Contributions

Contributions and grants, including promises to give, are received and recorded as income and net assets without donor restrictions or with donor restrictions depending on the existence and/or nature of any donor-imposed restrictions. All donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Donated Services and Materials

Donated materials and other non-cash assets are recorded at fair value in the period received. Donated services are recorded at their estimated fair value if they create or enhance the Center's nonfinancial assets or 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 principles guidelines; however, a substantial number of volunteers have donated significant amounts of their time to the Center's program services and fundraising campaigns.

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER  
NOTES TO FINANCIAL STATEMENTS  
Years Ended December 31, 2021 and 2020

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

Net Assets

The Center reports information regarding its financial position and activities according to two classes of net assets as follows:

- Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor or grantor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for a board-designated endowment.
- Net Assets With Donor Restrictions – Net assets whose use is limited by donor-imposed time and/or purpose restrictions. Gifts of long-lived assets and gifts of cash restricted for acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Functional Expenses

The costs of providing the various programs and activities have been presented on a functional basis in the statements of functional expenses. Certain costs have been allocated among the programs and supporting services benefited. Personnel costs are allocated based on actual employee activities based on time and effort, 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. Occupancy and depreciation expense are allocated based on square footage utilized by the function.

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, 2021 and 2020, the Center had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER  
NOTES TO FINANCIAL STATEMENTS  
Years Ended December 31, 2021 and 2020

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

Income Tax Status

The Center recognizes interest and penalties associated with income tax in operating expenses. During the years ended December 31, 2021 and 2020, 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. Significant estimates have been made by management in determining the allowance for uncollectible accounts receivable.

Date of Management's Review

In preparing these financial statements, the Center has evaluated events and transactions for potential recognition or disclosure through June 1, 2022, the date the financial statements were available to be issued.

NOTE 2 LIQUIDITY AND AVAILABILITY

The following reflects the Center's financial assets as of December 31, reduced by amounts not available for general use within one year because of donor-imposed or other restrictions or internal designations. Amounts available include an estimate of the appropriation from the endowment funds for the following year as well as donor-restricted amounts that are available for expenditure in the following year for program activities. Amounts not available include amounts set aside as a board designated endowment that could be drawn upon if the Center approves that action.

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER  
 NOTES TO FINANCIAL STATEMENTS  
 Years Ended December 31, 2021 and 2020

NOTE 2 LIQUIDITY AND AVAILABILITY

	<u>2021</u>	<u>2020</u>
Total current assets	\$ 4,814,658	\$ 5,128,668
Less: Prepaid expenses and other assets	(249,578)	(236,517)
Add: Short term investments	3,131,800	2,942,503
Add: Endowment spending appropriation	<u>426,515</u>	<u>378,382</u>
Financial assets available for expenditures	<u>\$ 8,123,395</u>	<u>\$ 8,213,036</u>

The Center's endowment funds consist of donor-restricted endowments and a fund designated by the board as an endowment. Income from donor-restricted endowments is available for general use, subject to the Center's spending policy. Donor-restricted endowment principal amounts are not available for general expenditure. The Center's endowments are subject to an annual spending rate of 3-6% as approved by the board. Although the Center does not intend to spend in excess of the annual appropriation from the board designated endowment, totaling approximately \$1,526,000, this amount could be made available if necessary.

The Center's working capital and cash flows have seasonal variations during the year attributable to annual special event fundraisers and a concentration of contributions received near calendar year end. The Center maintains a line of credit with maximum available borrowings of \$1,400,000 as of December 31, 2021.

NOTE 3 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. 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 makes up 46% of total promises to give at December 31, 2021 and one donor which makes up 27% of total gross promises to give at December 31, 2020. Gross contracts receivable includes amounts from two payer sources that makes up 32% of total contracts receivable as of December 31, 2021 and one payer source that makes up 21% of total contracts receivable as of December 31, 2020. Concentrations of credit risk with respect to receivables are limited due to the collection history and relationships with these donors and payer sources.

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER  
NOTES TO FINANCIAL STATEMENTS  
Years Ended December 31, 2021 and 2020

NOTE 4 PROMISES TO GIVE

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

	<u>2021</u>	<u>2020</u>
Receivable in less than one year	\$ 1,078,809	\$ 923,994
Receivable in two to five years	641,155	657,911
Receivable in more than five years	<u>-</u>	<u>120</u>
Total promises to give	1,719,964	1,582,025
Discount to present value	(24,394)	(21,742)
Allowance for uncollectible promises	<u>(53,708)</u>	<u>(83,310)</u>
Net promises to give	1,641,862	1,476,973
Current portion	<u>(1,030,472)</u>	<u>(849,015)</u>
Non-current portion	<u>\$ 611,390</u>	<u>\$ 627,958</u>

The estimated cash flows for promises to give were discounted over the collection period using a discount range of 1.89% to 2.33% as determined by management.

NOTE 5 CONDITIONAL PROMISES TO GIVE AND CONTRIBUTIONS

During the year ended December 31, 2021, the Center received conditional promises to give totaling \$41,000 for sponsorships for future special events. There were no conditional contributions at December 31, 2020. Other amounts received from various donors in advance of the future special events totaled \$86,500 and \$184,200 at December 31, 2021 and 2020, respectively, and are included in deferred revenue on the accompanying Statements of Financial Position and will subsequently be recognized as special event contributions when the event occurs.

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER  
NOTES TO FINANCIAL STATEMENTS  
Years Ended December 31, 2021 and 2020

NOTE 6 INVESTMENTS

Investments consist of the following at December 31:

	<u>2021</u>	<u>2020</u>
Cash and money market	\$ 114,624	\$ 106,550
Fixed income funds	2,468,729	2,227,554
Equity funds	5,183,471	5,143,217
Preferred stock (other investments)	10,544	23,069
Real estate exchange traded funds	443,876	170,837
Funds held at Arizona Community Foundation	<u>508,956</u>	<u>441,297</u>
Total investments	<u>\$ 8,730,200</u>	<u>\$ 8,112,524</u>

Investment return (loss) is summarized as follows for the years ended December 31:

	<u>2021</u>	<u>2020</u>
Interest and dividends	\$ 149,049	\$ 125,728
Realized gain (loss)	580,993	(45,440)
Unrealized gain	259,187	765,312
Investment fees	<u>(44,960)</u>	<u>(38,155)</u>
Investment return	<u>\$ 944,269</u>	<u>\$ 807,445</u>

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER  
NOTES TO FINANCIAL STATEMENTS  
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NOTE 7 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, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Operating investments:				
Cash and money market	\$ 25,239	\$ -	\$ -	\$ 25,239
Fixed income funds	947,184	-	-	947,184
Equity funds	1,983,397	-	-	1,983,397
Preferred stock (other investments)	-	10,544	-	10,544
Real estate exchange traded funds	175,980	-	-	175,980
	<u>3,131,800</u>	<u>10,544</u>	<u>-</u>	<u>3,142,344</u>
Total assets at fair value				
Endowment investments:				
Cash and money market	89,385	-	-	89,385
Fixed income funds	1,521,545	-	-	1,521,545
Equity funds	3,200,074	-	-	3,200,074
Real estate exchange traded funds	267,896	-	-	267,896
Funds held at Arizona Community Foundation	-	-	508,956	508,956
	<u>5,078,900</u>	<u>-</u>	<u>508,956</u>	<u>5,587,856</u>
Total assets at fair value				
Total investments	<u>\$ 8,210,700</u>	<u>\$ 10,544</u>	<u>\$ 508,956</u>	<u>\$ 8,730,200</u>

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER  
NOTES TO FINANCIAL STATEMENTS  
Years Ended December 31, 2021 and 2020

NOTE 7 FAIR VALUE MEASUREMENTS (Continued)

The following table presents assets measured at fair value on a recurring basis by classification within the fair value hierarchy as of December 31, 2020:

	Level 1	Level 2	Level 3	Total
Operating investments:				
Cash and money market	\$ 31,621	\$ -	\$ -	\$ 31,621
Fixed income funds	870,489	-	-	870,489
Equity funds	1,939,411	-	-	1,939,411
Preferred stock (other investments)	-	23,069	-	23,069
Real estate exchange traded funds	100,982	-	-	100,982
	<u>2,942,503</u>	<u>23,069</u>	<u>-</u>	<u>2,965,572</u>
Total assets at fair value				
Endowment investments:				
Cash and money market	74,929	-	-	74,929
Fixed income funds	1,357,065	-	-	1,357,065
Equity funds	3,203,806	-	-	3,203,806
Real estate exchange traded funds	69,855	-	-	69,855
Funds held at Arizona Community Foundation	-	-	441,297	441,297
	<u>4,705,655</u>	<u>-</u>	<u>441,297</u>	<u>5,146,952</u>
Total assets at fair value				
Total investments	<u>\$ 7,648,158</u>	<u>\$ 23,069</u>	<u>\$ 441,297</u>	<u>\$ 8,112,524</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 a yield-based building block approach and call price 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  
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NOTE 7 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, 2021 and 2020:

Balance, December 31, 2019	\$ 415,623
Interest income	7,694
Realized and unrealized gains	21,820
Investment fees	<u>(3,840)</u>
Balance, December 31, 2020	441,297
Interest income	8,144
Realized and unrealized gains	63,917
Investment fees	<u>(4,402)</u>
Balance, December 31, 2021	<u><u>\$ 508,956</u></u>

NOTE 8 PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	<u>2021</u>	<u>2020</u>
Land	\$ 821,969	\$ 821,969
Buildings and improvements	5,723,501	5,363,069
Leasehold improvements	754,444	56,684
Vehicles	51,847	51,847
Office furniture and equipment	<u>787,328</u>	<u>511,497</u>
	8,139,089	6,805,066
Accumulated depreciation	<u>(3,541,846)</u>	<u>(3,083,721)</u>
	4,597,243	3,721,345
Construction and software in progress	<u>102,045</u>	<u>404,337</u>
	<u><u>\$ 4,699,288</u></u>	<u><u>\$ 4,125,682</u></u>

Depreciation expense was \$458,124 and \$402,676 for the years ended December 31, 2021 and 2020, respectively.

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER  
 NOTES TO FINANCIAL STATEMENTS  
 Years Ended December 31, 2021 and 2020

NOTE 8 PROPERTY AND EQUIPMENT (Continued)

Construction and software in progress at December 31, 2021 and 2020, include building, leasehold improvements and software. These costs will be transferred to the appropriate property and equipment category and will be depreciated over their useful life once placed in service.

NOTE 9 LINE OF CREDIT

At December 31, 2021, the Center has a revolving line of credit with a financial institution which provides for maximum borrowings of \$1,400,000. The line of credit is payable upon demand and bears interest at the one-month prime rate minus 1.25%. The line of credit is collateralized by securities held by the Center and classified as investments. \$600,000 was borrowed during the year end December 31, 2021 which was paid back before year end. No borrowings occurred during the year ended December 31, 2020.

NOTE 10 ENDOWMENT FUNDS

Endowment net asset composition as of December 31, 2021 is as follows:

	Without Donor Restriction	With Donor Restriction	Total
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Board designated endowment fund	\$ 1,526,091	\$ -	\$ 1,526,091
Donor restricted endowment funds:			
Original donor-restricted amount	-	2,630,000	2,630,000
Accumulated investment earnings	-	1,431,765	1,431,765
	<u>\$ 1,526,091</u>	<u>\$ 4,061,765</u>	<u>\$ 5,587,856</u>

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER  
NOTES TO FINANCIAL STATEMENTS  
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NOTE 10 ENDOWMENT FUNDS (Continued)

Endowment funds composition as of December 31, 2020 is as follows:

	Without Donor Restriction	With Donor Restriction	Total
Board designated endowment fund	\$ 1,337,410	\$ -	\$ 1,337,410
Donor restricted endowment funds:			
Original donor-restricted amount	-	2,630,000	2,630,000
Accumulated investment earnings	-	1,179,542	1,179,542
	<u>\$ 1,337,410</u>	<u>\$ 3,809,542</u>	<u>\$ 5,146,952</u>

Changes in endowment net assets for the years ended December 31, 2021 and 2020 are as follows:

	Without Donor Restriction	With Donor Restriction	Total
Endowment funds, December 31, 2019	\$ 870,315	\$ 3,540,293	\$ 4,410,608
Board designation	318,388	-	318,388
Realized and unrealized gains	135,970	316,198	452,168
Interest income	17,935	61,485	79,420
Amounts appropriated for expenditures	-	(89,000)	(89,000)
Investment fees	(5,198)	(19,434)	(24,632)
Endowment funds, December 31, 2020	1,337,410	3,809,542	5,146,952
Board designation	71,568	-	71,568
Realized and unrealized gains	137,180	400,207	537,387
Interest income	25,397	69,516	94,913
Amounts appropriated for expenditures	(38,151)	(195,406)	(233,557)
Investment fees	(7,313)	(22,094)	(29,407)
Endowment funds, December 31, 2021	<u>\$ 1,526,091</u>	<u>\$ 4,061,765</u>	<u>\$ 5,587,856</u>

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER  
 NOTES TO FINANCIAL STATEMENTS  
 Years Ended December 31, 2021 and 2020

NOTE 10 ENDOWMENT FUNDS (Continued)

Donor-restricted endowment funds include the following as of December 31:

	<u>2021</u>	<u>2020</u>
Harrington Endowment	\$ 1,564,801	\$ 1,459,102
Helios Endowment	1,479,504	1,392,769
Stardust Endowment	<u>1,017,460</u>	<u>957,671</u>
Total donor-restricted endowments	<u>\$ 4,061,765</u>	<u>\$ 3,809,542</u>

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER  
NOTES TO FINANCIAL STATEMENTS  
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NOTE 11 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at December 31:

	<u>2021</u>	<u>2020</u>
Subject to the passage of time:		
Promises to give	\$ 1,472,540	\$ 961,964
Portion of donor-restricted endowment funds subject to time restriction under MCFA	<u>1,431,765</u>	<u>1,179,542</u>
	<u>2,904,305</u>	<u>2,141,506</u>
Subject to purpose restrictions:		
ASD screenings	276,993	364,224
Jumpstart program	133,719	80,460
Telehealth	111,553	-
Think Autism	72,134	193,712
Other programs	48,620	24,984
Intensive training and community outreach	37,655	85,000
Milestones program	33,849	60,775
Research	12,105	101,350
Lecture series	9,264	41,756
Residential	8,059	17,113
Technology expansion/consultant fees	1,297	6,212
Development	252	728
IT and infrastructure	-	262,534
Pediatric screening network	-	100,000
Community school expansion	-	75,000
Community school program	-	40,551
	<u>745,500</u>	<u>1,454,399</u>
Subject to both time and purpose restrictions (included in promises to give):		
Vocational and life skills academy	100,000	-
Intensive training and community outreach	<u>-</u>	<u>85,000</u>
	<u>100,000</u>	<u>85,000</u>
Donor-restricted endowments	<u>2,630,000</u>	<u>2,630,000</u>
	<u>\$ 6,379,805</u>	<u>\$ 6,310,905</u>

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER  
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NOTE 12 BOARD DESIGNATED NET ASSETS

Board designated net assets include a board designated endowment in the amount of \$1,526,091 and \$1,337,410 as of December 31, 2021 and 2020, respectively, set aside by the board as a reserve.

NOTE 13 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 approximately \$235,600 and \$223,200 during the years ended December 31, 2021 and 2020, respectively.

NOTE 14 DEFERRED COMPENSATION AGREEMENT

The Center adopted a deferred compensation plan for the benefit of an eligible employee on June 25, 2021, which qualifies under Section 457(f) of the Internal Revenue Code. Beginning in December 2021, the Center began crediting the participant's account. Annual contributions in an amount equal to ten percent of the eligible employee's total compensation for the prior plan year are required under the plan and vest 25% per year. The Center recorded contribution expense of approximately \$25,800 during the year ended December 31, 2021.

NOTE 15 IN-KIND SUPPORT

In-kind support for the year ended December 31, 2021 is as follows:

	Program Services	Management and General	Fundraising	Total
Professional services	\$ -	\$ -	\$ 37,365	\$ 37,365
Supplies and materials	36,128	-	10,357	46,485
	36,128	-	47,722	83,850
Capitalized assets	-	-	-	215,519
	<u>\$ 36,128</u>	<u>\$ -</u>	<u>\$ 47,722</u>	<u>\$ 299,369</u>

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER  
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NOTE 15 IN-KIND SUPPORT (Continued)

In-kind support for the year ended December 31, 2020 is as follows:

	Program Services	Management and General	Fundraising	Total
Professional services	\$ -	\$ -	\$ 14,699	\$ 14,699
Supplies and materials	-	2,141	8,695	10,836
	<u>\$ -</u>	<u>\$ 2,141</u>	<u>\$ 23,394</u>	<u>\$ 25,535</u>

NOTE 16 OPERATING LEASES

The Center leases office and building equipment under operating lease agreements that expire at various dates through June 2026. This includes a lease to provide a solar energy source to the Center for an agreed upon annual expense. One of the facility lease agreements with a term through March 2026 includes an option to extend the lease agreement for one additional year. In addition, one of the other facility lease agreements with a term through June 2026 also has an option to renew upon mutual agreement of both parties at the end of the initial term. Approximate minimum future payments under these non-cancelable operating leases as of December 31, 2021, are as follows:

<u>Years Ending December 31,</u>	
2022	\$ 119,000
2023	128,000
2024	131,000
2025	133,000
2026	<u>52,000</u>
	<u>\$ 563,000</u>

Total rental expense under these leases and month-to-month office equipment leases was approximately \$131,000 and \$127,000 during the years ended December 31, 2021 and 2020, respectively.

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NOTE 17 CONDITIONAL CONTRIBUTION – PAYCHECK PROTECTION PROGRAM

During the year ended December 31, 2020, the Center received funding in the amount of \$1,853,500 under the Paycheck Protection Program (“PPP”), administered by the U.S. Small Business Administration (“SBA”). The PPP, established as part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, provides for funding to qualifying businesses for amounts up to 2.5 times the average monthly payroll costs incurred during the year prior to the funding date of the qualifying business. Under the current rules, the funded amount and accrued interest are forgivable after 24 weeks as long as the Center uses the funds for eligible purposes, including payroll costs, interest on mortgage obligations, rent and utilities. The Center has elected to recognize the PPP funding as a conditional contribution under FASB ASC 958-605-15-5, *Not-For-Profit Entities Revenue Recognition*. Conditions to be met for recognition of this contribution include the incurring of eligible expenses as well as maintaining the full-time equivalent employee count. As of December 31, 2020, the Center has met these conditions and has recorded contribution income relating to the PPP funding in the full amount. In 2021, the Center received forgiveness for the full amount from their lender.

NOTE 18 RESTATEMENT

During the year ended December 31, 2021, management determined that the amounts of \$295,430 and \$193,712 had previously been incorrectly classified as net assets without donor restrictions as of December 31, 2019 and 2020, respectively. This was due to certain contributions with donor restrictions received at events. As a result, net assets without donor restrictions were also overstated as of those dates in the same amounts. Accordingly, management has restated the beginning net asset balances as of December 31, 2019 and 2020. Previously recorded and corrected amounts are as follows:

	As previously recorded	Restated	Change
Net assets with donor restrictions, December 31, 2019	\$ 5,513,226	\$ 5,808,656	\$ 295,430
Net assets without donor restrictions, December 31, 2019	\$ 8,855,564	\$ 8,560,134	\$ (295,430)
Net assets with donor restrictions, December 31, 2020	\$ 6,117,193	\$ 6,310,905	\$ 193,712
Net assets without donor restrictions, December 31, 2020	\$ 10,544,007	\$ 10,350,295	\$ (193,712)



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NOTE 19 SUBSEQUENT EVENT

As of April 30, 2022, investment values have experienced a temporary decline of approximately \$612,429.

NOTE 20 NEW ACCOUNTING PRONOUNCEMENTS

The Financial Accounting Standards Board (FASB) has issued Accounting Standards Update (ASU) No. 2016-02, *Leases*. For nonpublic companies, the standard must be adopted for annual reporting periods beginning after December 15, 2021. The standard's core principle is the recognition of lease assets and lease liabilities by lessees for substantially all leases, including those currently classified as operating leases. Under the ASU, a lessee will be required to recognize assets and liabilities for operating and finance leases with terms of more than 12 months. Management is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

The FASB has also issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which will require the Center to present contributed nonfinancial assets in a separate line item in the statement of activities and to disclose certain information about the contributed nonfinancial assets, including whether the assets were monetized or utilized by the Center. In addition, the Center will be required to disclose a description of how these assets are valued. This ASU must be adopted for annual reporting periods beginning after June 15, 2021. The Center does not expect a significant impact to the financial statements when this standard is adopted.