

Southwest Autism Research and Resource Center

Financial Statements

December 31, 2022 and 2021

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 of December 31, 2022 and 2021, 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, 2022 and 2021, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 auditors' 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.

Change in Accounting Principle

As described in Note 1 to the financial statements, on January 1, 2022, the Southwest Autism Research and Resource Center adopted Accounting Standards Codification Topic 842 as required by Accounting Standards Update 2016-02, *Leases (Topic 842)* and its related amendments. Our opinion is not modified with respect to this matter.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise Southwest Autism Research and Resource Center's financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 5, 2023, on our consideration of Southwest Autism Research and Resource Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Southwest Autism Research and Resource Center's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Southwest Autism Research and Resource Center's internal control over financial reporting and compliance.

Baker Tilly US, LLP

Tempe, Arizona
May 5, 2023

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER
STATEMENTS OF FINANCIAL POSITION
December 31, 2022 and 2021

ASSETS	2022	2021
CURRENT ASSETS		
Cash and cash equivalents	\$ 887,845	\$ 2,028,995
Employee Retention Tax Credit receivable	1,274,329	-
Promises to give, current portion, net of allowance of \$15,068 and \$48,337, respectively	1,127,789	1,030,472
Contracts and insurance receivable, net of allowance of \$1,052,602 and \$699,434, respectively	2,389,651	1,505,613
Prepaid expenses and other assets	290,545	249,578
Deposits	-	69,493
TOTAL CURRENT ASSETS	5,970,159	4,884,151
PROMISES TO GIVE, net of current portion, unamortized discount of \$52,007 and \$24,394, respectively, and allowance of \$14,827 and \$5,371, respectively	637,590	611,390
ASSETS RESTRICTED FOR LONG-TERM PURPOSES		
Cash	1,363,630	-
Promises to give, net of current portion, unamortized discount of \$203,893 and \$0, respectively, and allowance of \$76,970 and \$0, respectively	3,375,923	-
	4,739,553	-
INVESTMENTS		
Endowments	4,474,034	5,587,856
Other	2,581,490	3,142,344
	7,055,524	8,730,200
OPERATING LEASES RIGHT-OF-USE ASSETS		
	448,501	-
PROPERTY AND EQUIPMENT, net		
	4,300,236	4,699,288
TOTAL ASSETS	\$ 23,151,563	\$ 18,925,029
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 150,187	\$ 140,244
Insurance overpayments	70,785	70,207
Accrued expenses	1,085,226	1,092,630
Deferred revenue	140,390	238,960
Current portion of operating lease liabilities	135,757	-
TOTAL CURRENT LIABILITIES	1,582,345	1,542,041
OPERATING LEASE LIABILITIES, net of current portion		
	313,191	-
TOTAL LIABILITIES	1,895,536	1,542,041
NET ASSETS		
Without donor restrictions:		
Undesignated	9,693,114	9,477,092
Board designated	1,225,779	1,526,091
	10,918,893	11,003,183
With donor restrictions		
	10,337,134	6,379,805
TOTAL NET ASSETS	21,256,027	17,382,988
TOTAL LIABILITIES AND NET ASSETS	\$ 23,151,563	\$ 18,925,029

See accompanying notes.

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER
 STATEMENTS OF ACTIVITIES
 Years Ended December 31, 2022 and 2021

	2022			2021		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
SUPPORT AND REVENUES						
Net patient services	\$ 9,486,418	\$ -	\$ 9,486,418	\$ 7,853,343	\$ -	\$ 7,853,343
Research contract revenue	1,081,625	-	1,081,625	923,091	-	923,091
Residential contract revenue	915,079	-	915,079	827,867	-	827,867
Community school tuition	410,109	-	410,109	283,297	-	283,297
Other program revenue	32,041	-	32,041	120,860	-	120,860
Government grants	723,836	1,743,089	2,466,925	523,397	-	523,397
Contributions	154,840	6,401,743	6,556,583	2,661,572	1,228,213	3,889,785
Special events contributions	397,616	2,020,706	2,418,322	762,102	511,724	1,273,826
In-kind support	97,843	-	97,843	299,369	-	299,369
Miscellaneous revenue	38,597	-	38,597	14,496	-	14,496
Net assets released:						
Purpose restrictions	1,167,895	(1,167,895)	-	1,267,047	(1,267,047)	-
Time restrictions	4,126,805	(4,126,805)	-	85,000	(85,000)	-
Time and purpose restrictions	100,000	(100,000)	-	571,216	(571,216)	-
	18,732,704	4,770,838	23,503,542	16,192,657	(183,326)	16,009,331
Special events revenue	261,002	-	261,002	-	-	-
Direct donor benefitis	(317,506)	-	(317,506)	-	-	-
	(56,504)	-	(56,504)	-	-	-
TOTAL SUPPORT AND REVENUES	18,676,200	4,770,838	23,447,038	16,192,657	(183,326)	16,009,331

See accompanying notes.

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER
STATEMENTS OF ACTIVITIES (Continued)
Years Ended December 31, 2022 and 2021

	2022			2021		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
EXPENSES						
Program Services						
Research	\$ 1,943,177	\$ -	\$ 1,943,177	\$ 1,914,774	\$ -	\$ 1,914,774
Clinical services	10,583,399	-	10,583,399	8,954,190	-	8,954,190
Residential	833,892	-	833,892	1,075,545	-	1,075,545
	<u>13,360,468</u>	<u>-</u>	<u>13,360,468</u>	<u>11,944,509</u>	<u>-</u>	<u>11,944,509</u>
Support Services						
Management and general	3,302,635	-	3,302,635	3,106,143	-	3,106,143
Fundraising	1,564,765	-	1,564,765	1,181,160	-	1,181,160
	<u>4,867,400</u>	<u>-</u>	<u>4,867,400</u>	<u>4,287,303</u>	<u>-</u>	<u>4,287,303</u>
TOTAL EXPENSES	<u>18,227,868</u>	<u>-</u>	<u>18,227,868</u>	<u>16,231,812</u>	<u>-</u>	<u>16,231,812</u>
CHANGE IN NET ASSETS BEFORE INVESTMENT RETURN (LOSS)	448,332	4,770,838	5,219,170	(39,155)	(183,326)	(222,481)
INVESTMENT RETURN (LOSS)	<u>(532,622)</u>	<u>(813,509)</u>	<u>(1,346,131)</u>	<u>692,043</u>	<u>252,226</u>	<u>944,269</u>
CHANGE IN NET ASSETS	(84,290)	3,957,329	3,873,039	652,888	68,900	721,788
NET ASSETS AT BEGINNING OF YEAR	<u>11,003,183</u>	<u>6,379,805</u>	<u>17,382,988</u>	<u>10,350,295</u>	<u>6,310,905</u>	<u>16,661,200</u>
NET ASSETS AT END OF YEAR	<u>\$ 10,918,893</u>	<u>\$ 10,337,134</u>	<u>\$ 21,256,027</u>	<u>\$ 11,003,183</u>	<u>\$ 6,379,805</u>	<u>\$ 17,382,988</u>

See accompanying notes.

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2022

	Program Services				Supporting Services				
	Research	Clinical Services	Social Enterprise	Residential Transition Academy	Total Program	Management and General	Fundraising	Direct Donor Benefit	Total
Salaries and wages	\$ 1,046,014	\$ 7,190,664	\$ -	\$ 582,151	\$ 8,818,829	\$ 1,844,975	\$ 817,825	\$ -	\$ 11,481,629
Payroll taxes	76,285	547,540	-	45,592	669,417	132,794	56,636	-	858,847
Employee benefits	109,953	866,333	-	128,575	1,104,861	389,263	73,222	-	1,567,346
Total personnel costs	<u>1,232,252</u>	<u>8,604,537</u>	<u>-</u>	<u>756,318</u>	<u>10,593,107</u>	<u>2,367,032</u>	<u>947,683</u>	<u>-</u>	<u>13,907,822</u>
Contract labor	220,763	6,655	-	-	227,418	2,500	35,894	-	265,812
Professional services	200,143	32,945	-	1,750	234,838	201,544	119,596	-	555,978
Business and travel	8,827	89,329	-	8,125	106,281	36,406	12,266	-	154,953
Occupancy and communication	34,964	424,934	-	27,139	487,037	76,082	46,871	-	609,990
Postage, supplies, and printing	10,599	24,559	-	635	35,793	67,919	41,688	-	145,400
Marketing and subscriptions	39,725	130,397	-	12,217	182,339	126,790	40,159	-	349,288
Staff development	5,983	94,759	-	3,799	104,541	50,221	9,294	-	164,056
Program supplies and other expenses	82,656	119,753	-	1,592	204,001	80,423	110,805	-	395,229
Cost of goods sold	-	-	647	-	647	-	-	-	647
Other operational services	2,658	6,691	-	974	10,323	126,442	32,638	-	169,403
Insurance	9,520	28,108	-	-	37,628	98,592	9,369	-	145,589
Special events venue, meals, and supplies	-	-	-	-	-	-	64,201	317,506	381,707
Depreciation	59,087	461,905	-	21,343	542,335	68,684	26,528	-	637,547
Bad debt expense	36,000	558,827	-	-	594,827	-	67,773	-	662,600
	<u>1,943,177</u>	<u>10,583,399</u>	<u>647</u>	<u>833,892</u>	<u>13,361,115</u>	<u>3,302,635</u>	<u>1,564,765</u>	<u>317,506</u>	<u>18,546,021</u>
Cost of goods sold (included in revenue on statement activities)	-	-	(647)	-	(647)	-	-	-	(647)
Direct donor benefits	-	-	-	-	-	-	-	(317,506)	(317,506)
TOTAL EXPENSES	<u>\$ 1,943,177</u>	<u>\$ 10,583,399</u>	<u>\$ -</u>	<u>\$ 833,892</u>	<u>\$ 13,360,468</u>	<u>\$ 3,302,635</u>	<u>\$ 1,564,765</u>	<u>\$ -</u>	<u>\$ 18,227,868</u>

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	<u>1,399,322</u>	<u>7,530,365</u>	<u>-</u>	<u>989,723</u>	<u>9,919,410</u>	<u>2,265,085</u>	<u>801,731</u>	<u>12,986,226</u>
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
	<u>1,914,774</u>	<u>8,954,190</u>	<u>3,158</u>	<u>1,075,545</u>	<u>11,947,667</u>	<u>3,106,143</u>	<u>1,181,160</u>	<u>16,234,970</u>
Cost of goods sold (included in revenue on statement activities)	<u>-</u>	<u>-</u>	<u>(3,158)</u>	<u>-</u>	<u>(3,158)</u>	<u>-</u>	<u>-</u>	<u>(3,158)</u>
TOTAL EXPENSES	<u>\$ 1,914,774</u>	<u>\$ 8,954,190</u>	<u>\$ -</u>	<u>\$ 1,075,545</u>	<u>\$ 11,944,509</u>	<u>\$ 3,106,143</u>	<u>\$ 1,181,160</u>	<u>\$ 16,231,812</u>

See accompanying notes.

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 3,873,039	\$ 721,788
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	637,547	458,124
Amortization of operating leases right-of-use assets	112,915	-
Net realized/unrealized loss (gain) on investments	1,488,056	(840,180)
Forgiveness of debt	-	(21,261)
Provision for bad debts	594,827	255,569
Provision for uncollectible promises to give	67,773	(7,585)
Change in discount on long-term promises to give	231,506	2,652
Donated property and equipment	-	(215,519)
(Increase) decrease in:		
Employee Retention Tax Credit receivable	(1,274,329)	-
Contracts and insurance receivable	(1,478,865)	(222,801)
Promises to give	(3,798,719)	(159,956)
Prepaid expenses and other assets	(40,967)	(13,061)
Deposits	69,493	-
Increase (decrease) in:		
Accounts payable	9,943	43,873
Insurance overpayments	578	29,108
Accrued expenses	(7,404)	125,593
Deferred revenue	(98,570)	(210,496)
Operating lease liabilities	(112,468)	-
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	274,355	(54,152)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(238,495)	(816,211)
Purchases of investments	(235,705)	(155,878)
Sales of investments	422,325	378,382
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(51,875)	(593,707)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from line of credit	-	600,000
Payments towards line of credit	-	(600,000)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	-	-
NET INCREASE (DECREASE) IN CASH	222,480	(647,859)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,028,995	2,676,854
END OF YEAR	\$ 2,251,475	\$ 2,028,995
RECONCILIATION TO STATEMENTS OF FINANCIAL POSITION:		
Cash and cash equivalents	\$ 887,845	\$ 2,028,995
Cash restricted for long-term purposes	1,363,630	-
	\$ 2,251,475	\$ 2,028,995

See accompanying notes.

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2022 and 2021

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, 2022 and 2021

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 \$1,052,602 and \$699,434 for the years ended December 31, 2022 and 2021, 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, 2022 and 2021

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, 2022 and 2021

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 \$5,000 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, 2022 and 2021

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
Years Ended December 31, 2022 and 2021

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, 2022 and 2021

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:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Contracts and insurance receivable, net			
Net patient services	\$ 2,006,483	\$ 1,178,302	\$ 1,166,038
Research contract revenue	253,029	233,999	291,913
Residential contract revenue	18,000	46,750	43,371
Community school tuition	112,139	46,562	37,059
	<u>\$ 2,389,651</u>	<u>\$ 1,505,613</u>	<u>\$ 1,538,381</u>
Contract liabilities, net			
Research contract revenue	\$ -	\$ -	\$ 45,393
Community school deposits	84,360	151,430	215,733
	<u>\$ 84,360</u>	<u>\$ 151,430</u>	<u>\$ 261,126</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. The Center has several cost reimbursement contracts with federal and state agencies. The Center has determined that these contracts are conditional contributions and therefore revenue is recognized when the conditions are met, which is as allowable costs are incurred.

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2022 and 2021

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

In-kind Support

The Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2020-07, *Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires 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 is required to disclose a description of how these assets are valued. The Center adopted this standard as of January 1, 2022.

In-kind materials and other non-cash assets are recorded at fair value in the period received. In-kind 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.

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 or required to be held in perpetuity. 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.

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2022 and 2021

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 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, 2022 and 2021, the Center had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

The Center recognizes interest and penalties associated with income tax in operating expenses. During the years ended December 31, 2022 and 2021, 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.

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2022 and 2021

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

Adoption of New Accounting Standard

Effective January 1, 2022, the Center adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*, and all related amendments using the modified retrospective approach. The Center's 2021 consolidated financial statements continue to be accounted for under the FASB's Topic 840 and have not been adjusted.

ASU No. 2016-02 requires lessees to recognize the assets and liabilities that arise from leases on the statement of financial position. At lease inception, leases are classified as either finance leases or operating leases with the associated right-of-use asset and lease liability measured at the net present value of future lease payments. Operating lease right-of-use assets are expensed on a straight-line basis as lease expense over the non-cancelable lease term. Lease expense for the Center's finance leases is comprised of the amortization of the right-of-use asset and interest expense recognized based on the effective interest method. At the date of adoption, the Center recorded operating lease right-of-use assets and lease liabilities of \$573,789 and \$604,410, respectively.

The new standard provides for several optional practical expedients. Upon transition to Topic 842, the Center elected:

- The package of practical expedients permitted under the transition guidance which does not require the Center to reassess prior conclusions regarding whether contracts are or contain a lease, lease classification and initial direct lease costs;
- The practical expedient to use hindsight in determining the lease term (that is, when considering options to extend or terminate the lease or to purchase the underlying asset) and in assessing impairment of the Center's right-of-use assets.

The new standard also provides for several accounting policy elections, as follows:

- The Center has elected the policy not to separate lease and non-lease components for all assets.
- When the rate implicit in the lease is not determinable, rather than use the Center's incremental borrowing rate, the Center elected to use a risk-free discount rate for the initial and subsequent measurement of lease liabilities for all assets.
- The Center elected not to apply the recognition requirements to all leases with an original term of 12 months or less, for which the Center is not likely to exercise a renewal option or purchase the asset at the end of the lease; rather, short-term leases will continue to be recorded on a straight-line basis over the lease term.

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER
 NOTES TO FINANCIAL STATEMENTS
 Years Ended December 31, 2022 and 2021

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

Adoption of New Accounting Standard (Continued)

Additional required disclosures for Topic 842 are contained in Note 10.

Date of Management's Review

In preparing these financial statements, the Center has evaluated events and transactions for potential recognition or disclosure through May 5, 2023, 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.

	<u>2022</u>	<u>2021</u>
Total current assets	\$ 5,970,159	\$ 4,884,151
Less: Prepaid expenses and other assets	(290,545)	(249,578)
Add: Non-endowed liquid investments	2,477,895	3,131,800
Add: Endowment spending appropriation	<u>448,241</u>	<u>426,515</u>
Financial assets available for expenditures	<u>\$ 8,605,750</u>	<u>\$ 8,192,888</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 \$1,226,000, 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, 2022.

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2022 and 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 two donors which makes up 25% of total promises to give at December 31, 2022 and three donors which makes up 46% of total gross promises to give at December 31, 2021. Gross contracts receivable includes amounts from two payer sources that makes up 33% of total contracts receivable as of December 31, 2022 and two payer sources that makes up 32% of total contracts receivable as of December 31, 2021. Concentrations of credit risk with respect to receivables are limited due to the collection history and relationships with these donors and payer sources.

NOTE 4 PROMISES TO GIVE

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

	<u>2022</u>	<u>2021</u>
Receivable in less than one year	\$ 2,141,516	\$ 1,078,809
Receivable in two to five years	<u>3,362,550</u>	<u>641,155</u>
Total promises to give	5,504,066	1,719,964
Discount to present value	(255,900)	(24,394)
Allowance for uncollectible promises	<u>(106,864)</u>	<u>(53,708)</u>
Net promises to give	5,141,302	1,641,862
Current portion	<u>(1,127,789)</u>	<u>(1,030,472)</u>
Non-current portion	<u>\$ 4,013,513</u>	<u>\$ 611,390</u>
Promises to give, current	\$ 1,127,789	\$ 1,030,472
Promises to give, net of current	637,590	611,390
Promises to give restricted for long-term purposes	<u>3,375,923</u>	<u>-</u>
Total net promises to give	<u>\$ 5,141,302</u>	<u>\$ 1,641,862</u>

The estimated cash flows for promises to give were discounted over the collection period using a discount of 3.99% as determined by management.

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2022 and 2021

NOTE 5 CONDITIONAL PROMISES TO GIVE AND CONTRIBUTIONS

The Center received conditional promises to give totaling \$50,000 and \$41,000 for the years ended December 31, 2022 and 2021 for sponsorships for future special events. Other amounts received from various donors in advance of the future special events totaled \$55,000 and \$86,500 at December 31, 2022 and 2021, 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.

The Center has several cost reimbursable grant agreements, which are considered conditional contributions. As of December 31, 2022 and 2021, these grants included conditional promises to give in the amount of approximately \$717,000 and \$1,541,000, which represents unspent amounts included in these grant agreements and are expected to be spent over the remaining term of the agreement.

NOTE 6 INVESTMENTS

Investments consist of the following at December 31:

	<u>2022</u>	<u>2021</u>
Cash and money market	\$ 451,407	\$ 114,624
Fixed income funds	2,004,343	2,468,729
Equity funds	3,788,492	5,183,471
Preferred stock (other investments)	7,590	10,544
Real estate exchange traded funds	372,067	443,876
Funds held at Arizona Community Foundation	<u>431,625</u>	<u>508,956</u>
Total investments	<u>\$ 7,055,524</u>	<u>\$ 8,730,200</u>

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

	<u>2022</u>	<u>2021</u>
Interest and dividends	\$ 185,219	\$ 149,049
Realized gain (loss)	212,561	580,993
Unrealized gain (loss)	(1,700,617)	259,187
Investment fees	<u>(43,294)</u>	<u>(44,960)</u>
Investment return	<u>\$ (1,346,131)</u>	<u>\$ 944,269</u>

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2022 and 2021

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, 2022:

	Level 1	Level 2	Level 3	Total
Operating investments:				
Cash and money market	\$ 169,836	\$ -	\$ -	\$ 169,836
Fixed income funds	744,158	-	-	744,158
Equity funds	1,493,062	-	-	1,493,062
Preferred stock (other investments)	-	7,590	-	7,590
Real estate exchange traded funds	166,844	-	-	166,844
	<u>2,573,900</u>	<u>7,590</u>	<u>-</u>	<u>2,581,490</u>
Total assets at fair value				
Endowment investments:				
Cash and money market	281,571	-	-	281,571
Fixed income funds	1,260,185	-	-	1,260,185
Equity funds	2,295,430	-	-	2,295,430
Real estate exchange traded funds	205,223	-	-	205,223
Funds held at Arizona Community Foundation	-	-	431,625	431,625
	<u>4,042,409</u>	<u>-</u>	<u>431,625</u>	<u>4,474,034</u>
Total assets at fair value				
Total investments	<u>\$ 6,616,309</u>	<u>\$ 7,590</u>	<u>\$ 431,625</u>	<u>\$ 7,055,524</u>

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2022 and 2021

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, 2021:

	Level 1	Level 2	Level 3	Total
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
Total assets at fair value	<u>3,131,800</u>	<u>10,544</u>	<u>-</u>	<u>3,142,344</u>
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
Total assets at fair value	<u>5,078,900</u>	<u>-</u>	<u>508,956</u>	<u>5,587,856</u>
Total investments	<u>\$ 8,210,700</u>	<u>\$ 10,544</u>	<u>\$ 508,956</u>	<u>\$ 8,730,200</u>

Investments with readily determinable fair values are measured at fair value in the statements 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 an investment pool including 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
Years Ended December 31, 2022 and 2021

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, 2022 and 2021:

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	508,956
Interest income	6,768
Realized and unrealized losses	(79,732)
Investment fees	<u>(4,367)</u>
Balance, December 31, 2022	<u><u>\$ 431,625</u></u>

NOTE 8 PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	<u>2022</u>	<u>2021</u>
Land	\$ 821,969	\$ 821,969
Buildings and improvements	5,759,499	5,723,501
Leasehold improvements	995,919	754,444
Vehicles	51,847	51,847
Office furniture and equipment	<u>827,961</u>	<u>787,328</u>
	8,457,195	8,139,089
Accumulated depreciation	<u>(4,179,392)</u>	<u>(3,541,846)</u>
	4,277,803	4,597,243
Construction and software in progress	<u>22,433</u>	<u>102,045</u>
	<u><u>\$ 4,300,236</u></u>	<u><u>\$ 4,699,288</u></u>

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2022 and 2021

NOTE 8 PROPERTY AND EQUIPMENT (Continued)

Depreciation expense was \$637,547 and \$458,124 for the years ended December 31, 2022 and 2021, respectively.

Construction and software in progress at December 31, 2022 and 2021, 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, 2022, 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. The Center borrowed \$600,000 during the year end December 31, 2021 which was paid back before year end. The line of credit was not utilized during the year ended December 31, 2022.

NOTE 10 LEASING ACTIVITIES

The Center leases office space and equipment under operating lease agreements that expire at various dates through September 2026. The agreements require monthly payments ranging from approximately \$992 to \$5,485.

Right-of-use assets represent the Center's right to use an underlying asset for the lease term, while lease liabilities represent the Center's obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at the commencement date of a lease based on the net present value of lease payments over the lease term.

Certain of the Center's leases include options to renew or terminate the lease. The exercise of lease renewal or early termination options is at the Center's sole discretion. The Center regularly evaluates the renewal and early termination options and when they are reasonably certain of exercise, the Center includes such options in the lease term. Additionally, upon adoption of the new standard, the Center made judgments regarding lease terms for certain of its real property leases that were in month-to-month status or that contained auto-renewal clauses. The Center estimated a lease end date based on the required length of usage of the property and calculated a right-of-use asset and lease liability with the resulting estimated lease term.

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER
 NOTES TO FINANCIAL STATEMENTS
 Years Ended December 31, 2022 and 2021

NOTE 10 LEASING ACTIVITIES (Continued)

In determining the discount rate used to measure the right-of-use assets and lease liabilities, the Center uses the rate implicit in the lease, or if not readily available, the Center uses a risk-free rate based on U.S. Treasury note or bond rates for a similar term.

Right-of-use assets are assessed for impairment in accordance with the Center's long-lived asset policy. The Center reassesses lease classification and remeasures right-of-use assets and lease liabilities when a lease is modified and that modification is not accounted for as a separate new lease or upon certain other events that require reassessment in accordance with Topic 842.

The Center made significant assumptions and judgments in applying the requirements of Topic 842. In particular, the Center:

- Evaluated whether a contract contains a lease, by considering factors such as whether the Center obtained substantially all rights to control an identifiable underlying asset and whether the lessor has substantive substitution rights.
- Determined whether contracts contain embedded leases.

The Center does not have any material leasing transactions with any related parties.

The following table summarizes the operating lease right-of-use assets and operating lease liabilities as of December 31, 2022:

Operating lease right-of-use assets	<u>\$ 448,501</u>
Operating lease liabilities:	
Current	\$ 135,757
Long-term	<u>313,191</u>
Total operating lease liabilities	<u>\$ 448,948</u>

Below is a summary of expense incurred pertaining to leases during the year ended December 31, 2022:

Operating lease expense	\$ 119,917
Short-term lease expense	-
Variable lease expense	<u>-</u>
Total lease expense	<u>\$ 119,917</u>

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2022 and 2021

NOTE 10 LEASING ACTIVITIES (Continued)

The right-of-use assets and lease liabilities were calculated using a weighted average discount rate of 2.28%. As of December 31, 2022, the weighted average remaining lease term was 3.65 years.

The table below summarizes the Center's approximate future minimum lease payments for years ending after December 31, 2022:

<u>Years Ending December 31,</u>	
2023	\$ 126,729
2024	128,031
2025	129,495
2026	<u>84,483</u>
Total lease payments	468,737
Less: present value discount	<u>(19,789)</u>
Total lease liabilities	448,948
Less current portion	<u>(135,757)</u>
Long-term lease liabilities	<u><u>\$ 313,191</u></u>

The table below summarizes the Center's approximate future minimum lease payments as of December 31, 2021:

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

Total rental expense under these leases and month-to-month office equipment leases was approximately \$131,000 for the year ended December 31, 2021.

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2022 and 2021

NOTE 10 LEASING ACTIVITIES (Continued)

The following table includes supplemental cash flow and noncash information related to the leases for the year ended December 31, 2022:

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	<u>\$ 112,036</u>
Operating lease right-of-use assets obtained in exchange for lease liabilities	<u>\$ -</u>

NOTE 11 EMPLOYEE RETENTION TAX CREDIT

On March 27, 2020, in response to the COVID-19 pandemic, the U.S. Congress enacted the Coronavirus Aid, Relief and Economic Security Act, which among other things, contains an employee retention tax credit ("ERTC"). On December 27, 2020, the Consolidated Appropriations Act, 2021 was signed into law, which among other things, provides the retroactive ability for entities that received PPP loans to also obtain the ERTC. The ERTC allows, based on certain eligibility rules, for a credit against certain payroll taxes based on a percentage of wages paid to each employee commencing on March 13, 2020, and through September 30, 2021, to be paid by the Internal Revenue Service ("IRS").

Eligibility and the amount of the credit is determined on a quarter-by-quarter basis throughout 2020 and through the third quarter of 2021 based on various factors including, the number of full-time employees employed during 2019, whether there was a partial or full shutdown of the business due to government orders and/or whether a certain percentage decline of gross receipts occurred during each quarter in 2020 or 2021 versus the same quarter in 2019. The Center has determined that it has qualified for the credit for certain quarters in the available time period. As a result, the Center has recognized this wage credit in the amount of \$1,274,329 during the year ended December 31, 2022 and is included in government grant income on the accompanying statement of activities. This income was determined to meet the definition of a conditional contribution where the income is recognized when the conditions are substantially met. This amount is also included in Employer Retention Tax Credit receivable on the accompanying statement of financial position as of December 31, 2022. The Center is subject to possible audit or investigation by the IRS to determine whether the tax credit amounts were used for allowable purposes and whether the Center met the eligibility requirements relating to decreased revenue or required shutdown per government orders.

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2022 and 2021

NOTE 12 ENDOWMENT FUNDS

Endowment net asset composition as of December 31, 2022 is as follows:

	Without Donor Restriction	With Donor Restriction	Total
Board designated endowment fund	\$ 1,225,779	\$ -	\$ 1,225,779
Donor restricted endowment funds:			
Original donor-restricted amount	-	2,630,000	2,630,000
Accumulated investment earnings	-	618,255	618,255
	<u>\$ 1,225,779</u>	<u>\$ 3,248,255</u>	<u>\$ 4,474,034</u>

Endowment funds composition as of December 31, 2021 is as follows:

	Without Donor Restriction	With Donor Restriction	Total
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
Years Ended December 31, 2022 and 2021

NOTE 12 ENDOWMENT FUNDS (Continued)

Changes in endowment net assets for the years ended December 31, 2022 and 2021 are as follows:

	Without Donor Restriction	With Donor Restriction	Total
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	1,526,091	4,061,765	5,587,856
Board designation	-	-	-
Realized and unrealized losses	(264,814)	(666,463)	(931,277)
Interest income	32,834	81,697	114,531
Amounts appropriated for expenditures	(61,397)	(207,388)	(268,785)
Investment fees	(6,935)	(21,356)	(28,291)
Endowment funds, December 31, 2022	<u>\$ 1,225,779</u>	<u>\$ 3,248,255</u>	<u>\$ 4,474,034</u>

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

	2022	2021
Harrington Endowment	\$ 1,267,943	\$ 1,564,801
Helios Endowment	1,174,183	1,479,504
Stardust Endowment	806,129	1,017,460
Total donor-restricted endowments	<u>\$ 3,248,255</u>	<u>\$ 4,061,765</u>

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2022 and 2021

NOTE 13 NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2022</u>	<u>2021</u>
Subject to the passage of time:		
Promises to give	\$ 1,088,967	\$ 1,472,540
Portion of donor-restricted endowment funds subject to time restriction under MCFA	<u>618,255</u>	<u>1,431,765</u>
	<u>1,707,222</u>	<u>2,904,305</u>
Subject to purpose restrictions:		
ASD screenings	246,573	276,993
Capital Campaign	1,263,630	-
Community school expansion	14,846	-
Development	-	252
Intensive training and community outreach	23,689	37,655
Jumpstart program	157,979	133,719
Lecture series	4,500	9,264
Milestones program	1,961	33,849
Mindfulness study	123,607	-
Research	25,000	12,105
Residential	6,759	8,059
Technology expansion/consultant fees	197	1,297
Telehealth	-	111,553
Think Autism	415,227	72,134
Other programs	<u>45,608</u>	<u>48,620</u>
	<u>2,329,576</u>	<u>745,500</u>
Subject to both time and purpose restrictions (included in promises to give):		
Capital Campaign	3,375,923	-
Intensive training and community outreach	180,000	-
Telehealth	100,000	-
Vocational and life skills academy	-	100,000
Other programs	<u>14,413</u>	<u>-</u>
	<u>3,670,336</u>	<u>100,000</u>
Donor-restricted endowments	<u>2,630,000</u>	<u>2,630,000</u>
	<u>\$ 10,337,134</u>	<u>\$ 6,379,805</u>

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2022 and 2021

NOTE 14 BOARD DESIGNATED NET ASSETS

Board designated net assets include a board designated endowment in the amount of \$1,225,779 and \$1,526,091 as of December 31, 2022 and 2021, respectively, set aside by the board as a reserve.

NOTE 15 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 \$179,500 and \$235,600 during the years ended December 31, 2022 and 2021, respectively.

NOTE 16 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 \$27,200 and \$25,800 during the years ended December 31, 2022 and 2021, respectively.

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2022 and 2021

NOTE 17 IN-KIND SUPPORT

In-kind support is as follows for the years ended December 31:

Non-Financial Asset	Revenue Recognized as of December 31, 2022	Revenue Recognized as of December 31, 2021	Utilization in Programs / Activities	Donor Restrictions	Valuation Techniques and Inputs
Supplies & materials	\$ 97,843	\$ 46,485	Program and Supporting Services	None	Estimate based on current cost of the products provided by the retail vendors operating in the greater Phoenix metropolitan area
Capitalized assets	-	215,519	Program Services	None	Estimate based on fair value of assets provided by the vendor operating in the greater Phoenix metropolitan area
Professional services	-	37,365	Program and Supporting Services	None	Estimate based on current cost of service provided by vendors operating in the greater Phoenix metropolitan area
	<u>\$ 97,843</u>	<u>\$ 299,369</u>			

UNIFORM GUIDANCE SUPPLEMENTARY REPORTS

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Southwest Autism Research and Resource Center (a nonprofit organization) which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 5, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Southwest Autism Research and Resource Center's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Southwest Autism Research and Resource Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Southwest Autism Research and Resource Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

This report is intended solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Center's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Baker Tilly US, LLP

Tempe, Arizona
May 5, 2023

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Southwest Autism Research and Resource Center's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Southwest Autism Research and Resource Center's major federal programs for the year ended December 31, 2022. Southwest Autism Research and Resource Center's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Southwest Autism Research and Resource Center, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance 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 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of Southwest Autism Research and Resource Center's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Southwest Autism Research and Resource Center's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Southwest Autism Research and Resource Center's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Southwest Autism Research and Resource Center's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Southwest Autism Research and Resource Center's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Southwest Autism Research and Resource Center's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Southwest Autism Research and Resource Center's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Baker Tilly US, LLP

Tempe, Arizona
May 5, 2023

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2022

Federal Grantor / Pass-Through Grantor / Program	Federal Assistance Listing Number	Grantor's Number	Federal Expenditures	Amounts Recognized in Accordance with GAAP for the Year Ended December 31, 2021	Amounts Recognized in Accordance with GAAP for the Year Ended December 31, 2022
DEPARTMENT OF DEFENSE					
Direct					
Military Medical Research and Development	12.420	W81XWH2010171	\$ 301,035	\$ -	\$ 301,035
Total Department of Defense			<u>301,035</u>	<u>-</u>	<u>301,035</u>
DEPARTMENT OF HEALTH AND HUMAN SERVICES					
Passed through Behavior Imaging Solutions					
Mental Health Research Grants	93.242	NODA-CHADIS-2020	80,000	-	80,000
Passed through University of California San Diego					
Mental Health Research Grants	93.242	132119240	<u>257,460</u>	<u>-</u>	<u>257,460</u>
Passed through Arizona Department of Economic Security			<u>337,460</u>	<u>-</u>	<u>337,460</u>
Child Care and Development Fund Cluster					
Child Care and Development Block Grant	93.575	P0001735002, P0001735001	<u>338,400</u> *	<u>-</u>	<u>338,400</u> *
Total Department of Health and Human Services			<u>675,860</u>	<u>-</u>	<u>675,860</u>
NATIONAL SCIENCE FOUNDATION					
Passed through Institute for Learning Innovation					
STEM Education (formerly Education and Human Resources)	47.076	2020-09	<u>184,900</u>	<u>-</u>	<u>184,900</u>
Total National Science Foundation			<u>184,900</u>	<u>-</u>	<u>184,900</u>
DEPARTMENT OF TREASURY					
Passed through State of Arizona, Office of the Governor					
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	GR-ARPA-SARRC-030122-01	<u>250,000</u> *	<u>250,000</u> *	<u>-</u>
Total Department of Treasury			<u>250,000</u>	<u>250,000</u>	<u>-</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 1,411,795</u>	<u>\$ 250,000</u>	<u>\$ 1,161,795</u>

* Denotes major program

See accompanying notes.

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2022

NOTE 1 BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Southwest Autism Research and Resource Center under programs of the federal government for the year ended December 31, 2022. The information in this schedule is presented in accordance with requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Southwest Autism Research and Resource Center, it is not intended to and does not present the financial position, changes in net position, or cash flows of Southwest Autism Research and Resource Center

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- B) Southwest Autism Research and Resource Center has not elected to use the 10 percent *de minimis* indirect cost rate as allowed under the Uniform Guidance.

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year Ended December 31, 2022

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditors’ report issued:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?
- Significant deficiency(ies) identified that are not considered to be a material weakness(es)?

___ yes X no

___ yes X none reported

Noncompliance material to financial statements noted?

___ yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified?
- Significant deficiency(ies) identified that are not considered to be a material weakness(es)?

___ yes X no

___ yes X none reported

Type of auditors’ report issued on compliance for each major program listed below:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?

___ yes X no

Identification of major programs:

Assistance Listing Numbers	Name of Federal Program or Cluster
21.027	Coronavirus State and Local Fiscal Recovery Funds
93.575	Child Care and Development Block Grant / Child Care and Development Fund Cluster

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low risk auditee?

___ yes X no

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
Year Ended December 31, 2022

SECTION II – FINDINGS RELATED TO FINANCIAL STATEMENTS REPORTED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

None Noted

SECTION III – FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS

None Noted