



SARRRC

Southwest
Autism
Research &
Resource
Center

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER

Phoenix, Arizona

FINANCIAL STATEMENTS

Years Ended December 31, 2018 and 2017



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

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, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Southwest Autism Research and Resource Center as of December 31, 2018 and 2017, 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.

Emphasis of a Matter

As discussed in Note 16 to the financial statements, the December 31, 2017 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Henry + Home, LLP

Tempe, Arizona
May 28, 2019

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER
STATEMENTS OF FINANCIAL POSITION
December 31, 2018 and 2017

| ASSETS | 2018 | 2017 (Restated) |
|---|---------------|--------------------|
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 2,559,942 | \$ 1,471,031 |
| Promises to give, current portion, net of allowance for doubtful accounts | 759,632 | 1,020,403 |
| Contracts and insurance receivable, net of allowance for doubtful accounts | 1,147,640 | 1,303,637 |
| Prepaid expenses and other assets | 146,164 | 193,425 |
| TOTAL CURRENT ASSETS | 4,613,378 | 3,988,496 |
| PROMISES TO GIVE, net of current portion, unamortized discount and allowance for uncollectible promises | 388,553 | 345,942 |
| INVESTMENTS | | |
| Endowments | 3,508,725 | 3,279,312 |
| Other | 2,243,222 | 2,035,610 |
| | 5,751,947 | 5,314,922 |
| PROPERTY AND EQUIPMENT, net | 4,035,271 | 4,434,951 |
| TOTAL ASSETS | \$ 14,789,149 | \$ 14,084,311 |
| LIABILITIES | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 25,905 | \$ 92,707 |
| Accrued expenses | 596,315 | 628,024 |
| Deferred revenue | 193,803 | 200,041 |
| TOTAL CURRENT LIABILITIES | 816,023 | 920,772 |
| FORGIVABLE LOAN | 42,522 | 63,783 |
| TOTAL LIABILITIES | 858,545 | 984,555 |
| NET ASSETS | | |
| Without donor restrictions: | | |
| Undesignated | 8,725,453 | 8,699,461 |
| Board designated | 515,418 | 46,874 |
| | 9,240,871 | 8,746,335 |
| With donor restrictions | 4,689,733 | 4,353,421 |
| TOTAL NET ASSETS | 13,930,604 | 13,099,756 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 14,789,149 | \$ 14,084,311 |

See accompanying notes.

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2018 and 2017

| | 2018 | | | 2017 (Restated) | | |
|--|------------------------------|---------------------------|-------------------|------------------------------|---------------------------|-------------------|
| | Without Donor Restriction | With Donor Restriction | Total | Without Donor Restriction | With Donor Restriction | Total |
| SUPPORT AND REVENUES | | | | | | |
| Contract revenue | \$ 8,666,353 | \$ - | \$ 8,666,353 | \$ 6,974,943 | \$ - | \$ 6,974,943 |
| Contributions - foundations and corporations | 1,552,654 | 632,133 | 2,184,787 | 83,326 | 1,062,217 | 1,145,543 |
| Contributions - individuals | 456,592 | 131,290 | 587,882 | 91,040 | 108,617 | 199,657 |
| Special events contributions | 565,287 | 945,633 | 1,510,920 | 460,354 | 1,292,774 | 1,753,128 |
| In-kind support | 181,344 | - | 181,344 | 154,623 | - | 154,623 |
| Miscellaneous revenue | 15,537 | - | 15,537 | 25 | - | 25 |
| Net assets released from restrictions | 1,133,613 | (1,133,613) | - | 3,090,955 | (3,090,955) | - |
| | <u>12,571,380</u> | <u>575,443</u> | <u>13,146,823</u> | <u>10,855,266</u> | <u>(627,347)</u> | <u>10,227,919</u> |
| Gross sales of food, beverage and merchandise | 21,300 | - | 21,300 | 193,528 | - | 193,528 |
| Cost of goods sold | (6,962) | - | (6,962) | (106,406) | - | (106,406) |
| | <u>14,338</u> | <u>-</u> | <u>14,338</u> | <u>87,122</u> | <u>-</u> | <u>87,122</u> |
| Special events revenue | 70,500 | - | 70,500 | - | - | - |
| Direct donor benefits | (55,879) | - | (55,879) | - | - | - |
| | <u>14,621</u> | <u>-</u> | <u>14,621</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| TOTAL SUPPORT AND REVENUES | <u>12,600,339</u> | <u>575,443</u> | <u>13,175,782</u> | <u>10,942,388</u> | <u>(627,347)</u> | <u>10,315,041</u> |

See accompanying notes.

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER
 STATEMENTS OF ACTIVITIES (Continued)
 Years Ended December 31, 2018 and 2017

| | 2018 | | | 2017 (Restated) | | |
|---|------------------------------|---------------------------|----------------------|------------------------------|---------------------------|----------------------|
| | Without Donor Restriction | With Donor Restriction | Total | Without Donor Restriction | With Donor Restriction | Total |
| EXPENSES | | | | | | |
| Program Services | | | | | | |
| Research | \$ 1,298,084 | \$ - | \$ 1,298,084 | \$ 1,244,473 | \$ - | \$ 1,244,473 |
| Clinical services | 6,377,524 | - | 6,377,524 | 5,381,343 | - | 5,381,343 |
| Social enterprise | 84,726 | - | 84,726 | 388,522 | - | 388,522 |
| Residential | 812,999 | - | 812,999 | 589,142 | - | 589,142 |
| | <u>8,573,333</u> | <u>-</u> | <u>8,573,333</u> | <u>7,603,480</u> | <u>-</u> | <u>7,603,480</u> |
| Support Services | | | | | | |
| Management and general | 2,095,049 | - | 2,095,049 | 1,984,006 | - | 1,984,006 |
| Fundraising | 1,221,198 | - | 1,221,198 | 1,123,129 | - | 1,123,129 |
| | <u>3,316,247</u> | <u>-</u> | <u>3,316,247</u> | <u>3,107,135</u> | <u>-</u> | <u>3,107,135</u> |
| TOTAL EXPENSES | <u>11,889,580</u> | <u>-</u> | <u>11,889,580</u> | <u>10,710,615</u> | <u>-</u> | <u>10,710,615</u> |
| CHANGE IN NET ASSETS BEFORE INVESTMENT RETURN (LOSS) | 710,759 | 575,443 | 1,286,202 | 231,773 | (627,347) | (395,574) |
| INVESTMENT RETURN (LOSS) | <u>(216,223)</u> | <u>(239,131)</u> | <u>(455,354)</u> | <u>334,327</u> | <u>432,260</u> | <u>766,587</u> |
| CHANGE IN NET ASSETS | 494,536 | 336,312 | 830,848 | 566,100 | (195,087) | 371,013 |
| NET ASSETS AT BEGINNING OF YEAR (RESTATED) | <u>8,746,335</u> | <u>4,353,421</u> | <u>13,099,756</u> | <u>8,180,235</u> | <u>4,548,508</u> | <u>12,728,743</u> |
| NET ASSETS AT END OF YEAR | <u>\$ 9,240,871</u> | <u>\$ 4,689,733</u> | <u>\$ 13,930,604</u> | <u>\$ 8,746,335</u> | <u>\$ 4,353,421</u> | <u>\$ 13,099,756</u> |

See accompanying notes.

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2018

| | Program Services | | | | Total Program | Supporting Services | | | |
|--|---------------------|----------------------|----------------------|--------------------------------------|---------------------|------------------------------|---------------------|--------------------------|----------------------|
| | Research | Clinical Services | Social Enterprise | Residential Transition Academy | | Management and General | Fundraising | Direct Donor Benefits | Total |
| Salaries and wages | \$ 778,134 | \$4,027,247 | \$ 36,467 | \$ 581,404 | \$ 5,423,252 | \$ 1,200,998 | \$ 504,169 | \$ - | \$ 7,128,419 |
| Payroll taxes | 55,287 | 306,155 | 3,482 | 43,874 | 408,798 | 82,615 | 35,445 | - | 526,858 |
| Employee benefits | 103,514 | 645,253 | 14,256 | 73,637 | 836,660 | 258,595 | 64,474 | - | 1,159,729 |
| Total personnel costs | 936,935 | 4,978,655 | 54,205 | 698,915 | 6,668,710 | 1,542,208 | 604,088 | - | 8,815,006 |
| Contract labor | 99,000 | - | - | - | 99,000 | 47,799 | 10,369 | - | 157,168 |
| Professional services | 26,443 | 174,314 | 21,525 | 6,000 | 228,282 | 74,949 | 36,605 | - | 339,836 |
| Business and travel | 7,914 | 122,317 | 120 | 10,572 | 140,923 | 23,958 | 21,218 | - | 186,099 |
| Occupancy and communication | 31,885 | 224,018 | 2,177 | 31,079 | 289,159 | 51,305 | 36,430 | - | 376,894 |
| Postage, supplies, and printing | 16,762 | 50,136 | 3,224 | 11,558 | 81,680 | 58,708 | 56,757 | - | 197,145 |
| Marketing and subscriptions | 7,349 | 69,813 | 313 | 7,038 | 84,513 | 49,890 | 21,170 | - | 155,573 |
| Staff development | 5,412 | 74,443 | 70 | 5,331 | 85,256 | 24,587 | 5,266 | - | 115,109 |
| Program supplies and other expenses | 28,213 | 23,646 | 37 | 3,514 | 55,410 | 8,021 | 136,195 | - | 199,626 |
| Cost of goods sold | - | - | 6,962 | - | 6,962 | - | - | - | 6,962 |
| Other operational services | 647 | 202,928 | - | 128 | 203,703 | 58,759 | 6,346 | - | 268,808 |
| Insurance | 29,464 | - | - | - | 29,464 | 73,553 | 1,059 | - | 104,076 |
| Special events venue, meals, and supplies | - | - | - | - | - | - | 195,077 | 55,879 | 250,956 |
| Depreciation | 53,124 | 276,372 | 3,055 | 38,864 | 371,415 | 81,017 | 34,628 | - | 487,060 |
| Interest expense | - | - | - | - | - | 295 | - | - | 295 |
| Bad debt expense | 54,936 | 180,882 | - | - | 235,818 | - | 55,990 | - | 291,808 |
| | 1,298,084 | 6,377,524 | 91,688 | 812,999 | 8,580,295 | 2,095,049 | 1,221,198 | 55,879 | 11,952,421 |
| Cost of goods sold | - | - | (6,962) | - | (6,962) | - | - | - | (6,962) |
| Direct donor benefits | - | - | - | - | - | - | - | (55,879) | (55,879) |
| TOTAL EXPENSES | \$ 1,298,084 | \$6,377,524 | \$ 84,726 | \$ 812,999 | \$ 8,573,333 | \$ 2,095,049 | \$ 1,221,198 | \$ - | \$ 11,889,580 |

See accompanying notes.

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2017

| | Program Services | | | | Total Program | Supporting Services | | | |
|--|---------------------|----------------------|----------------------|--------------------------------------|---------------------|------------------------------|---------------------|--------------------------|----------------------|
| | Research | Clinical Services | Social Enterprise | Residential Transition Academy | | Management and General | Fundraising | Direct Donor Benefits | Total |
| Salaries and wages | \$ 782,005 | \$3,569,083 | \$ 240,151 | \$ 412,609 | \$ 5,003,848 | \$ 1,072,515 | \$ 525,381 | \$ - | \$ 6,601,744 |
| Payroll taxes | 57,123 | 273,201 | 18,214 | 30,686 | 379,224 | 73,294 | 37,679 | - | 490,197 |
| Employee benefits | 87,582 | 485,053 | 38,342 | 61,261 | 672,238 | 251,772 | 63,973 | - | 987,983 |
| Total personnel costs | 926,710 | 4,327,337 | 296,707 | 504,556 | 6,055,310 | 1,397,581 | 627,033 | - | 8,079,924 |
| Contract labor | 81,400 | - | - | - | 81,400 | 39,456 | 14,111 | - | 134,967 |
| Professional services | 20,088 | 167,245 | 17,993 | - | 205,326 | 95,681 | 100,000 | - | 401,007 |
| Business and travel | 9,052 | 127,856 | 1,610 | 9,117 | 147,635 | 28,080 | 18,963 | - | 194,678 |
| Occupancy and communication | 27,906 | 189,240 | 18,740 | 21,600 | 257,486 | 59,069 | 37,736 | - | 354,291 |
| Postage, supplies, and printing | 21,123 | 53,573 | 15,738 | 11,919 | 102,353 | 50,814 | 27,668 | - | 180,835 |
| Marketing and subscriptions | 3,723 | 62,933 | 1,265 | 3,611 | 71,532 | 30,487 | 15,396 | - | 117,415 |
| Staff development | 7,106 | 55,256 | 2,622 | 9,033 | 74,017 | 29,839 | 4,912 | - | 108,768 |
| Program supplies and other expenses | 35,453 | 28,907 | 14,898 | 278 | 79,536 | 34,729 | 19,525 | - | 133,790 |
| Cost of goods sold | - | - | 106,406 | - | 106,406 | - | - | - | 106,406 |
| Other operational services | 373 | 13,013 | 1,914 | - | 15,300 | 86,445 | 1,840 | - | 103,585 |
| Insurance | 23,871 | - | - | - | 23,871 | 59,397 | 1,045 | - | 84,313 |
| Special events venue, meals, and supplies | - | - | - | - | - | - | 193,019 | - | 193,019 |
| Depreciation | 55,875 | 252,939 | 17,035 | 29,028 | 354,877 | 72,150 | 37,682 | - | 464,709 |
| Interest expense | - | - | - | - | - | 298 | - | - | 298 |
| Bad debt expense | 31,793 | 103,044 | - | - | 134,837 | (20) | 24,199 | - | 159,016 |
| | 1,244,473 | 5,381,343 | 494,928 | 589,142 | 7,709,886 | 1,984,006 | 1,123,129 | - | 10,817,021 |
| Cost of goods sold | - | - | (106,406) | - | (106,406) | - | - | - | (106,406) |
| Direct donor benefits | - | - | - | - | - | - | - | - | - |
| TOTAL EXPENSES | \$ 1,244,473 | \$5,381,343 | \$ 388,522 | \$ 589,142 | \$ 7,603,480 | \$ 1,984,006 | \$ 1,123,129 | \$ - | \$ 10,710,615 |

See accompanying notes.

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2018 and 2017

| | 2018 | 2017 (Restated) * |
|--|----------------------------|----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ 830,848 | \$ 371,013 |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: | | |
| Depreciation | 487,060 | 464,709 |
| Net realized/unrealized loss (gain) on investments | 552,901 | (687,475) |
| Forgiveness of debt | (21,261) | (21,261) |
| Changes in allowance for doubtful accounts for contracts and insurance receivable | 151,531 | 148,035 |
| Changes in allowance for doubtful accounts for promises to give | (142,574) | 12,235 |
| (Increase) decrease in: | | |
| Contracts and insurance receivable | 4,466 | (135,553) |
| Promises to give | 360,734 | (215,116) |
| Prepaid expenses and other assets | 47,261 | (21,262) |
| Increase (decrease) in: | | |
| Accounts payable | (66,802) | (130,657) |
| Accrued expenses | (31,709) | 54,954 |
| Deferred revenue | (6,238) | 37,018 |
| NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES | <u>2,166,217</u> | <u>(123,360)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of property and equipment | (87,380) | (201,029) |
| Purchases of investments | (989,926) | (112,963) |
| Proceeds from sales of investments | - | 547,034 |
| NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES | <u>(1,077,306)</u> | <u>233,042</u> |
| NET INCREASE (DECREASE) IN CASH | 1,088,911 | 109,682 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | <u>1,471,031</u> | <u>1,361,349</u> |
| END OF YEAR | <u><u>\$ 2,559,942</u></u> | <u><u>\$ 1,471,031</u></u> |

* Reclassified to conform to current year presentation

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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 – Residential Transition Academy – The first Place AZ Transition academy 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

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

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

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 instead of cash because they are considered to be part of the investment pool. 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 \$423,567 and \$272,036 for the years ended December 31, 2018 and 2017, respectively.

Promises to Give

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

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

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.

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

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

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.

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.

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

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

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.

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.

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
December 31, 2018 and 2017

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

Revenue Recognition for Program Services

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

Contributions

Contributions and grants, including promises to give, are received and recorded as income and net assets without donor restriction or with donor restriction depending on the existence and/or nature of any donor restrictions. When a donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restriction are reclassified to net assets without donor restrictions and reported in the statements 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 principle 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.

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

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

Net Assets (Continued)

- 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 summarized on a functional basis in the statements of activities. Certain costs have been allocated among the programs and supporting services benefited. Personnel costs are allocated based on actual employee activities base 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, 2018 and 2017, 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
December 31, 2018 and 2017

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

Income Tax Status (Continued)

The Center recognizes interest and penalties associated with income tax in operating expenses. During the years ended December 31, 2018 and 2017, the Center did not have any income tax related interest and penalty expense.

Use of Estimates

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

Date of Management's Review

In preparing these financial statements, the Center has evaluated events and transactions for potential recognition or disclosure through May 28, 2019, the date the financial statements were available to be issued.

Change in Accounting Principle

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities - Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented and resulted in temporarily and permanently restricted net assets as of December 31, 2017 being renamed as net assets with donor restrictions, and resulted in unrestricted net assets being renamed as net assets without donor restrictions. Also, a new disclosure about liquidity and availability has been added.

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 2 LIQUIDITY AND AVAILABILITY

The following reflects the Center's financial assets as of December 31, 2018, 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 Organization approves that action.

| | |
|--|---------------------|
| Total current assets | \$ 4,613,378 |
| Less: Cash restricted for long-term purposes | (75,000) |
| Add: Endowment spending appropriation | <u>105,262</u> |
| Financial assets available for expenditures | <u>\$ 4,643,640</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. 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, the 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 \$900,000 as of December 31, 2018.

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2018 and 2017

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 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 make up approximately 41% of total promises to give at December 31, 2018 and one donor which makes up 23% of total gross promises to give at December 31, 2017. Concentrations of credit risk with respect to promises to give are limited due to the collection history and relationships with these donors.

NOTE 4 PROMISES TO GIVE

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

| | <u>2018</u> | <u>2017</u> |
|--------------------------------------|-------------------|--------------------|
| Receivable in less than one year | \$ 843,135 | \$ 1,233,940 |
| Receivable in two to five years | 423,434 | 382,941 |
| Receivable in more than five years | <u>-</u> | <u>10,422</u> |
| Total promises to give | 1,266,569 | 1,627,303 |
| Discount to present value | (25,603) | (25,603) |
| Allowance for uncollectible promises | <u>(92,781)</u> | <u>(235,355)</u> |
| Net promises to give | 1,148,185 | 1,366,345 |
| Current portion | <u>(759,632)</u> | <u>(1,020,403)</u> |
| Non-current portion | <u>\$ 388,553</u> | <u>\$ 345,942</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.

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 5 INVESTMENTS

Investments consist of the following at December 31:

| | <u>2018</u> | <u>2017</u> |
|-------------------------------------|---------------------|---------------------|
| Cash and money market | \$ 200,396 | \$ 91,132 |
| Fixed income funds | 1,619,699 | 1,392,673 |
| Equity funds | 3,175,661 | 3,128,803 |
| Preferred stock (other investments) | 21,420 | 21,927 |
| Real estate exchange traded funds | 278,212 | 237,468 |
| Commodities exchange traded notes | 88,378 | 54,934 |
| Arizona Community Foundation | <u>368,181</u> | <u>387,985</u> |
| Total investments | <u>\$ 5,751,947</u> | <u>\$ 5,314,922</u> |

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

| | <u>2018</u> | <u>2017</u> |
|--------------------------|---------------------|-------------------|
| Interest and dividends | \$ 138,492 | \$ 112,963 |
| Realized gain | 72,853 | 89,152 |
| Unrealized gain (loss) | (625,754) | 604,154 |
| Investment fees | <u>(40,945)</u> | <u>(39,682)</u> |
| Investment return (loss) | <u>\$ (455,354)</u> | <u>\$ 766,587</u> |

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 6 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, 2018:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|-------------------------------------|---------------------|-------------------|-------------------|--------------------|
| Operating investments: | | | | |
| Cash and money market | \$ 56,658 | \$ - | \$ - | \$ 56,658 |
| Fixed income funds | 683,662 | - | - | 683,662 |
| Equity funds | 1,313,559 | - | - | 1,313,559 |
| Preferred stock (other investments) | - | 21,420 | - | 21,420 |
| Real estate exchange traded funds | 127,392 | - | - | 127,392 |
| Commodities exchange traded notes | 40,531 | - | - | 40,531 |
| | <u>\$ 2,221,802</u> | <u>\$ 21,420</u> | <u>\$ -</u> | <u>\$2,243,222</u> |
| Endowment investments: | | | | |
| Cash and money market | \$ 143,738 | \$ - | \$ - | \$ 143,738 |
| Fixed income funds | 936,037 | - | - | 936,037 |
| Equity funds | 1,554,178 | - | - | 1,554,178 |
| Preferred stock (other investments) | - | 307,924 | - | 307,924 |
| Real estate exchange traded funds | 150,820 | - | - | 150,820 |
| Commodities exchange traded notes | 47,847 | - | - | 47,847 |
| Arizona Community Foundation | - | - | 368,181 | 368,181 |
| | <u>\$ 2,832,620</u> | <u>\$ 307,924</u> | <u>\$ 368,181</u> | <u>\$3,508,725</u> |

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 6 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, 2017:

| | Level 1 | Level 2 | Level 3 | Total |
|-------------------------------------|---------------------|------------------|-------------------|--------------------|
| Operating investments: | | | | |
| Cash and money market | \$ 41,268 | \$ - | \$ - | \$ 41,268 |
| Fixed income funds | 558,545 | - | - | 558,545 |
| Equity funds | 1,264,852 | - | - | 1,264,852 |
| Preferred stock (other investments) | - | 21,927 | - | 21,927 |
| Real estate exchange traded funds | 117,876 | - | - | 117,876 |
| Commodities exchange traded notes | 31,142 | - | - | 31,142 |
| | <u>\$ 2,013,683</u> | <u>\$ 21,927</u> | <u>\$ -</u> | <u>\$2,035,610</u> |
| Endowment investments: | | | | |
| Cash and money market | \$ 49,864 | \$ - | \$ - | \$ 49,864 |
| Fixed income funds | 834,128 | - | - | 834,128 |
| Equity funds | 1,863,951 | - | - | 1,863,951 |
| Real estate exchange traded funds | 119,592 | - | - | 119,592 |
| Commodities exchange traded notes | 23,792 | - | - | 23,792 |
| Arizona Community Foundation | - | - | 387,985 | 387,985 |
| | <u>\$ 2,891,327</u> | <u>\$ -</u> | <u>\$ 387,985</u> | <u>\$3,279,312</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
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 6 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, 2018 and 2017:

| | |
|--------------------------------|--------------------------|
| Balance, December 31, 2016 | \$ 342,568 |
| Interest income | 6,738 |
| Realized and unrealized gains | 42,178 |
| Investment fees | <u>(3,499)</u> |
| Balance, December 31, 2017 | 387,985 |
| Interest income | 7,136 |
| Realized and unrealized losses | (23,194) |
| Investment fees | <u>(3,746)</u> |
| Balance, December 31, 2018 | <u><u>\$ 368,181</u></u> |

NOTE 7 PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31:

| | <u>2018</u> | <u>2017</u> |
|--------------------------------|----------------------------|----------------------------|
| Land | \$ 821,969 | \$ 821,969 |
| Buildings and improvements | 5,363,552 | 5,566,474 |
| Vehicles | 76,041 | 76,041 |
| Office furniture and equipment | <u>711,945</u> | <u>1,527,722</u> |
| | 6,973,507 | 7,992,206 |
| Accumulated depreciation | <u>(2,946,535)</u> | <u>(3,603,188)</u> |
| | 4,026,972 | 4,389,018 |
| Assets in progress | <u>8,299</u> | <u>45,933</u> |
| | <u><u>\$ 4,035,271</u></u> | <u><u>\$ 4,434,951</u></u> |

Depreciation expense was \$487,060 and \$464,709 for the years ended December 31, 2018 and 2017, respectively.

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2018 and 2017

NOTE 7 PROPERTY AND EQUIPMENT

Assets-in-progress consists of building improvements. These assets will be classified to the appropriate property and equipment category and commence depreciation and amortization when placed in service.

NOTE 8 LINE OF CREDIT

The Center has a revolving line of credit with a financial institution which provides for maximum borrowings of \$900,000. The line of credit is payable upon demand and bears interest at the one month LIBOR rate plus 1.50%. The line of credit is collateralized by securities held by the Center and classified as investments. No borrowings occurred during the years ended December 31, 2018 and 2017.

NOTE 9 FORGIVABLE LOAN

During the year ended December 31, 2009, the Center executed a note payable in the amount available of \$140,000 with the City of Phoenix with \$42,522 and \$63,783 outstanding at December 31, 2018 and 2017, respectively. The loan carries an interest rate of zero percent. The loan is secured by a ten-year lien on real property. The loan is forgivable in amounts equal to 20% of the outstanding balance annually, beginning in June 2016, and is expected to be fully forgiven in June 2020.

NOTE 10 ENDOWMENT FUNDS

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

Endowment net asset composition as of December 31, 2018 is as follows:

| | Without Donor Restriction | With Donor Restriction | Total |
|-----------------------------------|---------------------------------|---------------------------|---------------------|
| Board designated endowment fund | \$ 515,418 | \$ - | \$ 515,418 |
| Donor restricted endowment funds: | | | |
| Original donor-restricted amount | - | 2,630,000 | 2,630,000 |
| Accumulated investment earnings | - | 363,307 | 363,307 |
| | <u>\$ 515,418</u> | <u>\$ 2,993,307</u> | <u>\$ 3,508,725</u> |

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 10 ENDOWMENT FUNDS (Continued)

Endowment funds composition as of December 31, 2017 is as follows:

| | Without Donor Restriction | With Donor Restriction | Total |
|-----------------------------------|---------------------------------|---------------------------|---------------------|
| Board designated endowment fund | \$ 46,874 | \$ - | \$ 46,874 |
| Donor restricted endowment funds: | | | |
| Original donor-restricted amount | - | 2,630,000 | 2,630,000 |
| Accumulated investment earnings | - | 602,438 | 602,438 |
| | <u>\$ 46,874</u> | <u>\$ 3,232,438</u> | <u>\$ 3,279,312</u> |

Changes in endowment net assets for the years ended December 31, 2018 and 2017 are as follows:

| | Without Donor Restriction | With Donor Restriction | Total |
|--|---------------------------------|---------------------------|---------------------|
| Endowment funds, December 31, 2016 | \$ - | \$ 2,907,532 | \$ 2,907,532 |
| Board designation | 46,874 | - | 46,874 |
| Realized and unrealized gains | - | 389,074 | 389,074 |
| Interest income | - | 66,700 | 66,700 |
| Amounts appropriated for expenditures | - | (107,352) | (107,352) |
| Investment fees | - | (23,516) | (23,516) |
| Endowment funds, December 31, 2017 | 46,874 | 3,232,438 | 3,279,312 |
| Board designation | 503,574 | - | 503,574 |
| Realized and unrealized gains (losses) | (40,271) | (283,706) | (323,977) |
| Interest income | 6,862 | 67,916 | 74,778 |
| Amounts appropriated for expenditures | - | - | - |
| Investment fees | (1,621) | (23,341) | (24,962) |
| Endowment funds, December 31, 2018 | <u>\$ 515,418</u> | <u>\$ 2,993,307</u> | <u>\$ 3,508,725</u> |

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 11 NET ASSETS WITH DONOR RESTRICTIONS

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

| | <u>2018</u> | <u>2017</u> |
|---|---------------------|---------------------|
| Subject to the passage of time: | | |
| Promises to give | \$ 752,927 | \$ 404,948 |
| Portion of donor-restricted endowment funds subject to time restriction under MCFA | <u>363,307</u> | <u>602,438</u> |
| | <u>1,116,234</u> | <u>1,007,386</u> |
| Subject to purpose restrictions: | | |
| Capital | - | 2,445 |
| Development | 3,719 | 33,610 |
| Programs | 436,808 | 240,209 |
| Research | - | 96,302 |
| Residential | <u>25,000</u> | <u>-</u> |
| | <u>465,527</u> | <u>372,566</u> |
| Subject to both time and purpose restrictions (included in promises to give): | | |
| Programs | 29,519 | 343,469 |
| Research | <u>448,453</u> | <u>-</u> |
| | <u>477,972</u> | <u>343,469</u> |
| Donor-restricted endowments | <u>2,630,000</u> | <u>2,630,000</u> |
| | <u>\$ 4,689,733</u> | <u>\$ 4,353,421</u> |

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

| | <u>2018</u> | <u>2017</u> |
|-----------------------------------|---------------------|---------------------|
| Harrington Endowment | \$ 791,135 | \$ 857,184 |
| Harrington Endowment | 368,181 | 387,985 |
| Helios Endowment | 1,088,017 | 1,178,960 |
| Stardust Endowment | <u>745,974</u> | <u>808,309</u> |
| Total donor-restricted endowments | <u>\$ 2,993,307</u> | <u>\$ 3,232,438</u> |

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2018 and 2017

NOTE 12 BOARD DESIGNATED NET ASSETS

Board designated net assets include a board designated endowment in the amount of \$515,418 and \$46,874 as of December 31, 2018 and 2017, respectively.

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 \$155,600 and \$155,800 during the years ended December 31, 2018 and 2017, respectively.

NOTE 14 IN-KIND SUPPORT

In-kind support for the year ended December 31, 2018 is as follows:

| | Program Services | Management and General | Fundraising | Total |
|-----------------------------|---------------------|------------------------------|-------------------|-------------------|
| Legal and professional fees | \$ - | \$ 23,029 | \$ 9,450 | \$ 32,479 |
| Supplies and materials | 13,773 | 3,270 | 131,822 | 148,865 |
| | <u>\$ 13,773</u> | <u>\$ 26,299</u> | <u>\$ 141,272</u> | <u>\$ 181,344</u> |

In-kind support for the year ended December 31, 2017 is as follows:

| | Program Services | Management and General | Fundraising | Total |
|-----------------------------|---------------------|------------------------------|------------------|-------------------|
| Legal and professional fees | \$ - | \$ 30,605 | \$ 67,387 | \$ 97,992 |
| Supplies and materials | 28,934 | 12,499 | 15,198 | 56,631 |
| | <u>\$ 28,934</u> | <u>\$ 43,104</u> | <u>\$ 82,585</u> | <u>\$ 154,623</u> |

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 15 OPERATING LEASES

The Center leases office and building equipment under operating lease agreements that expire at various dates through June 2021. This includes a lease to provide a solar energy source to the Center for an agreed upon annual expense. Approximate minimum future payments under these non-cancelable operating leases as of December 31, 2018, are as follows:

| <u>Years Ending December 31,</u> | |
|----------------------------------|-------------------|
| 2019 | \$ 101,000 |
| 2020 | 78,000 |
| 2021 | <u>29,000</u> |
| | <u>\$ 208,000</u> |

Total rental expense under these leases and month-to-month office equipment leases was approximately \$98,000 and \$77,000 during the years ended December 31, 2018 and 2017, respectively.

NOTE 16 RESTATEMENT

During the year ended December 31, 2018, management determined that insurance receivables were overstated as of December 31, 2017. Accordingly, management has restated its net assets without donor restriction and contracts and insurance receivable balance at December 31, 2017.

The effect of this restatement on the Center's previously issued December 31, 2017 financial statements is summarized below:

| | <u>As previously reported</u> | <u>Restated</u> | <u>Change</u> |
|---|-----------------------------------|-----------------|---------------|
| Contracts and insurance receivable, net of allowance for doubtful accounts | \$ 1,582,587 | \$ 1,303,637 | \$ 278,950 |
| Total change in net assets (December 31, 2017) | \$ 649,963 | \$ 371,013 | \$ 278,950 |
| Net assets as of December 31, 2017: Without donor restriction | \$ 9,025,285 | \$ 8,746,335 | \$ 278,950 |

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 17 NEW ACCOUNTING PRONOUNCEMENTS

The Financial Accounting Standards Board has issued Accounting Standards Update (“ASU”) No. 2014-09, *Revenue from Contracts with Customers*. For nonpublic companies, this standard must be adopted for annual reporting periods beginning after December 15, 2018. The standard’s core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. This standard also includes expanded disclosure requirements that result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the entity’s contracts with customers. Management is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

The Financial Accounting Standards Board 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, 2019. 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 Financial Accounting Standards Board has issued Accounting Standards Update (“ASU”) No. 2018-08, *Not-For-Profit Entities-Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. For nonpublic companies, the standard must be adopted for annual reporting periods beginning after December 15, 2019. The standard’s core principle is to clarify and improve the scope and the accounting guidance for contributions received and contributions made. This ASU should assist entities in evaluating whether transactions should be accounted for as contributions or as exchange transactions and determining whether a contribution is conditional. Management is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.