



SARRC

Southwest  
Autism  
Research &  
Resource  
Center

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER

Phoenix, Arizona

FINANCIAL STATEMENTS

Years Ended December 31, 2019 and 2018



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, 2019 and 2018, 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, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Henry + Horne, LLP

Tempe, Arizona  
June 30, 2020

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER  
STATEMENTS OF FINANCIAL POSITION  
December 31, 2019 and 2018

ASSETS	2019	2018
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,366,177	\$ 2,484,942
Promises to give, current portion, net of allowance for uncollectible promises	769,130	759,632
Contracts and insurance receivable, net of allowance for doubtful accounts	1,395,535	1,147,640
Prepaid expenses and other assets	225,353	146,164
TOTAL CURRENT ASSETS	3,756,195	4,538,378
PROMISES TO GIVE, net of current portion, unamortized discount and allowance for uncollectible promises	715,079	388,553
<b>INVESTMENTS</b>		
Endowments	4,410,608	3,508,725
Other	2,671,965	2,243,222
	7,082,573	5,751,947
CASH RESTRICTED FOR LONG-TERM PURPOSES	125,000	75,000
PROPERTY AND EQUIPMENT, net	3,916,875	4,035,271
TOTAL ASSETS	\$ 15,595,722	\$ 14,789,149
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 122,065	\$ 25,905
Accrued expenses	740,450	596,315
Deferred revenue	343,156	193,803
TOTAL CURRENT LIABILITIES	1,205,671	816,023
FORGIVABLE LOAN	21,261	42,522
TOTAL LIABILITIES	1,226,932	858,545
<b>NET ASSETS</b>		
Without donor restrictions:		
Undesignated	7,985,249	8,725,453
Board designated	870,315	515,418
	8,855,564	9,240,871
With donor restrictions	5,513,226	4,689,733
TOTAL NET ASSETS	14,368,790	13,930,604
TOTAL LIABILITIES AND NET ASSETS	\$ 15,595,722	\$ 14,789,149

See accompanying notes.

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER  
STATEMENTS OF ACTIVITIES  
Years Ended December 31, 2019 and 2018

	2019			2018 *		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
<b>SUPPORT AND REVENUES</b>						
Net patient services	\$ 6,027,126	\$ -	\$ 6,027,126	\$ 6,111,193	\$ -	\$ 6,111,193
Research contract revenue	1,219,911	-	1,219,911	1,158,663	-	1,158,663
Residential contract revenue	673,993	-	673,993	813,384	-	813,384
Community school tuition	473,754	-	473,754	439,700	-	439,700
Other program revenue	284,033	-	284,033	143,413	-	143,413
Contributions - foundations and corporations	499,781	1,223,671	1,723,452	1,552,654	632,133	2,184,787
Contributions - individuals	817,499	58,404	875,903	456,592	131,290	587,882
Special events contributions	471,258	845,995	1,317,253	565,287	945,633	1,510,920
In-kind support	45,038	-	45,038	181,344	-	181,344
Miscellaneous revenue	148	-	148	15,537	-	15,537
Net assets released:						
Time restrictions	1,309,294	(1,309,294)	-	685,445	(685,445)	-
Purpose restrictions	542,269	(542,269)	-	448,168	(448,168)	-
	<u>12,364,104</u>	<u>276,507</u>	<u>12,640,611</u>	<u>12,571,380</u>	<u>575,443</u>	<u>13,146,823</u>
Gross sales of food, beverage and merchandise	25,578	-	25,578	21,300	-	21,300
Cost of goods sold	(14,326)	-	(14,326)	(6,962)	-	(6,962)
	<u>11,252</u>	<u>-</u>	<u>11,252</u>	<u>14,338</u>	<u>-</u>	<u>14,338</u>
Special events revenue	-	-	-	70,500	-	70,500
Direct donor benefits	-	-	-	(55,879)	-	(55,879)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,621</u>	<u>-</u>	<u>14,621</u>
<b>TOTAL SUPPORT AND REVENUES</b>	<u>12,375,356</u>	<u>276,507</u>	<u>12,651,863</u>	<u>12,600,339</u>	<u>575,443</u>	<u>13,175,782</u>

See accompanying notes.

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER  
 STATEMENTS OF ACTIVITIES (Continued)  
 Years Ended December 31, 2019 and 2018

	2019			2018 *		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
<b>EXPENSES</b>						
Program Services						
Research	\$ 1,548,257	\$ -	\$ 1,548,257	\$ 1,298,084	\$ -	\$ 1,298,084
Clinical services	7,028,302	-	7,028,302	6,377,785	-	6,377,785
Social enterprise	60,011	-	60,011	84,726	-	84,726
Residential	934,959	-	934,959	813,078	-	813,078
	<u>9,571,529</u>	<u>-</u>	<u>9,571,529</u>	<u>8,573,673</u>	<u>-</u>	<u>8,573,673</u>
Support Services						
Management and general	2,500,050	-	2,500,050	2,094,709	-	2,094,709
Fundraising	1,222,571	-	1,222,571	1,221,198	-	1,221,198
	<u>3,722,621</u>	<u>-</u>	<u>3,722,621</u>	<u>3,315,907</u>	<u>-</u>	<u>3,315,907</u>
<b>TOTAL EXPENSES</b>	<u>13,294,150</u>	<u>-</u>	<u>13,294,150</u>	<u>11,889,580</u>	<u>-</u>	<u>11,889,580</u>
CHANGE IN NET ASSETS BEFORE INVESTMENT RETURN (LOSS)	(918,794)	276,507	(642,287)	710,759	575,443	1,286,202
INVESTMENT RETURN (LOSS)	<u>533,487</u>	<u>546,986</u>	<u>1,080,473</u>	<u>(216,223)</u>	<u>(239,131)</u>	<u>(455,354)</u>
CHANGE IN NET ASSETS	(385,307)	823,493	438,186	494,536	336,312	830,848
NET ASSETS AT BEGINNING 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>
NET ASSETS AT END OF YEAR	<u>\$ 8,855,564</u>	<u>\$ 5,513,226</u>	<u>\$ 14,368,790</u>	<u>\$ 9,240,871</u>	<u>\$ 4,689,733</u>	<u>\$ 13,930,604</u>

\* Reclassified to conform to current year presentation

See accompanying notes.

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER  
STATEMENT OF FUNCTIONAL EXPENSES  
Year Ended December 31, 2019

	Program Services				Supporting Services				
	Research	Clinical Services	Social Enterprise	Residential Transition Academy	Total Program	Management and General	Fundraising	Direct Donor Benefits	Total
Salaries and wages	\$ 972,057	\$4,715,643	\$ 32,652	\$ 694,083	\$6,414,435	\$1,438,126	\$ 601,796	\$ -	\$ 8,454,357
Payroll taxes	73,761	362,233	2,785	52,766	491,545	102,958	43,883	-	638,386
Employee benefits	115,448	729,985	7,509	70,975	923,917	254,451	62,999	-	1,241,367
Total personnel costs	1,161,266	5,807,861	42,946	817,824	7,829,897	1,795,535	708,678	-	10,334,110
Contract labor	105,600	263	-	-	105,863	47,442	19,796	-	173,101
Professional services	38,915	22,998	-	10,196	72,109	106,858	43,067	-	222,034
Business and travel	12,365	118,438	994	13,424	145,221	30,689	25,772	-	201,682
Occupancy and communication	26,232	268,124	1,325	31,864	327,545	51,550	29,027	-	408,122
Postage, supplies, and printing	14,609	37,774	4,685	5,394	62,462	65,207	41,203	-	168,872
Marketing and subscriptions	1,505	53,931	573	6,257	62,266	67,595	27,989	-	157,850
Staff development	7,609	77,205	150	7,079	92,043	8,009	26,626	-	126,678
Program supplies and other expenses	58,219	84,735	7,294	7,557	157,805	131,981	36,689	-	326,475
Cost of goods sold	-	-	14,326	-	14,326	-	-	-	14,326
Other operational services	1,649	9,146	350	112	11,257	51,341	4,150	-	66,748
Insurance	32,555	-	-	-	32,555	76,859	795	-	110,209
Special events venue, meals, and supplies	-	-	-	-	-	-	190,300	-	190,300
Depreciation	49,057	236,639	1,694	35,252	322,642	66,984	29,954	-	419,580
Interest expense	-	-	-	-	-	-	-	-	-
Bad debt expense	38,676	311,188	-	-	349,864	-	38,525	-	388,389
	1,548,257	7,028,302	74,337	934,959	9,585,855	2,500,050	1,222,571	-	13,308,476
Cost of goods sold	-	-	(14,326)	-	(14,326)	-	-	-	(14,326)
<b>TOTAL EXPENSES</b>	<b>\$ 1,548,257</b>	<b>\$7,028,302</b>	<b>\$ 60,011</b>	<b>\$ 934,959</b>	<b>\$9,571,529</b>	<b>\$2,500,050</b>	<b>\$1,222,571</b>	<b>\$ -</b>	<b>\$13,294,150</b>

See accompanying notes.



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

	Program Services					Supporting Services			
	Research	Clinical Services	Social Enterprise	Residential Transition Academy	Total Program	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	645,514	14,256	73,716	837,000	258,255	64,474	-	1,159,729
Total personnel costs	936,935	4,978,916	54,205	698,994	6,669,050	1,541,868	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	6,377,785	91,688	813,078	8,580,635	2,094,709	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)
<b>TOTAL EXPENSES</b>	<b>\$ 1,298,084</b>	<b>\$6,377,785</b>	<b>\$ 84,726</b>	<b>\$ 813,078</b>	<b>\$8,573,673</b>	<b>\$2,094,709</b>	<b>\$1,221,198</b>	<b>\$ -</b>	<b>\$11,889,580</b>

\* Reclassified to conform to current year presentation

See accompanying notes.

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER  
STATEMENTS OF CASH FLOWS  
Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018*</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 438,186	\$ 830,848
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	419,580	487,060
Net realized/unrealized loss (gain) on investments	(964,996)	552,901
Forgiveness of debt	(21,261)	(21,261)
Provision for bad debts	349,864	235,818
Provision for uncollectible promises to give	38,525	55,990
Change in discount on long-term promises to give	4,085	-
(Increase) decrease in:		
Contracts and insurance receivable	(597,759)	(79,821)
Promises to give	(378,634)	162,170
Prepaid expenses and other assets	(79,189)	47,261
Increase (decrease) in:		
Accounts payable	96,160	(66,802)
Accrued expenses	144,135	(31,709)
Deferred revenue	149,353	(6,238)
	<u>(401,951)</u>	<u>2,166,217</u>
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(301,184)	(87,380)
Purchases of investments	(365,630)	(989,926)
	<u>(666,814)</u>	<u>(1,077,306)</u>
<b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>		
<b>NET INCREASE (DECREASE) IN CASH</b>	(1,068,765)	1,088,911
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>2,559,942</u>	<u>1,471,031</u>
<b>END OF YEAR</b>	<u>\$ 1,491,177</u>	<u>\$ 2,559,942</u>

\* Reclassified to conform to current year presentation

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2019 and 2018

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 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 – 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 FASB ASC Topic 958, *Presentation of Financial Statements of Not-for-Profit Entities*.

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2019 and 2018

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 \$802,341 and \$423,567 for the years ended December 31, 2019 and 2018, 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  
December 31, 2019 and 2018

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  
December 31, 2019 and 2018

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

Risk and Uncertainty

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

Property and Equipment

Acquisitions of property and equipment in excess of \$2,500 are capitalized. Property and equipment are stated at cost or, if donated, at the approximate fair value at the date of donation. Depreciation of buildings and equipment is calculated using the straight-line method over the estimated useful lives of the respective assets.

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

Impairment of Long-Lived Assets

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

Endowment Funds

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

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2019 and 2018

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

Revenue Recognition for Program Services

In May 2014, the Financial Accounting Standards Board (FASB) issued guidance Accounting Standards Codification (ASC) 606, *Revenue from Contracts with Customers*, which provides a five-step analysis of contracts to determine when and how revenue is recognized and replaces most existing revenue recognition guidance in U.S. generally accepted accounting principles. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to funding sources and clients in an amount equal to the consideration the entity receives or expects to receive. ASC 606 is effective for annual reporting periods beginning after December 15, 2018. The Center adopted ASC 606 with a date of the initial application of January 1, 2019.

The majority of the Center's revenue arrangements generally consist of a single performance obligation to transfer promised services. Based on the Center's evaluation of its contracts with funding sources and clients the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new standard. No changes were required to previously reported revenues as a result of the adoption.

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. Payment terms are 30 days from the billing date.

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.

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 30 days from the monthly billing date.



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

Revenue Recognition for Program Services (Continued)

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 within 30 days from the billing date. 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 statement of financial position and totaled \$125,000 and \$92,000 as of December 31, 2019 and 2018, respectively.

Contributions

In June 2018, the FASB issued ASU No. 2018-08, *Not-For-Profit Entities-Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The ASU clarifies and improves guidance for contributions received and contributions made by clarifying whether to account for transactions as contributions or as exchange transactions. In addition, it clarifies whether a contribution is conditional or unconditional. The change in accounting principle was adopted on a modified prospective basis on January 1, 2019. As a result, there was no cumulative-effect adjustment to beginning net assets as of January 1, 2019.

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

Donated Services and Materials

Donated materials and other non-cash assets are recorded at fair value in the period received. Donated services are recorded at their estimated fair value if they create or enhance the Center's nonfinancial assets or require specialized skills that the Center would normally purchase if not provided by donation. No amounts have been reflected in the financial statements for certain donated volunteer services because they did not qualify for recording under the generally accepted accounting principle guidelines; however, a substantial number of volunteers have donated significant amounts of their time to the Center's program services and fundraising campaigns.

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2019 and 2018

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

Net Assets

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

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

Functional Expenses

The costs of providing the various programs and activities have been presented on a functional basis in the statements of functional expenses. Certain costs have been allocated among the programs and supporting services benefited. Personnel costs are allocated based on actual employee activities based on time and effort, and indirect expenses are allocated based on the percentage of personnel costs in a particular program or area compared to total personnel costs for the Center. Occupancy and depreciation expense are allocated based on square footage utilized by the function.

Income Tax Status

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

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER  
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December 31, 2019 and 2018

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

Income Tax Status (Continued)

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, 2019 and 2018, 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, 2019 and 2018, 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 promise to give and the allowance for uncollectible accounts receivable.

Date of Management's Review

In preparing these financial statements, the Center has evaluated events and transactions for potential recognition or disclosure through June 30, 2020, the date the financial statements were available to be issued.

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2019 and 2018

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>2019</u>	<u>2018</u>
Total current assets	\$ 3,881,195	\$ 4,613,378
Less: Cash restricted for long-term purposes	(125,000)	(75,000)
Less: Prepaid expenses	(223,516)	(144,327)
Add: Short term investments	2,644,127	2,221,802
Add: Endowment spending appropriation	<u>89,000</u>	<u>105,262</u>
Financial assets available for expenditures	<u>\$ 6,265,806</u>	<u>\$ 6,721,115</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 \$870,000, 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 \$900,000 as of December 31, 2019. Subsequent to December 31, 2019, the Center increased its available line of credit to \$1,400,000.

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2019 and 2018

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 47% of total promises to give at December 31, 2019 and two donors which make up 41% of total gross promises to give at December 31, 2018. Gross contracts receivable includes amounts from one payer source that makes up 15% of total contracts receivable as of December 31, 2019. 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:

	2019	2018
Receivable in less than one year	\$ 860,192	\$ 843,135
Receivable in two to five years	754,265	423,434
Receivable in more than five years	620	-
	<u>1,615,077</u>	<u>1,266,569</u>
Total promises to give	1,615,077	1,266,569
Discount to present value	(29,688)	(25,603)
Allowance for uncollectible promises	(101,180)	(92,781)
	<u>1,484,209</u>	<u>1,148,185</u>
Net promises to give	1,484,209	1,148,185
Current portion	(769,130)	(759,632)
	<u>715,079</u>	<u>388,553</u>
Non-current portion	\$ 715,079	\$ 388,553

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, 2019 and 2018

NOTE 5 CONDITIONAL CONTRIBUTIONS

During the year ended December 31, 2019, the Center received conditional promises to give totaling \$90,000 for sponsorships for future special events. There were no conditional contributions at December 31, 2018. Other amounts received from various donors in advance of the future special events totaled \$45,000 and \$53,000 at December 31, 2019 and 2018, 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.

NOTE 6 INVESTMENTS

Investments consist of the following at December 31:

	2019	2018
Cash and money market	\$ 69,680	\$ 200,396
Fixed income funds	1,989,462	1,619,699
Equity funds	4,332,079	3,175,661
Preferred stock (other investments)	27,838	21,420
Real estate exchange traded funds	247,888	278,212
Commodities exchange traded notes	-	88,378
Funds held at Arizona Community Foundation	415,623	368,181
Total investments	\$ 7,082,570	\$ 5,751,947

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

	2019	2018
Interest and dividends	\$ 151,377	\$ 138,492
Realized gain	171,004	72,853
Unrealized gain (loss)	793,992	(625,754)
Investment fees	(35,900)	(40,945)
Investment return (loss)	\$ 1,080,473	\$ (455,354)

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER  
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December 31, 2019 and 2018

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, 2019:

	Level 1	Level 2	Level 3	Total
Operating investments:				
Cash and money market	\$ 29,586	\$ -	\$ -	\$ 29,586
Fixed income funds	792,524	-	-	792,524
Equity funds	1,708,542	-	-	1,708,542
Preferred stock (other investments)	-	27,838	-	27,838
Real estate exchange traded funds	113,475	-	-	113,475
	<u>\$ 2,644,127</u>	<u>\$ 27,838</u>	<u>\$ -</u>	<u>\$ 2,671,965</u>
Endowment investments:				
Cash and money market	\$ 40,094	\$ -	\$ -	\$ 40,094
Fixed income funds	1,196,938	-	-	1,196,938
Equity funds	2,623,537	-	-	2,623,537
Real estate exchange traded funds	134,413	-	-	134,413
Funds held at Arizona				
Community Foundation	-	-	415,623	415,623
	<u>\$ 3,994,982</u>	<u>\$ -</u>	<u>\$ 415,623</u>	<u>\$ 4,410,605</u>

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER  
NOTES TO FINANCIAL STATEMENTS  
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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, 2018:

	Level 1	Level 2	Level 3	Total
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	1,862,102	-	-	1,862,102
Real estate exchange traded funds	150,820	-	-	150,820
Commodities exchange traded notes	47,847	-	-	47,847
Funds held at Arizona				
Community Foundation	-	-	368,181	368,181
	<u>\$ 3,140,544</u>	<u>\$ -</u>	<u>\$ 368,181</u>	<u>\$ 3,508,725</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  
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NOTE 7 FAIR VALUE MEASUREMENTS (Continued)

The following is a reconciliation of beginning and ending balances of assets measured at fair value on a recurring basis using significant unobservable (Level 3) inputs during the years ended December 31, 2019 and 2018:

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	368,181
Interest income	8,076
Realized and unrealized gains	43,006
Investment fees	<u>(3,640)</u>
Balance, December 31, 2019	<u><u>\$ 415,623</u></u>

NOTE 8 PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31:

	<u>2019</u>	<u>2018</u>
Land	\$ 821,969	\$ 821,969
Buildings and improvements	5,174,286	5,363,552
Vehicles	76,041	76,041
Office furniture and equipment	<u>549,822</u>	<u>711,945</u>
	6,622,118	6,973,507
Accumulated depreciation	<u>(2,705,243)</u>	<u>(2,946,535)</u>
	3,916,875	4,026,972
Assets in progress	<u>-</u>	<u>8,299</u>
	<u><u>\$ 3,916,875</u></u>	<u><u>\$ 4,035,271</u></u>

Depreciation expense was \$419,580 and \$487,060 for the years ended December 31, 2019 and 2018, respectively.

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2019 and 2018

NOTE 9 LINE OF CREDIT

At December 31, 2019 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, 2019 and 2018. Subsequent to year-end, the Center renegotiated its line of credit and increased the maximum borrowing to \$1,400,000.

NOTE 10 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 \$21,261 and \$42,522 outstanding at December 31, 2019 and 2018, 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 11 ENDOWMENT FUNDS

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

Endowment net asset composition as of December 31, 2019 is as follows:

	Without Donor Restriction	With Donor Restriction	Total
Board designated endowment fund	\$ 870,315	\$ -	\$ 870,315
Donor restricted endowment funds:			
Original donor-restricted amount	-	2,630,000	2,630,000
Accumulated investment earnings	-	910,293	910,293
	<u>\$ 870,315</u>	<u>\$ 3,540,293</u>	<u>\$ 4,410,608</u>

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2019 and 2018

NOTE 11 ENDOWMENT FUNDS (Continued)

Endowment funds 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>

Changes in endowment net assets for the years ended December 31, 2019 and 2018 are as follows:

	Without Donor Restriction	With Donor Restriction	Total
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	515,418	2,993,307	3,508,725
Board designation	246,734	-	246,734
Realized and unrealized gains (losses)	93,549	489,244	582,793
Interest income	18,582	76,705	95,287
Amounts appropriated for expenditures	-	-	-
Investment fees	(3,968)	(18,963)	(22,931)
Endowment funds, December 31, 2019	<u>\$ 870,315</u>	<u>\$ 3,540,293</u>	<u>\$ 4,410,608</u>

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2019 and 2018

NOTE 12 NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2019</u>	<u>2018</u>
Subject to the passage of time:		
Promises to give	\$ 867,708	\$ 752,927
Portion of donor-restricted endowment funds subject to time restriction under MCFA	910,293	363,307
	<u>1,778,001</u>	<u>1,116,234</u>
Subject to purpose restrictions:		
ASD screenings	278,012	-
Community school expansion	75,000	75,000
Community school playground	50,000	-
Community school program	27,994	-
Development	3,060	3,719
Intensive parent training	-	86,417
Jumpstart program	126,222	123,433
Lecture series	50,000	-
Milestones program	57,082	82,420
Other program	57,639	69,538
Pediatric screening network	100,000	-
Research	15,000	-
Residential	20,044	25,000
Technology expansion/consultant fees	32,672	-
	<u>892,725</u>	<u>465,527</u>
Subject to both time and purpose restrictions (included in promises to give):		
Vocational and life skills academy	100,000	29,519
ASD screenings	112,500	448,453
	<u>212,500</u>	<u>477,972</u>
Donor-restricted endowments	<u>2,630,000</u>	<u>2,630,000</u>
	<u>\$ 5,513,226</u>	<u>\$ 4,689,733</u>

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2019 and 2018

NOTE 12 NET ASSETS WITH DONOR RESTRICTIONS (Continued)

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

	<u>2019</u>	<u>2018</u>
Harrington Endowment	\$ 941,680	\$ 791,135
Harrington Endowment	415,624	368,181
Helios Endowment	1,295,232	1,088,017
Stardust Endowment	<u>887,757</u>	<u>745,974</u>
Total donor-restricted endowments	<u>\$ 3,540,293</u>	<u>\$ 2,993,307</u>

NOTE 13 BOARD DESIGNATED NET ASSETS

Board designated net assets include a board designated endowment in the amount of \$870,315 and \$515,418 as of December 31, 2019 and 2018, respectively.

NOTE 14 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 \$183,200 and \$155,600 during the years ended December 31, 2019 and 2018, respectively.

NOTE 15 IN-KIND SUPPORT

In-kind support for the year ended December 31, 2019 is as follows:

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Professional fees	\$ 7,619	\$ 22,614	\$ -	\$ 30,233
Supplies and materials	<u>2,954</u>	<u>-</u>	<u>11,851</u>	<u>14,805</u>
	<u>\$ 10,573</u>	<u>\$ 22,614</u>	<u>\$ 11,851</u>	<u>\$ 45,038</u>

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

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

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
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>

NOTE 16 OPERATING LEASES

The Center leases office and building equipment under operating lease agreements that expire at various dates through July 2023. 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, 2019, are as follows:

<u>Years Ending December 31,</u>	
2020	\$ 88,000
2021	34,000
2022	9,000
2023	5,000
	<u>\$ 136,000</u>

Total rental expense under these leases and month-to-month office equipment leases was approximately \$109,000 and \$98,000 during the years ended December 31, 2019 and 2018, respectively.

NOTE 17 SUBSEQUENT EVENTS

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

SOUTHWEST AUTISM RESEARCH AND RESOURCE CENTER  
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NOTE 17 SUBSEQUENT EVENTS (Continued)

The Center's operations are heavily dependent on private and public donations from individuals, foundations, and corporations and contributions raised at special events. As of May 31, 2020, investment values have experienced a temporary decline of approximately \$445,000. The outbreak may have a continued material adverse impact on economic and market conditions, triggering a period of global economic slowdown. This situation has depressed contributions and is expected to depress contributions raised from fundraising special events during fiscal year 2020. As such, this may hinder the Center's ability to advance its mission.

Subsequent to year-end, the Center received loan proceeds in the amount of \$1,853,500 under the Paycheck Protection Program (PPP) authorized under section 7(a) of the Small Business Act as part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which provides for loans to qualifying businesses for amounts up to 2.5 times the average monthly payroll costs incurred during the year prior to the loan date of the qualifying business. The loan and accrued interest are forgivable after 24 weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll costs, interest on mortgage obligations, rent, and utilities. The amount of the loan forgiveness will be reduced if the borrower reduces the number of employees or reduces salaries by more than 25% during the 24 week period beginning on the loan origination date. Due to likely high subscription, it is anticipated that not more than 40% of the forgiven amount may be for non-payroll costs.

NOTE 18 NEW ACCOUNTING PRONOUNCEMENTS

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