



Sonnenberg & Company, CPAs

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Leonard C. Sonnenberg, CPA

AUTISM RESEARCH INSTITUTE

Audited Financial Statements

Year Ended December 31, 2011

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
AUTISM RESEARCH INSTITUTE

We have audited the accompanying statement of financial position of Autism Research Institute, a nonprofit organization, as of December 31, 2011, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of Autism Research Institute's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior fiscal year summarized comparative information has been derived from Autism Research Institute's financial statements for the year ended December 31, 2010, and, in our report dated October 21, 2011, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Autism Research Institute as of December 31, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

October 25, 2012


Sonnenberg & Company, CPAs

AUTISM RESEARCH INSTITUTE
Statement of Financial Position
December 31, 2011
(With Summarized Comparative Totals for December 31, 2010)

ASSETS:	2011 Totals	2010 Totals
	<u> </u>	<u> </u>
Cash & Cash Equivalents	\$ 3,200,498	\$ 3,067,339
Pledges Receivable	150,000	191,482
Deposits & Prepaid Expenses	1,350	6,991
Inventory	24,068	27,350
Investments	1,060,616	1,198,291
Property & Equipment	189,415	185,733
Less: Accumulated Depreciation	<u>(141,058)</u>	<u>(115,020)</u>
Total Assets	<u>\$ 4,484,889</u>	<u>\$ 4,562,166</u>
LIABILITIES:		
Accounts Payable & Accrued Liabilities	\$ 7,172	\$ 8,213
Event Deposits	23,798	-
Grants Payable	<u>82,000</u>	<u>99,000</u>
Total Liabilities	112,970	107,213
NET ASSETS:		
Unrestricted	4,145,827	4,423,485
Temporarily Restricted	<u>226,092</u>	<u>31,468</u>
Total Net Assets	<u>4,371,919</u>	<u>4,454,953</u>
Total Liabilities & Net Assets	<u>\$ 4,484,889</u>	<u>\$ 4,562,166</u>

The Accompanying Notes are an Integral Part of the Financial Statements

AUTISM RESEARCH INSTITUTE
Statement of Activities
For the Year Ended December 31, 2011
(With Summarized Comparative Totals for December 31, 2010)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2011 Totals</u>	<u>2010 Totals</u>
SUPPORT & REVENUE:				
Contributions	\$ 1,359,333	\$ 326,509	\$ 1,685,842	\$ 1,868,993
Conferences	417,622		417,622	677,773
Fundraising	106,431		106,431	116,678
Membership Dues	18,107		18,107	36,682
Books Sales	12,878		12,878	26,163
Art Gallery Sales	1,751		1,751	4,463
Interest & Dividends	22,745		22,745	57,026
Gain/(Loss) on Investments	(156,772)		(156,772)	70,070
Other Income	1,076		1,076	508
Net Assets Released from Restrictions:				
Satisfaction of Program Restrictions	<u>131,885</u>	<u>(131,885)</u>	<u>-</u>	<u>-</u>
 Total Support & Revenue	 1,915,056	 194,624	 2,109,680	 2,858,356
EXPENSES:				
Program Services	1,900,790		1,900,790	2,528,196
Supporting Services				
Management & General	206,448		206,448	258,693
Fund Raising	<u>85,476</u>		<u>85,476</u>	<u>85,281</u>
 Total Supporting Services	 <u>291,924</u>	 <u>-</u>	 <u>291,924</u>	 <u>343,974</u>
 Total Expenses	 <u>2,192,714</u>	 <u>-</u>	 <u>2,192,714</u>	 <u>2,872,170</u>
 Change in Net Assets	 (277,658)	 194,624	 (83,034)	 (13,814)
 Net Assets, Beginning of Year	 <u>4,423,485</u>	 <u>31,468</u>	 <u>4,454,953</u>	 <u>4,468,767</u>
 Net Assets, End of Year	 <u>\$ 4,145,827</u>	 <u>\$ 226,092</u>	 <u>\$ 4,371,919</u>	 <u>\$ 4,454,953</u>

The Accompanying Notes are an Integral Part of the Financial Statements

AUTISM RESEARCH INSTITUTE
Statement of Functional Expenses
For the Year Ended December 31, 2011
(With Summarized Comparative Totals for December 31, 2010)

	<u>SUPPORTING SERVICES</u>				
	<u>Program Services</u>	<u>Management & General</u>	<u>Fund Raising</u>	<u>2011 Total</u>	<u>2010 Total</u>
Payroll & Related					
Salaries & Wages	\$ 239,564	\$ 68,447	\$ 34,223	\$ 342,234	\$ 392,605
Payroll Taxes	17,721	5,063	2,532	25,316	27,180
Employee Benefits	12,838	3,668	1,834	18,340	10,616
Total Payroll & Related	<u>270,123</u>	<u>77,178</u>	<u>38,589</u>	<u>385,890</u>	<u>430,401</u>
Other Expenses					
Accounting & Payroll Services		22,602		22,602	16,761
Bank & Merchant Fees	28,756	2,892	3,907	35,555	48,163
Books & Videos	15,296			15,296	49,651
Conferences-Audio Visual & Webcast	116,261			116,261	125,219
Conferences-Honorariums	164,875			164,875	246,972
Conferences-Other	315,724			315,724	360,252
Equipment Rental & Maintenance	10,239	2,925	1,463	14,627	17,717
Fundraising			27,579	27,579	17,929
Grants	301,229			301,229	526,047
Insurance		5,399		5,399	12,350
Legal Fees		58,634		58,634	95,144
Miscellaneous	10,204	9,783	1,742	21,729	33,581
Science Director Fees	12,000			12,000	20,500
Special Projects	99,595			99,595	265,351
Sponsorships & Awards	29,600			29,600	150,525
Office Expenses	14,523	4,149	2,075	20,747	33,187
Postage & Delivery	15,479	4,423	2,211	22,113	31,056
Printing	57,451			57,451	56,416
Professional Services	88,885			88,885	56,544
Public Relations	106,640			106,640	-
Rent	36,763	10,504	5,252	52,518	50,460
Telephone/Internet/Utilities	18,610	5,317	2,659	26,585	15,923
Translator Fees	4,541			4,541	13,910
Travel	102,981			102,981	89,515
Website	57,238			57,238	78,933
Total Other Expenses	<u>1,606,889</u>	<u>126,628</u>	<u>46,887</u>	<u>1,780,404</u>	<u>2,412,106</u>
Depreciation	<u>23,778</u>	<u>2,642</u>		<u>26,420</u>	<u>29,663</u>
Total Expenses	<u>\$ 1,900,790</u>	<u>\$ 206,448</u>	<u>\$ 85,476</u>	<u>\$ 2,192,714</u>	<u>\$ 2,872,170</u>

The Accompanying Notes are an Integral Part of the Financial Statements

AUTISM RESEARCH INSTITUTE
Statement of Cash Flows
For the Year Ended December 31, 2011
(With Summarized Comparative Totals for December 31, 2010)

CASH FLOWS FROM:	<u>2011</u>	<u>2010</u>
Operating Activities:		
Change in Net Assets	\$ (83,034)	\$ (13,814)
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Depreciation	26,420	29,663
(Increase) / Decrease in:		
Pledges Receivable	41,482	(191,482)
Deposits & Prepaid Expenses	5,641	(5,763)
Inventory	3,282	930
Increase / (Decrease) in:		
Accounts Payable	(1,041)	(7,808)
Event Deposits	23,798	-
Grants Payable	(17,000)	74,000
Net Cash (Used) by Operating Activities	<u>(452)</u>	<u>(114,274)</u>
Investing Activities:		
Leasehold Improvements	-	(10,245)
Purchase of Equipment (Net of Disposals)	(4,064)	(4,074)
Sale of Investments	137,675	656,636
Net Cash Provided by Investing Activities	<u>133,611</u>	<u>642,317</u>
Net Increase in Cash & Cash Equivalents	133,159	528,043
Cash & Cash Equivalents at:		
Beginning of Year	<u>3,067,339</u>	<u>2,539,296</u>
End of Year	<u>\$ 3,200,498</u>	<u>\$ 3,067,339</u>

The Accompanying Notes are an Integral Part of the Financial Statements

AUTISM RESEARCH INSTITUTE

Notes to Financial Statements
Year Ended December 31, 2011

Note 1. Nature of Organization

The Autism Research Institute (ARI), a non-profit organization, is the hub of a worldwide network of parents and professionals concerned with autism. ARI was founded in 1967 to conduct and foster scientific research designed to improve the methods of diagnosing, treating, and preventing autism. ARI also sponsors the Autistic Global Initiative, a program focused on adult-related issues. This is accomplished by the following activities:

- Conducting, funding, and facilitating cutting-edge research on effective treatments.
- Funding state-of-the-art treatments that can help individuals on the autism spectrum today.
- Maintaining two websites, autism.com and autism.org, which are the Internet's largest resource for biomedical and educational information on autism. The ARI data bank, the world's largest, contains over 42,000 detailed case histories of autism from over 60 countries.
- Collaborating with the National Institute of Child Health and Human Development Brain and Tissue Bank and Massachusetts General Hospital gastrointestinal tissue bank to provide research material for scientists investigating the systemic causes and effects of autism.
- Sponsoring major conferences and internet webinars.
- Compiling parent surveys to determine which treatments for autism are beneficial and which are ineffective or even harmful.
- Publishing several e-newsletters and a quarterly (hardcopy) research review newsletter.
- Creating and "growing" a powerful network of parents and professionals involved in identifying and exploring new treatment avenues.
- Sponsoring think tanks involving researchers and experienced clinicians.
- Signing formal agreements with other autism organizations to combine resources and maximize services.
- Running the Autism Resource Call Center. This service provides free information and support for parents.
- Translating materials into 15 different languages.
- Sponsoring the Autism Network for Hearing and Visually Impaired Persons.

ARI is supported primarily by contributions and conference and other related fees.

Note 2. Summary of Significant Accounting Policies

Basis of Accounting: The accompanying financial statements are prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Fund Accounting: To ensure observance of limitations and restrictions placed on the use of available resources, the accounts of ARI are maintained in accordance with the principles of fund accounting. Under such principles, resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with specified activities or objectives.

AUTISM RESEARCH INSTITUTE

Notes to Financial Statements
Year Ended December 31, 2011

Note 2. Summary of Significant Accounting Policies, continued

ARI also prepares financial statements in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205 and subsections. Under ASC 958-205, ARI is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted Net Assets - Net assets not subject to donor-imposed restrictions or stipulations as to purpose of use.

Temporarily Restricted Net Assets - Net assets that are subject to donor-imposed restrictions or stipulations that may or will be met either by actions of ARI or the passage of time. Temporarily restricted net assets as of December 31, 2011 were \$226,092.

Permanently Restricted Net Assets - Net assets that are subject to donor-imposed restrictions of investing the principal contribution in perpetuity and the investment income be used for ARI's operations and programs. ARI does not have any permanently restricted net assets as of December 31, 2011.

Cash and Cash Equivalents: ARI has defined cash and cash equivalents as cash in banks and highly liquid investments with an initial maturity of three months or less.

Fair Value Measurements: ARI has adopted ASC 820-10, *Fair Value Measurement* (ASC 820-10). ASC 820-10 clarifies the definition of fair value for financial reporting, establishes a framework for measuring fair value, and requires additional disclosure about the use of fair value measurements in an effort to make the measurement of fair value more consistent and comparable.

ASC 820-10 defines fair value as the amount that would be received from the sale of an asset or paid for the transfer of liability in an orderly transaction between market participants, i.e. an exit price. To estimate an exit price, a three-tier hierarchy is used to prioritize the inputs:

Level 1: Quoted prices in active markets for identical securities.

Level 2: Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayments, spreads, credit risk, etc.).

Level 3: Significant unobservable inputs (including ARI's own assumptions in determining the fair value of investments).

The valuations of ARI's investments according to the fair value hierarchy are all Level 1.

Property and Equipment: Property and equipment is recorded at cost if purchased or at fair value at the date of donation if donated. Maintenance and repair costs are charged to expense as incurred. Property and equipment is capitalized if the cost of an asset is greater than or equal to \$1,000 and the useful life is greater than one year. Depreciation is computed using the straight-line method over the useful lives of the assets, which are seven years for furniture and five years for equipment. Depreciation expense for the year ended December 31, 2011 amounted to \$26,420.

AUTISM RESEARCH INSTITUTE

Notes to Financial Statements
Year Ended December 31, 2011

Note 2. Summary of Significant Accounting Policies, continued

Contributions: Contributions are recorded when received. All contributions are available for unrestricted use unless specifically restricted by the donor. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Grants payable: Research grants made by ARI to other organizations are recorded as grant expense in the period such grants have been approved and grant recipients are notified about the award.

Donated Materials and Services: Donated materials and services are recognized as contributions if the materials or services (a) create or enhance non-financial assets, or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by ARI. Volunteers provide services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met.

Use of Estimates: The preparation of the financial statements in conformity with U.S. generally accepted accounting principles 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 the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. Management believes that these estimates and assumptions provide a reasonable basis for the fair presentation of the financial statements.

Functional Allocation of Expenses: The costs of providing the various programs and supporting services have been summarized on a functional basis in the statement of functional expenses. Costs that are not directly associated with providing specific services have been allocated based upon the relative time spent by employees of ARI providing these services.

Comparative Financial Information: The financial statements include certain prior-year summarized comparative information in total but not by asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, it should be read in conjunction with ARI's financial statements for the year ended December 31, 2010 from which the summarized information was derived.

Date of Management Review: ARI's management has evaluated subsequent events through October 25, 2012, the date the financial statements were available to be issued. Management is not aware of any such subsequent events that would require adjustment to, or disclosures in, the financial statements.

AUTISM RESEARCH INSTITUTE

Notes to Financial Statements
Year Ended December 31, 2011

Note 3. Income Tax Status

ARI is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California State Revenue and Taxation Code. ARI may be subject to tax on income which is not related to its exempt purposes. No such unrelated business taxable income was reported, and therefore, no provision for income taxes has been made for the year ended December 31, 2011.

ASC 740-10-25, Income Taxes, prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Management of ARI has evaluated its uncertain tax positions and related income tax contingencies. Management does not believe that any material uncertain tax positions exist. ARI's tax returns are subject to examination by Federal taxing authorities for a period of three years from the date they are filed and a period of four years for California taxing authorities.

Note 4. Cash and Cash Equivalents

At December 31, 2011, cash and cash equivalents consisted of the following:

Petty Cash	\$	500
Cash in Checking Accounts		548,989
Cash in Savings Accounts		891,327
Bank Deposit Sweep		<u>1,759,682</u>
Total	\$	<u>3,200,498</u>

Note 5. Concentration of Credit Risk

ARI maintains cash balances at two financial institutions. The balances at JPMorgan Chase Bank, N.A. are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Additionally, the balances of non-interest bearing checking accounts are fully insured by the FDIC through December 31, 2012. At December 31, 2011, ARI's uninsured cash balance at JPMorgan Chase Bank, N.A. was \$641,327. ARI also maintains bank deposit sweep with Wells Fargo Advisors. Balances in the Wells Fargo Advisors Bank Deposit Sweep are insured up to \$250,000 per Affiliated Bank by the FDIC for a total of \$750,000. At December 31, 2011, ARI's uninsured cash balance at Wells Fargo Advisors is \$1,009,722.

As of December 31, 2011, one contributor accounted for 100% of pledges receivable totaling \$150,000, of which \$75,000 was collected subsequent to the fiscal year end. The balance of \$75,000 is believed to be fully collectible.

AUTISM RESEARCH INSTITUTE

Notes to Financial Statements
Year Ended December 31, 2011

Note 6. Investments

At December 31, 2011, investments consisted of the following:

Ginnie Mae	\$ 531,798
Common Stocks	528,818
Total	<u>\$ 1,060,616</u>

Note 7. Temporarily Restricted Net Assets

Temporarily restricted net assets activities for the year ended December 31, 2011 and balances at December 31, 2011 consist of the following:

	January 1, 2011	2011		December 31, 2011
		Additions	Released	
Public Relations Campaign	\$	\$ 175,000	\$ (106,633)	\$ 68,367
AGI Residential Curriculum Project		150,000		150,000
Oxolate Study	593	1,509	(2,102)	-
Global Autism Collaboration	30,875		(23,150)	7,725
Total	<u>\$ 31,468</u>	<u>\$ 326,509</u>	<u>\$ (131,885)</u>	<u>\$ 226,092</u>

Note 8. Operating Leases

ARI has entered into operating leases for its facilities in San Diego, California, as follows:

- Office space and art gallery at 4182, 4184, 4186, and 4186 1/2 Adams Avenue under a month to month rental agreement. The rent increased from \$2,100 to \$2,300 in April 2011. The total expense for 2011 is \$26,800.
- Office space at 4202 Adams Avenue starting October 2011. The agreement is for 25 months ending November 2013 with a monthly rent \$1,350. The total expense for 2011 is \$4,703.
- Art storage space at 4741 Edgeware Rd. under a month to month rental agreement from the Board Officer, with a monthly rent of \$1,200. The agreement was terminated in September 2011. The total expense for 2011 is \$10,800.
- Storage space under a month to month agreement. The rent decreased from \$905 to \$690 in October 2011. The total expense for 2011 is \$10,860.

ARI leases a copy machine at \$690 per month plus tax on a five year contract expiring in 2013.

AUTISM RESEARCH INSTITUTE

Notes to Financial Statements
Year Ended December 31, 2011

Note 8. Operating Leases, (continued)

The future minimum lease payments for the next five years at December 31, 2011 are as follows:

	office space	copy machine
December 31, 2012	\$ 16,200	\$ 8,924
2013	14,265	8,924
Total	<u>\$ 30,465</u>	<u>\$ 17,848</u>

Note 9. Employee Benefits

ARI maintains 403(b)(7) retirement plan for its employees. Employees may defer part of their compensation each year up to a maximum amount allowed by the Internal Revenue Code. No employer contributions to the plan were made during the year ended December 31, 2011.

Note 10. Commitments

ARI's voting Board member also serves as the President and Chief Executive Officer under the employment agreement approved by the Board of Directors. In accordance with the agreement renewed on December 14, 2010, the term of employment is two years commencing January 1, 2011 and continuing through December 31, 2012, automatically renewing for successive one year periods. The annual compensation under the agreement is \$155,000 plus \$10,000 for disability and life insurance.

Note 11. Related Party Transactions

Autistic Global Initiative program director is related by marriage to the President and Chief Executive Officer. For the year ended December 31, 2011, the program director, with the Board of Directors' approval, received employment compensation totaling \$7,826 and independent contractor compensation totaling \$26,720.

An employee related to the member of the Board of Directors, with the Board of Directors' approval, received employment compensation in the amount of \$8,966 for the year ended December 31, 2011.