

FINANCIAL STATEMENTS



ORGANIZATION FOR AUTISM RESEARCH

**FOR THE YEAR ENDED JUNE 30, 2017
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2016**

ORGANIZATION FOR AUTISM RESEARCH

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Organization for Autism Research
Arlington, Virginia

We have audited the accompanying financial statements of the Organization for Autism Research (OAR), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and change in net assets, functional expenses and cash flows for the year 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 auditor's 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 OAR as of June 30, 2017, and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Report on Summarized Comparative Information

We have previously audited OAR's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 6, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Gelman Rosenberg & Freedman

November 15, 2017

ORGANIZATION FOR AUTISM RESEARCH
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2017
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016

ASSETS		<u>2017</u>	<u>2016</u>
CURRENT ASSETS			
Cash and cash equivalents		\$ 1,467,932	\$ 1,436,844
Pledges receivable, net of allowance for doubtful accounts of \$37,348 in 2017 and \$35,491 in 2016		147,360	92,585
Other receivables		10	4,497
Inventory		74,915	60,192
Prepaid expenses		<u>178,094</u>	<u>92,730</u>
Total current assets		<u>1,868,311</u>	<u>1,686,848</u>
FIXED ASSETS			
Furniture		47,831	47,831
Computer equipment and software		39,182	39,942
Website		<u>174,461</u>	<u>158,461</u>
		261,474	246,234
Less: Accumulated depreciation and amortization		<u>(132,234)</u>	<u>(68,893)</u>
Net fixed assets		<u>129,240</u>	<u>177,341</u>
OTHER ASSETS			
		<u>9,674</u>	<u>9,674</u>
TOTAL ASSETS		<u>\$ 2,007,225</u>	<u>\$ 1,873,863</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities		\$ 42,113	\$ 17,553
Accrued salaries and related benefits		6,188	6,046
Deferred rent		<u>10,844</u>	<u>8,062</u>
Total current liabilities		<u>59,145</u>	<u>31,661</u>
LONG-TERM LIABILITIES			
Deferred rent, net of current portion		<u>16,824</u>	<u>27,668</u>
Total liabilities		<u>75,969</u>	<u>59,329</u>
NET ASSETS			
Unrestricted		950,556	998,616
Temporarily restricted		<u>980,700</u>	<u>815,918</u>
Total net assets		<u>1,931,256</u>	<u>1,814,534</u>
TOTAL LIABILITIES AND NET ASSETS		<u>\$ 2,007,225</u>	<u>\$ 1,873,863</u>

See accompanying notes to financial statements.

ORGANIZATION FOR AUTISM RESEARCH
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2017
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016

	<u>2017</u>			<u>2016</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total</u>
REVENUE				
Contributions	\$ 530,585	\$ 410,875	\$ 941,460	\$ 863,965
Foundation grants	-	-	-	55,098
Merchandise and publications	1,425	-	1,425	1,878
Donated services	15,111	-	15,111	11,107
Special events, net of related expenses of \$217,711 in 2017 and \$177,387 in 2016	519,568	-	519,568	604,001
Interest income	10,978	-	10,978	1,295
Investment loss	(413)	-	(413)	-
Net assets released from donor restrictions	<u>223,593</u>	<u>(223,593)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>1,300,847</u>	<u>187,282</u>	<u>1,488,129</u>	<u>1,537,344</u>
EXPENSES				
Program Services:				
Research	447,064	-	447,064	456,072
Information	425,438	-	425,438	311,102
Education	<u>212,463</u>	<u>-</u>	<u>212,463</u>	<u>185,224</u>
Total program services	<u>1,084,965</u>	<u>-</u>	<u>1,084,965</u>	<u>952,398</u>
Supporting Services:				
Management	79,222	-	79,222	74,956
Fundraising	<u>184,720</u>	<u>-</u>	<u>184,720</u>	<u>133,517</u>
Total supporting services	<u>263,942</u>	<u>-</u>	<u>263,942</u>	<u>208,473</u>
Total expenses	<u>1,348,907</u>	<u>-</u>	<u>1,348,907</u>	<u>1,160,871</u>
Change in net assets, before other item	(48,060)	187,282	139,222	376,473
OTHER ITEM				
Return of grantor funds	<u>-</u>	<u>(22,500)</u>	<u>(22,500)</u>	<u>-</u>
Change net assets	(48,060)	164,782	116,722	376,473
Net assets at beginning of year	<u>998,616</u>	<u>815,918</u>	<u>1,814,534</u>	<u>1,438,061</u>
NET ASSETS AT END OF YEAR	<u>\$ 950,556</u>	<u>\$ 980,700</u>	<u>\$ 1,931,256</u>	<u>\$ 1,814,534</u>

ORGANIZATION FOR AUTISM RESEARCH
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016

	2017			
	Program Services			Total
	Research	Information	Education	Program Services
Salaries and benefits	\$ 122,284	\$ 187,201	\$ 47,719	\$ 357,204
Research and information grants	205,323	93,184	4,500	303,007
Scholarship program	-	-	114,000	114,000
Occupancy	33,246	33,246	16,623	83,115
Professional fees	15,584	25,256	6,417	47,257
Depreciation and amortization	22,812	22,812	11,406	57,030
Office expense	11,326	13,755	5,668	30,749
Conference and meetings	23,656	12,516	-	36,172
Bad debt expense	-	-	-	-
Travel	3,992	9,790	1,709	15,491
Postage and delivery	2,937	9,603	1,469	14,009
Telephone and internet	3,276	5,825	1,638	10,739
Printing	690	8,829	345	9,864
Fundraising	-	-	-	-
Registrations	-	-	-	-
Advertising	-	1,483	-	1,483
Equipment, repairs and maintenance	1,419	1,419	710	3,548
Insurance	519	519	259	1,297
TOTAL	\$ 447,064	\$ 425,438	\$ 212,463	\$ 1,084,965

					2016
Supporting Services					
Management	Fundraising	Total Supporting Services	Total Expenses	Total Expenses	
\$ 8,942	\$ 130,554	\$ 139,496	\$ 496,700	\$ 398,540	
-	-	-	303,007	336,512	
-	-	-	114,000	104,975	
10,389	10,389	20,778	103,893	102,443	
18,733	12,045	30,778	78,035	68,487	
3,156	3,155	6,311	63,341	7,902	
8,249	5,683	13,932	44,681	31,144	
-	1,435	1,435	37,607	31,394	
20,866	-	20,866	20,866	17,263	
1,054	1,929	2,983	18,474	12,214	
918	918	1,836	15,845	17,640	
1,024	1,211	2,235	12,974	8,465	
216	744	960	10,824	5,007	
-	10,020	10,020	10,020	-	
2,205	4,782	6,987	6,987	6,773	
2,864	1,249	4,113	5,596	5,075	
444	444	888	4,436	5,420	
162	162	324	1,621	1,617	
\$ 79,222	\$ 184,720	\$ 263,942	\$ 1,348,907	\$ 1,160,871	

ORGANIZATION FOR AUTISM RESEARCH
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 116,722	\$ 376,473
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	63,341	7,902
Change in allowance for doubtful accounts	1,857	515
(Increase) decrease in:		
Pledges receivable	(56,632)	(8,150)
Other receivables	4,487	86
Inventory	(14,723)	(21,747)
Prepaid expenses	(85,364)	(32,736)
Increase (decrease) in:		
Accounts payable and accrued liabilities	24,560	(51,804)
Accrued salaries and related benefits	142	3,559
Deferred rent	<u>(8,062)</u>	<u>(5,101)</u>
Net cash provided by operating activities	<u>46,328</u>	<u>268,997</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	<u>(15,240)</u>	<u>(113,254)</u>
Net cash used by investing activities	<u>(15,240)</u>	<u>(113,254)</u>
Net increase in cash and cash equivalents	31,088	155,743
Cash and cash equivalents at beginning of year	<u>1,436,844</u>	<u>1,281,101</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,467,932</u>	<u>\$ 1,436,844</u>
SUPPLEMENTAL INFORMATION:		
Donated Stock	<u>\$ 4,082</u>	<u>\$ -</u>

ORGANIZATION FOR AUTISM RESEARCH

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

The Organization for Autism Research (OAR) is a non-profit organization, established in 2001 and organized to operate exclusively for charitable, scientific, literary and/or educational purposes within the meaning of the Internal Revenue Code. Specifically, the purpose of OAR is to use applied research to answer questions that parents, families, individuals with autism, teachers, and caregivers raise daily.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with FASB ASC 958, *Not-for-Profit Entities*.

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with OAR's financial statements for the year ended June 30, 2016, from which the summarized information was derived.

Cash and cash equivalents -

OAR considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of \$250,000. At times during the year, OAR maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Pledges receivable -

Pledges receivable are stated at their net realizable value, which approximates fair value. The allowance for doubtful accounts is determined based upon an annual review of account balances, including the age of the balance and the historical experience with the donor. During the year ended June 30, 2017, OAR management did a detailed analysis of all outstanding receivables. Based on its analysis, OAR adjusted the allowance balance accordingly.

Inventory -

Inventory consists of publications and apparel, which are recorded at the lower of cost or market value using the first-in, first-out method of inventory.

Fixed assets -

Fixed assets in excess of \$1,000 are capitalized and stated at cost. Fixed assets are depreciated and amortized on a straight-line basis over the estimated useful lives of the related assets, generally three to seven years. The cost of maintenance and repairs is recorded as expenses are incurred.

Impairment of long-lived assets -

Management reviews asset carrying amounts whenever events or circumstances indicate that such carrying amounts may not be recoverable.

ORGANIZATION FOR AUTISM RESEARCH

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**
(Continued)

Impairment of long-lived assets (continued) -

When considered impaired, the carrying amount of the assets is reduced, by a charge to Statement of Activities and Change in Net Assets, to its current fair value.

Income taxes -

OAR is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. OAR is not a private foundation.

Uncertain tax positions -

For the year ended June 30, 2017, OAR has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

Net asset classification -

The net assets are reported in two self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of OAR and include both internally designated and undesignated resources.
- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of OAR and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities and Change in Net Assets as net assets released from restrictions.

Contributions and grants -

Unrestricted and temporarily restricted contributions and grants are recorded as revenue in the year notification is received from the donor. Temporarily restricted contributions and grants are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Temporarily restricted contributions and grants received in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying financial statements. Temporarily restricted contributions received and satisfied in the same report period are recorded as unrestricted revenue.

Donated services -

Donated services consist of pro bono legal counsel. Donated services are recorded at their fair market value as of the date the services were performed.

ORGANIZATION FOR AUTISM RESEARCH

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

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 at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

New accounting pronouncements not yet adopted -

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958), intended to improve financial reporting for not-for-profit entities. The ASU will reduce the current three classes of net assets into two: with and without donor restrictions. The change in each of the classes of net assets must be reported on the Statement of Activities and Change in Net Assets. The ASU also requires various enhanced disclosures around topics such as board designations, liquidity, functional classification of expenses, investment expenses, donor restrictions, and underwater endowments. The ASU is effective for years beginning after December 15, 2017. Early adoption is permitted. The ASU should be applied on a retrospective basis in the year the ASU is first applied. While the ASU will change the presentation of the OAR's financial statements, it is not expected to alter the OAR's reported financial position.

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606) (ASU 2014-09). The ASU establishes a comprehensive revenue recognition standard for virtually all industries under generally accepted accounting principles in the United States (U.S. GAAP) including those that previously followed industry-specific guidance. The guidance states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2015-14 in August 2015 that deferred the effective date of ASU 2014-09 by a year thus the effective date is fiscal years beginning after December 15, 2018. Early adoption is permitted and should be applied retrospectively in the year the ASU is first applied. OAR plans to adopt the new ASU at the required implementation date.

In 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the Statement of Financial Position and disclosing key information about leasing arrangements. The ASU is effective for private entities for fiscal years beginning after December 31, 2019. Early adoption is permitted. The ASU should be applied at the beginning of the earliest period presented using a modified retrospective approach. OAR plans to adopt the new ASU at the required implementation date.

ORGANIZATION FOR AUTISM RESEARCH

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

2. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at June 30, 2017:

Employment initiative	\$ 694,441
Scholarships	128,963
Brophy Fund	70,000
Research information	40,000
Special programs	19,000
Conference sponsorships	12,218
Website	<u>16,078</u>
	<u>\$ 980,700</u>

The following temporarily restricted net assets were released from donor restrictions by incurring expenses (or through the passage of time), which satisfied the restricted purposes specified by the donors:

Employment initiative	\$ 83,236
Scholarships	114,000
Research information	2,179
Other restricted programs	2,000
Conference sponsorship	4,500
Research	2,500
Guide Inventory	<u>15,178</u>
	<u>\$ 223,593</u>

3. LEASE COMMITMENTS

OAR entered into a 75-month lease, originating in June 2013 and expiring in August 2019. Base rent is \$8,479 per month, plus a proportionate share of expenses, increasing by a factor of 2.75% per year.

Accounting principles generally accepted in the United States of America require that the total rent commitment should be recognized on a straight-line basis over the term of the lease. Accordingly, the difference between the actual monthly payments and the rent expense being recognized for financial statement purposes is recorded as a deferred rent liability in the Statement of Financial Position.

The following is a schedule of the future minimum lease payments:

<u>Year Ending June 30</u>	
2018	\$ 113,413
2019	116,532
2020	<u>19,956</u>
	<u>\$ 249,901</u>

Rent expense for the year ended June 30, 2017 totaled \$103,893. Deferred rent at June 30, 2017 totaled \$27,668.

ORGANIZATION FOR AUTISM RESEARCH

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

4. RETIREMENT PLAN

OAR provides retirement benefits to its employees through a defined contribution plan covering all full-time employees with six months of eligible experience. OAR matches participating employees' contributions, up to 3% of gross wages, up to \$3,000 per year. Contributions to the plan during the year ended June 30, 2017 totaled \$17,895.

5. ADVERTISING

OAR incurs certain costs related to advertising. It is OAR's policy to expense these costs as incurred. During the year ended June 30, 2017, advertising costs totaled \$20,106. Of that amount, \$15,740 is being netted against special events revenue on the Statement of Activities and Change in Net Assets.

6. COMMITMENTS

During the year ended June 30, 2017, OAR entered into contracts to fund research projects. As of June 30, 2017, OAR's remaining obligation under these arrangements totaled \$92,462. These obligations are contingent upon certain deliverables and therefore have not been accrued as of June 30, 2017.

7. RELATED PARTY

During the year ended June 30, 2017, legal services in the amount of \$15,111 were donated by a law firm in which OAR's Chairman has an ownership interest. The costs associated with the donated legal services are included in professional fees on the accompanying Statement of Functional Expenses. Board members' cash contributions totaled \$170,880 for the year ended June 30, 2017.

8. SUBSEQUENT EVENTS

In preparing these financial statements, OAR has evaluated events and transactions for potential recognition or disclosure through November 15, 2017, the date the financial statements were issued.