



Sonnenberg & Company, CPAs

A Professional Corporation

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Leonard C. Sonnenberg, CPA

AUTISM RESEARCH INSTITUTE Audited Financial Statements Year Ended December 31, 2010

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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, 2010, and the related statements of activities, cash flows, and functional expenses for the year then ended. These financial statements are the responsibility of Autism Research Institute. Our responsibility is to express an opinion on these financial statements based on our audit.

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, 2010, 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.

Sonnenberg & Company, CPAs

October 21, 2011

AUTISM RESEARCH INSTITUTE
Statement of Financial Position
December 31, 2010

ASSETS:

Cash & Cash Equivalents	\$ 3,067,339
Pledges Receivable	191,482
Deposits & Prepaid Expenses	6,991
Inventory	27,350
Investments	1,198,291
Property & Equipment	185,733
Less: Accumulated Depreciation	<u>(115,020)</u>
Total Assets	<u><u>\$ 4,562,166</u></u>

LIABILITIES:

Accounts Payable & Accrued Liabilities	\$ 8,213
Grants Payable	<u>99,000</u>
Total Liabilities	107,213

NET ASSETS:

Unrestricted	4,423,485
Temporarily Restricted	<u>31,468</u>
Total Net Assets	<u>4,454,953</u>
Total Liabilities & Net Assets	<u><u>\$ 4,562,166</u></u>

The Accompanying Notes are an Integral Part of the Financial Statements

AUTISM RESEARCH INSTITUTE
Statement of Activities
For the Year Ended December 31, 2010

	Unrestricted	Temporarily Restricted	Total
SUPPORT & REVENUE:			
Contributions	\$ 1,713,238	\$ 156,263	\$ 1,869,501
Conferences	677,773		677,773
Fundraising	116,678		116,678
Membership Dues	36,682		36,682
Books Sales	26,163		26,163
Art Gallery Sales	4,463		4,463
Interest & Dividends	57,026		57,026
Gain on Investments	70,070		70,070
Net Assets Released from Restrictions:			
Satisfaction of Program Restrictions	196,061	(196,061)	-
 Total Support & Revenue	 2,898,154	 (39,798)	 2,858,356
 EXPENSES:			
Program Services	2,528,196		2,528,196
Supporting Services			
Management & General	258,693		258,693
Fund Raising	85,281		85,281
 Total Supporting Services	 343,974	 -	 343,974
 Total Expenses	 2,872,170	 -	 2,872,170
 Change in Net Assets	 25,984	 (39,798)	 (13,814)
 Net Assets, Beginning of Year	 4,397,501	 71,266	 4,468,767
 Net Assets, End of Year	 \$ 4,423,485	 \$ 31,468	 \$ 4,454,953

The Accompanying Notes are an Integral Part of the Financial Statements

AUTISM RESEARCH INSTITUTE
Statement of Functional Expenses
For the Year Ended December 31, 2010

		<u>SUPPORTING SERVICES</u>			
	<u>Program Services</u>	<u>Management & General</u>	<u>Fund Raising</u>	<u>Total</u>	
Payroll & Related					
Salaries & Wages	\$ 274,824	\$ 78,521	\$ 39,260	\$ 392,605	
Payroll Taxes	19,026	5,436	2,718	27,180	
Employee Benefits	7,431	2,123	1,062	10,616	
Total Payroll & Related	<u>301,281</u>	<u>86,080</u>	<u>43,040</u>	<u>430,401</u>	
Other Expenses					
Accounting & Payroll Services		16,761		16,761	
Bank & Merchant Fees	48,163			48,163	
Books & Videos	49,651			49,651	
Conferences-Audio Visual & Webcast	125,219			125,219	
Conferences-Honorariums	246,972			246,972	
Conferences-Other	173,611			173,611	
Equipment Rental & Maintenance	12,403	3,544	1,771	17,717	
Fundraising			17,929	17,929	
Grants	526,047			526,047	
Insurance		12,350		12,350	
Legal Fees		95,144		95,144	
Miscellaneous	18,530	7,034	8,017	33,581	
Science Director Fees	20,500			20,500	
Special Projects	265,351			265,351	
Sponsorships & Awards	150,525			150,525	
Office Expenses	23,231	6,637	3,319	33,187	
Postage & Delivery	21,739	6,211	3,106	31,056	
Printing	93,650			93,650	
Professional Services	53,996		2,548	56,544	
Rent	27,720	18,780	3,960	50,460	
Telephone/Internet/Utilities	11,146	3,185	1,592	15,923	
Translator Fees	13,910			13,910	
Travel	238,922			238,922	
Website	78,933			78,933	
Total Other Expenses	<u>2,200,219</u>	<u>169,646</u>	<u>42,241</u>	<u>2,412,106</u>	
Depreciation	<u>26,697</u>	<u>2,966</u>		<u>29,663</u>	
Total Expenses	<u>\$ 2,528,196</u>	<u>\$ 258,693</u>	<u>\$ 85,281</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, 2010

CASH FLOWS FROM:

Operating Activities:	
Change in Net Assets	\$ (13,814)
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:	
Depreciation	29,663
(Increase) / Decrease in:	
Pledges Receivable	(191,482)
Deposits & Prepaid Expenses	(5,763)
Inventory	930
Increase / (Decrease) in:	
Accounts Payable	(7,808)
Grants Payable	74,000
Net Cash (Used) by Operating Activities	<u>(114,274)</u>
Investing Activities:	
Leasehold Improvements	(10,245)
Purchase of Equipment (Net of Disposals)	(4,074)
Sale of Investments	656,636
Net Cash Provided by Investing Activities	<u>642,317</u>
Net Increase in Cash & Cash Equivalents	528,043
Cash & Cash Equivalents at:	
Beginning of Year	<u>2,539,296</u>
End of Year	<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, 2010

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. 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 autistic children 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 40,000 detailed case histories of autistic children 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.
- Compiling parent surveys to determine which treatments for autism are beneficial and which are ineffective or even harmful.
- Publishing an e-newsletter and quarterly research review newsletter.
- Conducting a rural outreach program to serve areas with few autism resources.
- Creating and "growing" a powerful network of parents and professionals involved in identifying and exploring new treatment avenues.
- 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.
- Offering logistical support for the Autism Network for Hearing and Visually Impaired Persons.
- Funding the distribution of a physician awareness handbook for all pediatricians west of the Mississippi.

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, 2010

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, 2010 were \$31,468.

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, 2010.

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, 2010 amounted to \$29,663.

AUTISM RESEARCH INSTITUTE

Notes to Financial Statements
Year Ended December 31, 2010

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.

Subsequent Events: ARI's management has evaluated subsequent events through October 21, 2011, the date the financial statements were available to be issued.

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, 2010.

AUTISM RESEARCH INSTITUTE

Notes to Financial Statements
Year Ended December 31, 2010

Note 3. Income Tax Status (continued)

The Financial Accounting Standards Board (FASB) Interpretation No. 48, Accounting for Uncertainty in Income Taxes, (FIN 48), 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 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, 2010, cash and cash equivalents consisted of the following:

Petty Cash	\$	780
Cash in Checking Accounts		735,035
Cash in Savings Accounts		455,968
Bank Deposit Sweep		1,875,556
Total	\$	<u>3,067,339</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, 2010, ARI's uninsured cash balance at JPMorgan Chase Bank, N.A. was \$205,998. 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, 2010, ARI's uninsured cash balance at Wells Fargo Advisors is \$1,125,556.

As of December 31, 2010, one contributor accounted for 100% of pledges receivable totaling \$191,482, which was collected in full subsequent to the fiscal year end.

Note 6. Investments

At December 31, 2010, investments consisted of the following:

Ginnie Mae	\$	495,573
Common Stocks		702,718
Total	\$	<u>1,198,291</u>

AUTISM RESEARCH INSTITUTE

Notes to Financial Statements
Year Ended December 31, 2010

Note 7. Temporarily Restricted Net Assets

Temporarily restricted net assets activities for the year ended December 31, 2010 and balances at December 31, 2010 consist of the following:

	January 1, 2010	2010		December 31, 2010
		Additions	Released	
Medegenesis	\$ 8,675	\$ 150,000	\$ (158,675)	\$ -
Oxolate Study	4,729		(4,136)	593
Global Autism Collaboration	57,862	6,263	(33,250)	30,875
Total	\$ <u>71,266</u>	\$ <u>156,263</u>	\$ <u>(196,061)</u>	\$ <u>31,468</u>

Note 8. Operating Leases

ARI rents its headquarters consisting of general office space at 4182, 4184, and 4186 Adams Avenue in San Diego, California, under a month to month rental agreement. Currently the rent is \$2,100 monthly for a total of \$25,200 for 2010. ARI also rents space at 4178 Adams Avenue under a month to month rental agreement from the Board Officer, with a monthly rent of \$1,200 for a total of \$14,400 for 2010. ARI rents storage space under a month to month agreement. The monthly payment is \$905 for a total of \$10,860 for 2010.

ARI leases a copying machine at \$666 per month on a five year contract expiring in 2013. The future minimum lease payments for the next five years at December 31, 2010 are as follows:

December 31,	
2011	\$ 7,992
2012	7,992
2013	7,992
Total	\$ <u>23,976</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, 2010.

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. The total compensation for 2010 is \$175,000. 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.