

AUTISM SPEAKS, INC.

**Consolidated Financial Statements
For the Years Ended December 31, 2017 and 2016
With Independent Auditor's Report**



MITCHELL TITUS
ACHIEVING EXCELLENCE TOGETHER

AUTISM SPEAKS, INC.
Consolidated Financial Statements
For the Years Ended December 31, 2017 and 2016

TABLE OF CONTENTS

	<u>Page(s)</u>
INDEPENDENT AUDITOR'S REPORT	1–2
CONSOLIDATED FINANCIAL STATEMENTS	
Consolidated Statements of Financial Position	3
Consolidated Statement of Activities	4
Consolidated Statement of Functional Expenses	5
Consolidated Statements of Cash Flows	6
Notes to Consolidated Financial Statements	7–19



INDEPENDENT AUDITOR'S REPORT

Board of Directors and Senior Management
Autism Speaks, Inc.

We have audited the accompanying consolidated financial statements of Autism Speaks, Inc., which comprise the consolidated statement of financial position as of December 31, 2017, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

One Battery Park Plaza
New York, NY 10004
T +1 212 709 4500
F +1 212 709 4680
mitchelltitus.com



Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Autism Speaks, Inc. as of December 31, 2017, and the consolidated changes 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.

Report on Summarized Comparative Information

We have previously audited Autism Speaks, Inc.'s 2016 consolidated financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated June 30, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Mitchell Titus, LLP

May 25, 2018

AUTISM SPEAKS, INC.
Consolidated Statements of Financial Position
December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and cash equivalents	\$ 14,175,717	\$ 11,243,949
Pledges receivable, net	5,861,799	3,577,286
Other contributions and miscellaneous receivables	2,864,317	2,430,943
Prepaid expenses	342,691	372,598
Restricted cash	296,691	608,908
Other assets	268,157	252,997
Property, equipment and computer software, net	<u>365,277</u>	<u>631,729</u>
Total assets	<u>\$ 24,174,649</u>	<u>\$ 19,118,410</u>
LIABILITIES AND NET ASSETS		
<i>Liabilities</i>		
Grants payable	\$ 1,323,561	\$ 3,841,605
Accounts payable and accrued expenses	3,336,266	2,861,397
Other liabilities	<u>1,475,292</u>	<u>1,722,605</u>
Total liabilities	<u>6,135,119</u>	<u>8,425,607</u>
<i>Net assets</i>		
Unrestricted	9,958,017	2,569,260
Temporarily restricted	<u>8,081,513</u>	<u>8,123,543</u>
Total net assets	<u>18,039,530</u>	<u>10,692,803</u>
Total liabilities and net assets	<u>\$ 24,174,649</u>	<u>\$ 19,118,410</u>

The accompanying notes are an integral part of these consolidated financial statements.

AUTISM SPEAKS, INC.

Consolidated Statement of Activities

For the Year Ended December 31, 2017

With Summarized Financial Information for the Year Ended December 31, 2016

	2017			2016
	Unrestricted	Temporarily Restricted	Total	Total
PUBLIC SUPPORT, REVENUE, AND RECLASSIFICATIONS				
Walk program and retail partners	\$ 28,200,158	\$ 179,392	\$ 28,379,550	\$ 28,522,040
Major gifts and other contributions	13,600,311	4,066,822	17,667,133	14,281,894
Special and community events	7,263,812	107,022	7,370,834	9,828,391
Government grants	24,613	135,701	160,314	184,021
In-kind contributions and donated services (Note 2)	43,128,660	-	43,128,660	53,051,241
Interest income, foreign exchange gains/losses and other income	92,486	-	92,486	29,520
Net assets released from restrictions	4,530,967	(4,530,967)	-	-
Total public support, revenue, and reclassifications	<u>96,841,007</u>	<u>(42,030)</u>	<u>96,798,977</u>	<u>105,897,107</u>
EXPENSES				
<i>Program services</i>				
Science (including in-kind contributions of \$504,578 in 2017 and \$819,705 in 2016)	13,646,873	-	13,646,873	12,685,166
Awareness, Advocacy, and Family Services (including in-kind contributions and donated services of \$41,456,732 in 2017 and \$50,815,919 in 2016) (Note 2)	62,495,169	-	62,495,169	76,826,754
Total program services	76,142,042	-	76,142,042	89,511,920
Management and General (including in-kind contributions of \$64,010 in 2017 and \$5,833 in 2016)	4,318,464	-	4,318,464	1,955,820
Fundraising (including in-kind contributions and donated services of \$1,103,340 in 2017 and \$1,409,784 in 2016)	8,991,744	-	8,991,744	12,821,354
Total supporting services	13,310,208	-	13,310,208	14,777,174
Total expenses	<u>89,452,250</u>	<u>-</u>	<u>89,452,250</u>	<u>104,289,094</u>
Change in net assets	7,388,757	(42,030)	7,346,727	1,608,013
Net assets, beginning of year	2,569,260	8,123,543	10,692,803	9,084,790
Net assets, end of year	<u>\$ 9,958,017</u>	<u>\$ 8,081,513</u>	<u>\$ 18,039,530</u>	<u>\$ 10,692,803</u>

The accompanying notes are an integral part of these consolidated financial statements.

AUTISM SPEAKS, INC.

Consolidated Statement of Functional Expenses

For the Year Ended December 31, 2017

With Summarized Financial Information for the Year Ended December 31, 2016

	2017							2016
	Program Services			Supporting Services				
	Science	Awareness, Advocacy & Family Services	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total	
Salaries and related benefits	\$ 2,339,309	\$ 10,089,095	\$ 12,428,404	\$ 2,777,456	\$ 4,576,807	\$ 7,354,263	\$ 19,782,667	\$ 22,563,489
Science grants, awards, and research	8,862,406	-	8,862,406	-	-	-	8,862,406	7,029,271
Family services grants, awards, and research	-	1,958,123	1,958,123	-	-	-	1,958,123	3,280,353
Media and media services (donated)	-	41,143,862	41,143,862	-	979,227	979,227	42,123,089	51,948,739
Professional and legal fees	434,447	1,499,275	1,933,722	341,710	361,499	703,209	2,636,931	3,409,765
Events, meetings, and conferences	305,598	2,742,209	3,047,807	12,395	1,363,917	1,376,312	4,424,119	5,336,680
Printing and promotion	21,878	1,242,955	1,264,833	16,827	591,147	607,974	1,872,807	2,048,346
Occupancy	115,514	942,171	1,057,685	206,454	301,935	508,389	1,566,074	2,100,674
Software and website	1,183,773	714,566	1,898,339	165,532	257,166	422,698	2,321,037	2,183,377
Other	350,647	1,938,517	2,289,164	761,839	476,814	1,238,653	3,527,817	3,843,205
Depreciation and amortization	33,301	224,396	257,697	36,251	83,232	119,483	377,180	545,195
	<u>\$ 13,646,873</u>	<u>\$ 62,495,169</u>	<u>\$ 76,142,042</u>	<u>\$ 4,318,464</u>	<u>\$ 8,991,744</u>	<u>\$ 13,310,208</u>	<u>\$ 89,452,250</u>	<u>\$ 104,289,094</u>

The accompanying notes are an integral part of these consolidated financial statements.

AUTISM SPEAKS, INC.

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 7,346,727	\$ 1,608,013
<i>Adjustments to reconcile change in net assets to net cash provided by operating activities</i>		
Bad debt expense	-	303,500
Depreciation and amortization	377,180	545,195
Fixed asset write-off	100,000	-
Deferred rent	(77,060)	(41,204)
Lease abandonment costs and amortization of lease abandonment liability	(164,253)	378,651
Net gain on foreign currencies	(78,549)	(18,118)
<i>Changes in operating assets and liabilities</i>		
Pledges receivable, net	(2,284,513)	3,411,028
Other contributions and miscellaneous receivables	(433,374)	483,004
Prepaid expenses	29,907	350,193
Other assets	(15,160)	51,870
Grants payable	(2,518,044)	(546,292)
Accounts payable and accrued expenses	474,869	(3,498,179)
Other liabilities	(6,000)	(6,000)
Net cash provided by operating activities	<u>2,751,730</u>	<u>3,021,661</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Change in restricted cash	312,217	18,589
Payments for property, equipment and computer software	(210,728)	(269,644)
Net cash provided by (used in) investing activities	<u>101,489</u>	<u>(251,055)</u>
Effect of exchange rate changes on cash	<u>78,549</u>	<u>18,118</u>
Net increase in cash and cash equivalents	2,931,768	2,788,724
Cash and cash equivalents, beginning of year	<u>11,243,949</u>	<u>8,455,225</u>
Cash and cash equivalents, end of year	<u>\$ 14,175,717</u>	<u>\$ 11,243,949</u>

The accompanying notes are an integral part of these consolidated financial statements.

AUTISM SPEAKS, INC.

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2017 and 2016

NOTE 1 ORGANIZATION

Autism Speaks, Inc. (AS), a not-for-profit corporation, was formed in 2005. It is dedicated to promoting solutions, across the spectrum and throughout the life span, for the needs of individuals with autism and their families through advocacy and support; increasing understanding and acceptance of people with autism; and advancing research into causes and better interventions for autism spectrum disorder and related conditions. Through partnership and collaboration, AS is committed to increasing global understanding and acceptance of autism, being a catalyst for research breakthroughs, increasing early-childhood screening and timely interventions, improving the transition to adulthood, and ensuring access to reliable information and services throughout the life span.

Canadian operations are incorporated under Canadian law as a separate entity (Autism Speaks Canada), which is controlled by AS. Advancing Futures for Adults with Autism (AFAA), a not-for-profit corporation formed in the United States, is controlled by AS. In October 2012, AS established Delivering Scientific Innovation for Autism (DELSIA) as a not-for-profit affiliate.

The financial statements of Autism Speaks Canada, AFAA and DELSIA have been included in the accompanying consolidated financial statements. All interorganizational transactions have been eliminated.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The consolidated financial statements have been prepared on the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America (U.S. GAAP) as applicable to not-for-profit entities.

Net Assets

The classification of AS's net assets and its public support and revenue and expenses is based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted

Net assets that are either not subject to donor-imposed stipulations or have been reclassified from temporarily restricted net assets because donor restrictions have either expired or been met.

Temporarily Restricted

Net assets that contain donor-imposed restrictions that permit AS to use or expend the assets for particular purposes or in specific time periods. The restrictions are satisfied either by the passage of time or by actions of AS.

AUTISM SPEAKS, INC.

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2017 and 2016

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue Recognition

Contributions are recorded as revenue upon the receipt of cash, securities, a gift or an unconditional pledge. Conditional contributions are recognized as revenue when the conditions on which they depend have been substantially met. Contributions received are recorded as available for unrestricted use unless specifically restricted by the donor, in which case they are classified as temporarily restricted. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions.

Functional Allocation of Expenses

The cost of providing AS's programs and supporting services has been summarized on a functional basis in the accompanying consolidated statement of activities.

Pledges/Contributions Receivable

Promises to give are recorded as pledges receivable or other contributions receivable at their fair values when received. Fair values are measured based on the present value of future cash flows, with consideration of expectations about possible variations in the amount and/or timing of the cash flows and other specific factors that would be considered by market participants.

Other Receivables

Receivables are recorded when billed or accrued and represent claims against third parties that will be settled in cash. The carrying value of receivables, net of the allowance for doubtful accounts, represents their estimated net realizable value. The allowance for doubtful accounts is estimated based on historical collection trends, type of customer, the age of outstanding receivables and existing economic conditions. If events or changes in circumstances indicate that specific receivable balances may be impaired, further consideration is given to the collectability of those balances and the allowance is adjusted accordingly. Past due receivable balances are written-off when internal collection efforts have been unsuccessful. As of December 31, 2017, and 2016, no allowance for doubtful accounts has been established against other contributions and miscellaneous receivables.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

AUTISM SPEAKS, INC.

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2017 and 2016

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Cash Equivalents and Restricted Cash

For financial reporting purposes, AS considers all money market funds and highly liquid investments, with maturities of three months or less when purchased, to be cash equivalents. Restricted cash represents contributed amounts required to be held in a segregated fund by the donor to pay certain grants to be awarded through 2019. Other funds that are temporarily restricted due to donor-imposed purpose or time restrictions are included in cash and cash equivalents in the accompanying consolidated statements of financial position.

Fair Value of Financial Instruments

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (i.e., an exit price) in the principle or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. It prioritizes the inputs to the valuation techniques used to measure fair value by giving the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). See Note 5 for considerations related to AS's fair value measurements.

Property, Equipment and Computer Software

Computer software costs are capitalized at their costs and are amortized, when placed in service, over the estimated useful lives of the assets of three years.

Equipment and property are stated at their costs at the dates of acquisition for purchases of \$1,000 or greater. Computer hardware and equipment and furniture and fixtures are being depreciated using the straight-line method over the estimated useful lives of the assets of three years to five years. Leasehold improvements are amortized over the term of the lease or the useful life of the improvements, whichever is less.

Grants

AS recognizes grant expenses as grantees meet the conditions stipulated in the awards. Conditional promises to give are not recorded as grants expense until the conditions upon which they are based have been met.

Donated Goods and Services

Donated goods and services that meet the requirements for recognition are recorded as revenue and expenses in the accompanying consolidated statement of activities at their fair values. The majority of the donated services are directly related to AS's awareness campaign and family service efforts, which are included in program services in the accompanying consolidated statement of functional expenses.

AUTISM SPEAKS, INC.

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2017 and 2016

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*Donated Goods and Services *(continued)*

Certain amounts reported in the summarized financial information for the year ended December 31, 2016 in the accompanying consolidated statements of activities and functional expenses have been restated to include additional donated media that AS received during the year ended December 31, 2016. In the accompanying consolidated statement of activities, in-kind contributions and donated services revenues have been restated and increased by \$9,271,742 to total \$53,051,241 for the year ended December 31, 2016. Awareness, advocacy, and family services expenses has also been restated and increased by \$9,271,742 to total \$76,826,754 for the year ended December 31, 2016. The media and media services (donated) expenses reported in the accompanying consolidated statement of functional expenses for the year ended December 31, 2016 were restated and increased by \$9,271,742 to total \$51,948,739. These prior period restatements have no impact on AS's net assets.

In-kind contributions and donated services include donated media (television and radio broadcasting and other forms of media, including public service announcements) valued at \$40,842,024 and \$50,641,885 and professional advertising and other services related to such media valued at \$1,281,065 and \$1,306,854 for the years ended December 31, 2017 and 2016, respectively (as restated for additional media received in 2016). Such advertising and other services were provided by entities affiliated with members of AS's Board of Directors. The fair values of the donated media are determined based on consideration of cash payments typically made by buyers for similar advertising and media, standard discounts given for similarly placed media, the media type and placement and other considerations.

Two members of AS's Board of Directors are affiliated with The Advertising Council, which donated media valued at \$37,218,824 and \$46,227,658 for the years ended December 31, 2017 and 2016, respectively (as restated for 2016).

A member of AS's Board of Directors is affiliated with Zenith Media, which donated media valued at approximately \$4,269,648 and \$3,945,000 for the years ended December 31, 2017 and 2016, respectively.

AS also received other donated goods and services valued at \$1,005,571 and \$1,102,500 for the years ended December 31, 2017 and 2016, respectively.

Many volunteers have made significant contributions of time to AS's programs and supporting functions. These contributed services do not meet the criteria for recognition and, accordingly, are not recognized in the accompanying consolidated financial statements.

AUTISM SPEAKS, INC.

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2017 and 2016

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Advertising

Advertising expenses have been charged to expenses as incurred. Such expenses consist primarily of professional media and advertising services utilized as part of AS's awareness programmatic activities.

Foreign Currency Translation

Public support, revenue and expenses of Autism Speaks Canada are translated at the average exchange rates for the year. Gains and losses from foreign currency translation are included in interest income, foreign exchange gains and losses and other income in the accompanying consolidated statement of activities.

Revenue Share Arrangements – Special Events

AS shares revenue and expenses with partners in certain events (see Note 8 for further details). AS employs collaborative arrangement accounting for these arrangements, which prescribes that, for costs incurred and revenue generated from third parties, the partner that is deemed to be the principal participant for a given transaction should record that transaction on a gross basis in the consolidated financial statements. AS accounts for payments made to partners for their share of net event proceeds as grant awards in the accompanying consolidated financial statements.

2016 Summarized Financial Information

The consolidated 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 U.S. GAAP. Accordingly, such information should be read in conjunction with AS's consolidated financial statements for the year ended December 31, 2016, from which the summarized information was derived.

Recent Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which changes how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance and cash flows. The ASU requires an amended presentation and disclosures to help not-for-profit organizations provide more relevant information about their resources and changes in those resources. The amendments are effective for AS's fiscal year ending December 31, 2018, with early adoption permitted. This ASU will impact the presentation of AS's consolidated financial statements and related disclosures when it is adopted.

AUTISM SPEAKS, INC.

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2017 and 2016

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*Recent Accounting Pronouncements *(continued)*

The FASB also issued ASU 2016-02, *Leases (Topic 842)*, which requires recognition of (a) a lease asset (right of use) and lease liability, initially measured at the present value of the least payments, in the statement of financial position and (b) a single lease cost, calculated so that the cost of the lease is allocated over the lease term generally on a straight-line basis. All cash payments are to be classified within operating activities in the statement of cash flows. The amendments are effective for AS's fiscal year ending December 31, 2020, with early adoption permitted. This ASU will impact the accounting for AS's lease arrangements when it is adopted.

NOTE 3 CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject AS to concentration of credit risk consist primarily of cash and cash equivalents, certificates of deposits, accounts receivable and pledges receivable.

AS has cash deposits at financial institutions in excess of the Federal Deposit Insurance Corporation limit; however, management does not believe that there is any significant risk of loss on any uninsured amounts. Additionally, AS places short-term cash in money market funds, which are secured by the underlying assets of the fund. AS's management has assessed the credit risk with money market funds held at December 31, 2017 and 2016 and has determined that an allowance for the potential loss due to credit risk is not necessary.

Pledges and other receivables at December 31, 2017 and 2016 are due from various individuals, corporations, institutions and foundations. AS's management has assessed the credit risk associated with these receivable balances in determining the fair value of pledges receivable (see Note 4).

NOTE 4 PLEDGES RECEIVABLE, NET

AS's pledges receivable, net consisted of unconditional promises to give as follows as of December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Receivable in less than one year	\$ 4,255,856	\$ 1,386,509
Receivable in one to five years	1,693,420	2,335,830
Total future value	5,949,276	3,722,339
Less: Amount to reduce to fair value	(87,477)	(145,053)
Pledges receivable, net	<u>\$ 5,861,799</u>	<u>\$ 3,577,286</u>

AUTISM SPEAKS, INC.

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2017 and 2016

NOTE 4 PLEDGES RECEIVABLE, NET *(continued)*

The discount rate used to determine the fair value of pledges receivable was 2.7% in 2017 and 2.5% in 2016.

Other contributions receivable in less than one year, including receivables from other organizations collecting contributions on AS's behalf, are reflected within other contributions and miscellaneous receivables in the accompanying consolidated statements of financial position at December 31, 2017 and 2016.

NOTE 5 FAIR VALUE MEASUREMENTS

FASB Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value. That framework 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 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

- Level 1:* Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that AS 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 or inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3:* Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset 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 need to maximize the use of observable inputs and minimize the use of unobservable inputs. The following tables summarize the valuation of AS's financial instruments within the valuation hierarchy prescribed by ASC 820, as of December 31, 2017 and 2016:

	2017			Total
	Level 1	Level 2	Level 3	
Cash equivalents	\$1,533,759	\$ -	\$ -	\$1,533,759
Restricted interest-bearing cash	296,691	-	-	296,691

AUTISM SPEAKS, INC.

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2017 and 2016

NOTE 5 FAIR VALUE MEASUREMENTS (continued)

	2016			Total
	Level 1	Level 2	Level 3	
Cash equivalents	\$1,527,806	\$ -	\$ -	\$1,527,806
Restricted interest-bearing cash	608,908	-	-	608,908

NOTE 6 PROPERTY, EQUIPMENT AND COMPUTER SOFTWARE, NET

As of December 31, 2017, and 2016, property, equipment and computer software consisted of the following:

	2017	2016
Computer hardware and equipment	\$ 634,997	\$ 572,380
Furniture and fixtures	245,103	242,751
Computer software	1,292,618	1,152,965
Leasehold improvements	563,974	557,868
Computer software under development	-	100,000
	<u>2,736,692</u>	<u>2,625,964</u>
Less: Accumulated depreciation and amortization	<u>(2,371,415)</u>	<u>(1,994,235)</u>
Property, equipment and computer software, net	<u>\$ 365,277</u>	<u>\$ 631,729</u>

NOTE 7 TEMPORARILY RESTRICTED NET ASSETS

At December 31, 2017 and 2016, temporarily restricted net assets consisted of the following:

	2017	2016
<i>Purpose restrictions</i>		
Research	\$ 656,793	\$ 2,392,298
Scholarships	540,305	894,995
AFAA programs	87,603	93,611
Other programs	<u>672,628</u>	<u>926,844</u>
	1,957,329	4,307,748
Time restricted	<u>6,124,184</u>	<u>3,815,795</u>
	<u>\$ 8,081,513</u>	<u>\$ 8,123,543</u>

As of December 31, 2017, and 2016, \$5,362,585 and \$3,025,204, respectively, of time-restricted net assets were also program restricted.

AUTISM SPEAKS, INC.

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2017 and 2016

NOTE 7 TEMPORARILY RESTRICTED NET ASSETS *(continued)*

During 2017 and 2016, net assets were released from restrictions as follows:

	<u>2017</u>	<u>2016</u>
Time restrictions	\$ 100,000	\$ 166,791
Research	2,513,759	4,224,470
Scholarships	466,980	324,782
AFAA programs	6,007	36,541
Other programs	1,444,221	1,546,325
	<u>\$ 4,530,967</u>	<u>\$ 6,298,909</u>

NOTE 8 SPECIAL EVENTS - COLLABORATIVE ARRANGEMENTS

AS has arrangements to grant a portion of the net proceeds of certain events to partners. Amounts representing the partners' share of net event proceeds as described below are reflected as grants in the accompanying consolidated financial statements.

<u>Event</u>	<u>Partner</u>	<u>Grants</u>
Game Changers Gala	The Gillen Brewer School	50% of net proceeds
Atlanta Walk	The Marcus Institute	50% of net proceeds
Phoenix Walk	The Southwest Autism Research & Resource Center (SARRC)	50% of net proceeds
Westchester/Fairfield Walk	Center for Autism and the Developing Brain at New York Presbyterian Hospital	15% of net proceeds

The Westchester/Fairfield Walk had net proceeds of \$317,700 and \$343,000 for 2017 and 2016, respectively, 15% of which was granted to the Center for Autism and the Developing Brain at New York Presbyterian Hospital. Two AS Board members are on the Board of Trustees of New York Presbyterian Hospital.

AUTISM SPEAKS, INC.

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2017 and 2016

NOTE 9 GRANTS

Unconditional obligations for research and family services grants and awards were \$1,323,561 and \$3,841,605 and are reflected in grants payable in the accompanying consolidated statements of financial position as of December 31, 2017 and 2016, respectively. These grants and awards are generally payable within one year. In addition, at December 31, 2017 and 2016, grants and awards commitments of approximately \$5,385,000 and \$8,091,000, respectively, are subject to discretionary renewal, pending the satisfactory progress of research and the availability of funds. If satisfactory progress is achieved and funds are available, approximate payments of the commitments outstanding at December 31, 2017 are scheduled as follows: \$2,786,500 in 2018, \$1,463,500 in 2019, and \$1,135,000 in 2020.

Two members of the Board of Directors of AS and one employee are affiliated with institutions that received funding from AS. At December 31, 2017 and 2016, AS had grants payable and commitments to these institutions totaling approximately \$89,500 and \$654,980, respectively. During the years ended December 31, 2017 and 2016, AS's expenses included approximately \$248,000 and \$1,087,000, respectively, related to awards granted to institutions affiliated with an AS Board member or employee.

Certain members of AS's Medical and Science Advisory Committee of the Board, which are involved in the grant process, are also associated with institutions that receive funding from AS. AS has a policy requiring directors and management employees to disclose affiliations and to review and authorize such transactions, as appropriate.

NOTE 10 INTEREST IN A LIMITED LIABILITY COMPANY

In 2013, as part of its scientific research programmatic activities, AS entered into an agreement providing it with a non-controlling equity interest in a not-for-profit limited liability company (LLC). Under the terms of the agreement, AS had committed \$2,500,000 of capital to the LLC. AS incurred expenses of \$291,667 in 2016, which is reflected in science grants, awards and research in the accompanying consolidated statements of functional expenses. The agreement was terminated as of August 1, 2016, and no further commitment exists.

AUTISM SPEAKS, INC.

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2017 and 2016

NOTE 11 OPERATING COMMITMENTS*Leasing Commitments*

AS leases office space in various cities across the United States, which require minimum annual rents plus additional rent for operating expenses. The leases expire through February 2023. In addition, AS has equipment leases and service agreements expiring through June 2022.

As of December 31, 2017, future minimum rental payments required under operating leases that have initial or remaining non-cancellable lease terms in excess of one year are as follows:

<u>Years Ending December 31,</u>	<u>Amount</u>
2018	\$ 1,421,890
2019	1,274,616
2020	1,017,940
2021	732,224
2022	506,934
Thereafter	84,323
	<u>\$ 5,037,927</u>

For the years ended December 31, 2017 and 2016, rent expense was \$1,566,074 and \$2,100,675, respectively.

Rent expense under operating leases that provide for rent abatements and fixed non-contingent escalations is recognized on a straight-line basis over the term of each individual underlying lease. The cumulative net excess of recorded rent expense over lease payments made is reflected on the consolidated statements of financial position in other liabilities. As of December 31, 2017, and 2016, deferred rent was \$337,320 and \$414,380, respectively, and is reflected in other liabilities in the accompanying consolidated statements of financial position.

During 2013, AS abandoned part of a leasehold for office space. Rental payments to be made attributable to the abandoned space for the remaining lease term, less estimated sublease rentals, is recorded as a liability at a net present value of \$1,095,972 and \$1,260,225 at December 31, 2017 and 2016, respectively. This liability is included in other liabilities in the accompanying consolidated statements of financial position.

AUTISM SPEAKS, INC.

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2017 and 2016

NOTE 12 ALLOCATION OF JOINT COSTS

In 2017 and 2016, AS incurred joint costs of \$16,430,734 and \$19,072,282, respectively, to promote solutions, across the spectrum and throughout the life span, for the needs of individuals with autism and their families. In 2017 and 2016, \$5,991,369 and \$8,786,203 of costs were allocated to fundraising expenses, \$1,106,136 and \$242,100 of costs were allocated to management and general expenses, and \$9,333,229 and \$10,043,979 were allocated to program services, respectively.

NOTE 13 RELATED-PARTY TRANSACTIONS

During the years ended December 31, 2017 and 2016, AS had the following related-party transactions:

- a) AS incurred expenses for services provided by The Advertising Council of \$464,998 and \$373,576 in 2017 and 2016, respectively, related to AS's awareness campaign. Two members of AS's Board of Directors are affiliated with The Advertising Council. As of December 31, 2017, and 2016, \$113,361 and \$120,191, respectively, was included in accounts payable as owed to The Advertising Council.
- b) See Notes 2, 8, and 9 for discussion of other related-party transactions, including donated media and grants.

NOTE 14 RETIREMENT PLAN

AS implemented the Autism Speaks 401(k) Plan (AS 401(k) Plan), effective January 1, 2007. Under the AS 401(k) Plan, AS will make annual contributions ranging from 3% to 5% of an employee's salary to individual employee accounts for eligible employees, subject to Internal Revenue Service (IRS) rules and limitations. Eligibility and the percentage contribution are based on years of service. Employer contributions for 2017 and 2016 were \$451,483 and \$498,068, respectively.

NOTE 15 LINE OF CREDIT

In July 2014, AS entered into an amended line of credit agreement. AS has a line of credit with a bank, which has never been used, under which it can borrow up to \$1,500,000 through September 30, 2018. Borrowings bear interest at the BBA LIBOR daily floating rate plus 1.25 percentage points, and are unsecured.

AUTISM SPEAKS, INC.

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2017 and 2016

NOTE 16 INCOME TAX STATUS

AS, AFAA and DELSIA are exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from state income taxes under comparable laws. The Canadian entity, exempt from Canadian income taxes, is organized without share capital under the Canadian Corporations Act. All significant tax positions have been considered by management and it has been determined that all tax positions would be sustained upon examination by taxing authorities. There are no uncertain tax positions that require recognition in the accompanying consolidated financial statements or further disclosure in the notes to the consolidated financial statements. AS is required to file Form 990 (Return of Organization Exempt from Income Tax). AS is subject to audits by taxing jurisdictions; however, no audits for any periods are currently in progress.

NOTE 17 SUBSEQUENT EVENTS

AS has evaluated events and transactions occurring between January 1, 2018 and May 25, 2018, which is the date that the consolidated financial statements were available to be issued, for disclosure and recognition.

There were no events or transactions during the subsequent event period requiring disclosure or recognition in the consolidated financial statements.

