

**AUTISM SPEAKS, INC.**

**Consolidated Financial Statements  
For the Years Ended December 31, 2014 and 2013  
With Report of Independent Auditors**

**AUTISM SPEAKS, INC.**  
Consolidated Financial Statements  
For the Years Ended December 31, 2014 and 2013

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## **REPORT OF INDEPENDENT AUDITORS**

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, 2014, 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 conformity with U.S. generally accepted accounting principles; 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. 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.

## **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, 2014, and the consolidated changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

## **Report on summarized comparative information**

We have previously audited Autism Speaks, Inc.'s 2013 consolidated financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated October 20, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Mitchell & Titus, LLP*

June 29, 2015

**AUTISM SPEAKS, INC.**  
Consolidated Statements of Financial Position  
December 31, 2014 and 2013

	<b>2014</b>	<b>2013</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 7,742,874	\$ 13,329,240
Investments	257,675	294,079
Pledges receivable, net	5,598,258	1,768,037
Other contributions and miscellaneous receivables	3,465,576	3,261,170
Prepaid expenses	499,738	314,948
Restricted cash	1,043,007	1,547,940
Other assets	349,824	354,088
Property, equipment and computer software, net	1,541,847	1,297,526
<b>Total assets</b>	<b>\$ 20,498,799</b>	<b>\$ 22,167,028</b>
 <b>LIABILITIES AND NET ASSETS</b>		
<i>Liabilities</i>		
Grants payable	\$ 3,324,894	\$ 4,691,055
Accounts payable and accrued expenses	3,430,279	4,309,728
Other liabilities	1,050,868	1,085,785
Total liabilities	7,806,041	10,086,568
 Commitments and contingencies		
<i>Net assets</i>		
Unrestricted	831,940	4,857,041
Temporarily restricted	11,860,818	7,223,419
Total net assets	12,692,758	12,080,460
<b>Total liabilities and net assets</b>	<b>\$ 20,498,799</b>	<b>\$ 22,167,028</b>

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, 2014  
With Summarized Financial Information for the Year Ended December 31, 2013

	<b>2014</b>			<b>2013</b>
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>	<b>Total</b>
<b>PUBLIC SUPPORT, REVENUE, AND RECLASSIFICATIONS</b>				
Walk program and retail partners	\$ 36,829,343	\$ 209,259	\$ 37,038,602	\$ 41,414,645
Major gifts and other contributions	6,118,323	11,044,511	17,162,834	15,537,967
Special and community events	9,111,396	250,040	9,361,436	11,200,866
Government grants	-	567,593	567,593	757,837
In-kind contributions and donated services	51,248,051	-	51,248,051	53,388,908
Interest income, foreign exchange losses and other income	(212,430)	-	(212,430)	(159,154)
Net assets released from restrictions	7,434,004	(7,434,004)	-	-
Total public support, revenue, and reclassifications	<u>110,528,687</u>	<u>4,637,399</u>	<u>115,166,086</u>	<u>122,141,069</u>
<b>EXPENSES</b>				
<i>Program services</i>				
Research (including in-kind contributions of \$10,000 in 2014)	21,220,719	-	21,220,719	23,132,372
Awareness and other services (including in-kind contributions and donated services of \$48,782,048 in 2014 and \$51,887,214 in 2013)	72,706,617	-	72,706,617	76,620,374
Total program services	<u>93,927,336</u>	<u>-</u>	<u>93,927,336</u>	<u>99,752,746</u>
Management and general	3,105,172	-	3,105,172	2,607,885
Fundraising (including in-kind contributions and donated services of \$1,839,268 in 2014 and 1,501,694 in 2013)	17,521,280	-	17,521,280	18,187,226
Total supporting services	<u>20,626,452</u>	<u>-</u>	<u>20,626,452</u>	<u>20,795,111</u>
Total expenses	<u>114,553,788</u>	<u>-</u>	<u>114,553,788</u>	<u>120,547,857</u>
Change in net assets	(4,025,101)	4,637,399	612,298	1,593,212
Net assets, beginning of year	4,857,041	7,223,419	12,080,460	10,487,248
<b>Net assets, end of year</b>	<u>\$ 831,940</u>	<u>\$ 11,860,818</u>	<u>\$ 12,692,758</u>	<u>\$ 12,080,460</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, 2014  
With Summarized Financial Information for the Year Ended December 31, 2013

	2014							2013
	Program Services			Supporting Services				
	Research	Awareness and Other Services	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total	
Salaries	\$ 3,525,750	\$ 7,932,040	\$ 11,457,790	\$ 1,142,733	\$ 6,679,749	\$ 7,822,482	\$ 19,280,272	\$ 18,771,965
Benefits and payroll taxes	657,095	1,794,299	2,451,394	221,996	1,496,072	1,718,068	4,169,462	4,528,226
Science grants and awards	13,371,054	-	13,371,054	-	-	-	13,371,054	15,300,709
Family service grants and awards	-	3,692,641	3,692,641	-	2,063	2,063	3,694,704	4,631,690
Advertising and donated media	5,194	46,824,430	46,829,624	74	1,592,909	1,592,983	48,422,607	52,229,994
Professional services, including donated services	515,317	5,134,833	5,650,150	24,787	462,565	487,352	6,137,502	5,465,516
Supplies and equipment	572,753	1,269,122	1,841,875	283,881	1,608,163	1,892,044	3,733,919	3,435,590
Venues and services	168,606	1,094,055	1,262,661	132	1,666,393	1,666,525	2,929,186	2,674,630
Occupancy	243,958	674,194	918,152	104,772	609,805	714,577	1,632,729	2,157,190
Travel, meals, lodging and transportation	534,262	790,607	1,324,869	16,484	375,518	392,002	1,716,871	1,400,732
Catering	14,148	457,617	471,765	214	451,762	451,976	923,741	1,167,786
Donation processing and bank fees	-	-	-	742,956	-	742,956	742,956	946,242
Premiums and recognition	3,564	149,239	152,803	1,339	262,974	264,313	417,116	941,784
Postage and shipping	21,856	316,267	338,123	10,372	333,202	343,574	681,697	960,983
Printing	45,341	546,982	592,323	1,856	508,090	509,946	1,102,269	855,155
Conferences, meetings and sponsorships	530,534	721,041	1,251,575	1,067	119,557	120,624	1,372,199	842,462
Marketing	8,286	277,806	286,092	1,007	286,403	287,410	573,502	705,478
Merchandise and biomaterials	199,083	12,643	211,726	-	35,425	35,425	247,151	645,112
Telephone and Internet	74,967	212,862	287,829	23,991	179,897	203,888	491,717	536,014
Legal fees	220,752	108,723	329,475	23,489	67,479	90,968	420,443	460,398
Site, audit, licensing and filing fees	42,529	202,477	245,006	197,593	231,749	429,342	674,348	498,904
Depreciation and amortization	142,839	146,499	289,338	79,355	167,661	247,016	536,354	387,407
Photography and videography	-	67,020	67,020	-	65,529	65,529	132,549	208,305
Temporary services	153,681	152,001	305,682	185,311	192,010	377,321	683,003	362,888
Insurance	32,842	36,419	69,261	18,245	41,284	59,529	128,790	165,259
Other	136,308	92,800	229,108	23,518	85,021	108,539	337,647	267,438
	<u>\$ 21,220,719</u>	<u>\$ 72,706,617</u>	<u>\$ 93,927,336</u>	<u>\$ 3,105,172</u>	<u>\$ 17,521,280</u>	<u>\$ 20,626,452</u>	<u>\$ 114,553,788</u>	<u>\$ 120,547,857</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, 2014 and 2013

	<b>2014</b>	<b>2013</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 612,298	\$ 1,593,212
<i>Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities</i>		
Depreciation and amortization	536,354	387,407
Deferred rent and amortization of lease abandonment liability	(28,917)	103,247
Donated computer software	(499,949)	
Lease abandonment costs	-	574,720
Realized and unrealized losses on investments	8,885	2,653
Net loss on foreign currencies	231,336	170,751
<i>Changes in operating assets and liabilities</i>		
Pledges receivable, net	(3,830,221)	(1,305,534)
Other contributions and miscellaneous receivables	(204,406)	(2,283,377)
Prepaid expenses	(184,790)	(13,103)
Other assets	4,264	(51,083)
Grants payable	(1,366,161)	1,271,908
Accounts payable and accrued expenses	(879,449)	650,846
Other liabilities	(6,000)	(6,000)
Net cash (used in) provided by operating activities	(5,606,756)	1,095,647
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Redemptions/sales of investments	27,519	747,155
Change in restricted cash	504,933	578,794
Payments for property, equipment and computer software	(280,726)	(396,745)
Net cash provided by investing activities	251,726	929,204
Effect of exchange rate changes on cash	(231,336)	(170,751)
Net (decrease) increase in cash and cash equivalents	(5,586,366)	1,854,100
Cash and cash equivalents, beginning of year	13,329,240	11,475,140
<b>Cash and cash equivalents, end of year</b>	<b>\$ 7,742,874</b>	<b>\$ 13,329,240</b>

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, 2014 and 2013

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**NOTE 1 ORGANIZATION**

Autism Speaks, Inc. (AS), a not-for-profit corporation formed in 2005, is dedicated to increasing awareness about the growing autism health crisis and raising funds for critical autism research. AS is committed to aggressively funding global biomedical research into causes, prevention, treatments and a cure for autism; raising public awareness about autism and its effects on individuals, families and society; and bringing hope to all who deal with the hardships of the disorder. AS obtains financial support from the public via walks, special/community events and general contributions and government grants.

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. DELSIA was created as an innovative funding vehicle that works to improve outcomes for individuals with autism by ensuring scientific breakthroughs are developed into products that improve their quality of life and health. DELSIA's mission is to serve as a catalyst by facilitating and accelerating the delivery of those products.

The consolidated 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 U.S. generally accepted accounting principles (GAAP) as applicable to not-for-profit organizations.

**AUTISM SPEAKS, INC.**  
Notes to Consolidated Financial Statements  
For the Years Ended December 31, 2014 and 2013

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

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.

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. Accordingly, certain costs have been allocated among the programs and supporting services benefited in ratios determined by management.

**AUTISM SPEAKS, INC.**  
Notes to Consolidated Financial Statements  
For the Years Ended December 31, 2014 and 2013

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

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. The fair value measurements also include consideration of donors' credit risk.

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, 2014 and 2013, 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.

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.

**AUTISM SPEAKS, INC.**  
Notes to Consolidated Financial Statements  
For the Years Ended December 31, 2014 and 2013

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

Cash Equivalents and Restricted Cash *(continued)*

Restricted cash represents contributed funds required to be held in a separate account by the donor to fund certain grants to be awarded through 2018.

Investments

Investments are reflected in the accompanying consolidated statements of financial position at their fair values, as determined based on quoted market prices. Donated securities are recorded at their market value at the date of the gift. It is management's policy to sell donated securities upon receipt.

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 investments and 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.

**AUTISM SPEAKS, INC.**  
Notes to Consolidated Financial Statements  
For the Years Ended December 31, 2014 and 2013

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

Grants *(continued)*

Grants payable in the accompanying consolidated financial statements are reflected at their fair values when unconditional promises are made. 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. The fair value measurements also include consideration of AS's credit risk.

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 is 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. In-kind contributions and donated services include donated media (television and radio broadcasting and other forms of media, including public service announcements) valued at approximately \$47,494,000 and \$50,852,000 and professional advertising and other services related to such media valued at approximately \$2,867,000 and \$2,537,000 for the years ended December 31, 2014 and 2013, respectively. 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. AS commenced the reporting of donated media in revenue and expenses in the accompanying consolidated financial statements in 2013. For the years ended December 31, 2014 and 2013, approximately \$43,250,000 and \$47,400,000, respectively, of the donated media is from The Advertising Council, which is affiliated with a member of AS's Board of Directors, as discussed in Note 13. In addition, for the years ended December 31, 2014 and 2013, approximately \$1,800,000 and \$2,000,000, respectively, of the donated services related to the media was received from an entity affiliated with a member of AS's Board of Directors. AS also received other donated goods and services valued at approximately \$887,000 and \$89,000 for the years ended December 31, 2014 and 2013, respectively. Donated property, equipment and computer software items are reflected within unrestricted net assets when placed in service.

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, 2014 and 2013

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**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 during the year. Gains and losses from foreign currency translation are included in interest income, foreign exchange 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.

2013 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. generally accepted accounting principles. Accordingly, such information should be read in conjunction with AS's consolidated financial statements for the year ended December 31, 2013, from which the summarized information was derived.

**AUTISM SPEAKS, INC.**  
Notes to Consolidated Financial Statements  
For the Years Ended December 31, 2014 and 2013

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**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 insurance limits; however, management does not believe that there is any significant risk of loss on any uninsured amounts. All certificates of deposit are within Federal insurance limits. 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 and investments held at December 31, 2014 and 2013 and has determined that an allowance for the potential loss due to credit risk is not necessary.

Pledges and other receivables at December 31, 2014 and 2013 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, 2014 and 2013:

	<b>2014</b>	<b>2013</b>
Receivable in less than one year	\$ 3,754,522	\$ 1,266,000
Receivable in one to five years	2,125,729	561,848
Total future value	5,880,251	1,827,848
<i>Less: Amount to reduce to fair value</i>	<i>(281,993)</i>	<i>(59,811)</i>
<b>Pledges receivable, net</b>	<b>\$ 5,598,258</b>	<b>\$ 1,768,037</b>

The discount rate used to determine fair value of pledges receivable was 2.5% in 2014 and 2013.

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, 2014 and 2013.

**AUTISM SPEAKS, INC.**  
Notes to Consolidated Financial Statements  
For the Years Ended December 31, 2014 and 2013

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**NOTE 5 INVESTMENTS AND FAIR VALUE MEASUREMENTS**

As of December 31, 2014 and 2013, investments consisted of certificates of deposits of \$257,675 and \$281,358, respectively. The certificates of deposit mature in 2015. As of December 31, 2013, investments also consisted of donated marketable equity securities with a market value of \$12,721. These securities were received in the last few days of December 2013 and were sold in the first few days of January 2014.

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurements*, 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.



**AUTISM SPEAKS, INC.**  
Notes to Consolidated Financial Statements  
For the Years Ended December 31, 2014 and 2013

**NOTE 5 INVESTMENTS AND FAIR VALUE MEASUREMENTS (continued)**

The following tables summarize the valuation of AS's financial instruments within the valuation hierarchy prescribed by ASC 820, as of December 31, 2014 and 2013:

	<b>2014</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Cash equivalents	\$ 4,103,705	\$ -	\$ -	\$ 4,103,705
Restricted interest-bearing cash	\$ 1,043,007	\$ -	\$ -	\$ 1,043,007
<i>Investments:</i>				
Certificates of deposit	\$ -	\$ 257,675	\$ -	\$ 257,675
<b>Total investments</b>	<b>\$ -</b>	<b>\$ 257,675</b>	<b>\$ -</b>	<b>\$ 257,675</b>

	<b>2013</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Cash equivalents	\$ 6,624,130	\$ -	\$ -	\$ 6,624,130
Restricted interest-bearing cash	\$ 1,547,940	\$ -	\$ -	\$ 1,547,940
<i>Investments:</i>				
Total U.S. common stocks	\$ 12,721	\$ -	\$ -	\$ 12,721
Certificates of deposit	-	281,358	-	281,358
<b>Total investments</b>	<b>\$ 12,721</b>	<b>\$ 281,358</b>	<b>\$ -</b>	<b>\$ 294,079</b>

**NOTE 6 PROPERTY, EQUIPMENT AND COMPUTER SOFTWARE, NET**

As of December 31, 2014 and 2013, property, equipment and computer software consisted of the following:

	<b>2014</b>	<b>2013</b>
Computer hardware and equipment	\$ 504,810	\$ 574,497
Furniture and fixtures	194,285	197,093
Computer software	848,280	334,749
Leasehold improvements	550,945	527,299
Computer software under development	475,828	444,056
	2,574,148	2,077,694
<i>Less: Accumulated depreciation and amortization</i>	(1,032,301)	(780,168)
<b>Property, equipment and computer software, net</b>	<b>\$ 1,541,847</b>	<b>\$ 1,297,526</b>

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**NOTE 7      TEMPORARILY RESTRICTED NET ASSETS**

At December 31, 2014 and 2013, temporarily restricted net assets consisted of the following:

	<u>2014</u>	<u>2013</u>
<i>Purpose restrictions</i>		
Research	\$ 3,784,288	\$ 2,939,261
Scholarships	762,434	665,787
AFAA programs	138,383	233,314
Other programs	918,165	609,473
	<u>5,603,270</u>	<u>4,447,835</u>
Time restricted	6,257,548	2,775,584
	<u>\$ 11,860,818</u>	<u>\$ 7,223,419</u>

As of December 31, 2014 and 2013, \$5,789,315 and \$1,325,000, respectively, of time-restricted net assets were also program restricted.

During 2014 and 2013, net assets were released from restrictions as follows:

	<u>2014</u>	<u>2013</u>
Expiration of time restrictions	\$ 1,205,059	\$ 3,051,454
Research	4,270,010	4,286,414
Scholarships	207,500	471,000
AFAA programs	119,997	66,096
Other programs	1,631,438	1,620,166
	<u>\$ 7,434,004</u>	<u>\$ 9,495,130</u>

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**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.

Event	Partner	Grants
Score for a Cure	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	15% of net proceeds
Winter Ball for Autism	New York Collaborates for Autism	50% of net proceeds

The Atlanta Walk had net proceeds of \$533,000 and \$542,000 for 2014 and 2013, respectively, 50% of which was granted to The Marcus Institute, the co-founder of which is an AS Board member.

The Westchester/Fairfield Walk had net proceeds of \$912,000 and \$968,000 for 2014 and 2013, respectively, 15% of which was granted to the Center for Autism and the Developing Brain at New York Presbyterian. An AS Board member is on the Board of Trustees of New York Presbyterian Hospital.

The Winter Ball for Autism had net proceeds of \$209,000 and \$2,682,000 in 2014 and 2013, respectively, 50% of which was granted to the New York Collaborates for Autism, the co-founder of which is an AS Board member.

**NOTE 9 GRANTS**

Unconditional obligations for research and family services grants and awards were \$3,324,894 and \$4,691,055 and are reflected in grants payable in the accompanying consolidated statements of financial position as of December 31, 2014 and 2013, respectively. These grants and awards are generally payable within one year. In addition, at December 31, 2014 and 2013, grants and awards commitments of approximately \$19,275,000 and \$15,439,000, 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, 2014 are scheduled as follows: \$8,235,000 in 2015; \$5,670,000 in 2016; \$4,160,000 in 2017; \$1,010,000 in 2018 and \$200,000 in 2019.

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**NOTE 9**      **GRANTS** *(continued)*

Seven members of the Board of Directors of AS and four management employees are affiliated with institutions that received funding from AS. At December 31, 2014 and 2013, AS had grants payable and commitments to these institutions totaling approximately \$4,208,700 and \$5,532,000, respectively. During the years ended December 31, 2014 and 2013, AS's expenses included approximately \$2,660,000 and \$3,670,000, respectively, related to awards granted to institutions affiliated with an AS Board member or management employee. Certain members of AS's Scientific Advisory Board and the Science 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). The LLC did not commence active operation in 2013. Under the terms of the agreement, AS has committed \$2,500,000 of capital to the LLC. In 2014, AS paid \$625,000, which is reflected in science grants and awards in the accompanying consolidated statement of functional expenses, and the remainder will be paid in installments over the next four years.

**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 and expire through February 2023. In addition, AS has equipment leases and service agreements expiring through December 2019.

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**NOTE 11 OPERATING COMMITMENTS** *(continued)*

As of December 31, 2014, 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:

<b>Years Ending December 31,</b>	<b>Amount</b>
2015	\$ 1,617,773
2016	1,503,536
2017	1,445,126
2018	1,226,511
2019	1,128,662
Thereafter	2,247,334
	<b>\$ 9,168,942</b>

For the years ended December 31, 2014 and 2013, rent expense was \$1,632,729 and \$2,157,190, 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, 2014 and 2013, deferred rent was \$478,845 and \$445,065, 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 approximately \$512,000 and \$575,000 at December 31, 2014 and 2013, respectively. This liability is included in other liabilities in the accompanying consolidated statements of financial position.

**NOTE 12 ALLOCATION OF JOINT COSTS**

In 2014 and 2013, AS incurred joint costs of \$19,710,748 and \$20,623,928, respectively, to expand autism awareness, inform the public of the autism health crisis and perform activities that included fund-raising appeals. Of those costs, \$11,162,662 and \$11,591,413 were allocated to fund-raising expenses and \$8,548,086 and \$9,032,515 were allocated to program services in 2014 and 2013, respectively.

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**NOTE 13 RELATED-PARTY TRANSACTIONS**

During the years ended December 31, 2014 and 2013, AS had the following related-party transactions:

- a) AS incurred expenses for services provided by The Advertising Council of \$564,329 and \$755,687 in 2014 and 2013, respectively, related to AS's awareness campaign. A Board member of AS is also on The Advertising Council's Board. As of December 31, 2014 and 2013, \$39,617 and \$212,743, respectively, was included in accounts payable as owed to The Advertising Council. AS also incurred expenses for services provided by Crowdster of \$135,833 in 2014 and \$227,248 in 2013 related to fundraising via the web. A Board member of AS is a partial owner of Crowdster.
- b) In the form of a grant or sponsorship, AS incurred expenses totaling \$37,500 in 2014 and \$22,500 in 2013 related to separate autism-related organizations that are either affiliated with an AS Board member or which provided services to relatives of AS Board members or staff.
- c) 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," effective January 1, 2007. Under the AS 401(k) Plan, AS will make annual contributions ranging from 3% to 8% 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. Additionally, employee contributions to the Plan are matched up to 1% of salary, subject to IRS rules and limitations. Employer contributions for 2014 and 2013 were \$830,476 and \$799,352, 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 June 30, 2015. Borrowings bear interest at the BBA LIBOR daily floating rate plus 1.25 percentage points, and are unsecured.

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**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. Management believes that AS is no longer subject to such audits for years prior to 2011 under Federal and state tax jurisdictions.

**NOTE 17      CONTINGENCIES**

AS is a party to several legal actions. AS believes it has defenses for all such claims, that the claims are substantially without merit, and is vigorously defending the actions. In the opinion of management and legal counsel, the final disposition of these matters will not have a material effect on AS's consolidated financial position.

**NOTE 18      SUBSEQUENT EVENTS**

AS has evaluated events and transactions occurring between January 1, 2015 and June 29, 2015, which is the date that the consolidated financial statements were available to be issued, for disclosure and recognition.

AS initiated a significant research program during 2015 and entered into related contracts with commitments amounting to approximately \$3,700,000. AS will pay amounts due under these contracts as AS receives the services described in the contracts.

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