

SENSORY PROCESSING DISORDER FOUNDATION  
FINANCIAL STATEMENTS  
DECEMBER 31, 2013

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Sensory Processing Disorder Foundation

We have audited the accompanying financial statements of Sensory Processing Disorder Foundation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2013, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sensory Processing Disorder Foundation as of December 31, 2013, and the 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.

*Whipplewood CPAs, PC*

May 1, 2014

Sensory Processing Disorder Foundation  
Statement of Financial Position  
December 31, 2013

ASSETS

Current assets	
Cash	\$ 253,227
Accounts receivable	2,000
Due from related parties	82
Prepaid expense	5,525
Educational merchandise	4,423
Total current assets	265,257
Property, equipment, and leasehold improvements	35,102
Trademark	900
Deposit	5,385
Total other assets	41,387
	\$ 306,644

LIABILITIES AND NET ASSETS

Current liabilities	
Accounts payable	\$ 17,584
Accrued payroll liabilities	13,961
Current capital lease obligation	2,691
Deferred revenue	1,250
Total current liabilities	35,486
Long-term liabilities	
Deferred rent expense	17,239
Long-term capital lease obligation	1,697
Total long-term liabilities	18,936
Total liabilities	54,422
Net Assets	
Unrestricted	148,548
Temporarily restricted	103,674
Total net assets	252,222
	\$ 306,644

The accompanying notes are an integral part of these financial statements.  
See independent auditors' report.

Sensory Processing Disorder Foundation  
Statement of Activities  
For the Year Ended December 31, 2013

	Unrestricted	Temporarily Restricted	Total
Support and revenues			
Education income	\$ 370,635	\$ -	\$ 370,635
Donations	124,606	-	124,606
Development and events	137,640	-	137,640
Grants and foundations	47,377	66,263	113,640
Promotional income	13,539	-	13,539
Product sales	3,663	-	3,663
Other	880	-	880
	698,340	66,263	764,603
Net assets released from restrictions	28,729	(28,729)	-
Total support and revenues	727,069	37,534	764,603
Expenses			
Program services	634,257	-	634,257
General and administrative	59,238	-	59,238
Fundraising	49,161	-	49,161
Total expenses	742,656	-	742,656
Change in net assets	(15,587)	37,534	21,947
Net assets, beginning of year	164,135	66,140	230,275
Net assets, end of year	\$ 148,548	\$ 103,674	\$ 252,222

The accompanying notes are an integral part of these financial statements.  
See independent auditors' report.

Sensory Processing Disorder Foundation  
Statement of Cash Flows  
For the Year Ended December 31, 2013

Cash flows from operating activities	
Change in net assets	\$ 21,947
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities	
Depreciation and amortization	16,230
Changes in:	
Accounts receivable	12,104
Prepaid expense	(159)
Educational merchandise	267
Due from related parties	6,174
Accounts payable	(6,170)
Accrued payroll liabilities	5,168
Deferred revenue	(3,000)
Deferred rent expense	(12,625)
Cash provided by operating activities	<u>39,936</u>
Cash flows used in investing activities	
Payments on capital lease obligation	10,723
Cash used in investing activities	<u>10,723</u>
Net change in cash	<u>50,659</u>
Cash, at beginning of period	202,568
Cash, at end of period	<u><u>\$ 253,227</u></u>
Supplemental information:	
Interest paid during the year	<u><u>\$ 2,488</u></u>

The accompanying notes are an integral part of these financial statements.  
See independent auditors' report.

Sensory Processing Disorder Foundation  
Statement of Functional Expenses  
For the Year Ended December 31, 2013

	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries, taxes and benefits expense	\$ 327,347	\$ 26,039	\$ 18,599	\$ 371,985
Education program expense	161,274	-	-	161,274
Rent expense	55,074	4,381	3,129	62,584
Consultants and professional fees	14,928	20,260	355	35,543
Office expense	29,540	2,350	1,678	33,568
Development and events expense	-	-	21,567	21,567
Bank and credit card fees	10,905	-	1,924	12,829
Depreciation and amortization expense	14,282	1,136	812	16,230
Telephone	5,435	432	309	6,176
Educational merchandise	4,276	-	-	4,276
Advertising and marketing	3,749	-	77	3,825
Insurance	2,021	1,543	110	3,674
Research	3,044	-	-	3,044
Dues, licenses, permits	619	1,369	500	2,488
Interest expense	1,764	140	100	2,005
Board meetings	-	1,588	-	1,588
Total	<u>\$ 634,257</u>	<u>\$ 59,238</u>	<u>\$ 49,161</u>	<u>\$ 742,656</u>

The accompanying notes are an integral part of these financial statements.  
See independent auditors' report.

Sensory Processing Disorder Foundation  
Notes to Financial Statements  
December 31, 2013

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of Operations

Sensory Processing Disorder Foundation (“SPDF”) is a world leader in research, education, and advocacy for Sensory Processing Disorder (“SPD”), a neurological condition that disrupts the daily lives of many children and adults. Based in Denver, Colorado, SPDF strives to improve the lives of children with SPD and their families by conducting research, educating caregivers, pediatric professionals, and educators, and empowering scientists throughout the world to study the diagnosis and treatment of SPD.

Basis of Presentation

SPDF reports its activities and financial position according to classes of net assets. Unrestricted net assets are available for use at the discretion of SPDF. Restricted net assets are subject to donor imposed restrictions. When donor imposed restrictions end or are otherwise satisfied, the assets are reclassified to unrestricted net assets and recorded in the statement of activities as assets released from restriction. SPDF had no permanently restricted net assets as of December 31, 2013.

Cash

SPDF maintains cash in accounts which may, at times, exceed federally insured limits. SPDF has not experienced any losses in such accounts.

Property, Equipment, and Leasehold Improvements

Property, equipment, and leasehold improvements with a value greater than \$1,000 are recorded at cost or, if donated, at the fair value at the date of receipt. Depreciation and amortization are computed using the straight-line method based on estimated useful lives ranging from three to seven years.

Property and equipment and intangible assets subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying values of an asset or asset group may not be recoverable. The amount of potential impairment loss is calculated by the excess of fair value over the assets carrying value. Fair value is generally determined using a discounted cash flow analysis. No impairments were recognized for the year ended December 31, 2013.

Deferred Revenue

Deposits and prepayments for the mentorship program are deferred and recognized as revenue when earned. As of December 31, 2013, SPDF had deferred revenue of \$1,250.



Sensory Processing Disorder Foundation  
Notes to Financial Statements  
December 31, 2013

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

Contributions

Contributions are considered available for unrestricted use unless specifically restricted by the donor. Unrestricted contributions are recognized when delivered or unconditionally promised to SPDF. Contributions specifically restricted by the donor are recorded as restricted assets until the restriction is satisfied.

Numerous individuals volunteer their time and effort in support of SPDF and its mission. The amount of contributed time and effort received by SPDF does not meet the reporting criteria specified by accounting principles generally accepted in the United States of America, and has therefore not been recorded in these financial statements.

Income Taxes

SPDF is a nonprofit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified as a publicly supported organization under Section 509(a)(2). Accordingly, no provision is made for federal, state, or local income taxes.

SPDF has adopted accounting guidance related to uncertainty in income taxes. After evaluating the tax positions taken, management of SPDF has determined no amounts are required to be recognized related to uncertain tax positions as of December 31, 2013.

With few exceptions, income tax years before 2010 are no longer subject to examination by federal, state, or local taxing authorities.

Advertising

SPDF expenses advertising costs as incurred. Advertising costs for the year ended December 31, 2013 were \$3,825.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, 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 those estimates.

Reclassification

Certain reclassifications have been made to the 2013 Statement of Functional Expenses. Net assets and changes in net assets are unchanged due to these reclassifications.

Sensory Processing Disorder Foundation  
Notes to Financial Statements  
December 31, 2013

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

Fair Value

SPDF's financial instruments are cash and accounts payable. The recorded values of these instruments approximate their fair values based on their short-term nature.

Functional Expenses

Expenses incurred directly for a function are charged to such function. Salaries and related fringe benefits are allocated to all functions based on estimated time expended. Allocations of certain overhead costs are also allocated to functions based on estimated use of resources.

Subsequent Events

Subsequent events have been evaluated for potential recognition and disclosure through May 1, 2013, the date the financial statements were available to be issued. Management has identified no subsequent events that require modification of the financial statements or related disclosures.

**NOTE 2 PROPERTY, EQUIPMENT, AND LEASEHOLD IMPROVEMENTS**

Property, equipment, and leasehold improvements at December 31, 2013 are as follows:

Leasehold improvements	\$ 14,602
Furniture and fixtures	13,130
Computers and equipment	23,637
eLearning	30,438
	<hr/>
	81,807
Less accumulated depreciation and amortization	(46,705)
	<hr/>
	<u>\$ 35,102</u>

Depreciation and amortization expense for the year ending December 31, 2013 was \$16,230.

**NOTE 3 RELATED PARTY TRANSACTIONS**

Due from related parties consists of \$82 due from STAR Center.

During January 2011, STAR Center Foundation entered into an operating lease for office space extending through October 2018. SPDF occupies 30% of the office space leased by STAR Center Foundation. SPDF pays 30% of the total required monthly lease payments for the office space directly to the lessor, an unrelated third party.

Sensory Processing Disorder Foundation  
Notes to Financial Statements  
December 31, 2013

**NOTE 3 RELATED PARTY TRANSACTIONS (CONTINUED)**

SPDF's total rental expense under the current lease for the year ended December 31, 2013 was \$62,584.

Future payments are as follows:

Year ending December 31,	
2014	\$ 55,719
2015	57,313
2016	58,908
2017	66,002
2018	55,002
	<u>\$ 292,944</u>

SPDF has an agreement with KID Foundation ("KID"), a related party. Under the agreement, KID solicits and collects donations of used clothing and other personal items in the name of SPDF. KID sells the donated items to a third party thrift store operator, and remits \$500 per week to SPDF. Total contributions from KID to SPDF during 2013 were \$26,500.

**NOTE 4 CAPITAL LEASE**

SPDF leases telephone equipment under a capital lease expiring in February 2016. The assets and liability under the capital lease are recorded at the lower of the present value of minimum lease payments or the fair value of the asset. The asset is depreciated over its estimated productive life. Depreciation of the asset under capital lease is included in depreciation expense for the year ended December 31, 2013.

Following is a summary of property held under capital lease:

Telephone equipment	\$ 12,875
Less accumulated depreciation	<u>(7,081)</u>
	<u>\$ 5,794</u>

Sensory Processing Disorder Foundation  
Notes to Financial Statements  
December 31, 2013

**NOTE 4 CAPITAL LEASE (CONTINUED)**

Minimum future lease payments under the capital lease as of December 31, 2013, were as follows:

	<u>Amount</u>
2014	\$ 4,092
2015	4,092
2016	<u>1,023</u>
Net minimum lease payments	9,207
Amount representing interest	2,128
Present value of net minimum lease payments	<u>\$ 7,079</u>

The interest rate on the capitalized lease is 23.75%. The lease transfers ownership and provides for a purchase price of \$1.

**NOTE 5 TEMPORARILY RESTRICTED NET ASSETS**

At December 31, 2013, temporarily restricted net assets consist of a time restriction of \$103,674.