

SENSORY PROCESSING DISORDER FOUNDATION
FINANCIAL STATEMENTS
DECEMBER 31, 2012

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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, 2012, 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, 2012, 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 30, 2013

Sensory Processing Disorder Foundation
Statement of Financial Position
December 31, 2012

ASSETS

Current assets	
Cash	\$ 202,568
Accounts receivable	14,104
Due from related parties	6,256
Prepaid expense	5,366
Educational merchandise	4,690
Total current assets	232,984
Property, equipment, and leasehold improvements	51,332
Trademark	900
Deposit	5,385
Total other assets	57,617
	\$ 290,601

LIABILITIES AND NET ASSETS

Current liabilities	
Accounts payable	\$ 23,754
Accrued payroll liabilities	8,793
Current capital lease obligation	2,127
Deferred revenue	4,250
Total current liabilities	38,924
Long-term liabilities	
Long-term capital lease obligation	7,080
Deferred rent expense	14,322
Total long-term liabilities	21,402
Total liabilities	60,326
Net Assets	
Unrestricted	164,135
Temporarily restricted	66,140
Total net assets	230,275
	\$ 290,601

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, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenues			
Education income	\$ 402,435	\$ -	\$ 402,435
Donations	196,271	-	196,271
Development and events	90,007	-	90,007
Grants and foundations	9,500	66,140	75,640
Product sales	6,147	-	6,147
Promotional income	17,621	-	17,621
Other	10,427	-	10,427
	<u>732,408</u>	<u>66,140</u>	<u>798,548</u>
Net assets released from restrictions	<u>52,370</u>	<u>(52,370)</u>	<u>-</u>
Total support and revenues	<u>784,778</u>	<u>13,770</u>	<u>798,548</u>
Expenses			
Program services	678,892	-	678,892
General and administrative	61,913	-	61,913
Fundraising	34,369	-	34,369
Total expenses	<u>775,174</u>	<u>-</u>	<u>775,174</u>
Change in net assets	9,604	13,770	23,374
Net assets, beginning of year	<u>154,531</u>	<u>52,370</u>	<u>206,901</u>
Net assets, end of year	<u>\$ 164,135</u>	<u>\$ 66,140</u>	<u>\$ 230,275</u>

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, 2012

Cash flows from operating activities	
Change in net assets	\$ 23,374
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities	
Depreciation and amortization	13,033
Changes in:	
Accounts receivable	(14,104)
Prepaid expense	(663)
Educational merchandise	(1,130)
Due from related parties	(5,000)
Accounts payable	7,432
Accrued payroll liabilities	4,607
Deferred revenue	(6,535)
Deferred rent expense	4,512
Cash provided by operating activities	<u>25,526</u>
Cash flows used in investing activities	
Payments on capital lease obligation	(1,681)
Cash used in investing activities	<u>(1,681)</u>
Net change in cash	<u>23,845</u>
Cash, at beginning of period	178,723
Cash, at end of period	<u><u>\$ 202,568</u></u>
Supplemental information:	
Interest paid during the year	<u><u>\$ 2,995</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, 2012

	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries, taxes and benefits expense	\$ 368,210	\$ 24,547	\$ 16,365	\$ 409,122
Education program expense	167,792	-	-	167,792
Rent expense	55,873	3,725	2,483	62,081
Office expense	11,310	754	503	12,567
Consultants and professional fees	18,950	25,584	431	44,965
Bank and credit card fees	9,670	-	509	10,179
Depreciation and amortization expense	11,730	782	521	13,033
Educational merchandise	4,462	-	-	4,462
Research	10,146	-	-	10,146
Interest expense	2,696	179	120	2,995
Telephone	4,793	320	212	5,325
Insurance	832	2,320	37	3,189
Dues, licenses and permits	1,150	450	500	2,100
Development and events expense	-	-	11,713	11,713
Board meetings	-	2,265	-	2,265
Advertising and marketing	4,081	-	75	4,156
Miscellaneous and other	7,197	987	900	9,084
Total	<u>\$ 678,892</u>	<u>\$ 61,913</u>	<u>\$ 34,369</u>	<u>\$ 775,174</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, 2012

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, 2012.

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, 2012.

Deferred Revenue

Deposits and prepayments for the mentorship program are deferred and recognized as revenue when earned. As of December 31, 2012, SPDF had deferred revenue of \$4,250.

Sensory Processing Disorder Foundation
Notes to Financial Statements
December 31, 2012

**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.

Development and events revenue is presented net of \$3,084 in direct event expenses.

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, 2012.

With few exceptions, income tax years before 2009 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, 2012 were \$4,156.

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 2012 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, 2012

**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 30, 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, 2012 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	(30,475)
	<hr/> <hr/> \$ 51,332

Depreciation and amortization expense for the year ending December 31, 2012 was \$13,033.

NOTE 3 RELATED PARTY TRANSACTIONS

Due from related parties includes the following:

Due from DT, Inc.	\$ 1,275
Due from STAR Center Foundation	4,981
	<hr/> \$ 6,256

DT, Inc. is a Colorado "for profit" corporation controlled by a Board Member of SPDF. DT, Inc. publishes educational materials related to Sensory Processing Disorder. The amount due from DT, Inc. is for legal fees paid by SPDF on behalf of DT, Inc.

Sensory Processing Disorder Foundation
Notes to Financial Statements
December 31, 2012

NOTE 3 RELATED PARTY TRANSACTIONS (CONTINUED)

STAR Center Foundation is a Colorado nonprofit entity founded by the same individuals who founded SPDF. The amount due from STAR Center Foundation is an overpayment of SPDF's proportionate share of certain leasehold improvements made to office space shared with STAR Center Foundation, as described below.

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.

SPDF's total rental expense under the current lease for the year ended December 31, 2012 was \$62,081.

Future payments are as follows:

Year ending December 31,	
2013	\$ 54,125
2014	55,719
2015	57,313
2016	58,908
2017	66,002
2018	55,002
	<u>\$ 347,069</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 2012 were \$25,000.

Sensory Processing Disorder Foundation
Notes to Financial Statements
December 31, 2012

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, 2012.

Following is a summary of property held under capital lease:

Telephone equipment	\$ 12,875
Less accumulated depreciation	<u>(4,506)</u>
	<u>\$ 8,369</u>

Minimum future lease payments under the capital lease as of December 31, 2012, were as follows:

	Amount
2013	\$ 4,092
2014	4,092
2015	4,092
2016	<u>682</u>
Net minimum lease payments	12,958
Amount representing interest	7,623
Present value of net minimum lease payments	<u>\$ 5,335</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, 2012, temporarily restricted net assets consist of a time restriction of \$66,140.