

nonPAREIL INSTITUTE

Plano, Texas

FINANCIAL STATEMENTS

As of

DECEMBER 31, 2012

TOGETHER WITH

INDEPENDENT AUDITORS' REPORT

Schnauffer & Walker, P.C.
Certified Public Accountants
Dallas, Texas

Schnauffer & Walker, P.C.
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
nonPareil Institute
Plano, Texas

We have audited the accompanying financial statement of **nonPareil Institute**, which comprise the balance sheet as of December 31, 2012, and the related statements of activities 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 audits. We conducted our audits 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 from 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 the 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.

To the Board of Directors of
nonPareil Institute
Independent Auditors' Report

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **nonPareil Institute** as of December 31, 2012, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Schnauffer & Walker, P.C.

Dallas, Texas
February 7, 2013

nonPAREIL INSTITUTE
STATEMENT OF FINANCIAL POSITION
December 31, 2012

ASSETS

Current assets:

Cash and cash equivalents	\$ 70,624
Accounts receivable	5,421
Inventory	3,914
Prepaid expenses	31,162
Total current assets	<u>111,121</u>

Long-term assets:

Property and equipment, - net of accumulated depreciation	<u>138,738</u>
Total long-term assets	<u>138,738</u>

TOTAL ASSETS	<u><u>\$ 249,859</u></u>
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LIABILITIES

Current liabilities:

Accounts payable	\$ 2,404
Accrued expenses	21,868
Deferred revenue	20,000
TOTAL LIABILITIES	<u>44,272</u>

Commitments and contingencies

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NET ASSETS

Unrestricted	163,892
Temporarily restricted net assets	<u>41,695</u>
TOTAL NET ASSETS	<u>205,587</u>

TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 249,859</u></u>
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The accompanying notes are an integral part of these financial statements.

nonPAREIL INSTITUTE
STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2012

CHANGES IN UNRESTRICTED NET ASSETS

	Unrestricted	Temporarily Restricted	Total
Revenue and other support:			
Training fees	\$ 438,765	\$ -	\$ 438,765
Texas Department for Assistive and Rehabilitative Services (DARS)	202,180	-	202,180
Contributions	42,595	27,550	70,145
Foundations and grants	9,726	50,000	59,726
Fundraising	40,446	-	40,446
Gifts in kind	20,600	-	20,600
Scholarship income	-	11,600	11,600
Sponsorships	8,000	-	8,000
Donated use of facilities	7,961	-	7,961
Sales income	1,181	-	1,181
Miscellaneous income	876	-	876
Interest income	27	-	27
Net assets released from restrictions	58,755	(58,755)	-
Total revenue and other support	<u>831,112</u>	<u>30,395</u>	<u>861,507</u>
Expenses:			
Program services	654,691	-	654,691
Supporting services:			
Management and general	77,809	-	77,809
Fundraising	63,587	-	63,587
Total supporting services	<u>141,396</u>	<u>-</u>	<u>141,396</u>
Total expenses	<u>796,087</u>	<u>-</u>	<u>796,087</u>
Increase in net assets	35,025	30,395	65,420
Net assets, beginning of year	<u>128,867</u>	<u>11,300</u>	<u>140,167</u>
NET ASSETS, END OF YEAR	<u>\$ 163,892</u>	<u>\$ 41,695</u>	<u>\$ 205,587</u>

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

nonPAREIL INSTITUTE
STATEMENT OF FUNCTIONAL EXPENSES
For The Year Ended December 31, 2012

	<u>Program services</u>	<u>Supporting services</u>			<u>Totals</u>
	<u>Programs</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total</u>	
Advertising	\$ 260	\$ -	\$ -	\$ -	\$ 260
Bank charges	453	258	937	1,195	1,648
Books, subscriptions and reference	367	412	-	412	779
Compensation and benefits	495,865	50,424	37,319	87,743	583,608
Contract services	1,500	-	-	-	1,500
Cost of goods sold	1,841	-	-	-	1,841
Crew events	1,568	-	-	-	1,568
Depreciation	54,687	111	105	216	54,903
Donated facilities	7,961	-	-	-	7,961
Fundraising	-	-	22,800	22,800	22,800
Hardware	5,450	332	-	332	5,782
Insurance	784	2,608	22	2,630	3,414
Internet services	9,173	103	-	103	9,276
Miscellaneous	414	17	-	17	431
Office supplies	6,180	2,790	81	2,871	9,051
Professional fees	-	7,033	-	7,033	7,033
Postage and mailing	54	409	109	518	572
Printing and copying	873	1,176	52	1,228	2,101
Promotional items	4,432	250	-	250	4,682
Repairs and maintenance	3,756	1,269	-	1,269	5,025
Rent	49,214	2,616	1,330	3,946	53,160
Software and licenses	5,536	454	99	553	6,089
Telephone	733	3,488	124	3,612	4,345
Travel and meetings	3,590	4,059	609	4,668	8,258
Totals	\$ 654,691	\$ 77,809	\$ 63,587	\$ 141,396	\$ 796,087

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

nonPAREIL INSTITUTE
STATEMENT OF CASH FLOWS
For The Year Ended December 31, 2012

CASH FLOWS FROM OPERATING ACTIVITIES:

Increase in net assets	\$ 65,420
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	54,903
Change in operating assets and liabilities:	
Decrease in accounts receivable	9,171
Increase in inventory	(3,914)
Increase in prepaid expenses	(23,268)
Decrease in accounts payable	(3,126)
Decrease in accrued liabilities	(1,328)
Increase in deferred revenue	3,000
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>100,858</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchases of property and equipment	(79,195)
Retirement of property	(1,600)
NET CASH USED IN INVESTING ACTIVITIES	<u>(80,795)</u>

NET INCREASE IN CASH	20,063
BEGINNING CASH AND CASH EQUIVALENTS	<u>50,561</u>
ENDING CASH AND CASH EQUIVALENTS	<u><u>\$ 70,624</u></u>

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

nonPAREIL INSTITUTE
NOTES TO FINANCIAL STATEMENTS – Page 1 of 5

NOTE A – ORGANIZATION AND NATURE OF ACTIVITIES

nonPareil Institute (the Organization) is a Texas not-for-profit corporation and is located in Plano, Texas. The Organization is dedicated to providing technical and other training to students who have been diagnosed with autism. The focus of its programs will be to prepare these individuals for the possibility to enter into employment at some point in their future. **nonPareil Institute** hopes to help them learn teamwork, create a sense of community, and achieve fulfilled lives. The programs at **nonPareil Institute** are technology-based and make use of artistic software, code generation products, 3D animation studio tools, digital sound applications, and other creativity enabling tools. The Organization's revenue consists of free-will donations, training fees, foundation and grants, fundraising, gifts in kind, sponsorships, donated use of facilities, sales income and interest income.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities. Under the accrual method of accounting, revenues are recorded when earned and expenses are recorded when incurred. The significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. The Organization is required to file annual reports to the Internal Revenue Service, Form 990, Return of Organizations Exempt From Federal Income Tax. nonPareil Institute is in compliance with all federal tax filings as of December 31, 2012.

Basis of Presentation

Financial statement presentation follows the recommendations of FASB ASC 958, *Revenue Recognition – Contributions Received*, where the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Fair Value of Financial Instruments

The Organization's financial instruments consist of cash and cash equivalents, accounts receivable, prepaid expenses, accounts payable, accrued expenses and deferred revenue. Accounts receivable, prepaid expenses, accounts payable, accrued expenses and deferred revenue are stated at cost which approximates fair value. Cash and cash equivalents are stated at fair value.

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NOTES TO FINANCIAL STATEMENTS – Page 2 of 5

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Cash and Cash Equivalents

The Organization considers all highly liquid investments with an original maturity of three months or less, when purchased, to be cash equivalents.

Inventory

Inventory is stated at the lower of cost or market using the first-in, first-out method.

Property and Equipment

It is the Organization's policy to capitalize property and equipment over \$1,000. Lesser amounts are expensed. Purchased property and equipment are capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Property and equipment are depreciated using the straight-line method, ranging from three to seven years. Expenditures for repairs and maintenance are charged to operating expense as incurred.

Deferred Revenue

Resources received in exchange transactions are recognized as deferred revenue to the extent that the earnings process has not been completed. These resources are recorded as unrestricted revenues when the related obligations have been satisfied.

Net Assets

The Organization's net assets, revenues and gains, and expenses are classified as temporarily restricted and unrestricted net assets based on the existence or absence of donor imposed restrictions. Temporarily restricted net assets contain donor imposed restrictions that permit the Organization to use or expend the donated assets as specified and are satisfied by either the passage of time or the actions of the Organization, depending upon the stipulation of the donor. Unrestricted net assets are not restricted by donors, or the donor imposed restrictions have expired.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the existence or nature of any donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose of the contribution is accomplished, temporarily restricted net assets are classified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

nonPAREIL INSTITUTE
NOTES TO FINANCIAL STATEMENTS – Page 3 of 5

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Noncash Donations and Contributed Services

Donated materials, fixed assets, and certain services are reflected as contributions at their estimated fair values on the date of receipt and are recorded in the appropriate asset or expense account. Services are recorded if they create or enhance nonfinancial assets or require special skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

Classification of Revenue and Expense

Operating activities include items which are directly related to the Organization or are essential support elements of those programs. The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program activities and supporting services in the statement of functional expenses. Depreciation expense has been allocated to the related operating activities.

Use of Estimates

The preparation of financial statements in conformity with generally accepted 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Advertising and Marketing Costs

The Organization charges advertising and marketing costs to operations in the year the expense is incurred. During the year ended December 31, 2012, advertising and marketing expenses incurred were \$260.

nonPAREIL INSTITUTE
NOTES TO FINANCIAL STATEMENTS – Page 4 of 5

NOTE C – PROPERTY AND EQUIPMENT

The Organization’s property and equipment consists of the following at December 31, 2012:

Property and equipment:	
Computer hardware	\$ 98,869
Computer software	75,810
Furniture and equipment	27,451
Leasehold improvements	31,816
	<hr/>
	233,946
Accumulated depreciation	<hr/>
	(95,208)
	<hr/>
Property and equipment, net	<u><u>\$ 138,738</u></u>

The Organization expensed \$54,903 to depreciation expense for the year ended December 31, 2012.

NOTE D – TEMPORARILY RESTRICTED CONTRIBUTIONS

Temporarily restricted contributions are net assets subject to restrictions imposed by the Organization or donor that may or will be met by actions of the Board and/or passage of time. When the restriction expires (i.e., when a stipulated time restriction ends or the Board fulfills the purpose for which the net assets were restricted), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. For the year ended December 31, 2012 there was \$77,550 of temporarily restricted contributions given to the Organization for leasehold improvements and for the purchase of furniture, fixtures and equipment and \$11,600 given for Scholarships.

NOTE E – NET ASSETS RELEASED FROM RESTRICTIONS

Temporarily restricted net assets of \$58,755 were released from donor restrictions by incurring expenses satisfying the restricted purposes for the year ended December 31, 2012. The temporarily restricted net assets spent were \$43,577 on leasehold improvements and for the purchase of furniture, fixtures and equipment and \$15,178 on scholarships.

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NOTES TO FINANCIAL STATEMENTS – Page 5 of 5

NOTE F - TEMPORARILY RESTRICTED NET ASSETS

The Organization's temporarily restricted net assets for the year ended December 31, 2012 were as follows:

	<u>Beginning Balance</u>	<u>TRNA Contributions</u>	<u>TRNA Released</u>	<u>Ending Balance</u>
Leasehold improvements and furniture, fixtures and equipment	\$ -	\$ 77,550	(\$ 43,577)	\$ 33,973
Scholarships	11,300	11,600	(15,178)	7,722
Totals	<u>\$ 11,300</u>	<u>\$ 89,150</u>	<u>(\$ 58,755)</u>	<u>\$ 41,695</u>

NOTE G – SUBSEQUENT EVENTS

FASB ASC 855-10 requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date. That is, whether that date represents the date the financial statements were issued or were available to be issued. The Organization has evaluated subsequent events for potential recognition and/or disclosure in these financial statements through February 7, 2013, the date that the financial statements were available to be issued.