nonPAREIL INSTITUTE

Plano, Texas

FINANCIAL STATEMENTS

As of

DECEMBER 31, 2013

TOGETHER WITH

INDEPENDENT AUDITORS' REPORT

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

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
nonPareil Institute
Plano, Texas

We have audited the accompanying financial statements of **nonPareil Institute**, which comprise the balance sheet as of December 31, 2013, 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.

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, 2013, 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.

Schnaufer & Walker, P.C.

Dallas, Texas
February 13, 2014

nonPAREIL INSTITUTE
STATEMENT OF FINANCIAL POSITION
December 31, 2013

ASSETS		
Current assets:		
Cash and cash equivalents	$	144,058
Accounts receivable		10,514
Inventory		1,346
Prepaid expenses		26,858
Total current assets		182,776
Long-term assets:		
Property and equipment, - net of accumulated depreciation		215,206
Total long-term assets		215,206
TOTAL ASSETS	$	397,982
LIABILITIES		
Current liabilities:		
Accounts payable	$	7,757
Accrued expenses		36,063
Deferred revenue		17,592
TOTAL LIABILITIES		61,412
Commitments and contingencies		-
NET ASSETS		
Unrestricted		291,106
Temporarily restricted net assets		45,464
TOTAL NET ASSETS		336,570
TOTAL LIABILITIES AND NET ASSETS	$	397,982

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

nonPAREIL INSTITUTE
STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2013

	Unrestricted	Temporarily Restricted	Total
CHANGES IN UNRESTRICTED NET ASSETS			
Revenue and other support:			
Training fees	$ 738,170	$ -	$ 738,170
Texas Department for Assistive and Rehabilitative Services (DARS)	201,344	-	201,344
Contributions	97,385	62,135	159,520
Fundraising	123,591	4,969	128,560
Contributed services and materials	76,852	-	76,852
Sponsorships	22,236	-	22,236
Donated use of facilities	8,696	-	8,696
Sales income	7,232	-	7,232
Scholarship income	-	7,100	7,100
Miscellaneous income	1,939	-	1,939
Interest income	49	-	49
Net assets released from restrictions	70,435	(70,435)	-
Total revenue and other support	1,347,929	3,769	1,351,698
Expenses:			
Program services	945,462	-	945,462
Supporting services:			
Management and general	116,966	-	116,966
Fundraising	158,287	-	158,287
Total supporting services	275,253	-	275,253
Total expenses	1,220,715	-	1,220,715
Increase in net assets	127,214	3,769	130,983
Net assets, beginning of year	163,892	41,695	205,587
NET ASSETS, END OF YEAR	$ 291,106	$ 45,464	$ 336,570

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

nonPAREIL INSTITUTE
STATEMENT OF FUNCTIONAL EXPENSES
For The Year Ended December 31, 2013

	Program services	Supporting services			
	Programs	Management and general	Fundraising	Total	Totals
Advertising	$ 11,611	$ -	$ -	$ -	$ 11,611
Bank charges	1,467	343	1,850	2,193	3,660
Books, subscriptions and reference	1,303	97	-	97	1,400
Compensation and benefits	714,072	82,488	73,719	156,207	870,279
Cost of goods sold	4,220	-	-	-	4,220
Depreciation	73,576	1,995	1,883	3,878	77,454
Donated facilities	7,303	-	-	-	7,303
Fundraising	-	-	76,753	76,753	76,753
Furniture	734	129	-	129	863
Hardware	7,861	1,498	-	1,498	9,359
Insurance	1,346	3,475	34	3,509	4,855
Internet services	10,804	2,040	-	2,040	12,844
Miscellaneous	571	98	-	98	669
Office supplies	7,696	2,528	204	2,732	10,428
Professional fees	-	7,400	-	7,400	7,400
Postage and mailing	172	178	519	697	869
Printing and copying	716	294	467	761	1,477
Promotional items	6,968	346	434	780	7,748
Repairs and maintenance	1,540	1,971	-	1,971	3,511
Rent	62,429	4,234	1,587	5,821	68,250
Research	300	-	-	-	300
Software and licenses	4,289	116	99	215	4,504
Special events	14,524	-	-	-	14,524
Telephone	4,408	1,069	228	1,297	5,705
Travel and meetings	7,552	6,667	510	7,177	14,729
Totals	$ 945,462	$ 116,966	$ 158,287	$ 275,253	$ 1,220,715

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

nonPAREIL INSTITUTE
STATEMENT OF CASH FLOWS
For The Year Ended December 31, 2013

CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	$	130,983
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation		77,454
Change in operating assets and liabilities:		
Increase in accounts receivable		(5,093)
Decrease in inventory		2,568
Decrease in prepaid expenses		4,304
Increase in accounts payable		5,332
Increase in accrued liabilities		14,216
Increase in deferred revenue		(2,408)
NET CASH PROVIDED BY OPERATING ACTIVITIES		227,356
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment		(153,922)
NET CASH USED IN INVESTING ACTIVITIES		(153,922)
NET INCREASE IN CASH		73,434
BEGINNING CASH AND CASH EQUIVALENTS		70,624
ENDING CASH AND CASH EQUIVALENTS	$	144,058
SUPPLEMENTAL INFORMATION		
Contributed services and materials	$	76,852

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

NOTE A – ORGANIZATION AND NATURE OF ACTIVITIES

nonPareil Institute D/B/A nonPareil Publishing and **nonPareil Studio** (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, fundraising, contributed services and materials, 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, 2013.

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.

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.

Recognition of Revenue

Revenue is recorded when earned, not when cash is received. Donations 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 donation 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.

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, 2013, advertising and marketing expenses incurred were $11,611.

NOTE C – PROPERTY AND EQUIPMENT

The Organization's property and equipment consists of the following at December 31, 2013:

Property and equipment:		
Computer hardware	$	154,252
Computer software		110,958
Furniture and equipment		78,222
Leasehold improvements		44,436
		387,868
Accumulated depreciation		(172,662)
Property and equipment, net	$	215,206

The Organization expensed $77,454 to depreciation expense for the year ended December 31, 2013.

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, 2013 there was $62,135 of temporarily restricted contributions given to the Organization for leasehold improvements and for the purchase of furniture, fixtures and equipment, $7,100 given for scholarships and $4,969 given for various.

NOTE E – NET ASSETS RELEASED FROM RESTRICTIONS

Temporarily restricted net assets of $70,435 were released from donor restrictions by incurring expenses satisfying the restricted purposes for the year ended December 31, 2013. The temporarily restricted net assets spent were $56,243 on leasehold improvements and for the purchase of furniture, fixtures and equipment, $10,347 for scholarships and $3,845 for various.

NOTE F - TEMPORARILY RESTRICTED NET ASSETS

The Organization's temporarily restricted net assets for the year ended December 31, 2013 were as follows:

	Beginning Balance	TRNA Contributions	TRNA Released	Ending Balance
Leasehold improvements and furniture, fixtures and equipment	$ 33,973	$ 62,135	($ 56,243)	$ 39,865
Scholarships	7,722	7,100	(10,347)	4,475
Various	-	4,969	(3,845)	1,124
Totals	$ 41,695	$ 74,204	($ 70,435)	$ 45,464

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 13, 2014, the date that the financial statements were available to be issued.