nonPAREIL INSTITUTE

Plano, Texas

FINANCIAL STATEMENTS

As of

DECEMBER 31, 2016 and 2015

TOGETHER WITH

INDEPENDENT AUDITORS' REPORT

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

nonPAREIL INSTITUTE
Financial Statements
Years Ended December 31, 2016 and 2015

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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** (a Texas not-for-profit organization), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, functional expenses and cash flows for the years 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, 2016 and 2015, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Schnaufer & Walker, P.C.

Dallas, Texas
March 4, 2017

nonPAREIL INSTITUTE
Statements of Financial Position
December 31, 2016 and 2015

		2016		2015
ASSETS				
Current assets:				
Cash and cash equivalents	$	461,902	$	391,896
Accounts receivable		10,253		10,735
Inventory		-		-
Prepaid expenses		80,203		70,399
Total current assets		552,358		473,030
Long-term assets:				
Property and equipment, - net of accumulated depreciation		263,151		345,961
Total long-term assets		263,151		345,961
Other assets:				
Deposits		12,000		12,000
Total other assets		12,000		12,000
TOTAL ASSETS	$	827,509	$	830,991
LIABILITIES				
Current liabilities:				
Accounts payable	$	9,897	$	11,964
Accrued expenses		59,057		44,328
Refundable advances		32,421		42,141
TOTAL LIABILITIES		101,375		98,433
NET ASSETS				
Unrestricted net assets		439,885		406,031
Temporarily restricted net assets		286,249		326,527
TOTAL NET ASSETS		726,134		732,558
TOTAL LIABILITIES AND NET ASSETS	$	827,509	$	830,991

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

nonPAREIL INSTITUTE
Statement of Activities
For The Year Ended December 31, 2016

CHANGES IN UNRESTRICTED NET ASSETS		**Temporarily**	
Revenue and other support:	**Unrestricted**	**Restricted**	**Total**
Training fees	$ 1,944,076	$ -	$ 1,944,076
Fundraising	217,328	-	217,328
Contributed services and materials	145,802	-	145,802
Contributions	70,122	494,896	565,018
Sponsorships	59,000	-	59,000
Texas Department for Assistive and Rehabilitative Services (DARS)	33,480	-	33,480
Sales income	4,118	-	4,118
Miscellaneous income	2,357	-	2,357
Scholarship income	2	250	252
Interest income	278	-	278
Net assets released from restrictions	535,424	(535,424)	-
Total revenue and other support	3,011,987	(40,278)	2,971,709
Expenses:			
Program services	2,611,126	-	2,611,126
Supporting services:			
Management and general	114,846	-	114,846
Development and fundraising	252,161	-	252,161
Total supporting services	367,007	-	367,007
Total expenses	2,978,133	-	2,978,133
Increase (decrease) in net assets	33,854	(40,278)	(6,424)
Net assets, beginning of year	406,031	326,527	732,558
NET ASSETS, END OF YEAR	$ 439,885	$ 286,249	$ 726,134

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

nonPAREIL INSTITUTE
Statement of Activities
For The Year Ended December 31, 2015

CHANGES IN UNRESTRICTED NET ASSETS		**Temporarily**	
Revenue and other support:	**Unrestricted**	**Restricted**	**Total**
Training fees	$ 1,392,479	$ -	$ 1,392,479
Contributed services and materials	178,067	-	178,067
Contributions	117,380	622,542	739,922
Texas Department for Assistive and Rehabilitative Services (DARS)	49,815	-	49,815
Fundraising	40,717	4,418	45,135
Sponsorships	30,750	-	30,750
Sales income	4,954	-	4,954
Miscellaneous income	2,050	-	2,050
Interest income	635	-	635
Scholarship income	-	50	50
Net assets released from restrictions	537,192	(537,192)	-
Total revenue and other support	2,354,039	89,818	2,443,857
Expenses:			
Program services	1,983,537		1,983,537
Supporting services:			
Management and general	89,879		89,879
Development and fundraising	205,242		205,242
Total supporting services	295,121	-	295,121
Total expenses	2,278,658	-	2,278,658
Increase in net assets	75,381	89,818	165,199
Net assets, beginning of year	330,650	236,709	567,359
NET ASSETS, END OF YEAR	$ 406,031	$ 326,527	$ 732,558

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

nonPAREIL INSTITUTE
Statement of Functional Expenses
For The Year Ended December 31, 2016

	Program services	Supporting services			
	Programs	Management and general	Development and fundraising	Total	Totals
Advertising	$ 120,846	$ 45	$ 759	$ 804	$ 121,650
Bad debts	1,829	-	-	-	1,829
Bank charges	5,254	340	2,713	3,053	8,307
Books, subscriptions and reference	1,423	116	99	215	1,638
Compensation and benefits	1,785,969	91,087	95,073	186,160	1,972,129
Cost of goods sold	5,175	-	-	-	5,175
Depreciation	107,317	353	276	629	107,946
Fundraising	30	-	142,928	142,928	142,958
Furniture	5,690	-	94	94	5,784
Hardware	27,859	1,040	1,268	2,308	30,167
Insurance	10,853	5,174	2	5,176	16,029
Internet services	30,094	717	128	845	30,939
Miscellaneous	16,511	406	242	648	17,159
Office supplies	22,618	631	872	1,503	24,121
Professional fees	32,783	8,400	1,200	9,600	42,383
Postage and mailing	755	133	696	829	1,584
Printing and copying	3,781	45	833	878	4,659
Repairs and maintenance	32,943	-	-	-	32,943
Rent	295,629	2,171	2,385	4,556	300,185
Software and licenses	23,749	2,514	-	2,514	26,263
Special events	14,158	-	-	-	14,158
Telephone	6,956	561	116	677	7,633
Travel and meetings	38,956	1,113	2,477	3,590	42,546
Utilities	19,948	-	-	-	19,948
Totals	$ 2,611,126	$ 114,846	$ 252,161	$ 367,007	$ 2,978,133

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

nonPAREIL INSTITUTE
Statement of Functional Expenses
For The Year Ended December 31, 2015

	Program services	Supporting services			
	Programs	**Management and general**	**Development and fundraising**	**Total**	**Totals**
Advertising	$ 125,439	$ -	$ -	$ -	$ 125,439
Bad debts	-	-	662	662	662
Bank charges	5,552	126	767	893	6,445
Books, subscriptions and reference	671	345	360	705	1,376
Compensation and benefits	1,354,166	58,411	72,126	130,537	1,484,703
Cost of goods sold	7,964	-	-	-	7,964
Depreciation	101,782	2,894	1,080	3,974	105,756
Fundraising	-	-	32,367	32,367	32,367
Furniture	6,772	-	-	-	6,772
Hardware	54,073	350	35	385	54,458
Insurance	5,651	5,338	422	5,760	11,411
Internet services	19,126	723	-	723	19,849
Miscellaneous	31,254	-	350	350	31,604
Office supplies	21,071	1,430	669	2,099	23,170
Professional fees	912	8,245	85,723	93,968	94,880
Postage and mailing	544	194	706	900	1,444
Printing and copying	1,150	36	1,249	1,285	2,435
Promotional items	21,276	-	1,979	1,979	23,255
Repairs and maintenance	7,575	20	-	20	7,595
Rent	152,571	9,027	3,369	12,396	164,967
Software and licenses	13,911	624	-	624	14,535
Special events	13,275	-	-	-	13,275
Telephone	5,952	982	-	982	6,934
Travel and meetings	32,850	1,134	3,378	4,512	37,362
Totals	$ 1,983,537	$ 89,879	$ 205,242	$ 295,121	$ 2,278,658

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

nonPAREIL INSTITUTE
Statements of Cash Flows
For The Years Ended December 31, 2016 and 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from training fees	$ 1,944,076	$ 1,392,479
Cash received from donors	624,018	770,672
Cash received from fundraising	217,328	45,135
Cash received from agencies	33,480	49,815
Cash received for scholarships	252	50
Cash received from sales	4,118	5,359
Cash received from other income	2,357	1,645
Cash received from interest	278	635
Cash expended for employee compensation and benefits	(1,972,129)	(1,484,703)
Cash expended for rent	(300,185)	(164,967)
Cash expended for programs	(261,507)	(193,702)
Cash expended for development and fundraising	(151,712)	(127,478)
Cash expended for insurance	(16,029)	(11,411)
Cash expended for management and general	(15,721)	(14,083)
Cash expended for bank fees	(8,307)	(6,445)
Cash expended for costs of good sold	(5,175)	(7,964)
NET CASH PROVIDED BY OPERATING ACTIVITIES	95,142	255,037
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	(25,136)	(153,319)
NET CASH (USED IN) INVESTING ACTIVITIES	(25,136)	(153,319)
NET INCREASE IN CASH	70,006	101,718
BEGINNING CASH AND CASH EQUIVALENTS	391,896	290,178
ENDING CASH AND CASH EQUIVALENTS	$ 461,902	$ 391,896
Supplemental cash flow disclosure:		
Contributed services and materials	$ 145,802	$ 178,067
RECONCILIATION OF (DECREASE) INCREASE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Decrease (increase) in net assets	$ (6,424)	$ 165,199
Adjustments to reconcile (decrease) increase in net assets to net cash provided by operating activities:		
Depreciation	107,946	105,756
Change in operating assets and liabilities:		
Decrease in accounts receivable	482	10,274
Decrease in inventory	-	127
(Increase) in prepaid expenses	(9,804)	(30,651)
(Increase) in other assets	-	(12,000)
(Decrease) increase in accounts payable	(2,067)	4,963
Increase (decrease) in accrued liabilities	14,729	(537)
(Decrease) increase in refundable advances	(9,720)	11,906
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 95,142	$ 255,037

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 headquartered in Plano, Texas. The Organization is dedicated to building better futures for adults with autism. nonPareil trains adults with autism to build technology products for the marketplace through courses in design, digital art, 3D modeling and coding. These adults, known as "Crew," are guided by professional technology instructors from the video game and other industries. Crew experience how to develop and launch interactive technology such as applications and games in a professional environment where they hone their independence and teamwork abilities. Crew also develop invaluable life skills that not only complement their success within their individual technical skills training, but also improve overall sociability and adaptability with the world outside nonPareil. The Organization's revenue consists of training fees, free-will donations, contributed services and materials, fundraising, sponsorships, sales income and interest income.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

<u>Basis of Accounting</u>

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, irrespective of when paid. The significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

<u>Income Taxes</u>

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 for the years ended December 31, 2016 and 2015.

<u>Basis of Presentation</u>

The Organization accounts for its funding in accordance with the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958, *Not-for-Profit Entities* (ASC Topic 958), which establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into three net asset categories according to externally (donor) imposed restrictions. ASC Topic 958 requires that unconditional promises to give (pledges) be recorded as receivables and requires the organization to distinguish between contributions received for each net asset category in accordance with donor imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that are met by actions of the Organization.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization.

Training fees, contributions, contributed services and materials, fundraising income and sponsorships are recognized when earned. Refundable advances are recorded when the revenue is earned, not received. Contributions are recognized as revenue when received or pledged and 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.

At December 31, 2016 and 2015 and during the years then ended, the Organization did not have any of its assets subject to permanent restrictions. At December 31, 2016 and 2015, temporarily restricted net assets were $286,249 and $326,527, respectively. At December 31, 2016 and 2015, unrestricted net assets of $439,885 and $406,031, respectively, have been designated to be used with the permission of the Board of Directors (the “Board”).

Fair Value of Financial Instruments

The Organization’s financial instruments consist of cash and cash equivalents, accounts receivable, prepaid expenses, other assets, accounts payable, accrued expenses and refundable advances. Accounts receivable, prepaid expenses, other assets, accounts payable, accrued expenses and refundable advances are stated at cost which approximates fair value. Cash and cash equivalents are stated at fair value.

Cash and Cash Equivalents

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

Accounts Receivable

Accounts receivable consists of training fees receivable and are recorded net of allowance for uncollectible accounts, if necessary. For the fiscal year ended December 31, 2016 and 2015, there were no uncollectible accounts, therefore no allowance was recorded.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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.

Deposits

Deposits consist of a deposit for an office lease.

Refundable Advances

Resources received in exchange transactions are recognized as refundable advances 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.

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.

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

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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 years ended December 31, 2016 and 2015, advertising and marketing expenses incurred were $121,650 and $125,439.

NOTE C – FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated based upon salaries among the programs and supporting services benefitted.

NOTE D – CONCENTRATION OF CREDIT RISK

As of December 31, 2016 and 2015, the Organization maintained balances at a financial institution in excess of the $250,000 insured by the Federal Deposit Insurance Corporation. The amounts at risk were approximately $56,559 and $0, respectively.

NOTE E – PROPERTY AND EQUIPMENT

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

Property and equipment:	**2016**	2015
Computer hardware	**$ 256,289**	$ 247,326
Computer software	**156,032**	156,032
Furniture and equipment	**167,207**	162,877
Leasehold improvements	**157,734**	145,891
	737,262	712,126
Accumulated depreciation	**(474,111)**	(366,165)
Property and equipment, net	**$ 263,151**	$ 345,961

NOTE F – PROPERTY AND EQUIPMENT, continued

The Organization expensed $107,946 and $105,756 to depreciation expense for the years ended December 31, 2016 and 2015.

NOTE G – CONTRIBUTED SERVICES AND MATERIALS

For the years ended December 31, 2016 and 2015, the Organization received and recognized contributed services and materials as follows:

	2016	2015
Gifts in kind - goods	**$ 21,330**	$ 50,570
Gifts in kind - services	**124.472**	127,497
Total	**$ 145,802**	$ 178,067

These amounts are included in revenue as unrestricted contributions and in the applicable expense and assets categories in the accompanying financial statements.

In addition, the Organization received contributed services and materials which are not recognized as contributions in the financial statements since the recognition criteria under U.S. GAAP were not met.

NOTE H – OPERATING LEASE

On September 3, 2015, the Organization entered a sixty-three month lease with a partnership. The lease expires on November 30, 2020. The minimum future rental payments under the non-cancelable operating lease for the next four years are estimated to be as follows:

Years	Base rent
2017	$ 103,211
2018	105,029
2019	105,029
2020	96,277
Totals	$ 409,546

NOTE I – 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, 2016 there was $45,611 of temporarily restricted contributions given to the Organization for the location in Houston, Texas, $444,827 given for program extensions, $1,510 given for the new location in Portland, Oregon, $100 given for a new location in Fort Worth, Texas, $250 given for scholarships, $300 for capital expenditures, and $2,548 given for various. For the year ended December 31, 2015 there was $605,657 of temporarily restricted contributions given to the Organization for the location in Houston, Texas, $4,430 given for the location in Portland, Oregon, $200 given for the location in Fort Worth, Texas, $50 given for scholarships, $5,300 for the capital expenditures, and $11,373 given for various.

NOTE J – NET ASSETS RELEASED FROM RESTRICTIONS

Temporarily restricted net assets of $535,424 were released from donor restrictions by incurring expenses satisfying the restricted purposes for the year ended December 31, 2016. The temporarily restricted net assets spent were $347,941 on the Houston location, $181,321 on program extensions, $2,919 on the Portland location, $250 for scholarships, $300 on capital expenditures, and $2,693 for various. Temporarily restricted net assets of $537,192 were released from donor restrictions by incurring expenses satisfying the restricted purposes for the year ended December 31, 2015. The temporarily restricted net assets spent were $508,860 on the Houston location, $10,106 on program extensions, $1,502 on the Portland location, $50 for scholarships, $5,300 on capital expenditures, and $11,373 for various.

NOTE K - TEMPORARILY RESTRICTED NET ASSETS

The Organization's temporarily restricted net assets for the years ended December 31, 2016 and 2015 were as follows:

2016

	Beginning Balance	TRNA Contributions	TRNA Released	Ending Balance
Houston	$ 302,330	$ 45,611	($ 347,941)	$ -
Program extensions	8,175	444,827	(181,321)	271,681
Portland	9,910	1,510	(2,919)	8,501
Fort Worth	3,937	100	-	4,037
Scholarships	-	250	(250)	-
Capital expenditures	-	300	(300)	-
Various	2,175	2,548	(2,693)	2,030
Totals	$ 326,527	$ 495,146	($ 535,424)	$ 286,249

2015

	Beginning Balance	TRNA Contributions	TRNA Released	Ending Balance
Houston	$ 205,534	$ 605,657	($ 508,860)	$ 302,330
Program extensions	18,281	-	(10,106)	8,175
Portland	6,982	4,430	(1,502)	9,910
Fort Worth	3,737	200	-	3,937
Scholarships	-	50	(50)	-
Capital expenditures	-	5,300	(5,300)	-
Various	2,175	11,373	(11,373)	2,175
Totals	$ 236,709	$ 627,010	($ 537,192)	$ 326,527

NOTE L – 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 March 4, 2017, the date that the financial statements were available to be issued.