

SUDDEN ARRHYTHMIA DEATH SYNDROMES FOUNDATION

**REPORT OF INDEPENDENT ACCOUNTANTS
AND
FINANCIAL STATEMENTS**

December 31, 2001 and 2000

SUDDEN ARRHYTHMIA DEATH SYNDROMES FOUNDATION

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ACCOUNTANTS' COMPILATION REPORT

Board of Directors
Sudden Arrhythmia Death Syndromes Foundation

We have compiled the accompanying statements of financial position of Sudden Arrhythmia Death Syndromes Foundation, dba SADS, (a Utah non-profit organization) as of December 31, 2001 and 2000, and the related statements of activities, functional expenses, and cash flows for the years then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

HANSEN, BARNETT & MAXWELL

Salt Lake City, Utah
February 18, 2002

SUDDEN ARRHYTHMIA DEATH SYNDROMES FOUNDATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2001 AND 2000

	2001	2000
ASSETS		
Cash and cash equivalents	\$ 60,021	\$ 75,754
Receivable from former employee	1,084	4,956
Inventory - promotional pins	1,645	1,645
Prepaid expenses	1,314	1,087
Investments	12,511	9,783
Property and equipment, net of accumulated depreciation of \$29,017 and \$27,956 for 2001 and 2000, respectively	1,755	1,491
Total Assets	\$ 78,330	\$ 94,716
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 690	\$ 5,846
Accrued liabilities	3,227	---
Total Liabilities	3,917	5,846
Unrestricted Net Assets	74,413	88,870
Total Liabilities and Net Assets	\$ 78,330	\$ 94,716

See accountants compilation report and notes to financial statements.

SUDDEN ARRHYTHMIA DEATH SYNDROMES FOUNDATION
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

	2001	2000
Public Support		
Contributions	\$132,838	\$ 121,949
Special events, net of expenses of \$5,672	---	4,242
Total Public Support	132,838	126,191
Revenue		
Interest and dividend income	1,561	2,257
Promotional pin sales	---	280
Other income	301	92
Total Revenue	1,862	2,629
Total Public Support and Revenue	134,700	128,820
Expenses		
Program Services:		
Awareness	40,931	28,595
Chapter	3,902	---
Education	27,289	22,420
Patient and Family Support	39,517	21,340
Research / Advocacy	5,787	5,308
Total Program Services	117,426	77,663
Support Services:		
Management and general	15,255	9,724
Fundraising	19,204	18,152
Total Support Services	34,459	27,876
Total Expenses	151,885	105,539
Other Income (Expenses)		
Unrealized gain (loss) on investments	2,728	2,107
Change in Unrestricted Net Assets	(14,457)	25,388
Net Assets at Beginning of Year	88,870	63,482
Net Assets at End of Year	\$ 74,413	\$ 88,870

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

**SUDDEN ARRHYTHMIA DEATH SYNDROMES FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Program Services</u>					<u>Support Services</u>				<u>Total Expenses</u>
	<u>Awareness</u>	<u>Chapter</u>	<u>Education</u>	<u>Patient and Family Support</u>	<u>Research / Advocacy</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Support Services</u>	
Salaries	\$ 21,105	\$ 1,271	\$ 14,299	\$ 20,169	\$ 3,736	\$ 60,580	\$ 9,951	\$ 10,705	\$ 20,656	\$ 81,236
Payroll tax and benefits	2,860	517	1,471	3,357	535	8,740	1,551	1,280	2,831	11,571
Total salaries and related expenses	23,965	1,788	15,770	23,526	4,271	69,320	11,502	11,985	23,487	92,807
Contract services	1,452	157	1,112	1,211	135	4,067	378	252	630	4,697
Dues/Membership/License	127	30	98	303	25	583	71	79	150	733
Equipment	731	170	564	1,108	146	2,719	408	272	680	3,399
Insurance	388	90	299	588	78	1,443	216	144	360	1,803
Legal and professional expenses										
Meeting expenses	103	12	41	81	11	248	54	70	124	372
Miscellaneous	75	17	58	1,566	15	1,731	44	28	72	1,803
Office expenses	983	134	445	942	115	2,619	302	508	810	3,429
Postage and mailing	4,919	743	2,935	2,521	336	11,454	406	875	1,281	12,735
Printing	4,435	---	2,715	2,064	---	9,214	---	3,617	3,617	12,831
Public relations	35	---	---	---	---	35	---	35	35	70
Rent	2,024	471	1,563	3,069	405	7,532	1,130	753	1,883	9,415
Service Charges										
Staff Training	135	20	65	128	17	365	47	31	78	443
Telephone	1,327	217	1,028	1,614	187	4,373	566	467	1,033	5,406
Travel/Training expenses	4	---	420	450	---	874	4	3	7	881
Web site charge										
Total Expenses Before Depreciation	40,703	3,849	27,113	39,171	5,741	116,577	15,128	19,119	34,247	150,824
Depreciation Expense	228	53	176	346	46	849	127	85	212	1,061
Total Expenses	<u>\$ 40,931</u>	<u>\$ 3,902</u>	<u>\$ 27,289</u>	<u>\$ 39,517</u>	<u>\$ 5,787</u>	<u>\$ 117,426</u>	<u>\$ 15,255</u>	<u>\$ 19,204</u>	<u>\$ 34,459</u>	<u>\$ 151,885</u>

See accountants compilation report and notes to financial statements.

**SUDDEN ARRHYTHMIA DEATH SYNDROMES FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Program Services</u>				<u>Support Services</u>				<u>Total Expenses</u>
	<u>Awareness</u>	<u>Education</u>	<u>Patient and Family Support</u>	<u>Research</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Support Services</u>	
Salaries	\$ 14,054	\$ 8,350	\$ 13,277	\$ 3,817	\$ 39,498	\$ 4,446	\$ 8,845	\$ 13,291	\$ 52,789
Payroll tax and benefits	<u>1,073</u>	<u>637</u>	<u>1,014</u>	<u>292</u>	<u>3,016</u>	<u>789</u>	<u>674</u>	<u>1,463</u>	<u>4,479</u>
Total salaries and related expenses	15,127	8,987	14,291	4,109	42,514	5,235	9,519	14,754	57,268
Contract services	288	314	209	26	837	157	314	471	1,308
Copier expenses	216	623	9	---	848	9	9	18	866
Insurance	524	300	468	131	1,423	150	299	449	1,872
Legal and professional expenses	---	---	---	---	---	2,466	---	2,466	2,466
Miscellaneous	---	1,840	200	---	2,040	201	1,081	1,282	3,322
Office expenses	718	410	641	180	1,949	205	410	615	2,564
Postage and mailing	2,005	3,784	704	134	6,627	73	2,091	2,164	8,791
Printing	4,926	2,085	1,238	---	8,249	---	2,239	2,239	10,488
Public relations	35	35	68	---	138	89	148	237	375
Rent	2,386	1,363	2,130	596	6,475	681	1,363	2,044	8,519
Service Charges	---	---	---	---	---	313	---	313	313
Telephone	1,340	2,513	1,117	56	5,026	56	503	559	5,585
Web site charge	<u>750</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>750</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>750</u>
Total Expenses Before Depreciation	28,315	22,254	21,075	5,232	76,876	9,635	17,976	27,611	104,487
Depreciation Expense	<u>280</u>	<u>166</u>	<u>265</u>	<u>76</u>	<u>787</u>	<u>89</u>	<u>176</u>	<u>265</u>	<u>1,052</u>
Total Expenses	<u>\$ 28,595</u>	<u>\$ 22,420</u>	<u>\$ 21,340</u>	<u>\$ 5,308</u>	<u>\$ 77,663</u>	<u>\$ 9,724</u>	<u>\$ 18,152</u>	<u>\$ 27,876</u>	<u>\$ 105,539</u>

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

**SUDDEN ARRHYTHMIA DEATH SYNDROMES FOUNDATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000**

	<u>2001</u>	<u>2000</u>
Cash Flows From Operating Activities		
Change in net assets	\$ (14,457)	\$ 25,388
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	1,061	1,052
Unrealized gain on investments	(2,728)	(2,107)
Changes in certain operating assets and liabilities:		
Receivable from former employee	3,872	5,106
Inventory	-	1,066
Prepaid expenses	(226)	23
Accrued liabilities	3,230	(85)
Accounts payable	(5,160)	(106)
Other assets	-	-
Net Cash From Operating Activities	<u>(14,408)</u>	<u>30,337</u>
Cash Flows From Investing Activities		
Purchase of fixed assets	<u>(1,325)</u>	<u>-</u>
Net Cash From Investing Activities	<u>(1,325)</u>	<u>-</u>
Cash Flows From Financing Activities	<u>-</u>	<u>-</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	(15,733)	30,337
Cash and Cash Equivalents at Beginning of Year	<u>75,754</u>	<u>45,417</u>
Cash and Cash Equivalents at End of Year	<u>\$ 60,021</u>	<u>\$ 75,754</u>

See accountants compilation report and notes to financial statements.

SUDDEN ARRHYTHMIA DEATH SYNDROMES FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Sudden Arrhythmia Death Syndromes Foundation, dba SADS, (the Foundation) is a non-profit organization established on December 12, 1991 to educate the health care profession and lay public, resulting in increased frequency of accurate diagnosis and correct treatment; to assist patients and physicians in the provision of health related services; to organize and maintain functional family support groups; and to encourage and assist medical research in causes of sudden cardiac death in children and young adults.

Financial Statement Presentation — The Foundation 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. Currently, the Foundation has only unrestricted net assets.

Contributions and Donated Services — Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Restricted contributions are required to be reported as temporarily or permanently restricted support and are then reclassified to unrestricted net assets upon expiration of the time restriction or appropriate use of the assets.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Donated materials and equipment are reflected as contributions at their estimated values at date of receipt.

No amounts have been reflected in the statements for donated services as they did not meet the criteria for recognition. However, a substantial number of volunteers have donated significant amounts of their time in management, program services, and fund raising.

Income Taxes — The Foundation is a qualified charitable organization under Section 501(c)(3) of the Internal Revenue Code and under State of Utah regulations; therefore, it is not subject to federal or state income taxes.

Use of Estimates — The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Cash and Cash Equivalents — The Foundation considers all investments with original maturities of three months or less to be cash equivalents.

It is the Foundation's policy to invest cash with financial institutions judged to be highly secure. Cash accounts at banks are insured by the FDIC for up to \$100,000. There were no amounts in excess of insured limits in 2001 or 2000.

Inventory — Inventory consists of decorative pins and jewelry promoting SADS. The inventory is stated at the lower of cost (first-in, first-out) or market.

Investments — Investments in equity securities with readily determinable fair values are measured at fair value in the statement of financial position. The Foundation recognizes the unrealized gain or loss resulting from the difference between cost and market value in the statement of activities. Donated securities are recorded at market value on the date of donation.

Property and Equipment — Property and equipment is recorded on the basis of cost for purchased assets or fair market value at the date of donation for donated assets. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets, which is 4 - 8 years. Depreciation expense was \$1,061 and \$1,052 for the years ended December 31, 2001 and 2000, respectively.

NOTE 2 – SUPPORT AND PROGRAM SERVICES

Support and program services provided by the Foundation are as follows:

Awareness

One of SADS most important goals is to bring about awareness of the Long QT Syndrome (LQTS) to both the lay public and medical professionals. Some aspects of this program include:

Volunteer Training – The Foundation offers ideas, materials and one-on-one advise to train volunteers across the nation to inform their local communities about LQTS.

Media Development – Produce and distribute educational videos about LQTS and establish various media relationships to promote awareness of LQTS and sudden death due to cardiac arrhythmias.

Annual “National LQTS Week” – Annual event of weeklong activities designed to inform all individuals of LQTS.

Chapter (Affiliate Organization)

SADS Foundation works actively to foster the development of SADS affiliate organizations (chapters) whose mission includes the provision of support, education, resources, and to encourage research. To this end, we are working with national volunteers to develop the structure of affiliate organizations and to support new affiliates.

Education

Physician and Health Care Professionals: Because the Long QT Syndrome is often unrecognized or misdiagnosed, the Foundation provides medical information to health care providers including diagnostic criteria, treatment possibilities and the influence of genetics.

This information is dispersed in three ways:

By Request of Health Care Provider – Health care providers contact the Foundation directly and request the materials.

By Request of Families – The Foundation regularly sends out information at the request of families with LQTS or sudden death. This information will usually go to families’ medical examiner, pediatrician and/or general practitioner.

At Health Care Provider Seminars – When possible, the Foundation participates in health care provider seminars in order to distribute information to providers likely to see patients with symptoms of LQTS or other sudden death disorders.

Patient and Family Support

SADS strives to assist all those affected by the sudden death of a young loved one, or who have been diagnosed with a life-threatening cardiac arrhythmia. The goals of SADS Supportive Services are to help families cope with a sudden death in the family and manage the issues presented when family members are diagnosed with a serious illness. SADS provides four Support Programs:

Networking Program – The Foundation began a person-to-person networking program in 1997 which links together individuals across the nation with similar circumstances and concerns.

Family Support Groups – The Foundation facilitates family support groups throughout the nation as the residents in a given area request them.

Contact People – The Foundation maintains a list of individuals throughout the nation who are available 24 hours a day for other individuals to call them and receive support in relation to a diagnosis of LQTS or a sudden death in the family.

Call-Backs – The Foundation personally responds to individual questions and conversations via telephone and/or email.

Education: The Foundation provides printed and electronic information about the genetic Long QT Syndrome (LQTS) and sudden cardiac death in the young to families seeking information about suspicious symptoms or an unexplained sudden death. The goals of providing the information is that individuals and families may better seek appropriate medical care and counseling and prevent other sudden deaths in the family. The Foundation also provides a twice-yearly newsletter to interested families and physicians, which describes up-to-date research and treatment findings.

Physician Referral Service – The Foundation maintains a listing of physicians who are experienced in treating the long QT syndrome and other sudden death disorders. Physician referrals are given out by request.

Drugs to Avoid List – International distribution of an up-to-date Drugs to Avoid list for persons with the long QT syndrome.

Answering Medical Questions – The Foundation regularly facilitates a connection between patients and qualified physicians who will answer specific medical questions.

Research/Advocacy

The Foundation encourages and advocate for research on genetic cardiovascular diseases predisposing the young to sudden death. In 1998, a Sudden Death Registry was established which contains specific information about young individuals who experienced a sudden cardiac death. The goal of the registry is to provide researchers with information needed to further investigate other causes of sudden cardiac death in the young.

Personnel Support

The Foundation recognized the need to invest in new management and fund raising staff in order to continue to serve its mission and to grow and develop with the increasing needs. As a result, the Foundation's personnel expenditures this year are higher than in years past.

NOTE 3 – PROPERTY AND EQUIPMENT

A summary of the Foundation's property and equipment at December 31, 2001 and 2002 follows:

	<u>2001</u>	<u>2000</u>
Office equipment	\$ 11,694	\$ 11,694
Computer equipment	18,278	16,953
Furniture	<u>800</u>	<u>29,447</u>
	30,772	29,447
Less: Accumulated Depreciation	<u>(29,017)</u>	<u>(27,956)</u>
Property and Equipment-Net	<u>\$ 1,755</u>	<u>\$ 1,491</u>

NOTE 4 – OPERATING LEASES

The Foundation rents office space and certain office equipment. Future minimum payments on these leases follow:

<u>Year Ending December 31,</u>	
2002	\$ 2,985
2003	2,280
2004	2,280
2005	1,900
2006	<u>228</u>
Total	<u>\$ 9,673</u>

Lease expense for the office space and office equipment was \$9,899 and \$8,519 for the years ended December 31, 2001 and 2000, respectively.

NOTE 5 – INVESTMENTS IN EQUITY SECURITIES

During 1999, the Foundation acquired stock valued at \$10,210. At December 31, 2001 and 2000, the fair market value of the stock was \$12,511 and \$9,783. The unrealized gain on the stock was \$2,728 and \$2,107 for the years ended December 31, 2001 and 2000, respectively.

NOTE 6– RECEIVABLE FROM FORMER EMPLOYEE

The amount reported as receivable from former employee on the statement of financial position represents the amount due to the Foundation as a result of misappropriation of assets by a former employee. The former employee has been convicted of the theft and has been ordered by the Court to repay the amount misappropriated plus interest at 8%.