

SADS FOUNDATION

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2003

AND

ACCOUNTANTS' REVIEW REPORT

SHAW & CO., P.C.

Certified Public Accountants & Business Advisors

SADS FOUNDATION

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ACCOUNTANTS' REVIEW REPORT

The Board of Directors
SADS Foundation
Salt Lake City, Utah

We have reviewed the accompanying statement of financial position of SADS Foundation (a nonprofit organization) as of December 31, 2003 and the related statements of activities, functional expenses and cash flows for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of SADS Foundation.

A review consists principally of inquiries of Organization personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Shaw & Co., P.C.

Bountiful, Utah
February 19, 2004

SADS FOUNDATION
Statement of Financial Position
December 31, 2003

ASSETS

Current assets	
Cash and cash equivalents	\$ 41,699
Inventories	1,390
Prepaid expenses	833
Receivable - other	<u>337</u>
Total current assets	<u>44,259</u>
Furniture, fixtures and equipment, net of accumulated depreciation of \$30,403	1,460
Investments	<u>5</u>
	<u><u>\$ 45,724</u></u>

LIABILITIES AND NET ASSETS

Current liabilities	
Accounts payable and accrued liabilities	<u>\$ 4,035</u>
Total current liabilities	<u>4,035</u>
Net assets	
Unrestricted	41,689
Temporarily restricted	-
Permanently restricted	<u>-</u>
	<u>41,689</u>
	<u><u>\$ 45,724</u></u>

See accompanying notes to financial statements
and accountants' review report.

SADS FOUNDATION
Statement of Activities
Year Ended December 31, 2003

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2003 Total</u>
REVENUES AND SUPPORT				
Foundation and corporate donations	\$ 48,200	\$ -	\$ -	\$ 48,200
Individual donations	88,808	-	-	88,808
Special events donations	35,166	-	-	35,166
In-kind donations	5,595	-	-	5,595
Miscellaneous income	7,193	-	-	7,193
Interest/dividend income	1,237	-	-	1,237
Realized gain on investments	<u>4,577</u>	<u>-</u>	<u>-</u>	<u>4,577</u>
Total revenues and support	<u>190,776</u>	<u>-</u>	<u>-</u>	<u>190,776</u>
EXPENSES				
Program services:				
Advocacy	5,130	-	-	5,130
Awareness	82,596	-	-	82,596
Volunteer	12,271	-	-	12,271
Education	34,082	-	-	34,082
Support	<u>63,932</u>	<u>-</u>	<u>-</u>	<u>63,932</u>
	<u>198,011</u>	<u>-</u>	<u>-</u>	<u>198,011</u>
Supporting activities:				
Management and general	24,516	-	-	24,516
Fundraising	<u>36,172</u>	<u>-</u>	<u>-</u>	<u>36,172</u>
	<u>60,688</u>	<u>-</u>	<u>-</u>	<u>60,688</u>
Total expenses	<u>258,699</u>	<u>-</u>	<u>-</u>	<u>258,699</u>
Change in net assets	<u>(67,923)</u>	<u>-</u>	<u>-</u>	<u>(67,923)</u>
Net assets, beginning of year	<u>109,612</u>	<u>-</u>	<u>-</u>	<u>109,612</u>
Net assets, end of period	<u>\$ 41,689</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,689</u>

See accompanying notes to financial statements
and accountants' review report.

SADS FOUNDATION
Statement of Functional Expenses
Year Ended December 31, 2003

Program Services

	<u>Advocacy</u>	<u>Awareness</u>	<u>Volunteer</u>	<u>Education</u>	<u>Support</u>	<u>Total</u>
Salaries	\$ 1,722	\$ 35,360	\$ 5,975	\$ 11,190	\$ 29,122	\$ 83,369
Payroll taxes and benefits	<u>328</u>	<u>6,718</u>	<u>1,135</u>	<u>2,126</u>	<u>5,533</u>	<u>15,840</u>
Total salaries, payroll taxes and benefits	2,050	42,078	7,110	13,316	34,655	99,209
Professional Fees	555	1,861	204	241	1,131	3,992
Office Supplies	37	459	82	159	270	1,007
Repairs and maintenance	96	895	220	515	771	2,497
Postage	531	6,543	634	2,082	4,656	14,446
Printing	825	12,381	885	2,042	6,326	22,459
Public relations / marketing	-	1,152	-	50	50	1,252
Occupancy / Facilities	586	3,555	1,538	944	2,445	9,068
Insurance	14	618	31	35	94	792
Dues / Memberships / License	9	72	19	22	130	252
Travel/Training	204	2,435	247	5,746	3,963	12,595
Staff Training	-	78	-	-	40	118
Meeting Expense	-	7,779	788	8,263	7,156	23,986
Telephone	217	1,943	398	510	1,507	4,575
Miscellaneous	6	515	65	12	585	1,183
	<u>5,130</u>	<u>82,364</u>	<u>12,221</u>	<u>33,937</u>	<u>63,779</u>	<u>197,431</u>
Total expenses before depreciation						
Depreciation	<u>-</u>	<u>232</u>	<u>50</u>	<u>145</u>	<u>153</u>	<u>580</u>
Total expenses	<u>\$ 5,130</u>	<u>\$ 82,596</u>	<u>\$ 12,271</u>	<u>\$ 34,082</u>	<u>\$ 63,932</u>	<u>\$ 198,011</u>

See accompanying notes to financial statements
and accountants' review report.

Supporting Activities

Management and General	Fundraising	Total	Total Expenses
\$ 12,669	\$ 15,569	\$ 28,238	\$ 111,607
<u>2,407</u>	<u>2,958</u>	<u>5,365</u>	<u>21,205</u>
15,076	18,527	33,603	132,812
1,621	588	2,209	6,201
1,865	235	2,100	3,107
283	451	734	3,231
221	5,226	5,447	19,893
115	8,725	8,840	31,299
-	-	-	1,252
260	757	1,017	10,085
1,087	55	1,142	1,934
355	205	560	812
2,594	-	2,594	15,189
-	710	710	828
453	-	453	24,439
555	693	1,248	5,823
31	-	31	1,214
<u>24,516</u>	<u>36,172</u>	<u>60,688</u>	<u>258,119</u>
-	-	-	580
<u>\$ 24,516</u>	<u>\$ 36,172</u>	<u>\$ 60,688</u>	<u>\$ 258,699</u>

SADS FOUNDATION
Statement of Cash Flows
Year Ended December 31, 2003

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ (67,923)
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation	580
Changes in current assets and liabilities:	
(Increase) in accounts receivable	(285)
Decrease in inventory	256
(Increase) in prepaid expenses	(833)
(Decrease) in accounts payable and accrued liabilities	<u>(2,815)</u>
Net cash used by operating activities	<u>(71,020)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of furniture, fixtures and equipment	(1,091)
Net sales of investments	<u>14,818</u>
Net cash provided by investing activities	<u>13,727</u>

CASH FLOWS FROM FINANCING ACTIVITIES

	<u>-</u>
Net decrease in cash	(57,293)
Cash, beginning of year	<u>98,992</u>
Cash, end of year	<u><u>\$ 41,699</u></u>

SUPPLEMENTAL CASH FLOW INFORMATION

Cash paid for interest	<u><u>\$ -</u></u>
Cash paid for income taxes	<u><u>\$ -</u></u>

See accompanying notes to financial statements
and accountants' review report.

SADS FOUNDATION
Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The SADS (Sudden Arrhythmia Death Syndromes) Foundation was incorporated as a nonprofit corporation in the State of Utah on December 12, 1991. The Organization's mission is to save the lives of children and young adults who are genetically predisposed or otherwise susceptible to sudden death due to cardiac arrhythmias and to provide education and support to families and the medical community who are dealing with these disorders. The SADS Foundation is dedicated to providing information, assistance and hope. The Organization's goals are the following:

Education - To educate health care providers and the lay public in order to promote early diagnosis and treatment.

Patient Services - To serve as a physician referral resource and to provide information to physicians who care for patients with cardiac arrhythmias.

Supportive Services - To assist all those affected by the sudden death of a young loved one, or who have been diagnosed with a cardiac arrhythmia, by providing informational materials, facilitating support groups, and maintaining an active networking program.

Public Awareness - To inform families, physicians, and communities about genetic cardiac arrhythmias in the young, and thereby prevent sudden cardiac death in young people.

Research - To encourage research on genetic cardiovascular diseases predisposing the young to sudden death.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Financial Statement Presentation

The Organization has adopted Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, 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) based upon the existence or absence of donor-imposed restrictions.

The Organization has also adopted SFAS No. 116, "Accounting for Contributions Received and Contributions Made." In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Notes (continued)

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. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Income Tax Status

The Organization is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying financial statements. In addition, the Organization has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code. There was no unrelated business income for the year ended December 31, 2003

Functional Allocation of Expenses

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 programs and supporting services benefitted. Expenses that are not specifically identifiable to certain programs are allocated based on estimates provided by management.

Furniture, Fixtures and Equipment

Furniture, fixtures and equipment are stated at cost if purchased or fair market value if contributed. Depreciation of furniture, fixtures and equipment is computed using the straight-line method over the estimated useful lives of the assets, which range from five to seven years. Property and equipment costing \$500 or more is capitalized per established procedures. Minor repairs and maintenance that do not extend the useful lives of the assets are expensed as incurred.

Investments

The Organization has adopted SFAS No. 124, "Accounting for Certain Investment Held by Not-for-Profit Organizations." Under SFAS No. 124, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

Inventory

Inventory consists entirely of items purchased for resale to the general public and is stated at the lower of cost or market. Inventory cost is determined using the first-in, first-out (FIFO) method.

Notes (continued)

Fair Value of Financial Instruments

The Organization estimates that the fair value of all financial instruments at December 31, 2003 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of financial position.

Concentration of Credit Risk for Cash Held in Bank

The Organization maintains cash balances in various financial institutions, which are insured by Federal Deposit Insurance Corporation up to \$100,000. At December 31, 2003 there were no cash balances exceeding the insured amount.

2. FURNITURE, FIXTURES AND EQUIPMENT

At December 31, 2003, the cost of furniture, fixtures and equipment was as follows:

Equipment	\$	31,063
Furniture and fixtures		<u>800</u>
		31,863
Less: accumulated depreciation		<u>(30,403)</u>
	\$	<u>1,460</u>

Depreciation expense for the year ended December 31, 2003 was \$580.

3. INVESTMENTS

Most of the Organization's investments in marketable equity securities were sold during the year ended December 31, 2003. The Organization recognized realized gains on the sale of these investments in the amount of \$4,577.

4. ALLOCATION OF OPERATING EXPENSES

	<u>Amount</u>	<u>%</u>
Advocacy	\$ 5,144	1.98%
Awareness	63,724	24.63%
Internship	10,824	4.18%
Education	69,802	26.98%
Support	45,476	17.57%
Management and General	26,247	10.17%
Fundraising	<u>37,482</u>	<u>14.49%</u>
	<u>\$ 258,699</u>	<u>100.00%</u>

Notes (continued)

5. LEASE COMMITMENT

The Organization leases office space in the Salt Lake area. The lease requires monthly payments of \$850. The Organization has a three year lease that started in 2003 with an average lease increase of 11%. The future minimum lease payments required will be as follows:

<u>Year Ended December 31,</u>	<u>Amount</u>
2004	\$ 11,400
2005	<u>12,600</u>
	<u>\$ 24,000</u>

Rent expense for the year ended December 31, 2003 was \$9,950.