

**SADS Foundation**

**Year Ended December 31, 2006**

**Financial Statements**

**And**

**Independent Auditor's Report**



# SADS Foundation

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
SADS Foundation  
Salt Lake City, UT

We have audited the accompanying statement of financial position of SADS Foundation (a nonprofit organization) as of December 31, 2006, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SADS Foundation as of December 31, 2006, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Shaw Mumford & Co., P.C.*

Bountiful, Utah  
July 17, 2006

**SADS Foundation**  
**Statement of Financial Position**  
**December 31, 2006**

**ASSETS**

Current assets

|                                |    |              |
|--------------------------------|----|--------------|
| Cash and cash equivalents      | \$ | 75,679       |
| Accounts and grants receivable |    | 8,992        |
| Investments                    |    | 2,286        |
| Inventory                      |    | 596          |
| Prepaid expenses               |    | <u>1,583</u> |

|                      |  |               |
|----------------------|--|---------------|
| Total current assets |  | <u>89,136</u> |
|----------------------|--|---------------|

Fixed assets, at cost

|                        |  |              |
|------------------------|--|--------------|
| Furniture and fixtures |  | 800          |
| Equipment              |  | <u>4,412</u> |
| Total fixed assets     |  | 5,212        |

|                               |  |                |
|-------------------------------|--|----------------|
| Less accumulated depreciation |  | <u>(5,212)</u> |
|-------------------------------|--|----------------|

|                  |  |          |
|------------------|--|----------|
| Net fixed assets |  | <u>-</u> |
|------------------|--|----------|

|              |  |                  |
|--------------|--|------------------|
| Total assets |  | <u>\$ 89,136</u> |
|--------------|--|------------------|

**LIABILITIES AND NET ASSETS**

Current liabilities

|                     |    |              |
|---------------------|----|--------------|
| Accounts payable    | \$ | 215          |
| Accrued vacation    |    | 8,233        |
| Accrued liabilities |    | <u>2,819</u> |

|                           |  |               |
|---------------------------|--|---------------|
| Total current liabilities |  | <u>11,267</u> |
|---------------------------|--|---------------|

Net assets

|                        |  |          |
|------------------------|--|----------|
| Unrestricted           |  | 71,240   |
| Temporarily restricted |  | 6,629    |
| Permanently restricted |  | <u>-</u> |

|                  |  |               |
|------------------|--|---------------|
| Total net assets |  | <u>77,869</u> |
|------------------|--|---------------|

|                                  |  |                  |
|----------------------------------|--|------------------|
| Total liabilities and net assets |  | <u>\$ 89,136</u> |
|----------------------------------|--|------------------|

See accompanying notes to financial statements.

**SADS Foundation**  
**Statement of Activities**  
**Year Ended December 31, 2006**

|                                    | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Permanently<br/>Restricted</u> | <u>Total</u>     |
|------------------------------------|---------------------|-----------------------------------|-----------------------------------|------------------|
| <b>REVENUES AND SUPPORT</b>        |                     |                                   |                                   |                  |
| Individual contributions           | \$ 166,813          | \$ -                              | \$ -                              | \$ 166,813       |
| Foundation and corporate donations | 65,409              | 6,629                             | -                                 | 72,038           |
| In-kind donations                  | 6,950               | -                                 | -                                 | 6,950            |
| Interest income                    | 496                 | -                                 | -                                 | 496              |
| Unrealized gain on investments     | 275                 | -                                 | -                                 | 275              |
| Other income                       | 9                   | -                                 | -                                 | 9                |
| Loss on disposal of fixed asset    | (121)               | -                                 | -                                 | (121)            |
|                                    | <u>239,831</u>      | <u>6,629</u>                      | <u>-</u>                          | <u>246,460</u>   |
| <b>EXPENSES</b>                    |                     |                                   |                                   |                  |
| Program services                   | 150,810             | -                                 | -                                 | 150,810          |
| Management and general             | 13,044              | -                                 | -                                 | 13,044           |
| Fundraising                        | 26,219              | -                                 | -                                 | 26,219           |
|                                    | <u>190,073</u>      | <u>-</u>                          | <u>-</u>                          | <u>190,073</u>   |
| Change in net assets               | 49,758              | 6,629                             | -                                 | 56,387           |
| Net assets, beginning of year      | <u>21,482</u>       | <u>-</u>                          | <u>-</u>                          | <u>21,482</u>    |
| Net assets, end of year            | <u>\$ 71,240</u>    | <u>\$ 6,629</u>                   | <u>\$ -</u>                       | <u>\$ 77,869</u> |

See accompanying notes to financial statements.

**SADS Foundation**  
**Statement of Functional Expenses**  
**Year Ended December 31, 2006**

|  | Program Services |                  |                 |                  |                  |                   | Supporting Activities  |                  |                  | Total Expenses    |
|--|------------------|------------------|-----------------|------------------|------------------|-------------------|------------------------|------------------|------------------|-------------------|
|  | Advocacy         | Awareness        | Volunteer       | Support          | Education        | Total             | Management and General | Fundraising      | Total            |                   |
| Salaries                                   | \$ 2,213         | \$ 32,727        | \$ 2,984        | \$ 32,567        | \$ 9,273         | \$ 79,764         | \$ 6,750               | \$ 13,629        | \$ 20,379        | 100,143           |
| Payroll taxes                              | 115              | 2,407            | 220             | 2,395            | 682              | 5,819             | 516                    | 1,031            | 1,547            | 7,366             |
| Employee benefits                          | 162              | 3,371            | 307             | 3,355            | 955              | 8,150             | 722                    | 1,444            | 2,166            | 10,316            |
| <b>Total salaries and related expenses</b> | <b>2,490</b>     | <b>38,505</b>    | <b>3,511</b>    | <b>38,317</b>    | <b>10,910</b>    | <b>93,733</b>     | <b>7,988</b>           | <b>16,104</b>    | <b>24,092</b>    | <b>117,825</b>    |
| Printing                                   | 328              | 6,893            | 629             | 6,859            | 1,953            | 16,662            | 1,476                  | 2,953            | 4,429            | 21,091            |
| Postage                                    | 176              | 3,705            | 338             | 3,687            | 1,050            | 8,956             | 794                    | 1,587            | 2,381            | 11,337            |
| Travel and training                        | 134              | 2,803            | 256             | 2,790            | 794              | 6,777             | 600                    | 1,201            | 1,801            | 8,578             |
| Occupancy / facilities                     | 132              | 2,747            | 250             | 2,734            | 778              | 6,641             | 588                    | 1,177            | 1,765            | 8,406             |
| Meeting expenses                           | 12               | 259              | 24              | 258              | 73               | 626               | 55                     | 111              | 166              | 792               |
| Telephone                                  | 86               | 1,809            | 165             | 1,800            | 512              | 4,372             | 387                    | 775              | 1,162            | 5,534             |
| Repairs and maintenance                    | 90               | 1,908            | 174             | 1,899            | 541              | 4,612             | 409                    | 817              | 1,226            | 5,838             |
| Professional fees                          | 50               | 1,060            | 97              | 1,055            | 300              | 2,562             | 227                    | 454              | 681              | 3,243             |
| Office supplies                            | 36               | 739              | 67              | 736              | 209              | 1,787             | 158                    | 317              | 475              | 2,262             |
| Insurance                                  | 29               | 607              | 55              | 604              | 172              | 1,467             | 130                    | 260              | 390              | 1,857             |
| Miscellaneous                              | 29               | 610              | 56              | 607              | 173              | 1,475             | 131                    | 262              | 393              | 1,868             |
| Staff training                             | 10               | 192              | 17              | 191              | 54               | 464               | 41                     | 82               | 123              | 587               |
| Dues / memberships / licenses              | 13               | 256              | 23              | 254              | 72               | 618               | 55                     | 109              | 164              | 782               |
| Public relations / marketing               | -                | -                | -               | -                | -                | -                 | -                      | -                | -                | -                 |
| <b>Total expenses before depreciation</b>  | <b>3,615</b>     | <b>62,093</b>    | <b>5,662</b>    | <b>61,791</b>    | <b>17,591</b>    | <b>150,752</b>    | <b>13,039</b>          | <b>26,209</b>    | <b>39,248</b>    | <b>190,000</b>    |
| Depreciation                               | 1                | 24               | 2               | 24               | 7                | 58                | 5                      | 10               | 15               | 73                |
| <b>Total expenses</b>                      | <b>\$ 3,616</b>  | <b>\$ 62,117</b> | <b>\$ 5,664</b> | <b>\$ 61,815</b> | <b>\$ 17,598</b> | <b>\$ 150,810</b> | <b>\$ 13,044</b>       | <b>\$ 26,219</b> | <b>\$ 39,263</b> | <b>\$ 190,073</b> |

See accompanying notes to financial statements  
and accountant's review report.

**SADS Foundation**  
**Statement of Cash Flows**  
**Year Ended December 31, 2006**

**CASH FLOWS FROM OPERATING ACTIVITIES**

|   |    |               |
|---|----|---------------|
| Change in net assets  | \$ | 56,387        |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: |    |               |
| Depreciation  |    | 73            |
| Loss on disposal of assets  |    | 121           |
| Unrealized gain on investments  |    | (275)         |
| Changes in current assets and liabilities:  |    |               |
| Accounts receivable   |    | (8,784)       |
| Prepaid expenses  |    | (1,451)       |
| Inventory   |    | 794           |
| Accounts payable  |    | (5,246)       |
| Accrued vacation  |    | 8,233         |
| Accrued liabilities   |    | <u>597</u>    |
| Net cash provided by operating activities:  |    | <u>50,449</u> |

**CASH FLOWS FROM INVESTING ACTIVITIES**

|  |  |            |
|--|--|------------|
| Proceeds from sale of fixed asset:         |  | <u>300</u> |
| Net cash provided by investing activities: |  | <u>300</u> |

**CASH FLOWS FROM FINANCING ACTIVITIES**

|  |    |                      |
|--|----|----------------------|
|  |    | <u>-</u>             |
| Net change in cash                           |    | 50,749               |
| Cash and cash equivalents, beginning of year |    | <u>24,930</u>        |
| Cash and cash equivalents, end of year       | \$ | <u><u>75,679</u></u> |

**SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION**

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

See accompanying notes to financial statements.

**SADS Foundation**  
**Notes to Financial Statements**  
**December 31, 2006**

**1. ORGANIZATION AND HISTORY**

SADS Foundation (Sudden Arrhythmia Death Syndromes) (the “Organization”) 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.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies of SADS Foundation is presented to assist in understanding the Organization’s financial statements. The financial statements and notes are representations of the Organization’s management, who is responsible for the integrity and objectivity of these financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements

Basis of Accounting

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

Classes of Net Assets

Revenues and gains are classified based on the presence or absence of donor restrictions and reported in the following net asset categories:

- a. Unrestricted net assets represent the portion of net assets not subject to donor restrictions.
- b. Temporarily restricted net assets arise from contributions that are restricted by the donor for specific purposes or time periods.
- c. Permanently restricted net assets arise from contributions that are restricted by the donor in perpetuity.

All contributions are considered available for unrestricted use, unless specifically restricted by the donors. All expenses are reported as changes in unrestricted net assets.



### Cash and Cash Equivalents

For purposes of the statement of cash flows, cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less.

### Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are carried at their estimated collectible amounts. The Organization's accounts receivable are generally short-term in nature; thus accounts receivable do not bear interest.

Accounts receivable are periodically evaluated for collectibility based on past credit history with customers and their current financial condition. An allowance for doubtful accounts has not been established because management believes that all accounts receivable will be fully collectible.

### Inventory

Inventories are stated at lower of historical cost or market.

### Investments

Investments are carried on the books at their fair value in accordance with SFAS No. 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations." The Organization's investments are held for an indefinite period and thus are classified as "available for sale". At December 31, 2006, the investments consisted entirely of corporate stock.

### Fixed Assets

Fixed assets 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. Fixed assets costing \$500 or more are capitalized in accordance with established procedures. Minor repairs and maintenance that do not extend the useful lives of the fixed assets are expensed as incurred. Depreciation expense for the year ended December 31, 2006 was \$73.

### Estimates in the Financial Statements

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

### 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.

### 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, 2006 there were no cash balances exceeding the insured amount.

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, 2006.

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 benefited. Expenses that are not specifically identifiable to certain programs are allocated based on estimates provided by management.

Fair Value of Financial Instruments

The Organization estimates that the fair value of all financial instruments at December 31, 2006 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of financial position.

**3. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consisted of a donation specifically restricted for a board and staff retreat that took place in February 2007. The amount restricted for this purpose was \$6,629.

**4. LEASE COMMITMENT**

The Organization leases office space in the Salt Lake area. The lease requires monthly payments of \$1,000 for a period of five years with an average increase of 3% per year. The lease was signed on January 31, 2006 and grants the Organization three months of free occupancy. The future minimum lease payments required will be as follows:

| <u>Year Ended December 31,</u> | <u>Amount</u>    |
|--------------------------------|------------------|
| 2007                           | \$ 12,330        |
| 2008                           | 12,700           |
| 2009                           | 13,081           |
| 2010                           | 13,473           |
| 2011                           | <u>1,126</u>     |
|                                | <u>\$ 52,710</u> |

Rent expense for the year ended December 31, 2006 was \$8,406.