

SADS Foundation

Year Ended December 31, 2008

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, 2008, 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. The prior-year, summarized comparative information has been derived from the Organization's December 31, 2007 financial statements and in our report dated March 27, 2008, we expressed an unqualified opinion on those financial statements.

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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. 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, 2008, 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
March 19, 2009

SADS Foundation
Statement of Financial Position
December 31, 2008
With Comparative Totals For December 31, 2007

	<u>12/31/2008</u>	<u>12/31/2007</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 207,633	\$ 213,958
Accounts and grants receivable	80,216	29,910
Investments	625	1,425
Prepaid expenses	<u>1,058</u>	<u>1,204</u>
Total current assets	<u>289,532</u>	<u>246,497</u>
Fixed assets, at cost		
Furniture and fixtures	3,093	800
Equipment	<u>2,613</u>	<u>5,700</u>
Total fixed assets	5,706	6,500
Less: accumulated depreciation	<u>(4,740)</u>	<u>(5,276)</u>
Net fixed assets	<u>966</u>	<u>1,224</u>
Total assets	<u>\$ 290,498</u>	<u>\$ 247,721</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 3,294	\$ 1,667
Accrued vacation	1,922	12,159
Accrued liabilities	<u>8,178</u>	<u>4,528</u>
Total current liabilities	<u>13,394</u>	<u>18,354</u>
Net assets		
Unrestricted	197,285	229,367
Temporarily restricted	79,819	-
Permanently restricted	<u>-</u>	<u>-</u>
Total net assets	<u>277,104</u>	<u>229,367</u>
Total liabilities and net assets	<u>\$ 290,498</u>	<u>\$ 247,721</u>

See accompanying notes to financial statements.

SADS Foundation
Statement of Activities
Year Ended December 31, 2008
With Comparative Totals For The Year Ended December 31, 2007

	December 31, 2008				
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>12/31/2008 Total</u>	<u>12/31/2007 Total</u>
REVENUES AND SUPPORT					
Individual contributions	\$ 192,347	\$ 59,819	\$ -	\$ 252,166	\$ 264,475
Foundation and corporate donations	151,933	20,000	-	171,933	149,618
In-kind donations	8,470	-	-	8,470	2,741
Interest income	1,442	-	-	1,442	1,084
Other income	403	-	-	403	403
Unrealized loss on investments	(800)	-	-	(800)	(862)
Net assets released from restrictions	-	-	-	-	-
 Total revenues and support	<u>353,795</u>	<u>79,819</u>	<u>-</u>	<u>433,614</u>	<u>417,459</u>
EXPENSES					
Program services	296,842	-	-	296,842	205,592
Management and general	25,400	-	-	25,400	26,592
Fundraising	63,635	-	-	63,635	33,777
 Total expenses	<u>385,877</u>	<u>-</u>	<u>-</u>	<u>385,877</u>	<u>265,961</u>
 Change in net assets	(32,082)	79,819	-	47,737	151,498
Net assets, beginning of year	<u>229,367</u>	<u>-</u>	<u>-</u>	<u>229,367</u>	<u>77,869</u>
Net assets, end of year	<u>\$ 197,285</u>	<u>\$ 79,819</u>	<u>\$ -</u>	<u>\$ 277,104</u>	<u>\$ 229,367</u>

See accompanying notes to financial statements.

SADS Foundation
Statement of Functional Expenses
Year Ended December 31, 2008
With Comparative Totals For The Year Ended December 31, 2007

	December 31, 2008										
	Program Services						Supporting Activities			12/31/2008 Total	12/31/2007 Total
	Advocacy	Awareness	Volunteer	Support	Education	Total	Management and General	Fundraising	Total		
Salaries	\$ 7,136	\$ 35,731	\$ 8,522	\$ 43,916	\$ 11,552	\$ 106,857	\$ 12,446	\$ 10,205	\$ 22,651	129,508	110,496
Payroll taxes	613	3,067	732	3,770	992	9,174	1,068	876	1,944	11,118	8,582
Employee benefits	793	3,940	937	4,844	1,265	11,779	1,371	1,117	2,488	14,267	11,931
Total salaries and related expenses	8,542	42,738	10,191	52,530	13,809	127,810	14,885	12,198	27,083	154,893	131,009
Professional fees	3,821	13,523	1,051	21,779	3,246	43,420	1,146	34,811	35,957	79,377	33,996
Travel and training	721	6,406	1,055	5,467	10,302	23,951	5,849	2,646	8,495	32,446	25,288
Printing	1,261	8,313	1,684	9,617	1,700	22,575	124	6,542	6,666	29,241	18,079
Postage	1,379	5,625	1,419	7,603	815	16,841	102	3,613	3,715	20,556	18,475
Occupancy/facilities	865	4,270	698	5,353	1,400	12,586	1,510	1,339	2,849	15,435	12,589
Meeting expenses	5	1,592	4	76	13,236	14,913	10	9	19	14,932	5,874
Awards	2,500	4,500	-	-	3,000	10,000	-	-	-	10,000	-
Telephone	360	2,138	195	2,962	549	6,204	423	492	915	7,119	6,007
Repairs and maintenance	332	1,632	267	2,046	802	5,079	666	512	1,178	6,257	3,395
Office supplies	167	2,537	212	1,492	725	5,133	298	560	858	5,991	4,227
Miscellaneous	610	162	25	658	2,354	3,809	55	49	104	3,913	2,332
Insurance	132	649	106	813	213	1,913	229	203	432	2,345	1,872
Dues/memberships/licenses	129	294	24	410	337	1,194	51	250	301	1,495	1,284
Events	-	437	125	374	-	936	-	312	312	1,248	1,125
Staff training	14	75	12	94	70	265	27	79	106	371	345
Total expenses before depreciation	20,838	94,891	17,068	111,274	52,558	296,629	25,375	63,615	88,990	385,619	265,897
Depreciation	15	71	17	87	23	213	25	20	45	258	64
Total expenses	\$ 20,853	\$ 94,962	\$ 17,085	\$ 111,361	\$ 52,581	\$ 296,842	\$ 25,400	\$ 63,635	\$ 89,035	\$ 385,877	\$ 265,961

See accompanying notes to financial statements.

SADS Foundation
Statement of Cash Flows
Year Ended December 31, 2008
With Comparative Totals For The Year Ended December 31, 2007

	<u>12/31/2008</u>	<u>12/31/2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 47,737	\$ 151,498
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	258	64
Unrealized loss on investments	800	862
Changes in current assets and liabilities:		
Accounts receivable	(50,306)	(20,919)
Prepaid expenses	146	379
Inventory	-	596
Accounts payable	1,627	1,452
Accrued vacation	(10,237)	3,926
Accrued liabilities	<u>3,650</u>	<u>1,709</u>
Net cash provided by (used in) operating activities	<u>(6,325)</u>	<u>139,567</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	<u>-</u>	<u>(1,288)</u>
Net cash (used in) investing activities	<u>-</u>	<u>(1,288)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
	<u>-</u>	<u>-</u>
Net change in cash	(6,325)	138,279
Cash and cash equivalents, beginning of year	<u>213,958</u>	<u>75,679</u>
Cash and cash equivalents, end of year	<u>\$ 207,633</u>	<u>\$ 213,958</u>
SUPPLEMENTAL DISCLOSURE OF 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.

SADS Foundation
Notes to Financial Statements
December 31, 2008

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 related to this disease. In fulfilling this mission, the Organization has the following goals:

Education - To educate health care providers and the lay public 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.

Investments

Investments are carried on the books at their fair value on the date received 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, 2008, the investments consisted entirely of corporate stock.

Fixed Assets

Fixed assets are stated at cost if purchased or fair market value on the date received 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 \$1,000 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, 2008 was \$258.

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 may differ from those estimates.

Contributions

Unconditional promises to give are recognized as contributions when received at the net present value of the amounts expected to be collected. Contributions are considered available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted for future periods or by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes.

When a donor-imposed time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statements of activities and changes in net assets as net assets released from restriction. Donor-restricted contributions whose restrictions are met in the same year the contribution is received are reported as unrestricted. Capital campaign contributions are considered temporarily restricted until the asset is placed into service.

Promises to give

Promises to give are recorded at their estimated fair value. Amounts due later than one year, if any, are recorded at the present value of estimated future cash flows. The Organization estimates the allowance based on analysis of specific donors, taking into consideration the age of past due pledges and an assessment of the donor's ability to pay. At December 31, 2008, management of the Organization considers all promises to be collectible; therefore, no allowance has been recorded.

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 \$250,000. At December 31, 2008, no amounts exceeded the FDIC insurance limit. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

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, 2008.

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, 2008 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of financial position.

Reclassifications

Certain items from December 31, 2007 have been reclassified to conform with the December 31, 2008 presentation.

3. 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>
2009	\$ 13,081
2010	13,473
2011	1,126
	<u>\$ 40,380</u>

Rent expense for the year ended December 31, 2008 was \$15,435.

4. ACCOUNTS AND GRANTS RECEIVABLE, INCLUDING PROMISES TO GIVE

Accounts receivable consisted of the following at December 31, 2008:

Fred Smith (promise to give)	\$ 50,000
PGx Health (promise to give)	20,000
Sales tax	397
Miscellaneous (promises to give)	<u>9,819</u>
	<u>\$ 80,216</u>

The entire amounts of the promises to give are expected to be received in the next fiscal year. Therefore, no allowance for doubtful accounts has been provided.

5. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2008:

Fred Smith (promise to give)	\$ 50,000
PGx Health (promise to give)	20,000
Miscellaneous (promises to give)	<u>9,819</u>
	<u>\$ 79,819</u>

6. PRIOR YEAR INFORMATION

The financial statements for the year ended December 31, 2007 are presented for comparative purposes only. The notes presented herein contain information relating to December 31, 2008. Please refer to the December 31, 2007 audited financial statements for information relating to the notes for the prior year.