

Spondylitis Association of America
(A Nonprofit California Corporation)

Financial Statements

June 30, 2008

(With Auditors' Report Thereon)

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Spondylitis Association of America:

We have audited the accompanying statement of financial position of Spondylitis Association of America (a nonprofit California corporation) as of June 30, 2008, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of Spondylitis Association of America'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 Spondylitis Association of America as of June 30, 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.

Levitt & Rosenblum

Los Angeles, California
October 16, 2008

SPONDYLITIS ASSOCIATION OF AMERICA
(A Nonprofit California Corporation)

Statement of Financial Position

June 30, 2008

Assets

Cash and cash equivalents	\$ 560,677
Investments, at market value (note 3)	1,564,500
Government contract receivable	17,766
Grants receivable (note 4)	170,000
Prepaid expenses	12,251
Property, at cost (note 2)	
Furniture and equipment	102,783
Less: accumulated depreciation	<u>(75,816)</u>
Net property	<u>26,967</u>
Deposits	<u>6,704</u>
Total Assets	\$ <u>2,358,865</u>

Liabilities and Net Assets

Accounts payable	\$ 7,659
Accrued vacation	25,928
Commitments (note 8)	<u> </u>
Total Liabilities	<u>33,587</u>
Net assets:	
Unrestricted net assets	1,638,609
Board designated fund (note 7)	89,415
Temporarily restricted net assets (note 5)	<u>597,254</u>
Total Net Assets	<u>2,325,278</u>
Total Liabilities and Net Assets	\$ <u>2,358,865</u>

See accompanying notes to financial statements.

SPONDYLITIS ASSOCIATION OF AMERICA
(A Nonprofit California Corporation)

Statement of Activities

Year ended June 30, 2008

Changes in unrestricted net assets:	
Revenue and Support:	
Contributions	\$ 757,261
Corporate and foundation grants	509,876
Government contract	106,596
Program revenue	30,300
Interest income	88,533
Realized and unrealized loss on investments	<u>(844)</u>
Total unrestricted revenue	1,491,722
Net assets released from restrictions:	
Satisfaction of program restrictions	<u>270,548</u>
Total unrestricted revenue and other support	<u>1,762,270</u>
Expenses:	
Salaries	542,235
Employee benefits	37,659
Payroll taxes	45,028
Office and administration	61,869
Medical research consulting	103,500
Consulting	205,430
Legal and accounting	45,351
Rent	43,571
Medical conferences presented	107,505
Travel	20,118
Supplies	23,793
Telephone	11,637
Postage	52,473
Printing	50,272
Outreach	1,620
Depreciation	<u>10,780</u>
Total expenses	<u>1,362,841</u>
Increase in unrestricted net assets	<u>399,429</u>
Changes in temporarily restricted net assets:	
Corporate and foundation grants	324,280
Net assets released from restrictions	<u>(270,548)</u>
Increase in temporarily restricted net assets	<u>53,732</u>
Total increase in net assets	453,161
Net assets, beginning of year	<u>1,872,117</u>
Net assets, end of year	\$ <u>2,325,278</u>

See accompanying notes to financial statements.

SPONDYLITIS ASSOCIATION OF AMERICA
(A Nonprofit California Corporation)

Statement of Functional Expenses

Year ended June 30, 2008

	<u>Research</u>	<u>Public Education</u>	<u>Patient Services</u>	<u>Professional Education</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Totals</u>
Salaries	79,667	192,393	123,934	26,339	422,333	81,928	37,974	542,235
Employee benefits	5,234	13,083	8,431	2,325	29,073	5,988	2,598	37,659
Payroll taxes	6,374	15,391	9,915	3,082	34,762	7,159	3,107	45,028
Office and administration	2,940	29,893	3,961	424	37,218	21,166	3,485	61,869
Medical research consulting	103,500	-	-	-	103,500	-	-	103,500
Consulting	192,379	7,450	5,601	-	205,430	-	-	205,430
Legal and accounting	3,045	23,949	4,437	-	31,431	13,050	870	45,351
Rent	7,528	17,568	2,789	-	27,885	13,943	1,743	43,571
Medical conferences presented	1,497	95,834	5,104	5,070	107,505	-	-	107,505
Travel	1,219	12,154	-	2,118	15,491	3,997	630	20,118
Supplies	2,230	8,815	5,208	1,592	17,845	4,758	1,190	23,793
Telephone	975	4,732	2,323	574	8,604	1,872	1,161	11,637
Postage	5,725	17,724	13,282	-	36,731	12,594	3,148	52,473
Printing	1,801	35,975	431	-	38,207	9,552	2,513	50,272
Outreach	-	-	1,296	-	1,296	324	-	1,620
Depreciation	<u>1,177</u>	<u>5,213</u>	<u>1,261</u>	<u>757</u>	<u>8,408</u>	<u>1,617</u>	<u>755</u>	<u>10,780</u>
Total expenses	<u>415,291</u>	<u>480,174</u>	<u>187,973</u>	<u>42,281</u>	<u>1,125,719</u>	<u>177,948</u>	<u>59,174</u>	<u>1,362,841</u>

See accompanying notes to financial statements.

SPONDYLITIS ASSOCIATION OF AMERICA
(A Nonprofit California Corporation)

Statement of Cash Flows

Year ended June 30, 2008

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ 453,161
Adjustments to reconcile change in net assets to net cash from operating activities:	
Depreciation	10,780
Realized and unrealized loss on investments	844
Decrease (Increase) in operating assets:	
Government contract receivable	(7,040)
Grants receivable	70,000
Prepaid expenses	(5,405)
Deposits	(4,345)
Increase (Decrease) in operating liabilities:	
Accrued expenses	<u>816</u>
Net cash provided by operating activities	<u>518,811</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of furniture and equipment	(3,602)
Sale of investments	1,003,044
Purchase of investments	<u>(1,568,489)</u>
Net cash used in investing activities	<u>(569,047)</u>
Net decrease in cash	(50,236)
Cash, beginning	<u>610,913</u>
Cash, ending	\$ <u><u>560,677</u></u>
Supplemental disclosure of cash flow information – cash paid during the year for interest.	\$ <u><u>-</u></u>

See accompanying notes to financial statements.

SPONDYLITIS ASSOCIATION OF AMERICA
(A Nonprofit California Corporation)

Notes to Financial Statements

June 30, 2008

(1) Purpose and Activities

Spondylitis Association of America (SAA) is a nonprofit California Corporation dedicated to advancing education, research, and treatment for ankylosing spondylitis and related diseases. As a patient advocacy organization, SAA seeks to improve the lives of those affected through information, support and connection to community.

(2) Summary of Significant Accounting Policies

Revenue Recognition

In accordance with Statement of Financial Accounting Standards No. 116, SAA reports contributions of cash as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires because the stipulated time restriction ends or purpose restriction is accomplished, the temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Restrictions on contributions of property, or contributions for the purchase of property, expire when the asset is placed in service.

General support received under grants is recorded when unconditionally promised by the grantor.

Depreciation

Additions and improvements that materially extend the life of assets are capitalized. Depreciation is provided over the estimated useful lives of the depreciable assets on a straight-line basis. Buildings are depreciated over forty years. Furniture and equipment are depreciated over five years. Leasehold improvements are capitalized and depreciated over the remaining term of the lease. The estimated life of the assets for depreciation purposes may be different than their actual economic useful lives.

Government Contracts

Revenue from contracted services are recognized as support in accordance with the terms of the contract.

Income Taxes

SAA is exempt from Federal and California income taxes under Section 501(c)(3) of the Internal Revenue code and corresponding California provisions.

Contracts and Grants Receivable

SAA does not maintain an allowance for uncollectible amounts because receivables primarily consist of grants and contracted government reimbursement requests. If any amounts become uncollectible, they will be charged to operations when that determination is made. Management believes all receivables to be collectible at June 30, 2008.

SPONDYLITIS ASSOCIATION OF AMERICA
(A Nonprofit California Corporation)

Notes to Financial Statements, Continued

June 30, 2008

(2) Summary of Significant Accounting Policies, Continued

Statement of Cash Flows

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

Cash paid for the following as of June 30, 2008:

Income taxes: None

Estimates

The preparation of financial statements in conformity with 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.

Business and Credit Concentrations

SAA derived approximately 42% of its revenue from general public contributions, and 46% from corporation and foundation grants for the year ended June 30, 2008. The Organization is subject to business risks associated with the level of charitable giving in both the private and public sectors based on general economic conditions.

The Organization's cash and cash equivalents are maintained in bank deposit accounts and a brokerage account, which at times, is in excess of federally insured amounts. The balance varies throughout the year. SAA has exposure to credit risk to the extent its cash and cash equivalents exceed the limits established by the federal deposit insurance corporation and the security investor protection corporation. The Organization has not experienced any losses in such accounts. At June 30, 2008, the uninsured balance approximates \$145,000 based on the actual bank balance. SAA believes it is not exposed to any significant credit risk on cash and cash equivalents.

(3) Investments

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 statement of activities. At June 30, 2008, the fair market values of investments, classified by type, are as follows:

Certificates of Deposit	\$ 1,497,967
Equity Mutual Fund	<u>66,533</u>
Total	\$ <u>1,564,500</u>

Certificates of Deposit have maturity dates ranging between October, 2008 through October, 2009, with interest rates ranging from 3.20% to 5.25%.

SPONDYLITIS ASSOCIATION OF AMERICA
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Notes to Financial Statements, Continued

June 30, 2008

(4) Grants Receivable

Grants receivable at June 30, 2008 consist of the following amounts:

Abbott Laboratories	\$ 25,000
Centocor, Inc.	40,000
Pfizer Inc.	25,000
Wyeth Pharmaceuticals	<u>80,000</u>
Total	\$ <u>170,000</u>

(5) Restrictions on Net Assets

Temporarily restricted net assets at June 30, 2008, are available for the following purposes:

Development of diagnostic procedures	\$ 109,211
Medical response training	100,000
Patient education and conferences	66,581
Spartan physicians medical conference	<u>321,462</u>
Total	\$ <u>597,254</u>

(6) Functional Expenses

Functional expenses for the year ended June 30, 2008 are allocated as follows:

Program Services	\$ 1,125,719
Management and General	177,948
Fundraising	<u>59,174</u>
Total	\$ <u>1,362,841</u>

(7) Board Designated Net Assets

In March 2006, the Board of Directors established the "Jane Bruckel Research Fund," as a Board designated fund. These funds are to be used at the discretion of the board for medical research related to ankylosing spondylitis.

(8) Commitments

In May 2008, SSA entered into a one-year operating lease agreement for its office facilities expiring April 30, 2009. The agreement requires a monthly lease payment of \$3,771 throughout the lease term plus a pro-rata share of building operating costs. Rent expense for the year ending June 30, 2008 totaled \$43,571.