

Spondylitis Association of America
(A Nonprofit California Corporation)

Financial Statements

June 30, 2009

(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, 2009, 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, 2009, 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 27, 2009

SPONDYLITIS ASSOCIATION OF AMERICA
(A Nonprofit California Corporation)

Statement of Financial Position

June 30, 2009

Assets

Cash and cash equivalents	\$ 594,431
Investments, at market value (note 3)	1,381,975
Government contract receivable	6,435
Grants receivable (note 4)	125,000
Prepaid expenses	12,290
Property, at cost (note 2)	
Furniture and equipment	103,414
Less: accumulated depreciation	<u>(85,160)</u>
Net property	<u>18,254</u>
Deposits	<u>2,546</u>
Total Assets	\$ <u>2,140,931</u>

Liabilities and Net Assets

Accounts payable	\$ 6,702
Accrued vacation	19,169
Commitments (note 8)	<u> </u>
Total Liabilities	<u>25,871</u>
Net assets:	
Unrestricted net assets	1,482,963
Board designated fund (note 7)	77,935
Temporarily restricted net assets (note 5)	<u>554,162</u>
Total Net Assets	<u>2,115,060</u>
Total Liabilities and Net Assets	\$ <u>2,140,931</u>

See accompanying notes to financial statements.

SPONDYLITIS ASSOCIATION OF AMERICA
(A Nonprofit California Corporation)

Statement of Activities

Year ended June 30, 2009

Changes in unrestricted net assets:	
Revenue and Support:	
Contributions	\$ 428,278
Corporate and foundation grants	297,260
Government contract	77,221
Program revenue	26,145
Interest income	68,576
Realized and unrealized loss on investments	<u>(11,654)</u>
Total unrestricted revenue	885,826
Net assets released from restrictions:	
Satisfaction of program restrictions	<u>332,200</u>
Total unrestricted revenue and other support	<u>1,218,026</u>
Expenses:	
Salaries	532,041
Employee benefits	43,519
Payroll taxes	43,947
Office and administration	57,467
Medical research consulting	50,000
Consulting	3,600
Medical research	89,041
Physician education	54,760
Patient education	14,526
Legal and accounting	50,772
Rent	45,252
Medical conferences presented	120,864
Travel	22,785
Supplies	7,870
Telephone	11,186
Postage	51,866
Printing	51,241
Outreach	17,000
Medical response training	108,071
Depreciation	<u>9,344</u>
Total expenses	<u>1,385,152</u>
Decrease in unrestricted net assets	<u>(167,126)</u>
Changes in temporarily restricted net assets:	
Corporate and foundation grants	289,108
Net assets released from restrictions	<u>(332,200)</u>
Decrease in temporarily restricted net assets	<u>(43,092)</u>
Total decrease in net assets	(210,218)
Net assets, beginning of year	<u>2,325,278</u>
Net assets, end of year	\$ <u>2,115,060</u>

See accompanying notes to financial statements.

SPONDYLITIS ASSOCIATION OF AMERICA
(A Nonprofit California Corporation)

Statement of Functional Expenses

Year ended June 30, 2009

	<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	73,495	196,485	127,658	19,250	416,888	77,142	38,011	532,041
Employee benefits	4,129	15,086	9,979	4,403	33,597	6,919	3,003	43,519
Payroll taxes	2,312	25,577	2,957	3,081	33,927	6,988	3,032	43,947
Office and administration	2,765	26,871	4,846	-	34,482	19,823	3,162	57,467
Medical research consulting	50,000	-	-	-	50,000	-	-	50,000
Consulting	-	3,600	-	-	3,600	-	-	3,600
Medical research	89,041	-	-	-	89,041	-	-	89,041
Physician education	-	-	-	54,760	54,760	-	-	54,760
Patient education	-	-	-	-	14,526	-	-	14,526
Legal and accounting	1,985	26,800	6,467	-	35,252	14,550	970	50,772
Rent	7,736	17,950	3,275	-	28,961	14,481	1,810	45,252
Medical conferences presented	69,522	40,591	4,017	6,734	120,864	-	-	120,864
Travel	3,456	13,956	977	1,566	19,955	2,117	713	22,785
Supplies	477	247	5,179	-	5,903	1,574	393	7,870
Telephone	986	1,006	5,792	486	8,270	1,800	1,116	11,186
Postage	5,347	22,099	8,358	502	36,306	12,448	3,112	51,866
Printing	952	33,452	4,539	-	38,943	9,736	2,562	51,241
Outreach	-	-	17,000	-	17,000	-	-	17,000
Medical response training	-	-	-	108,071	108,071	-	-	108,071
Depreciation	1,074	5,085	1,129	-	7,288	1,402	654	9,344
Total expenses	<u>313,277</u>	<u>428,805</u>	<u>216,699</u>	<u>198,853</u>	<u>1,157,634</u>	<u>168,980</u>	<u>58,538</u>	<u>1,385,152</u>

See accompanying notes to financial statements.

SPONDYLITIS ASSOCIATION OF AMERICA
(A Nonprofit California Corporation)

Statement of Cash Flows

Year ended June 30, 2009

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ (210,218)
Adjustments to reconcile change in net assets to net cash from operating activities:	
Depreciation	9,344
Unrealized loss on investments	11,654
Decrease (Increase) in operating assets:	
Government contract receivable	11,331
Grants receivable	45,000
Prepaid expenses	(39)
Deposits	4,158
Increase (Decrease) in operating liabilities:	
Accrued expenses	<u>(7,716)</u>
Net cash used in operating activities	<u>(136,486)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of furniture and equipment	(631)
Sale of investments	200,000
Purchase of investments	<u>(29,129)</u>
Net cash provided by investing activities	<u>170,240</u>
Net increase in cash	33,754
Cash, beginning	<u>560,677</u>
Cash, ending	\$ <u>594,431</u>
Supplemental disclosure of cash flow information –	
cash paid during the year for interest.	\$ <u> -</u>

See accompanying notes to financial statements.

SPONDYLITIS ASSOCIATION OF AMERICA
(A Nonprofit California Corporation)

Notes to Financial Statements

June 30, 2009

(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 is 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, 2009.

SPONDYLITIS ASSOCIATION OF AMERICA
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Notes to Financial Statements, Continued

June 30, 2009

(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, 2009:

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 36% of its revenue from general public contributions, and 50% from corporation and foundation grants for the year ended June 30, 2009. 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, 2009, the Organization's cash and cash equivalents fall within insurance limits 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, 2009, the fair market values of investments, classified by type, are as follows:

Certificates of Deposit	\$ 1,304,040
Equity Mutual Fund	<u>77,935</u>
Total	\$ <u>1,381,975</u>

Certificates of Deposit have maturity dates ranging between October, 2009 through October, 2010; with interest rates ranging from 1.05% to 4.0%.

SPONDYLITIS ASSOCIATION OF AMERICA
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Notes to Financial Statements, Continued

June 30, 2009

(4) Grants Receivable

Grants receivable at June 30, 2009 consist of the following amounts:

Centocor Ortho Biotech, Inc.	\$ 100,000
Abbott Laboratories	<u>25,000</u>
Total	\$ <u>125,000</u>

(5) Restrictions on Net Assets

Temporarily restricted net assets at June 30, 2009, are available for the following purposes:

Development of diagnostic procedures	\$ 111,133
Medical response training	11,471
Patient education and conferences	159,108
CDC Foundation health research	100,000
Spartan physicians medical conference	<u>172,450</u>
Total	\$ <u>554,162</u>

(6) Functional Expenses

Functional expenses for the year ended June 30, 2009 are allocated as follows:

Program Services	\$ 1,157,634
Management and General	168,980
Fundraising	<u>58,538</u>
Total	\$ <u>1,385,152</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, 2009, SSA entered into an agreement to rent its office facilities for a monthly payment of \$3,921 plus a pro-rata share of building operating costs. Rent is subject to an annual 4% increase each April. Either party may cancel the lease with 90 days notice. Rent expense for the year ending June 30, 2009 totaled \$45,252.