

Spondylitis Association of America
(A Nonprofit California Corporation)

Financial Statements

June 30, 2007

(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, 2007, and the related statements of activities 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, 2007, 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
September 11, 2007

SPONDYLITIS ASSOCIATION OF AMERICA
(A Nonprofit California Corporation)

Statement of Financial Position

June 30, 2007

Assets

Cash and cash equivalents	\$ 610,913
Investments, at market value (note 3)	999,899
Government contract receivable	10,726
Grants receivable (note 4)	240,000
Prepaid expenses	6,846
Property, at cost (note 2)	
Furniture and equipment	99,181
Less: accumulated depreciation	<u>(65,036)</u>
Net property	<u>34,145</u>
Deposits	<u>2,359</u>
Total Assets	\$ <u>1,904,888</u>

Liabilities and Net Assets

Accounts payable	\$ 7,659
Accrued vacation	25,112
Commitments (note 8)	<u> </u>
Total Liabilities	<u>32,771</u>
Net assets:	
Unrestricted net assets	1,254,885
Board designated fund (note 7)	73,710
Temporarily restricted net assets (note 5)	<u>543,522</u>
Total Net Assets	<u>1,872,117</u>
Total Liabilities and Net Assets	\$ <u>1,904,888</u>

See accompanying notes to financial statements.

SPONDYLITIS ASSOCIATION OF AMERICA
(A Nonprofit California Corporation)

Statement of Activities

Year ended June 30, 2007

Changes in unrestricted net assets:	
Revenue and Support:	
Contributions	\$ 472,970
Corporate and foundation grants	274,327
Government contract	96,580
Program revenue	18,946
Interest income	68,847
Unrealized gain on investment	<u>2,825</u>
Total unrestricted revenue	934,495
Net assets released from restrictions:	
Satisfaction of program restrictions	<u>366,946</u>
Total unrestricted revenue and other support	<u>1,301,441</u>
Expenses:	
Salaries	602,468
Employee benefits	34,964
Payroll taxes	51,884
Office and administration	54,448
Medical research consulting	55,000
Consulting	40,119
Legal and accounting	29,410
Rent	43,011
Medical conferences presented	113,988
Travel	36,880
Supplies	13,859
Postage	53,975
Printing	68,633
Outreach	25,229
Depreciation	<u>10,133</u>
Total expenses	<u>1,234,001</u>
Increase in unrestricted net assets	<u>67,440</u>
Changes in temporarily restricted net assets:	
Corporate and foundation grants	90,000
Net assets released from restrictions	<u>(366,946)</u>
Decrease in temporarily restricted net assets	<u>(276,946)</u>
Total decrease in net assets	(209,506)
Net assets, beginning of year	<u>2,081,623</u>
Net assets, end of year	\$ <u>1,872,117</u>

See accompanying notes to financial statements.

SPONDYLITIS ASSOCIATION OF AMERICA
(A Nonprofit California Corporation)

Statement of Cash Flows

Year ended June 30, 2007

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ (209,506)
Adjustments to reconcile change in net assets to net cash from operating activities:	
Depreciation	10,133
Donated securities included in contributions	(3,143)
Unrealized gain on investment	(2,825)
Decrease (Increase) in operating assets:	
Government contract receivable	(10,726)
Grants receivable	165,000
Prepaid expenses	1,051
Deposits	712
Increase (Decrease) in operating liabilities:	
Accounts payable	(74,550)
Accrued expenses	<u>(12,297)</u>
Net cash used in operating activities	<u>(136,151)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Sale of investments	1,100,000
Purchase of investments	(1,000,000)
Purchase of furniture and equipment	<u>(24,725)</u>
Net cash provided by investing activities	<u>75,275</u>
Net decrease in cash	(60,876)
Cash, beginning	<u>671,789</u>
Cash, ending	\$ <u>610,913</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, 2007

(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, 2007.

SPONDYLITIS ASSOCIATION OF AMERICA
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Notes to Financial Statements, Continued

June 30, 2007

(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, 2007:

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

The Agency derived approximately 46% of its revenue from general public contributions, and 36% from corporation and foundation grants for the year ended June 30, 2007. The Agency is subject to business risks associated with the level of charitable giving in both the private and public sectors.

The Agency'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 Agency has not experienced any losses in such accounts. At June 30, 2007, the uninsured balance approximates \$154,000 based on the actual bank balance. The Agency 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, 2007, the fair market values of investments, classified by type, are as follows:

Certificates of Deposit	\$ 996,756
Equity Securities	<u>3,143</u>
Total	\$ <u>999,899</u>

Certificates of Deposit have maturity dates ranging between October, 2007 to July, 2008 with interest rates ranging from 4.95% to 5.45%.

SPONDYLITIS ASSOCIATION OF AMERICA
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Notes to Financial Statements, Continued

June 30, 2007

(4) Grants Receivable

Grants receivable at June 30, 2007 consist of the following amounts:

Centocor, Inc.	\$ 60,000
Abbott Laboratories	100,000
Wyeth Pharmaceuticals	<u>80,000</u>
Total	\$ <u>240,000</u>

(5) Restrictions on Net Assets

Temporarily restricted net assets at June 30, 2007, are available for the following purposes:

Development of diagnostic procedures	\$ 104,612
Patient education and conferences	63,612
Spartan physicians medical conference	<u>375,298</u>
Total	\$ <u>543,522</u>

(6) Functional Expenses

Functional expenses for the year ended June 30, 2007 are allocated as follows:

Program Services	\$ 999,847
Management and General	182,518
Fundraising	<u>51,636</u>
Total	\$ <u>1,234,001</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

SSA rents its facilities on a month to month basis at \$3,584 per month. The rental agreement can be terminated by either party with one month's notice. Rent expense for the year ending June 30, 2007 totaled \$43,011.