

Financial Statements

**NATIONAL CENTER ON
SHAKEN BABY SYNDROME**

(A Nonprofit Corporation)

June 30, 2008 and 2007

(With Independent Auditors' Report)

NATIONAL CENTER ON SHAKEN BABY SYNDROME
Financial Statements
June 30, 2008 and 2007
(With Independent Auditors' Report)

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INDEPENDENT AUDITORS' REPORT

**The Board of Directors
National Center on Shaken Baby Syndrome
Ogden, Utah**

We have audited the accompanying statements of financial position of the National Center on Shaken Baby Syndrome (a nonprofit corporation) as of June 30, 2008 and 2007, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 our audits provide 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 the National Center on Shaken Baby Syndrome as of June 30, 2008 and 2007, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Ogden, Utah
September 9, 2008

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NATIONAL CENTER ON SHAKEN BABY SYNDROME
Statements of Financial Position
June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 316,660	\$ 195,464
Investments	492,628	722,601
Accounts receivable, net	122,341	22,890
Inventory, net	135,393	81,048
Prepaid expenses	<u>49,276</u>	<u>14,477</u>
Total current assets	<u>1,116,298</u>	<u>1,036,480</u>
Furniture, equipment and software	73,847	81,494
Accumulated depreciation	<u>(45,674)</u>	<u>(67,022)</u>
Furniture, equipment and software, net	<u>28,173</u>	<u>14,472</u>
	<u>\$ 1,144,471</u>	<u>\$ 1,050,952</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable	\$ 19,759	\$ 13,199
Accrued expenses	28,579	22,286
Deferred revenue	<u>50,655</u>	<u>8,000</u>
Total current liabilities	<u>98,993</u>	<u>43,485</u>
Net assets:		
Temporarily restricted	218,291	168,710
Unrestricted	<u>827,187</u>	<u>838,757</u>
Total net assets	<u>1,045,478</u>	<u>1,007,467</u>
	<u>\$ 1,144,471</u>	<u>\$ 1,050,952</u>

See accompanying notes and auditors' report.

NATIONAL CENTER ON SHAKEN BABY SYNDROME
Statements of Activities
For The Years Ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
<u>UNRESTRICTED NET ASSETS</u>		
Revenues and support:		
Conferences and services	\$ 659,785	\$ 558,281
Donated materials and services	46,364	32,550
Net assets released from restrictions	491,703	406,300
Translation loss	-	(3,711)
Interest income	4,145	2,665
Loss on disposal of fixed assets	(1,094)	(179)
Investment income (loss)	<u>(19,609)</u>	<u>70,245</u>
Total revenues and support	<u>1,181,294</u>	<u>1,066,151</u>
Expenses:		
Programs and services	899,285	821,867
Fundraising	82,355	-
General and administrative	<u>211,224</u>	<u>166,153</u>
Total expenses	<u>1,192,864</u>	<u>988,020</u>
Increase (decrease) in unrestricted net assets	<u>(11,570)</u>	<u>78,131</u>
<u>TEMPORARILY RESTRICTED NET ASSETS</u>		
Revenues and support:		
Grants, foundation and public support	537,507	446,384
Investment income	3,777	-
Net assets released from restrictions	<u>(491,703)</u>	<u>(406,300)</u>
Increase in temporarily restricted net assets	<u>49,581</u>	<u>40,084</u>
Increase in net assets	38,011	118,215
Net assets, beginning of year	<u>1,007,467</u>	<u>889,252</u>
Net assets, end of year	<u>\$ 1,045,478</u>	<u>\$ 1,007,467</u>

See accompanying notes and auditors' report.

NATIONAL CENTER ON SHAKEN BABY SYNDROME
Statement of Functional Expenses
For The Year Ended June 30, 2008

<u>Expense</u>	<u>Programs & Services</u>	<u>Fundraising</u>	<u>General & Administrative</u>	<u>Total</u>
Salaries	\$ 261,152	\$ 64,283	\$ 76,336	\$ 401,771
Program and grant expense	222,204	-	-	222,204
Program materials costs	198,425	-	-	198,425
Payroll taxes and benefits	26,369	10,101	23,741	60,211
Marketing	-	-	57,485	57,485
Postage	33,554	1,119	10,066	44,739
Rent	30,227	1,008	9,068	40,303
Travel	23,575	2,526	7,577	33,678
Office supplies	21,997	733	6,599	29,329
Professional services	22,408	833	2,500	25,741
Depreciation	10,192	340	3,058	13,590
Telephone and internet	9,682	323	2,905	12,910
Miscellaneous	8,766	524	2,720	12,010
Printing	9,908	-	-	9,908
Repairs and maintenance	9,479	316	2,843	12,638
Training	7,598	-	-	7,598
Advisory board	-	-	5,581	5,581
Mileage and car allowance	2,319	249	745	3,313
Direct conference costs	1,430	-	-	1,430
Total functional expenses	<u>\$ 899,285</u>	<u>\$ 82,355</u>	<u>\$ 211,224</u>	<u>\$1,192,864</u>

See accompanying notes and auditors' report.

NATIONAL CENTER ON SHAKEN BABY SYNDROME
Statement of Functional Expenses
For The Year Ended June 30, 2007

<u>Expense</u>	<u>Programs & Services</u>	<u>General & Administrative</u>	<u>Total</u>
Salaries	\$ 311,827	\$ 99,220	\$411,047
Program materials costs	155,023	-	155,023
Payroll taxes and benefits	57,420	18,270	75,690
Marketing	8,155	2,595	10,750
Postage	32,029	10,191	42,220
Rent	18,201	5,791	23,992
Travel	19,440	6,185	25,625
Office supplies	8,355	2,660	11,015
Professional services	18,117	396	18,513
Depreciation	6,887	2,191	9,078
Telephone and internet	10,875	3,460	14,335
Miscellaneous	25,261	7,967	33,228
Printing	16,781	5,339	22,120
Repairs and maintenance	4,951	1,575	6,526
Advisory board	2,976	-	2,976
Mileage and car allowance	985	313	1,298
Program costs	17,416	-	17,416
Direct conference costs	<u>107,168</u>	<u>-</u>	<u>107,168</u>
Total functional expenses	<u>\$ 821,867</u>	<u>\$166,153</u>	<u>\$988,020</u>

See accompanying notes and auditors' report.

NATIONAL CENTER ON SHAKEN BABY SYNDROME
Statements of Cash Flows
For The Years Ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:		
Increase in net assets	\$ 38,011	\$ 118,215
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Depreciation	13,590	9,078
Unrealized (gain) loss on investments	70,835	(28,439)
Loss on disposal of furniture, equipment and software	1,094	179
Provision for obsolete inventory	-	8
Change in:		
Accounts receivable	(99,451)	1,274
Prepaid expenses	(34,799)	21,032
Inventory	(54,345)	(24,224)
Accounts payable	6,560	(14,902)
Accrued expenses	6,293	(119)
Deferred revenue	<u>42,655</u>	<u>(56,588)</u>
Net cash provided by (used in) operating activities	<u>(9,557)</u>	<u>25,514</u>
Cash flows from investing activities:		
Purchase of investments	-	(14,654)
Sale of investments	159,138	-
Purchase of furniture, equipment and software	<u>(28,385)</u>	<u>(5,937)</u>
Net cash used in investing activities	<u>130,753</u>	<u>(20,591)</u>
Net increase in cash and cash equivalents	121,196	4,923
Cash and cash equivalents, beginning of period	<u>195,464</u>	<u>190,541</u>
Cash and cash equivalents, end of period	<u>\$ 316,660</u>	<u>\$ 195,464</u>

See accompanying notes and auditors' report.

NATIONAL CENTER ON SHAKEN BABY SYNDROME
Notes to Financial Statements
June 30, 2008 and 2007

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the National Center on Shaken Baby Syndrome (the "Center") is presented to assist in understanding the Center's financial statements. The financial statements and notes are representations of the Center's management, who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America.

Nature of Activities

The National Center on Shaken Baby Syndrome is a nonprofit corporation. The Center is a nationally recognized provider of educational services and training in regard to preventing shaken baby syndrome. While the majority of the Center's activities take place in Utah, the Center presents programs both nationally and internationally.

Basis of Accounting

The financial statements of the Center have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

Basis of Presentation

The Center reports its financial statement activity under the provisions of Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-For-Profit Organizations*. In accordance with the provisions of SFAS No. 117, the Center is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

In accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, support that is restricted by a donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction (Note 7). When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

NATIONAL CENTER ON SHAKEN BABY SYNDROME
Notes to Financial Statements, continued
June 30, 2008 and 2007

**1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES,
continued**

Basis of Presentation, continued

It is the directive of the Board of Directors to use all unrestricted net assets to fund the following: ongoing and future shaken baby prevention programs, SBS research projects, up front funding for conferences and symposiums and as matching funds when applying for grants. As of June 30, 2008 and 2007, the unrestricted funds that fit in these categories were \$827,187 and \$838,757, respectively. The Center projects that a significant portion of these balances will be required to maintain ongoing operations in the next several years.

Income Taxes

The Center is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. It operated as a private operating foundation under Section 4942 (j)(3) of the Internal Revenue Code during the year ended June 30, 2007. During the year ended June 30, 2008, it applied for and was granted status as a nonprofit organization.

Financial Instruments

Cash and cash equivalents include highly liquid, short-term investments with original maturities of three months or less that are readily convertible to known amounts of cash. The amounts reported as cash and cash equivalents, accounts receivable, marketable securities, accounts payable, accrued expenses, prepaid expenses and deferred revenues are considered to be reasonable approximations of the fair value of these assets and liabilities as of June 30, 2008 and 2007.

Furniture, Equipment and Software

All major furniture, equipment and software expenditures are capitalized. Donated property and equipment are recorded at their estimated fair values at the time of donation. Expenditures for maintenance and repairs are expensed as incurred. Furniture, equipment and software are depreciated on a straight-line basis over their estimated useful lives of three to ten years.

When furniture, equipment and software are sold or otherwise disposed of, the related cost and accumulated depreciation are removed from the accounts and the resulting gain or loss is reflected in the statements of activities. Depreciation expense for the fiscal years ended June 30, 2008 and 2007, was \$13,590 and \$9,078, respectively.

NATIONAL CENTER ON SHAKEN BABY SYNDROME
Notes to Financial Statements, continued
June 30, 2008 and 2007

1. **NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES,**
continued

Inventory

Inventory consists primarily of printed materials for the education and prevention of shaken baby syndrome, and is stated at the lower of cost (first-in, first-out) or market. Provisions, when required, are made to reduce excess and obsolete inventory to its estimated net realizable value. As of June 30, 2008 and 2007, the provision for obsolete inventory was \$3,113 each year.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of 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.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Foreign Currency Translation

Funds received and disbursed for Canadian conferences or seminars are maintained in a separate general ledger and combined with U.S. operations for financial reporting purposes. Assets and liabilities of the Canadian operations are translated using the average exchange rates for the reporting period. Translation adjustments are reported in the statements of activities, as an adjustment to net assets. The Canadian accounts were closed in the year ended June 30, 2007 and the funds were transferred to a U.S. investment account.

Financial Statement Presentation

Certain reclassifications were made to the 2007 financial statement presentation to conform to the 2008 financial statement presentation. These reclassifications have no impact on previously reported net income or net assets.

NATIONAL CENTER ON SHAKEN BABY SYNDROME
Notes to Financial Statements, continued
June 30, 2008 and 2007

2. INVESTMENTS

The Center has a commitment to keep an investment account of enough funds to operate without additional funding for one full year. At June 30, 2008, investments consisted of mutual funds totaling approximately \$492,500. At June 30, 2007, investments consisted of mutual funds totaling approximately \$363,000 and certificates of deposit totaling approximately \$284,000.

The fair value of investments is the net asset values as reported by the broker. These securities are subject to fluctuations in value due to changes in interest rates and other factors affecting the financial markets.

Investment gains consisted of the following for the fiscal year ended June 30, 2008:

	<u>2008</u>
Interest	\$ 15,900
Dividends	13,244
Capital Gains	21,544
Realized gains	4,315
Unrealized losses	<u>(70,835)</u>
	<u>\$ (15,832)</u>

3. ACCOUNTS RECEIVABLE

Various accounts receivable arise in the normal course of operations of the Center. Receivables are due 30 days after the issuance of the invoice and are considered delinquent when 90 days past due. Interest is generally not charged on overdue receivables. The collectibility of accounts receivable is assessed periodically. As of June 30, 2008 and 2007, an allowance of \$1,500 was provided for potentially uncollectible accounts.

4. DEFERRED REVENUES AND PREPAID EXPENSES

Deferred revenues and prepaid expenses are comprised primarily of amounts earned and amounts paid prior to year-end directly related to conferences to be held in the following fiscal year. The Center recognizes the revenues and expenses in the month the event occurs.

NATIONAL CENTER ON SHAKEN BABY SYNDROME
Notes to Financial Statements, continued
June 30, 2008 and 2007

5. OFFICE SPACE

The Center maintains office and storage space in Ogden, Utah. For the fiscal year ending June 30, 2007, a private foundation contributed office and storage space with a fair value of \$20,392. For the fiscal year ended June 30, 2008, the Center paid rent of \$5,982 for office space and a private foundation contributed office and storage space with a fair value of \$34,321.

6. RETIREMENT SAVINGS PLAN

The Center has a qualified retirement plan covering eligible employees. For the fiscal years ended June 30, 2008 and 2007, the Center's contribution to the retirement plan was \$6,252 and \$7,026, respectively.

7. TEMPORARILY RESTRICTED NET ASSETS

During the year ended June 30, 2008, the Center received funds for use in supporting the Utah Hospital Based Program, the Period of Purple program and for the North American Conference. When requirements of the restrictions are met, the funds will no longer be considered temporarily restricted. As of June 30, 2008, temporarily restricted net assets totaled \$218,291.

During the year ended June 30, 2007, the Center received funds from private foundations and the Canadian government which are restricted for use in supporting Canadian SBS prevention programs offered in British Columbia, and for use in supporting the Incidence Symposium and the North America conferences, both to be held in the fall of 2007. When requirements of the restrictions are met, the funds will no longer be considered temporarily restricted. As of June 30, 2007, temporarily restricted net assets totaled \$168,710.

NATIONAL CENTER ON SHAKEN BABY SYNDROME
Notes to Financial Statements, continued
June 30, 2008 and 2007

8. DONATED MATERIALS AND SERVICES

The Center records the value of donated materials or services when there is an objective basis available to measure the value of the material and services. Donated materials and services included in the statements of activities for the fiscal year ended June 30, 2008, consisted of rent in the amount of \$34,321, selling and printing and resource material services of \$520, computer services of \$3,250, consulting, presentation and board expenses of \$7,217 and professional services of \$7,273. Donated materials and services included in the statements of activities for the fiscal year ended June 30, 2007, consisted of rent in the amount of \$20,392, selling and printing and resource material services of \$3,849 and professional services of \$8,309.

No amounts have been reflected in the financial statements for volunteer services as no objective basis is available to measure the value of these services. Nevertheless, a substantial number of volunteers donated significant amounts of time to the Center's programs and fund raising efforts.

9. CONCENTRATIONS OF CREDIT RISK

The Center maintains its cash with two financial institutions. At various times during the fiscal year, the Center's cash in bank balances may exceed federally insured limits. As of June 30, 2008 and June 30, 2007, the Center's uninsured cash balances totaled approximately \$117,630 and \$53,900, respectively.

10. CONCENTRATIONS OF REVENUE

During the fiscal year ended June 30, 2008, the Center received approximately 60 percent of its foundation, grant and public support revenue from a single grantor. In total, the organization provided approximately 23 percent of the Center's total revenue.

During the fiscal year ended June 30, 2007, the Center received approximately 97 percent of its foundation and public support revenue from a single grantor. In total, the organization provided approximately 36 percent of the Center's total revenue.

11. RESTATEMENT OF JUNE 30, 2007 FINANCIAL STATEMENTS

The June 30, 2007 financial statements have been restated to include an investment account that was opened in the fiscal year ended June 30, 2007 and was not recorded on the financial statements.

NATIONAL CENTER ON SHAKEN BABY SYNDROME
Notes to Financial Statements, continued
June 30, 2008 and 2007

11. RESTATEMENT OF JUNE 30, 2007 FINANCIAL STATEMENTS, continued

The effect of the restatement has been reflected in the accompanying statement of financial position as of June 30, 2007, and the related statements of activities and cash flows for the year then ended.

The effects of the restatement as of June 30, 2007, and for the year then ended are as follows:

	<u>Previously Stated Balance</u>	<u>Adjustment</u>	<u>Restated Balance</u>
Statement of Financial Position			
Investments	\$ 647,557	\$ 75,044	\$ 722,601
Statement of Activities			
Investment income (loss)	\$ (4,799)	\$ 75,044	\$ 70,245
Increase in Net Assets	<u>\$ 43,171</u>	<u>\$ 75,044</u>	<u>\$ 118,215</u>