

*Financial Statements*

**NATIONAL CENTER ON  
SHAKEN BABY SYNDROME**

**(A Nonprofit Corporation)**

**June 30, 2006 and 2005**

**(With Independent Auditors' Report)**

**NATIONAL CENTER ON SHAKEN BABY SYNDROME**  
**Financial Statements**  
**June 30, 2006 and 2005**  
**(With Independent Auditors' Report)**

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## INDEPENDENT AUDITORS' REPORT

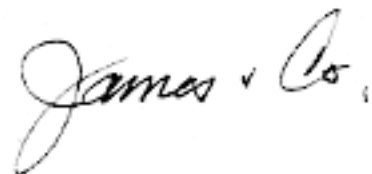
**The Board of Directors  
National Center on Shaken Baby Syndrome  
Ogden, Utah**

We have audited the accompanying statements of financial position of the National Center on Shaken Baby Syndrome (a nonprofit corporation) as of June 30, 2006 and 2005, 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, 2006 and 2005, 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  
July 20, 2006



**JAMES & CO.**  
Business Advisors, CPAs

NATIONAL CENTER ON SHAKEN BABY SYNDROME  
 Statements of Financial Position  
 June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
<b><u>ASSETS</u></b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 190,541	\$ 167,916
Investments	679,508	597,847
Accounts receivable, net	24,164	26,360
Inventory, net	56,832	39,080
Prepaid expenses	35,509	2,351
<b>Total current assets</b>	<u>986,554</u>	<u>833,554</u>
Furniture, equipment and software	76,784	74,284
Accumulated depreciation	<u>(58,992)</u>	<u>(59,881)</u>
<b>Furniture, equipment and software, net</b>	<u>17,792</u>	<u>14,403</u>
	<u>\$ 1,004,346</u>	<u>\$ 847,957</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 28,101	\$ -
Accrued expenses	22,405	17,692
Deferred revenue	64,588	-
<b>Total current liabilities</b>	<u>115,094</u>	<u>17,692</u>
<b>Net assets:</b>		
Temporarily restricted	98,626	52,917
Unrestricted	790,626	777,348
<b>Total net assets</b>	<u>889,252</u>	<u>830,265</u>
	<u>\$ 1,004,346</u>	<u>\$ 847,957</u>

See accompanying notes and auditors' report.

**NATIONAL CENTER ON SHAKEN BABY SYNDROME**  
**Statements of Activities**  
**For The Years Ended June 30, 2006 and 2005**

	<u>2006</u>	<u>2005</u>
<b><u>UNRESTRICTED NET ASSETS</u></b>		
<b>Revenues and support:</b>		
Foundation and public support	\$ 419,868	\$ 625,256
Conferences and services	322,813	415,745
Donated materials and services	28,459	32,205
Net assets released from restrictions	-	132,500
Translation gain	6,102	817
Interest income	1,951	3,899
Loss on disposal of fixed assets	(1,673)	-
Investment income (loss)	25,428	(1,032)
	<u>802,948</u>	<u>1,209,390</u>
<b>Total revenues and support</b>		
<b>Expenses:</b>		
Programs and services	629,389	841,166
General and administrative	160,281	67,262
	<u>789,670</u>	<u>908,428</u>
<b>Total expenses</b>		
	<u>13,278</u>	<u>300,962</u>
<b>Increase in unrestricted net assets</b>		
<b><u>TEMPORARILY RESTRICTED NET ASSETS</u></b>		
<b>Revenues and support:</b>		
Grants restricted for Canadian programs	17,485	52,917
Grants restricted for North American conference	4,484	-
Grants restricted for Incidence Symposium	23,740	-
Net assets released from restrictions	-	(132,500)
	<u>45,709</u>	<u>(79,583)</u>
<b>Increase (decrease) in temporarily restricted net assets</b>		
	58,987	221,379
<b>Increase in net assets</b>		
Net assets, beginning of year	<u>830,265</u>	<u>608,886</u>
<b>Net assets, end of year</b>	<u>\$ 889,252</u>	<u>\$ 830,265</u>

See accompanying notes and auditors' report.

**NATIONAL CENTER ON SHAKEN BABY SYNDROME**  
**Statement of Functional Expenses**  
**For The Year Ended June 30, 2006**

<u>Expense</u>	<u>Programs &amp; Services</u>	<u>General &amp; Administrative</u>	<u>Total</u>
Salaries	\$290,462	\$ 91,380	\$381,842
Payroll taxes and benefits	46,184	14,530	60,714
Direct conference costs	26,352	-	26,352
Mileage and car allowance	2,673	840	3,513
Professional services	637	12,049	12,686
Advisory board	7,655	-	7,655
Travel	6,888	2,167	9,055
Telephone and internet	10,646	3,349	13,995
Printing	14,292	4,495	18,787
Office supplies	11,318	3,561	14,879
Postage	37,960	11,942	49,902
Marketing	3,994	1,256	5,250
Miscellaneous	17,285	7,014	24,299
Program materials costs	105,216	-	105,216
Program costs	23,354	-	23,354
Rent	17,338	5,454	22,792
Depreciation	7,135	2,244	9,379
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total functional expenses</b>	<b><u>\$629,389</u></b>	<b><u>\$160,281</u></b>	<b><u>\$789,670</u></b>

See accompanying notes and auditors' report.

**NATIONAL CENTER ON SHAKEN BABY SYNDROME**  
**Statement of Functional Expenses**  
**For The Year Ended June 30, 2005**

<u>Expense</u>	<u>Programs &amp; Services</u>	<u>General &amp; Administrative</u>	<u>Total</u>
Salaries	\$306,231	\$37,586	\$343,817
Payroll taxes and benefits	59,974	7,361	67,335
Direct conference costs	172,168	-	172,168
Mileage and car allowance	4,558	559	5,117
Professional services	15,289	-	15,289
Advisory board	2,238	-	2,238
Travel	21,332	2,618	23,950
Telephone and internet	10,510	1,290	11,800
Printing	10,487	1,287	11,774
Office supplies	14,434	1,771	16,205
Postage	28,197	3,462	31,659
Marketing	34,540	4,240	38,780
Miscellaneous	12,313	3,737	16,050
Program materials costs	67,603	-	67,603
Program costs	53,981	-	53,981
Rent	18,903	2,320	21,223
Depreciation	8,408	1,031	9,439
	<u>\$841,166</u>	<u>\$67,262</u>	<u>\$908,428</u>
<b>Total functional expenses</b>			

See accompanying notes and auditors' report.

**NATIONAL CENTER ON SHAKEN BABY SYNDROME**  
**Statements of Cash Flows**  
**For The Years Ended June 30, 2006 and 2005**

	<u>2006</u>	<u>2005</u>
<b>Cash flows from operating activities:</b>		
Increase in net assets	\$ 58,987	\$ 221,379
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Depreciation	9,379	9,439
Unrealized (gain) loss on investments	(4,454)	2,844
Loss on disposal of furniture, equipment and software	1,674	-
Provision for bad debt	-	1,000
Provision for obsolete inventory	(2,895)	(1,777)
Change in:		
Accounts receivable	2,196	(12,745)
Prepaid expenses	(33,158)	37,668
Inventory	(14,857)	(2,902)
Accounts payable	28,101	(10,055)
Accrued expenses	4,713	(4,858)
Deferred revenue	64,588	(93,411)
<b>Net cash provided by operating activities</b>	<u>114,274</u>	<u>146,582</u>
<b>Cash flows from investing activities:</b>		
Purchase of investments	(77,207)	(600,691)
Proceeds from disposition of furniture, equipment and software	463	-
Purchase of furniture, equipment and software	(14,905)	(4,952)
<b>Net cash used in investing activities</b>	<u>(91,649)</u>	<u>(605,643)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	22,625	(459,061)
Cash and cash equivalents, beginning of period	<u>167,916</u>	<u>626,977</u>
<b>Cash and cash equivalents, end of period</b>	<u>\$ 190,541</u>	<u>\$ 167,916</u>

See accompanying notes and auditors' report.

**NATIONAL CENTER ON SHAKEN BABY SYNDROME**  
**Notes to Financial Statements**  
**June 30, 2006 and 2005**

**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 6). 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, 2006 and 2005**

**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, 2006 and 2005, the unrestricted funds that fit in these categories were \$790,626 and \$777,348, 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, 2005. During the year ended June 30, 2006, it applied for and was granted status as a nonprofit organization.

**Financial Instruments**

Cash and cash equivalents may 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, 2006 and 2005.

**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, 2006 and 2005, was \$9,379 and \$9,439, respectively.

**NATIONAL CENTER ON SHAKEN BABY SYNDROME**  
**Notes to Financial Statements, continued**  
**June 30, 2006 and 2005**

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

**Inventory**

Inventory consists primarily of printed materials for 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, 2006 and 2005, the provision for obsolete inventory was \$3,105 and \$6,000, respectively.

**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.

**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, 2006, investments consisted of money funds totaling approximately \$214,600 and certificates of deposit totaling approximately \$464,900. At June 30, 2005, investments consisted of money funds totaling approximately \$101,700 and certificates of deposit totaling approximately \$496,100.

**NATIONAL CENTER ON SHAKEN BABY SYNDROME**  
**Notes to Financial Statements, continued**  
**June 30, 2006 and 2005**

**2. INVESTMENTS, continued**

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, 2006:

Interest	\$ 16,524
Dividends	4,450
Unrealized gains	<u>4,454</u>
	<u>\$ 25,428</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 not charged on overdue receivables. The collectibility of accounts receivable is assessed periodically. As of June 30, 2006 and 2005, 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.

**5. OFFICE SPACE**

The Center maintains office and storage space in Ogden, Utah. For the fiscal year ending June 30, 2005, a private foundation contributed office and storage space with a fair value of \$21,223. For the fiscal year ended June 30, 2006, the Center paid rent of \$1,800 for office space and a private foundation contributed office and storage space with a fair value of \$20,993.

**NATIONAL CENTER ON SHAKEN BABY SYNDROME**  
**Notes to Financial Statements, continued**  
**June 30, 2006 and 2005**

**6. RETIREMENT SAVINGS PLAN**

The Center has a qualified retirement plan covering eligible employees. For the fiscal years ended June 30, 2006 and 2005, the Center's contribution to the retirement plan was \$7,176 and \$12,092, respectively.

**7. TEMPORARILY RESTRICTED NET ASSETS**

During the year ended June 30, 2006, 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 2006. When requirements of the restrictions are met, the funds will no longer be considered temporarily restricted. As of June 30, 2006, temporarily restricted net assets totaled \$98,626.

During the year ended June 30, 2005, the Center received funds from private foundations and the Canadian government which are restricted for use in supporting Canadian conferences and SBS prevention programs offered in British Columbia. When requirements of the restriction are met, the funds will no longer be considered temporarily restricted. As of June 30, 2005, temporarily restricted net assets totaled \$52,917.

**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 services included in the statements of activities for the fiscal year ended June 30, 2006, consisted of rent in the amount of \$20,993 selling and printing services of \$1,914 and professional services of \$5,552. Donated services included in the statements of activities for the fiscal year ended June 30, 2005, consisted of rent in the amount of \$21,223, selling and printing services of \$4,494 and professional services of \$6,488.

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.

**NATIONAL CENTER ON SHAKEN BABY SYNDROME**  
**Notes to Financial Statements, continued**  
**June 30, 2006 and 2005**

**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, 2006 and 2005, the Center's uninsured cash balances totaled approximately \$33,800 and \$0, respectively.

**10. CONCENTRATIONS OF REVENUE**

During the fiscal years ended June 30, 2006 and 2005, the Center received approximately 57 and 51 percent, respectively, of its foundation and public support revenue from a single private foundation. In addition, this same donor contributed office space with a fair market value of \$20,993 and \$21,223 for the fiscal years ended June 30, 2006 and 2005, respectively. In total, the single donor provided approximately 31 and 30 percent, respectively, of the Center's total revenue.