

SIDS OF PA, INC.

FINANCIAL STATEMENTS

Year Ended June 30, 2009

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HERBEIN+COMPANY, INC.

CERTIFIED PUBLIC ACCOUNTANTS

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**To the Board of Directors
SIDS of PA, Inc.
Pittsburgh, Pennsylvania**

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statement of financial position of SIDS of PA, Inc. (a nonprofit organization) (the "Organization") 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 the Organization'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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 SIDS of PA, Inc. 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.

Herbein + Company, Inc.
Pittsburgh, Pennsylvania
October 26, 2009

HERBEIN+COMPANY, INC.

One North Shore Center 12 Federal Street, Suite 300 Pittsburgh, PA 15212
pittsburgh@herbein.com

Telephone: 412-392-2345 Facsimile: 412-392-2379

Other Offices:

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SIDS OF PA, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2009

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 102,635
Accounts receivable - trade	194,668
Inventories	31,423
Prepaid expenses	<u>6,001</u>
TOTAL CURRENT ASSETS	334,727
OTHER ASSETS	
Deposits	<u>1,575</u>
TOTAL ASSETS	<u>\$ 336,302</u>
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable and accrued expenses	\$ 126,161
Deferred revenue	<u>68,835</u>
TOTAL CURRENT LIABILITIES	194,996
NET ASSETS	
Unrestricted	<u>141,306</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 336,302</u>

SIDS OF PA, INC.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2009

UNRESTRICTED NET ASSETS

Revenue and other support:

Contributions and grants	\$ 201,469
Program related sales, net of cost of goods sold of \$859,920	377,994
Interest income	441
Other income	12,640
Special events, net of expenses of \$28,592	<u>36,484</u>

TOTAL UNRESTRICTED REVENUE AND SUPPORT 629,028

EXPENSES

Program services	389,669
Management and general	73,783
Fundraising expenses	<u>67,100</u>

TOTAL EXPENSES 530,552

CHANGE IN UNRESTRICTED NET ASSETS 98,476

NET ASSETS, BEGINNING OF YEAR 42,830

NET ASSETS, END OF YEAR \$ 141,306

SIDS OF PA, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2009

EXPENSES	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 162,958	\$ 41,219	\$ 39,741	\$ 243,918
Payroll taxes	14,800	3,703	3,615	22,118
Employee benefits	34,391	8,746	8,429	51,566
Professional fees - accounting and legal	1,881	5,519	-	7,400
Supplies	26,402	590	371	27,363
Telephone	4,906	891	157	5,954
Postage and shipping	55,714	264	1,173	57,151
Occupancy	28,043	7,394	1,865	37,302
Equipment rental and maintenance	10,018	1,991	494	12,503
Printing and publications	3,612	386	1,454	5,452
Travel	6,403	152	187	6,742
Conferences and meetings	8,213	303	26	8,542
Interest	1,305	37	12	1,354
Insurance	2,829	998	64	3,891
Dues, licenses and permits	1,568	7	100	1,675
Miscellaneous	2,351	36	-	2,387
Credit card and bank fees	-	603	-	603
Other professional fees	24,275	944	9,412	34,631
TOTAL EXPENSES	<u><u>\$ 389,669</u></u>	<u><u>\$ 73,783</u></u>	<u><u>\$ 67,100</u></u>	<u><u>\$ 530,552</u></u>

SIDS OF PA, INC.

STATEMENT OF CASH FLOWS

Year Ended June 30, 2009

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 98,476
Change in operating assets and liabilities:	
Increase in accounts receivable	(53,186)
Decrease in grants receivable	20,384
Increase in inventories	(8,079)
Increase in prepaid expenses	(4,510)
Decrease in accounts payable and accrued expenses	(6,322)
Decrease in deferred revenue	(6,089)

NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES 40,674

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from line of credit advances	110,000
Principal payments on line of credit	(110,000)

NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES -

NET INCREASE IN CASH 40,674

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR 61,961

CASH AND CASH EQUIVALENTS AT END OF YEAR \$ 102,635

**SUPPLEMENTAL DISCLOSURES OF CASH
FLOW INFORMATION**

Interest paid	\$ 1,354
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SIDS OF PA, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

SIDS of PA, Inc. (the "Organization") is a nonprofit corporation incorporated as the Pennsylvania affiliate of the SIDS Alliance, Inc. under the laws of the Commonwealth of Pennsylvania on November 23, 1992 to provide support to families who have lost family members due to Sudden Infant Death Syndrome ("SIDS"), educate the general public and health professionals about SIDS and its effects and promote and support research into the cause of SIDS. The Organization applied for and received permission from the Commonwealth of Pennsylvania Department of State to change its name to SIDS of PA, Inc. on May 22, 2006.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation:

The Organization has adopted Statement of Financial Accounting Standards (SFAS) No. 117, "*Financial Statements of Not-for-Profit Organizations*." Under SFAS No. 117, the Organization 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 addition, the Organization is required to present a statement of cash flows.

Method of Financial Reporting:

The net assets of the Organization are classified into three net asset categories as follows:

Unrestricted Net Assets: Unrestricted net assets are those received without donor imposed restrictions. These net assets also include Board designations because they may be reversed at any time by the Board.

Temporarily Restricted Net Assets: Temporarily restricted net assets are those whose use has been limited by donors to a specific time period or purpose. The Organization has determined that no net assets are categorized as such.

Permanently Restricted Net Assets: Permanently restricted net assets have been restricted by donors to be maintained in perpetuity. Income on these net assets is either accounted for as an increase in temporarily restricted or unrestricted net assets, depending on the donor restrictions, and is included in the Statement of Activities. The Organization has determined that no net assets are categorized as such.

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 certain estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Cash and Cash Equivalents:

For financial statement purposes, the Organization considers all highly liquid investments with a maturity of three months or less as cash equivalents.

SIDS OF PA, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Accounts Receivable - Trade:

The Organization extends credit to various hospitals and state and local health departments throughout the United States under the Cribs for Kids program and, generally, does not require any collateral. The Organization accounts for bad debts using the allowance method for financial statement purposes. Any potential bad debts would be specifically identified by management. As of June 30, 2009, all open accounts receivable were outstanding for ninety (90) days or less and none were placed on nonaccrual status. Receivables are determined to be past due based on the timing of payments. No allowance for doubtful accounts has been deemed necessary by management at June 30, 2009.

Inventories:

Inventories are recorded at cost on a first-in, first-out (FIFO) basis. Inventories consist of various safety equipment provided to health care institutions and families at a reduced cost in support of the Federal Back to Sleep Campaign.

Deferred Revenue:

Deferred revenue is related to payments received in advance by customers as well as unspent grant receipts. Revenue will be recognized as it is earned.

Revenue and Support:

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and nature of any donor restrictions. Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. Contributions whose restrictions are met in the year received are reported as unrestricted.

Gifts of land, buildings and equipment are presented as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service (as the assets are used in the Organization's activities).

SIDS OF PA, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Shipping and Handling:

Shipping costs to customers has not been included in cost of goods sold. It has been reflected as a program expense, "postage and shipping."

Donated Services:

The Organization recognizes donated services in accordance with SFAS No. 116, "*Accounting for Contributions Received and Contributions Made*," if the services create or enhance non-financial assets, require specialized skills and are performed by individuals with those skills or if the services would otherwise be purchased by the Organization. A variety of unpaid volunteers provide services in support of the Organization. No amounts have been recognized in the accompanying Statement of Activities for such volunteer efforts because the criteria for recognition of such efforts under SFAS No. 116 have not been met.

Tax Status:

The Organization has been determined to be exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

Allocation of Functional Expenses:

The Organization charges expenses that are directly identifiable to program, management and general, and fundraising. Expenses related to more than one function are allocated to programs and supporting services on the basis of estimates made by management. Management and general expenses include those expenses that are not directly identifiable with any other functional classification but provide overall support and direction for the Organization.

Advertising Costs:

Advertising costs are expensed as incurred.

Subsequent Events:

In preparing these financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through October 26, 2009, the date the financial statements were available to be issued.

NOTE 2 - LINE OF CREDIT

The Organization has a \$125,000 line of credit with a local financial institution, bearing interest at the prime rate. The line of credit is secured by all inventory, accounts receivable and equipment of the Organization. The prime rate at June 30, 2009 was 3.25%. Interest expense for the year ended June 30, 2009 was \$1,354.

SIDS OF PA, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE 3 - CONTINGENT LIABILITIES

The Organization participates in government grant programs. These programs are subject to program compliance audits by the grantors where certain costs could be questioned as not being an eligible expenditure under terms of the grant. Management is not aware of any expenditures that would be disallowed under such audits.

NOTE 4 - RETIREMENT PLANS

As of July 1, 2007, the Organization has adopted a defined contribution plan under Section 401(k) of the Internal Revenue Code. Under the new plan, the Organization contributes six percent (6%) of the eligible compensation for each employee, for each pay period, for any employee who has been employed for a period of at least one-year and is contributing at least one percent (1%) of their eligible compensation in employee contributions through a salary reduction plan. Contributions for the year ended June 30, 2009 were \$14,231.

NOTE 5 - OPERATING LEASES

On July 1, 2008, the Organization entered into an operating lease for the rental of office and warehouse space in Pittsburgh, Pennsylvania, for a period of ten (10) years commencing on July 1, 2008. The lease requires monthly payments from \$3,200 in the initial year to \$3,824 in the final year. The agreement also requires payment of the tenant's share of direct expenses at 6.68%. Rent expense for the year ended June 30, 2009 was \$37,302.

On July 21, 2007, the Organization entered into a 48 month lease on a vehicle. The lease requires monthly payments of \$500. Lease expense for the year was \$6,950.

Future minimum rental obligations under the lease agreement as of June 30, 2009 are as follows:

2010	\$	39,168
2011		39,951
2012		40,750
2013		41,565
2014		42,397
2015 - 2018		<u>178,237</u>
	\$	<u>382,068</u>

SIDS OF PA, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE 6 - CONCENTRATION

During fiscal year 2009, sales to one agency represented 10% of total sales. At June 30, 2009, \$24,988 is also due from this customer (all currently receivable). A significant reduction in the level of this support, if it were to occur, could have an effect on the Organization's programs and activities.

The Organization receives below market prices from two of its major vendors as well as free shipping in the tri-state area from a trucking company. Management has no reason to believe that there will be any changes in these arrangements in the near term.