

SIDS OF PA, INC.

FINANCIAL STATEMENTS

Years Ended June 30, 2011 and 2010

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HERBEIN+COMPANY, INC.

CERTIFIED PUBLIC ACCOUNTANTS

Members of PKF North America, Pennsylvania Institute of CPAs,
American Institute of Certified Public Accountants Private Companies Practice Section
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**To the Board of Directors
SIDS of PA, Inc.
Pittsburgh, Pennsylvania**

Independent Auditor's Report

We have audited the accompanying statements of financial position of SIDS of PA, Inc. (a nonprofit organization) (the "Organization") as of June 30, 2011 and 2010, and the related statements of activities, functional expenses and cash flows for the years 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 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 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, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that 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 SIDS of PA, Inc. as of June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Herbein + Company, Inc.
Pittsburgh, Pennsylvania
September 29, 2011

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SIDS OF PA, INC.

Statements of Financial Position

June 30

ASSETS	2011	2010
CURRENT ASSETS		
Cash and cash equivalents	\$ 72,512	\$ 290,209
Cash and cash equivalents - TECHS program	34,174	43,753
Cash and cash equivalents subtotal	<u>106,686</u>	<u>333,962</u>
Accounts receivable - trade	211,055	169,805
Grants receivable	-	4,000
Inventories	60,526	96,335
Prepaid expenses	<u>18,600</u>	<u>12,000</u>
TOTAL CURRENT ASSETS	396,867	616,102
OTHER ASSETS		
Deposits	<u>1,575</u>	<u>1,575</u>
TOTAL ASSETS	<u>\$ 398,442</u>	<u>\$ 617,677</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 124,498	\$ 319,565
TECHS program liability	34,174	43,753
Deferred revenue	<u>87,958</u>	<u>63,932</u>
TOTAL CURRENT LIABILITIES	246,630	427,250
NET ASSETS		
Unrestricted	<u>151,812</u>	<u>190,427</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 398,442</u>	<u>\$ 617,677</u>

SIDS OF PA, INC.

Statements of Activities

	Year Ended June 30	
	2011	2010
UNRESTRICTED NET ASSETS		
Revenue and other support:		
Contributions and grants	\$ 113,297	\$ 212,952
Program related sales, net of cost of goods sold of \$1,171,492 and \$949,419, respectively	528,598	453,818
Conference fees	-	23,600
Interest income	489	443
Special events, net of expenses of \$35,922 and \$40,654, respectively	52,397	48,779
	<u>694,781</u>	<u>739,592</u>
TOTAL UNRESTRICTED REVENUE AND SUPPORT		
EXPENSES		
Program services	579,590	541,682
Management and general	91,648	84,057
Fundraising expenses	62,158	64,732
	<u>733,396</u>	<u>690,471</u>
TOTAL EXPENSES		
	<u>(38,615)</u>	49,121
CHANGE IN UNRESTRICTED NET ASSETS		
NET ASSETS, BEGINNING OF YEAR	<u>190,427</u>	<u>141,306</u>
NET ASSETS, END OF YEAR	<u>\$ 151,812</u>	<u>\$ 190,427</u>

SIDS OF PA, INC.

Statement of Functional Expenses

Year Ended June 30, 2011

EXPENSES	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 222,075	\$ 48,967	\$ 41,769	\$ 312,811
Payroll taxes	19,069	4,202	3,588	26,859
Employee benefits	35,669	8,437	7,336	51,442
Professional fees - accounting and legal	3,072	8,955	-	12,027
Supplies	59,154	1,082	504	60,740
Telephone	5,363	1,103	163	6,629
Postage and shipping	119,399	364	1,520	121,283
Occupancy	40,632	10,835	2,709	54,176
Equipment rental and maintenance	11,784	2,346	598	14,728
Printing and publications	4,218	535	1,726	6,479
Travel	11,331	609	280	12,220
Conferences and meetings	8,469	556	112	9,137
Interest	350	-	-	350
Insurance	4,542	1,272	242	6,056
Dues, licenses and permits	663	157	-	820
Miscellaneous	2,040	118	59	2,217
Credit card and bank fees	180	510	-	690
Other professional fees	27,923	1,474	1,402	30,799
Advertising and promotion	3,657	126	150	3,933
TOTAL EXPENSES	\$ 579,590	\$ 91,648	\$ 62,158	\$ 733,396

SIDS OF PA, INC.

Statement of Functional Expenses

Year Ended June 30, 2010

EXPENSES	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 195,361	\$ 45,335	\$ 40,339	\$ 281,035
Payroll taxes	18,740	4,350	3,875	26,965
Employee benefits	38,681	9,703	9,037	57,421
Professional fees - accounting and legal	5,101	8,626	-	13,727
Supplies	48,499	534	451	49,484
Telephone	4,913	841	183	5,937
Postage and shipping	86,514	268	475	87,257
Occupancy	30,947	8,243	2,063	41,253
Equipment rental and maintenance	16,037	2,086	522	18,645
Printing and publications	5,096	67	1,538	6,701
Travel	7,418	244	1,131	8,793
Conferences and meetings	41,598	425	217	42,240
Interest	789	-	-	789
Insurance	4,447	1,174	236	5,857
Dues, licenses and permits	445	-	-	445
Miscellaneous	2,153	188	35	2,376
Credit card and bank fees	348	472	-	820
Other professional fees	32,119	1,501	4,630	38,250
Advertising and promotion	2,476	-	-	2,476
TOTAL EXPENSES	<u>\$ 541,682</u>	<u>\$ 84,057</u>	<u>\$ 64,732</u>	<u>\$ 690,471</u>

SIDS OF PA, INC.

Statements of Cash Flows

	Year Ended June 30	
	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (38,615)	\$ 49,121
Change in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(41,250)	24,863
(Increase) decrease in grants receivable	4,000	(4,000)
(Increase) decrease in inventories	35,809	(64,912)
(Increase) decrease in prepaid expenses	(6,600)	(5,999)
Increase (decrease) in accounts payable and accrued expenses	(195,067)	193,404
Increase in TECHS program liability	(9,579)	43,753
Increase (decrease) in deferred revenue	24,026	(4,903)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(227,276)	231,327
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from line of credit advances	115,000	75,000
Principal payments on line of credit	(115,000)	(75,000)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	-	-
NET INCREASE (DECREASE) IN CASH	(227,276)	231,327
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	333,962	102,635
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 106,686	\$ 333,962
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Interest paid	\$ 350	\$ 789

SIDS OF PA, INC.

Notes to Financial Statements

June 30, 2011 and 2010

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.

The Organization is generally supported by the sales of safe sleep materials and grants and contributions.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation:

The Organization reports 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, 2011 and 2010

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, 2011 and 2010, 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, 2011 or June 30, 2010.

Grants Receivable:

Grants receivable represent amounts due from funding sources for eligible expenditures incurred prior to reimbursement. Management has determined that no allowance is considered necessary at June 30, 2011 or 2010.

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, 2011 and 2010

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 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 have not been met.

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:

The Organization expenses nondirect response advertising costs as they are incurred. Total advertising costs for the years ended June 30, 2011 and 2010 were \$3,933 and \$2,476, respectively.

Income Taxes:

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

The Organization's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ending June 30, 2008, 2009, and 2010 are subject to examination by the IRS, generally for three years after they were filed.

Subsequent Events:

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through September 29, 2011, the date the financial statements were available to be issued.

NOTE 2 - LINE OF CREDIT

The Organization has a bank line of credit totaling \$175,000, under which they may borrow at the bank's prime rate, which was 3.25% at June 30, 2011 and 2010. The line of credit is secured by all inventory, accounts receivable and equipment of the Organization. The line matures January 20, 2012. Interest expense for the years ended June 30, 2011 and 2010 was \$350 and \$789, respectively.

SIDS OF PA, INC.

Notes to Financial Statements

June 30, 2011 and 2010

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 years ended June 30, 2011 and 2010 were \$15,936 and \$15,073, respectively.

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%. An amendment was signed in January 2010 to increase the rental space. To cover the additional space and expenses, monthly rental payments increased by 2%, and the share of direct expenses increased to 8.24%. Rent expense for the years ended June 30, 2011 and 2010 was \$54,176 and \$41,253, respectively.

On July 21, 2007, the Organization entered into a 48 month lease on a vehicle. The lease requires monthly payments of \$500. On June 16, 2011, the Organization entered into a 39 month lease on a vehicle. The lease requires monthly payments of \$539. Lease expense for the years ended June 30, 2011 and 2010 was \$8,907 and \$12,325, respectively, which includes the vehicle lease and other leased equipment.

Future minimum rental obligations under the lease agreements as of June 30, 2011 are as follows:

2012	\$	52,353
2013		53,271
2014		54,207
2015		49,771
2016		49,667
2017 - 2018		102,278
	\$	<u>361,547</u>

SIDS OF PA, INC.

Notes to Financial Statements

June 30, 2011 and 2010

NOTE 6 - CONCENTRATION

During fiscal year 2011, no sales concentrations were noted. During fiscal year 2010, sales to one agency represented 11% of total sales. At June 30, 2010, \$45,600 was 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.

NOTE 7 - AGREEMENT WITH TECHS

On October 1, 2009, the Organization became an agent of the funds for Team Educators for Child Safety ("TECHS"). The Organization's purpose in this agreement is to hold and disperse funds of TECHS for expenses incurred. The Organization does not have ownership of the funds and the funds will remain as the property of TECHS. Invoices will be paid with the approval of TECHS. As of June 30, 2011, the funds on hand for this agreement were \$34,174.