

**FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS**

American Sleep Apnea Association

June 30, 2009 and 2008

American Sleep Apnea Association

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INDEPENDENT AUDITORS' REPORT

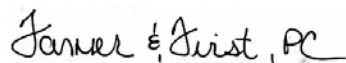
January 25, 2010

Board of Directors
American Sleep Apnea Association
Washington, DC

We have audited the accompanying statements of financial position of the American Sleep Apnea Association (a nonprofit corporation), as of June 30, 2009 and 2008, and the related statements of activities, functional expenses and statements of cash flows for the years then ended. These financial statements are the responsibility of the corporation's management. Our responsibility is to express an opinion on the 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 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 the American Sleep Apnea Association as of June 30, 2009 and 2008, and the change in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.



Warren, RI

American Sleep Apnea Association
STATEMENTS OF FINANCIAL POSITION
As of June 30,

	2009	2008
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 21,582	\$ 28,491
Accounts and other receivables	289	4,533
Pledges receivable	-	10,000
Prepaid expenses	57,520	85,627
	79,391	128,651
PROPERTY AND EQUIPMENT:		
Furniture and equipment	4,307	21,035
Computer software	3,000	4,677
Less: accumulated depreciation	5,249	22,063
	2,058	3,649
OTHER ASSETS		
Security deposits	2,944	-
	84,393	132,300
TOTAL		
	\$ 84,393	\$ 132,300
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable - trade	\$ 40,378	\$ 35,796
Accrued payroll	2,206	4,490
Line of credit	17,187	-
Deferred membership dues	7,400	17,618
	67,171	57,904
NET ASSETS		
Unrestricted	(32,317)	48,146
Temporarily restricted	49,539	26,250
	17,222	74,396
TOTAL		
	\$ 84,393	\$ 132,300

The accompanying notes are an integral part of these statements.

American Sleep Apnea Association
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT & REVENUE:			
Contributions	\$ 43,257	\$ 93,125	\$ 136,382
Membership dues	30,590	-	30,590
Sales of videos and publications	9,692	-	9,692
Interest income	17	-	17
Net assets released from restrictions	<u>69,836</u>	<u>(69,836)</u>	<u>-</u>
Total unrestricted support and reclassifications	<u>153,392</u>	<u>23,289</u>	<u>176,681</u>
EXPENSES:			
Program services			
Outreach	177,991	-	177,991
Supporting services			
Management and general	20,497	-	20,497
Fundraising	<u>35,367</u>	<u>-</u>	<u>35,367</u>
Net expenses	<u>233,855</u>	<u>-</u>	<u>233,855</u>
Change in net assets	(80,463)	23,289	(57,174)
Net assets, July 1, 2008	<u>48,146</u>	<u>26,250</u>	<u>74,396</u>
Net assets, June 30, 2009	<u>\$ (32,317)</u>	<u>\$ 49,539</u>	<u>\$ 17,222</u>

The accompanying notes are an integral part of these statements.

American Sleep Apnea Association
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT & REVENUE:			
Contributions	\$ 264,971	\$ 76,250	\$ 341,221
Membership dues	36,928	-	36,928
Sales of videos and publications	12,336	-	12,336
Interest income	155	-	155
Miscellaneous	1,000	-	1,000
Net assets released from restrictions	<u>85,465</u>	<u>(85,465)</u>	<u>-</u>
Total unrestricted support and reclassifications	<u>400,855</u>	<u>(9,215)</u>	<u>391,640</u>
EXPENSES:			
Program services			
Outreach	243,948	-	243,948
Supporting services			
Management and general	31,725	-	31,725
Fundraising	<u>33,919</u>	<u>-</u>	<u>33,919</u>
Net expenses	<u>309,592</u>	<u>-</u>	<u>309,592</u>
Change in net assets	91,263	(9,215)	82,048
Net assets, July 1, 2007	<u>(43,117)</u>	<u>35,465</u>	<u>(7,652)</u>
Net assets, June 30, 2008	<u>\$ 48,146</u>	<u>\$ 26,250</u>	<u>\$ 74,396</u>

The accompanying notes are an integral part of these statements.

American Sleep Apnea Association
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2009

	Program Services	Supporting Services			Functional Expenses
	Outreach	Mgmt & General	Fund-Raising	Total Support	
Salaries	\$ 44,591	\$ 3,797	\$ 16,979	\$ 20,776	\$ 65,367
Payroll taxes	3,394	289	1,294	1,583	4,977
Employee benefits	8,564	729	3,040	3,769	12,333
Total payroll-related expenses	56,549	4,815	21,313	26,128	82,677
Program and office supplies	50,574	350	1,434	1,784	52,358
Professional Fees	-	8,150	-	8,150	8,150
Travel and meetings	13,592	206	842	1,048	14,640
Office Rent	12,294	1,046	4,281	5,327	17,621
Nesletter expenses	8,514	-	-	-	8,514
Printing	12,091	175	715	890	12,981
Postage and shipping	3,733	183	751	934	4,667
Data processing	1,601	136	558	694	2,295
Telephone	4,234	360	1,475	1,835	6,069
Dues and subscriptions	1,057	63	257	320	1,377
Insurance	2,896	345	606	951	3,847
Computer services	1,532	130	534	664	2,196
Interest	-	3,829	-	3,829	3,829
Contract labot	3,101	175	716	891	3,992
Depreciation	1,193	127	271	398	1,591
Web site services	4,637	364	1,491	1,855	6,492
License and taxes	209	18	73	91	300
Miscellaneous	184	25	50	75	259
Totals	<u>\$ 177,991</u>	<u>\$ 20,497</u>	<u>\$ 35,367</u>	<u>\$ 55,864</u>	<u>\$ 233,855</u>

The accompanying notes are an integral part of these statements.

American Sleep Apnea Association
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2008

	Program Services	Supporting Services			Functional Expenses
	Outreach	Mgmt & General	Fund-Raising	Total Support	
Salaries	\$ 63,192	\$ 9,481	\$ 17,756	\$ 27,237	\$ 90,429
Payroll taxes	4,928	739	1,385	2,124	7,052
Employee benefits	12,711	1,906	3,572	5,478	18,189
Total payroll-related expenses	80,831	12,126	22,713	34,839	115,670
Program and office supplies	53,995	627	1,175	1,802	55,797
Professional Fees	22,500	11,423	-	11,423	33,923
Travel and meetings	29,306	849	1,494	2,343	31,649
Office Rent	12,911	1,534	2,699	4,233	17,144
Nesletter expenses	11,640	-	-	-	11,640
Printing	5,763	685	1,205	1,890	7,653
Postage and shipping	4,580	544	958	1,502	6,082
Telephone	3,825	455	800	1,255	5,080
Public service announcement	4,950	-	-	-	4,950
Dues and subscriptions	2,975	354	622	976	3,951
Insurance	2,343	279	490	769	3,112
Data processing	2,092	248	437	685	2,777
Interest	1,720	204	359	563	2,283
Contract labot	1,648	196	344	540	2,188
Bad debts	-	1,875	-	1,875	1,875
Depreciation	1,257	134	285	419	1,676
Computer Services	791	94	165	259	1,050
Web site services	556	66	116	182	738
License and taxes	243	29	51	80	323
Miscellaneous	22	3	6	9	31
Totals	<u>\$ 243,948</u>	<u>\$ 31,725</u>	<u>\$ 33,919</u>	<u>\$ 65,644</u>	<u>\$ 309,592</u>

The accompanying notes are an integral part of these statements.

American Sleep Apnea Association
STATEMENTS OF CASH FLOWS
For the Years Ended June 30,

	2009	2008
CASH FLOWS PROVIDED BY		
OPERATING ACTIVITIES:		
(Decrease) increase in net assets	\$ (57,174)	\$ 82,048
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,589	1,676
Loss on disposal of fixed assets	2	-
Decrease (increase) in operating assets:		
Accounts receivable	4,244	(2,980)
Pledges receivable	10,000	7,500
Prepaid expenses	28,107	(77,361)
Security deposits	(2,944)	-
Increase (decrease) in operating liabilities:		
Accounts payable - trade	4,582	5,315
Accrued payroll	(2,284)	728
Deferred membership dues	(10,218)	222
	(24,096)	17,148
Net cash (used) provided by operating activities	(24,096)	17,148
CASH FLOWS PROVIDED BY		
FINANCING ACTIVITIES:		
Advance from line of credit	17,187	-
NET CHANGE IN CASH AND CASH EQUIVALENTS	(6,909)	17,148
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	28,491	11,343
CASH AND CASH EQUIVALENTS, END OF THE YEAR	\$ 21,582	\$ 28,491
Interest paid during the year	\$ 3,829	\$ 2,283

The accompanying notes are an integral part of these statements.

American Sleep Apnea Association
NOTES TO FINANCIAL STATEMENTS
June 30, 2009 and 2008

NOTE A - ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES

1. Nature of Activities

The American Sleep Apnea Association is a national voluntary health and welfare agency whose mission is to reduce injury, disability, and premature death from sleep apnea and to enhance the well-being of those affected by this common disorder. The Association promotes education and awareness, the Association's A.W.A.K.E. network of voluntary mutual support groups, research, and continuous improvement of care.

2. Basis of Accounting

The Association recognizes income on the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America.

3. Basis of Presentation

The financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS 117, the Association is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted. The association had no permanently restricted net assets as of June 30, 2009 and June 30, 2008, respectively.

4. Cash and Cash Equivalents

For purposes of the statements of financial position and cash flows, the Association considers all unrestricted highly liquid investments, with an initial maturity of three months or less, to be considered cash.

American Sleep Apnea Association
NOTES TO FINANCIAL STATEMENTS
June 30, 2009 and 2008

NOTE A - ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES
(continued)

5. Property and Equipment

Property and equipment are stated at cost. Depreciation is calculated for financial statement purposes using the straight-line method based on the property's estimated life.

Additions and improvements that add materially to productive capacity, or extend the life of an asset, are capitalized. Normal repairs and maintenance are charged against income. When facilities are retired or sold, their cost and accumulated depreciation are removed from the accounts and related gains or losses are included in income. In case of trade items, any remaining book value increases the basis of the new acquisitions.

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. The estimated lives used in determining depreciation are:

Furniture and equipment	5 years
Computer software	3 years

6. Income Taxes

The Association is a not-for-profit organization that is generally exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Association has been classified as an organization that is not a private foundation under Section 590(a)(1). Income that is not related to exempt purposes, less applicable deductions, is subject to Federal and state corporate income taxes. The Association did not have any unrelated business income for the year ended June 30, 2009 and June 30, 2008, respectively.

American Sleep Apnea Association
NOTES TO FINANCIAL STATEMENTS
June 30, 2009 and 2008

NOTE A - ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES
(continued)

7. Donated Material and Contributed Services

Numerous unpaid volunteers have made significant contributions of their time to the management of the Association and to the delivery of its program services. The value of the donated time is not determinable and, as such, is not reflected in these financial statements.

8. Restricted and Unrestricted Revenue

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All 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.

9. Functional Allocation of Expenses

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

10. Grants and Contract Awards

The Association receives grants from private grantors for various purposes. Grants and contract awards not yet received are accrued. The Association defers grants and contract revenues received under approved awards from grantors to the extent they exceed expenses incurred for the purposes specified under the grant restrictions.

American Sleep Apnea Association
NOTES TO FINANCIAL STATEMENTS
June 30, 2009 and 2008

NOTE A - ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES
(continued)

11. Promises to Give

Unconditional promises to give are recognized as revenue or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. All promises to give are due in less than one year.

12. Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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.

NOTE B – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2009 are available for the following programs and net assets during the year ended June 30, 2008 were released from restrictions by incurring expenses satisfying the restricted purpose and/or restricted time period. Net assets were released and are available in the following programs:

	Balance <u>6/30/08</u>	<u>Additions</u>	Net Assets <u>Released</u>	Balance <u>6/30/09</u>
Fiscal year ended				
June 30, 2010	\$ -0-	\$ 48,125	\$31,875	\$ 16,250
June 30, 2009	26,250	-0-	26,250	-0-
AAPE	<u>-0-</u>	<u>45,000</u>	<u>11,711</u>	<u>33,289</u>
Total	<u>\$ 26,250</u>	<u>\$ 93,125</u>	<u>\$ 69,836</u>	<u>\$ 49,539</u>

American Sleep Apnea Association
NOTES TO FINANCIAL STATEMENTS
June 30, 2009 and 2008

NOTE C – COMMITMENTS

Rental Space Lease – In June, 2008, the Association entered into a operating lease for office space. Under its terms, the lease commenced on August 1, 2008 and expires on July 30, 2013. The monthly lease payment is \$1,472 and will increase by 4% after each year of the lease.

Copier Lease – On July 15, 2005, the Company entered into a lease agreement with Lanier for a copier. This lease, which is non-cancelable, has a term of sixty months and requires monthly payments of \$350.36 beginning September 1, 2005.

As of June 30, 2009, the future minimum commitments under long-term agreements were as follows:

2010	\$ 22,398
2011	19,624
2012	20,374
2013	21,189
2014	<u>2,221</u>
Total	<u>\$ 85,806</u>

NOTE D – RETIREMENT PLAN

A 403(b) pension plan is available to all employees immediately from the first day of hire. Each employee may contribute up to \$13,000 annually from his or her own funds. Following twelve months of service, the employee becomes eligible for an employer discretionary contribution. The Association contributed for the year ended June 30, 2009, 3% of eligible employee's compensation in the amount of \$2,250 to the retirement plan on the behalf of its employees.

NOTE E – LINE OF CREDIT

On September 15, 2006, the Association entered into a \$25,000 demand bank line of credit, under which the Association may borrow at the bank's prime rate plus 3.25%. Interest is due monthly and is unsecured. The balance as of June 30, 2009 was \$17,187.