LEVITT & ROSENBLUM
CERTIFIED PUBLIC ACCOUNTANTS
10801 National Blvd., Suite 604
Los Angeles, California 90064

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Spondylitis Association of America:

We have audited the accompanying statement of financial position of Spondylitis Association of America (a nonprofit California corporation) as of June 30, 2010, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of Spondylitis Association of America'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 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 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 Spondylitis Association of America as of June 30, 2010, 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.

Levitt & Rosenblum

Los Angeles, California
November 18, 2010

SPONDYLITIS ASSOCIATION OF AMERICA
(A Nonprofit California Corporation)

Statement of Financial Position

June 30, 2010

Assets

Cash and cash equivalents	$ 509,454
Investments, at market value (note 3)	1,188,131
Grants receivable (note 4)	220,450
Prepaid expenses	15,100
Property, at cost (note 2)	
Furniture and equipment	105,397
Less: accumulated depreciation	(83,800)
Net property	21,597
Deposits	5,441
Total Assets	$ 1,960,173

Liabilities and Net Assets

Accounts payable	$ 8,243
Accrued vacation	24,425
Commitments (note 8)	
Total Liabilities	32,668
Net assets:	
Unrestricted net assets	1,382,548
Board designated fund (note 5)	79,195
Temporarily restricted net assets (note 6)	465,762
Total Net Assets	1,927,505
Total Liabilities and Net Assets	$ 1,960,173

See accompanying notes to financial statements.

SPONDYLITIS ASSOCIATION OF AMERICA
(A Nonprofit California Corporation)

Statement of Activities

Year ended June 30, 2010

Changes in unrestricted net assets:	
Revenue and Support:	
Contributions	$ 469,081
Corporate and foundation grants	291,559
Program revenue	25,462
Interest income	26,615
Unrealized gain on investments	1,604
Total unrestricted revenue	814,321
Net assets released from restrictions:	
Satisfaction of program restrictions	491,542
Total unrestricted revenue and other support	1,305,863
Expenses:	
Salaries	524,511
Employee benefits	43,815
Payroll taxes	42,008
Total salaries and related expenses	610,334
Office and administration	86,848
Medical research consulting	112,500
Physician education	51,643
Patient education	50,884
Legal and accounting	52,225
Rent	40,506
Medical conferences presented	233,337
Travel	38,020
Postage	50,751
Printing	46,984
Outreach	21,925
Depreciation	9,061
Total expenses	1,405,018
Decrease in unrestricted net assets	(99,155)
Changes in temporarily restricted net assets:	
Corporate and foundation grants	403,142
Net assets released from restrictions	(491,542)
Decrease in temporarily restricted net assets	(88,400)
Total decrease in net assets	(187,555)
Net assets, beginning of year	2,115,060
Net assets, end of year	$ 1,927,505

See accompanying notes to financial statements.

SPONDYLITIS ASSOCIATION OF AMERICA
(A Nonprofit California Corporation)

Statement of Cash Flows

Year ended June 30, 2010

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	$ (187,555)
Adjustments to reconcile change in net assets to net cash from operating activities:	
Depreciation	9,061
Unrealized gain on investments	(1,604)
Write off of equipment	505
Decrease (Increase) in operating assets:	
Government contract receivable	6,435
Grants receivable	(95,450)
Prepaid expenses	(2,810)
Deposits	(2,895)
Increase (Decrease) in operating liabilities:	
Accounts payable	1,541
Accrued expenses	5,256
Net cash used in operating activities	(267,516)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of furniture and equipment	(12,909)
Sale of investments	1,500,000
Purchase of investments	(1,304,552)
Net cash provided by investing activities	182,539
Net decrease in cash	(84,977)
Cash, beginning	594,431
Cash, ending	$ 509,454
Supplemental disclosure of cash flow information – cash paid during the year for interest.	$ -

See accompanying notes to financial statements.

(1) Purpose and Activities

Spondylitis Association of America (SAA) is a nonprofit California Corporation dedicated to advancing education, research, and treatment for ankylosing spondylitis and related diseases. As a patient advocacy organization, SAA seeks to improve the lives of those affected through information, support and connection to community.

(2) Summary of Significant Accounting Policies

Accounting Standards Codification

In June, 2009, the Financial Accounting Standards Board (FASB) issued the Accounting Standards Codification (Codification). Effective July 1, 2009, the Codification is the single source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP). Accordingly, all references to currently existing GAAP have been removed and have been replaced with plain English explanations of the Agency's accounting policies. The adoption of the Codification did not have a material impact on SAA's financial position or results of activities.

Basis of Accounting

The financial statements of the Organization are prepared on the accrual basis of accounting and in accordance with generally accepted accounting principles. Accordingly, income is recognized as earned and expenses incurred, regardless of timing of payments.

Revenue Recognition

In accordance with Financial Accounting Standards (FASB) *Accounting Standards Codification (ASC) 958-605, Not for Profit Entity Revenue Recognition*, SAA reports contributions of cash as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires because the stipulated time restriction ends or purpose restriction is accomplished, the temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Restrictions on contributions of property, or contributions for the purchase of property, expire when the asset is placed in service.

General support received under grants is recorded when unconditionally promised by the grantor.

Depreciation

Additions and improvements that materially extend the life of assets are capitalized. Depreciation is provided over the estimated useful lives of the depreciable assets on a straight-line basis. Buildings are depreciated over forty years. Furniture and equipment are depreciated over five years. Leasehold improvements are capitalized and depreciated over the remaining term of the lease. The estimated life of the assets for depreciation purposes may be different than their actual economic useful lives.

(2) Summary of Significant Accounting Policies, Continued

Government Contracts

Revenue from contracted services is recognized as support in accordance with the terms of the contract.

Income Taxes

SAA is exempt from Federal and California income taxes under Section 501(c)(3) of the Internal Revenue code and corresponding California provisions.

Management has determined that the application of FASB *Accounting Standards Codification (ASC) 740, Accounting for Uncertainty In Income Taxes*, does not impact the operations of the Agency, as under current Federal and state laws, SAA is not subject to income taxes; therefore, no provision has been made for taxes in the accompanying financial statements.

Contracts and Grants Receivable

SAA does not maintain an allowance for uncollectible amounts because receivables primarily consist of grants and contracted government reimbursement requests. If any amounts become uncollectible, they will be charged to operations when that determination is made. GAAP requires that an allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method. Management believes all receivables to be collectible at June 30, 2010.

Statement of Cash Flows

For purposes of the statement of cash flows, SAA considers all highly liquid investments, with an original maturity date of three months or less, to be cash equivalents.

Cash paid for the following as of June 30, 2010:

Income taxes: None

Estimates

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

Subsequent Events

SAA has evaluated subsequent events that have occurred from June 30, 2010 through November 18, 2010, which is the date that the financial statements were issued, and determined that there were no subsequent events or transactions that required recognition or disclosure in the financial statements.

(2) Summary of Significant Accounting Policies, Continued

Business and Credit Concentrations

SAA derived approximately 39% of its revenue from general public contributions, and 57% from corporation and foundation grants for the year ended June 30, 2010. The Organization is subject to business risks associated with the level of charitable giving in both the private and public sectors based on general economic conditions.

The Organization's cash and cash equivalents are maintained in bank deposit accounts and a brokerage account, which at times may exceed federally insured limits. The balance varies throughout the year. SAA has exposure to credit risk to the extent its cash and cash equivalents exceed the limits established by the federal deposit insurance corporation and the security investor protection corporation. The Organization has not experienced any losses in such accounts. At June 30, 2010, the Organization's cash and cash equivalents fall within insurance limits based on the actual bank balance. Management believes it is not exposed to any significant credit risk on cash and cash equivalents.

(3) Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the statement of activities. At June 30, 2010, the fair market values of investments, classified by type, are as follows:

Certificates of Deposit	$ 1,097,952
Equity Mutual Fund	90,179
Total	$ 1,188,131

Certificates of Deposit have maturity dates ranging between October, 2010 through July, 2011; with interest rates ranging from 0.45% to 1.2%.

(4) Grants Receivable

Grants receivable at June 30, 2010 consist of the following amounts:

Centocor Ortho Biotech, Inc.	$ 77,500
Abbott Laboratories	142,950
Total	$ 220,450

(5) Board Designated Net Assets

In March 2006, the Board of Directors established the "Jane Bruckel Research Fund," as a Board designated fund. These funds are to be used at the discretion of the board for medical research related to ankylosing spondylitis.

(6) Restrictions on Net Assets

Temporarily restricted net assets at June 30, 2010, are available for the following purposes:

Development of diagnostic procedures	$ 105,979
Medical response training	6,232
Patient education and conferences	111,902
Needs Assessment Survey	31,500
Medical Research	25,000
Spartan physicians medical conference	185,149
Total	$ 465,762

(7) Functional Expenses

Functional expenses for the year ended June 30, 2010 are allocated as follows:

Program Services	$ 1,170,009
Management and General	165,655
Fundraising	69,354
Total	$ 1,405,018

(8) Commitments

SSA entered into a five-year and one-half month operating lease agreement to rent its new office facilities effective June 15, 2010 through June 30, 2015. The lease agreement provides for initial rent concessions then requires a minimum monthly lease payment of $4,800, subject to annual increases in base year rent to $5,441 throughout the lease term plus a pro-rata share of building operation costs. Rent expense for the year ending June 30, 2010 totaled $40,506.

SPONDYLITIS ASSOCIATION OF AMERICA
(A Nonprofit California Corporation)

Statement of Functional Expenses

Year ended June 30, 2010

	Research	Public Education	Patient Services	Professional Education	Total Program Services	Management and General	Fundraising	Totals
Salaries	73,985	187,685	120,652	18,200	400,522	77,394	46,595	524,511
Employee benefits	6,327	16,284	10,443	1,310	34,364	6,638	2,813	43,815
Payroll taxes	6,289	15,578	9,893	1,529	33,289	6,424	2,295	42,008
Total salaries and related expense	86,601	219,547	140,988	21,039	468,175	90,456	51,703	610,334
Office and administration	4,680	34,704	15,998	504	55,886	22,956	8,006	86,848
Medical research consulting	105,000	7,500	-	-	112,500	-	-	112,500
Physician education	4,360	-	-	47,283	51,643	-	-	51,643
Patient education	-	46,884	-	4,000	50,884	-	-	50,884
Legal and accounting	2,225	28,500	6,023	-	36,748	14,427	1,050	52,225
Rent	8,200	15,650	3,089	-	26,939	11,802	1,765	40,506
Medical conferences presented	153,960	71,360	680	7,337	233,337	-	-	233,337
Travel	6,715	28,123	-	-	34,838	1,394	1,788	38,020
Postage	2,842	20,210	12,976	734	36,762	12,460	1,529	50,751
Printing	2,301	31,915	104	591	34,911	10,507	1,566	46,984
Outreach	195	4,743	15,591	-	20,529	-	1,396	21,925
Depreciation	1,025	4,752	1,080	-	6,857	1,653	551	9,061
Total expenses	378,104	513,888	196,529	81,488	1,170,009	165,655	69,354	1,405,018

See accompanying notes to financial statements.