

NARCOLEPSY NETWORK, INC.

Financial Statements

December 31, 2008 and 2007

NARCOLEPSY NETWORK, INC.

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Independent Auditor's Report

Board of Trustees
Narcolepsy Network, Inc.

We have audited the accompanying statements of financial position of **Narcolepsy Network, Inc.** as of December 31, 2008 and 2007 and the related statements of activities 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements 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 **Narcolepsy Network, Inc.** as of December 31, 2008 and 2007 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.

Respectfully submitted,

Ragone, Lacatena, Fairchild & Beppel, P.C.
Certified Public Accountants

Haddonfield, NJ
April 30, 2009

NARCOLEPSY NETWORK, INC.

Statements of Financial Position

December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Assets:		
Cash and cash equivalents	\$ 260,870	\$ 170,927
Prepaid expense	1,882	1,831
Accounts Receivable	877	-
Property and equipment, net	<u>2,635</u>	<u>3,343</u>
Total Assets	<u>\$ 266,264</u>	<u>\$ 176,101</u>
Liabilities and net assets:		
Liabilities:		
Accounts payable and accrued expenses	\$ 1,703	\$ 12,944
Payroll withholdings and accrued taxes	<u>604</u>	<u>323</u>
Total Liabilities	<u>\$ 2,307</u>	<u>\$ 13,267</u>
Net Assets:		
Unrestricted	\$ 239,941	\$ 162,018
Temporarily restricted	<u>24,016</u>	<u>816</u>
Total Net Assets	<u>263,957</u>	<u>162,834</u>
Total Liabilities and Net Assets	<u>\$ 266,264</u>	<u>\$ 176,101</u>

See accompanying notes to financial statements.

NARCOLEPSY NETWORK, INC.

Statements of Activities

Years Ended December 31, 2008 and 2007

	2008			2007		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenues, gains and other support:						
Conference Grant	\$ 55,000	\$ -	\$ 55,000	\$ 32,500	\$ -	\$ 32,500
Conference and related fees	34,410	-	34,410	30,046	-	30,046
Total Conference Income	<u>\$ 89,410</u>	<u>\$ -</u>	<u>\$ 89,410</u>	<u>\$ 62,546</u>	<u>\$ -</u>	<u>\$ 62,546</u>
Contributions/Grants	137,292	24,016	161,308	91,008	816	91,824
Membership dues	54,777	-	54,777	53,397	-	53,397
In-kind contributions	1,595	-	1,595	3,603	-	3,603
Investment earnings	6,842	-	6,842	4,406	-	4,406
Educational materials	3,208	-	3,208	2,222	-	2,222
Net Realized & Unrealized						
Gain (Loss) on Investments	(2,501)	-	(2,501)	-	-	-
Other revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>616</u>	<u>-</u>	<u>616</u>
	<u>\$290,623</u>	<u>\$ 24,016</u>	<u>\$314,639</u>	<u>\$217,798</u>	<u>\$ 816</u>	<u>\$218,614</u>
Expenses:						
Salaries	\$ 57,397	\$ -	\$ 57,397	\$ 49,304	\$ -	\$ 49,304
Payroll taxes	5,152	-	5,152	4,531	-	4,531
Conference	39,059	-	39,059	42,231	-	42,231
Printing and reproduction	33,451	-	33,451	27,286	-	27,286
Travel, meals & lodging	19,590	-	19,590	4,966	-	4,966
Telephone	6,011	-	6,011	4,276	-	4,276
Postage and shipping	14,710	-	14,710	13,511	-	13,511
Office supplies	7,409	-	7,409	5,429	-	5,429
Professional fees	5,800	-	5,800	3,667	-	3,667
Insurance	4,589	-	4,589	5,539	-	5,539
In-kind expense	1,483	-	1,483	3,603	-	3,603
Office rent	3,762	-	3,762	3,125	-	3,125
Depreciation	708	-	708	708	-	708
Internet and technology	5,300	-	5,300	1,197	-	1,947
Dues and registrations	4,730	-	4,730	4,874	-	4,874
Other	4,365	-	4,365	3,638	-	3,638
	<u>213,516</u>	<u>-</u>	<u>213,516</u>	<u>177,885</u>	<u>-</u>	<u>177,885</u>
Change in net assets	<u>77,107</u>	<u>24,016</u>	<u>101,123</u>	<u>39,913</u>	<u>816</u>	<u>40,729</u>
Net assets at beginning of year	<u>162,018</u>	<u>816</u>	<u>162,834</u>	<u>122,105</u>	<u>-</u>	<u>-</u>
Reclassification of Temporarily Restricted Assets	<u>816</u>	<u>(816)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net assets at end of year	<u>\$239,941</u>	<u>\$ 24,016</u>	<u>\$263,957</u>	<u>\$162,018</u>	<u>\$ 816</u>	<u>\$162,834</u>

See accompanying notes to financial statements

NARCOLEPSY NETWORK, INC.

Statements of Cash Flows

Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:		
Change in net assets	\$ 101,123	\$ 40,729
Adjustments to reconcile change in net assets to Net cash provided (used) by operating activities:		
Depreciation	708	708
Effect of change in operating assets and liabilities:		
Prepaid expenses	(51)	1,319
Accounts Receivable	(877)	30,030
Accounts payable and accrued expenses	<u>(10,960)</u>	<u>(1,477)</u>
Net cash provided (used) by operating activities	<u>89,943</u>	<u>71,309</u>
Cash flows from investing activities:		
(Purchase) disposal of property and equipment	<u>-</u>	<u>(1,453)</u>
Net cash provided (used) by investing activities	<u>-</u>	<u>(1,453)</u>
Change in cash	89,943	69,856
Cash – beginning of year	<u>170,927</u>	<u>101,071</u>
Cash – end of year	<u>\$ 260,870</u>	<u>\$ 170,927</u>

See accompanying notes to financial statements.

NARCOLEPSY NETWORK, INC.

Notes to Financial Statements

1. Summary of Significant Accounting Policies:

The following accounting principles and practices of the Organization are set forth to facilitate the understanding of data presented in the financial statements.

Nature of operations

Narcolepsy Network, Inc. is a national not-for-profit corporation organized in 1986 and dedicated to improving the quality of life for those afflicted with narcolepsy. The Organization's activities include an annual conference, referrals to sleep centers and support groups, facilitation of research and general education.

The Organization is primarily funded by contributions and membership dues.

Income taxes

For federal tax purposes, the Organization is an exempt organization under Section 501(c)(3) of the Internal Revenue Code.

Financial statement presentation

The Organization reports information regarding its financial position and activities in three classes of net assets: unrestricted net assets which have no donor-imposed restrictions; temporarily restricted net assets which have donor-imposed restrictions that will expire in the future; and permanently restricted net assets which have donor-imposed restrictions which do not expire. At December 31, 2008 and 2007, the Organization had no permanently restricted net assets.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NARCOLEPSY NETWORK, INC.

Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies:

Investments

The Organization reports investments in equity securities with readily determinable fair values and all debt securities at fair value in the statement of financial position.

Property and equipment

Property and equipment are recorded at cost or at fair value for items donated. Depreciation is provided over the estimated useful lives of the depreciable property and is computed using the straight-line method.

Contributions

Contributions of cash and other assets without donor stipulations concerning the use of such assets are reported as revenues of the unrestricted net asset class. Contributions of cash or other assets to be used in accordance with donor stipulations are reported as revenues of the temporarily or permanently restricted net asset classes. Temporarily restricted contributions whose restrictions are met in the same period as the contributions are recorded as unrestricted support.

The expiration of a donor-imposed restriction on a contribution is recognized in the period in which the restriction expires and at that time the related resources are reclassified to unrestricted net assets. A restriction expires when the stipulated time period has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

The Organization reports gifts of property and equipment as unrestricted support unless 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 long-lived assets are placed in service.

NARCOLEPSY NETWORK, INC.

Notes to Financial Statements (continued)

2. Property and Equipment:

Property and equipment consists of office furnishings and equipment. Accumulated depreciation as of December 31, 2008 and 2007 was \$10,524 and \$9,108 respectively.

3. Functional Expenses:

The functional breakdown of expenses for the year ended December 31 was as follows:

	<u>2008</u>	<u>2007</u>
Program expenses	\$171,941	\$148,199
Management and general	35,031	25,894
Fundraising	<u>6,544</u>	<u>3,792</u>
	<u>\$213,516</u>	<u>\$177,885</u>

4. Revenue Concentrations:

The Organization received approximately 32% of its funding from one donor in 2008 and 34% of its funding from two donors in 2007. The loss of any of these funding sources could have adverse consequences for the Organization if other resources were not obtained.

5. Membership

Membership dues are recorded in the financial statements when collected. Dues received in 2008 for future years is approximately \$4,000 and cumulative dues received for 2009 and thereafter are approximately \$11,000 at December 31, 2008.

6. Other Expenses

Other expenses include bank credit card fees assessed on receipts from members, sales and hotel taxes, subscription fees to GrantStation and other miscellaneous expenses.