

UTAH DEFENSE ALLIANCE, INC.
(A Nonprofit Organization)

Financial Statements - December 31, 2007

(With Accountants' Review Report Thereon)

UTAH DEFENSE ALLIANCE, INC.
(A Nonprofit Organization)

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*Certified Public Accountants
A Professional Corporation*

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To the Board of Directors
Utah Defense Alliance, Inc.
Ogden, Utah

We have reviewed the accompanying statement of financial position of Utah Defense Alliance, Inc. (A Nonprofit Organization) as of December 31, 2007, and the related statements of activities and cash flows for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Utah Defense Alliance, Inc.

A review consists principally of inquiries of Agency personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Crane, Christensen & Ambrose

June 9, 2008

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UTAH DEFENSE ALLIANCE, INC.
(A Nonprofit Organization)

Statement of Financial Position

December 31, 2007

Assets

Current assets:		
Cash	\$ 20,011	
Investments	1,147,250	
Interest receivable	<u>6,621</u>	
Total current assets		\$ 1,173,882
Equipment	6,763	
Less accumulated depreciation	<u>(2,453)</u>	
Equipment, net		<u>4,310</u>
Total assets		<u>\$ 1,178,192</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable	\$ 149,212	
Contract payable	<u>19,879</u>	
Total current liabilities		\$ 169,091
Net assets - unrestricted		<u>1,009,101</u>
Total liabilities and net assets		<u>\$ 1,178,192</u>

See accountants' review report and notes to reviewed financial statements.

UTAH DEFENSE ALLIANCE, INC.
(A Nonprofit Organization)

Statement of Activities

For the Year Ended December 31, 2007

Revenue and support:		
Contributions	\$ 1,000,000	
Interest income	<u>41,751</u>	
Total revenue and support		\$ 1,041,751
Expenses and losses:		
Grants and allocations	16,086	
Accounting and secretarial	12,199	
Supplies	575	
Printing and publications	1,586	
Conferences, conventions, and meetings	29,145	
Contracted staff	201,172	
Outside consultants	442,588	
Memberships	1,177	
Office expense	6,807	
Depreciation	1,353	
Telephone	1,006	
Insurance	<u>4,710</u>	
Total expenses and losses		<u>718,404</u>
Total change in net assets		323,347
Net assets - beginning of period		722,452
Change in basis of accounting (note 1)		<u>(36,698)</u>
Net assets - end of period		<u>\$ 1,009,101</u>

See accountants' review report and notes to reviewed financial statements.

UTAH DEFENSE ALLIANCE, INC.
(A Nonprofit Organization)

Statement of Cash Flows

For the Year Ended December 31, 2007

Cash flows from operating activities:		
Increase in unrestricted net assets	\$	323,347
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation		1,353
Increase in interest receivable		(6,100)
Increase in accounts payable		<u>107,592</u>
Net cash provided by operating activities	\$	426,192
Cash flows from investing activities:		
Decrease in investments		49,981
Purchase of equipment		<u>(1,262)</u>
Net cash provided by investing activities		48,719
Cash flows from financing activities:		
Decrease in contract payable		<u>(475,884)</u>
Net cash used by financing activities		<u>(475,884)</u>
Net decrease in cash		(973)
Cash balance at beginning of year		<u>20,984</u>
Cash balance at end of year	\$	<u><u>20,011</u></u>

See independent auditors' report and notes to financial statements.

UTAH DEFENSE ALLIANCE, INC.
(A Nonprofit Organization)

Notes to Reviewed Financial Statements

December 31, 2007

(1) Summary of Significant Accounting Policies

A. Organization

Utah Defense Alliance, Inc. is a nonprofit corporation organized to strengthen and support all appropriate governmental and private enterprises in their accomplishments of national defense objectives and to expand investment and employment opportunities in defense and aerospace related industries. As such, it is exempt from federal and state income taxes under Section 501(c)(4) of the Internal Revenue Code. The funding for Utah Defense Alliance, Inc. is provided by contracts with the State of Utah Department of Community and Economic Development and donations from other public and private entities.

B. Basis of Accounting

At January 1, 2007, the Alliance changed its basis of accounting to the accrual method which resulted in a decrease in unrestricted net assets of \$36,698.

C. Equipment and Depreciation

Equipment is recorded at cost. Depreciation is computed using the straight line method over five years.

D. Cash Equivalents

Utah Defense Alliance, Inc. defines cash and cash equivalents as all deposits in its checking and savings accounts and certificates of deposit.

E. Presentation

Utah Defense Alliance, Inc. complies with the reporting provisions of Statement of Financial Accounting Standards (SFAS) No. 117 "Financial Statements of Not-for-Profit Organizations." SFAS No. 117 requires reporting amounts for the Organization's total assets, liabilities, and net assets in a statement of financial position; reporting the change in net assets in a statement of activities. SFAS No. 117 also requires classification of an organization's net assets and its revenue, expenses, gains, and losses based on the existence of donor-imposed restrictions. It requires that the amounts for each of three classes of net assets, permanently restricted, temporarily restricted and unrestricted, be displayed in a statement of financial position and that the amount of change in each of those classes of net assets be displayed in a statement of activities.

F. Concentrations

Approximately 96% of the Organization's revenue was obtained through contracts with the State of Utah Department of Community and Economic Development.

(2) Cash and Investments

At December 31, 2007, the carrying amount of the Organization's deposits was \$1,167,261 and the bank balance was \$1,167,261. Of the bank balance, \$176,693 was covered by federal depository insurance.

Investments are as follows:

Savings	\$ 495
Money Market Savings	56,188
Certificates of Deposit	<u>1,090,567</u>
Total	<u>\$ 1,147,250</u>

UTAH DEFENSE ALLIANCE, INC.
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Notes to Reviewed Financial Statements - Continued

December 31, 2007

(3) Contract Payable

On May 17, 2005, Utah Defense Alliance, Inc. entered into a contract with the State of Utah Department of Community and Economic Development. Under the contract the State distributed to the Alliance \$5,000,000 to install or purchase equipment or facilities for the Organization to gift to the U.S. Air Force for military installation facilities.

Under Financial Accounting Standards Board Statement Number 116, this contract is treated as an agency relationship and the undisbursed amount is disclosed as the current liability "contract payable".

The contract receipts and disbursements are as follows:

Beginning balance	\$ 495,763
Receipts	-
Disbursements	<u>475,884</u>
Ending balance	<u>\$ 19,879</u>

(4) Leases

The Organization has a lease for office space which expires on August 31, 2011. Future lease payments are as follows:

2008	\$ 7,105
2009	7,105
2010	7,105
2011	4,737