

# **Believe In Tomorrow National Children's Foundation**

Financial Report  
December 31, 2007

**McGladrey & Pullen**  
Certified Public Accountants

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# McGladrey & Pullen

Certified Public Accountants

## Independent Auditor's Report

To the Board of Directors  
Believe in Tomorrow National Children's Foundation, Inc.  
Baltimore, Maryland

We have audited the accompanying statements of financial position of Believe in Tomorrow National Children's Foundation, Inc. as of December 31, 2007 and 2006 and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Foundation'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 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 Believe in Tomorrow National Children's Foundation, Inc. as of December 31, 2007 and 2006, 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.

*McGladrey & Pullen, LLP*

Baltimore, Maryland  
June 24, 2008

Believe In Tomorrow National Children's Foundation, Inc.

Statements Of Financial Position  
December 31, 2007 And 2006

<b>Assets</b>	<b>2007</b>	<b>2006</b>
Cash and cash equivalents	\$ 1,011,245	\$ 1,107,938
Promises to give, net of allowance for uncollectible promises of \$2,689 in 2007 and \$12,845 in 2006	71,283	75,916
Prepaid expenses	26,946	11,919
Due from related party	51,560	70,494
Property and equipment, net	3,372,036	2,533,173
<b>Total assets</b>	<b>\$ 4,533,070</b>	<b>\$ 3,799,440</b>
<b>Liabilities and Net Assets</b>		
Current Liabilities		
Current portion of notes payable	\$ 33,046	\$ 28,580
Accounts payable and accrued expenses	36,982	29,620
Deferred revenue	1,000	2,500
<b>Total current liabilities</b>	71,028	60,700
Notes payable, less current portion	463,973	486,155
<b>Total liabilities</b>	535,001	546,855
Net Assets - Unrestricted	3,998,069	3,252,585
<b>Total liabilities and net assets</b>	<b>\$ 4,533,070</b>	<b>\$ 3,799,440</b>

See Notes To Financial Statements.

Believe In Tomorrow National Children's Foundation, Inc.

Statements Of Activities  
Years Ended December 31, 2007 and 2006

	2007 Unrestricted	2006 Unrestricted
Revenues and support		
In-kind contributions	\$ 1,291,534	\$ 442,844
Public contributions	505,974	520,308
Fundraisers	328,554	297,007
United charities contributions	29,598	54,127
Interest	41,752	33,222
<b>Total revenues and support</b>	<b>2,197,412</b>	<b>1,347,508</b>
Expenses		
Program services		
Children's housing	1,088,009	869,369
Hands-on adventures	236,555	258,800
Pain management and distraction technology	-	17,735
<b>Total program services</b>	<b>1,324,564</b>	<b>1,145,904</b>
Supporting Services		
Management and general	59,906	63,114
Fundraising and development	67,458	48,747
<b>Total supporting services</b>	<b>127,364</b>	<b>111,861</b>
<b>Total expenses</b>	<b>1,451,928</b>	<b>1,257,765</b>
<b>Change in net assets</b>	<b>745,484</b>	<b>89,743</b>
Net Assets, beginning of year	3,252,585	3,162,842
Net Assets, end of year	<b>\$ 3,998,069</b>	<b>\$ 3,252,585</b>

See Notes To Financial Statements.

Believe In Tomorrow National Children's Foundation, Inc.

Statement Of Functional Expenses  
Year Ended December 31, 2007

	Program Services			Total
	Children's Housing	Hands-on Adventures	Pain Management and Distraction Technology	
Direct Expenses	\$ 408,808	\$ 70,438	\$ -	\$ 479,246
Other Expenses				
Payroll				
Salaries and wages	337,197	80,375	-	417,572
Employee benefits	59,590	14,204	-	73,794
Payroll taxes	24,816	5,915	-	30,731
<b>Total payroll and             related expenses</b>	421,603	100,494	-	522,097
Other:				
Publicity	100,143	27,362	-	127,505
Depreciation	30,000	6,000	-	36,000
Professional fees	19,749	7,182	-	26,931
Office supplies	17,013	5,235	-	22,248
Miscellaneous	11,808	2,627	-	14,435
Rent	13,942	2,788	-	16,730
Insurance	11,856	2,736	-	14,592
Interest	10,697	2,146	-	12,843
Repairs and maintenance	9,953	1,991	-	11,944
Utilities	9,316	1,863	-	11,179
Fundraising	-	-	-	-
Telephone	7,056	1,411	-	8,467
Postage	5,383	2,070	-	7,453
Automobile expense	5,242	1,123	-	6,365
Dues and subscriptions	5,440	1,089	-	6,529
<b>Total other expenses</b>	679,201	166,117	-	845,318
<b>Total functional expenses</b>	\$ 1,088,009	\$ 236,555	\$ -	\$ 1,324,564

See Notes To Financial Statements.

Supporting Services

Management and General	Fundraising and Development	Total	Total
\$ -	\$ -	\$ -	\$ 479,246
28,060	29,962	58,022	475,594
4,959	5,295	10,254	84,048
2,065	2,205	4,270	35,001
35,084	37,462	72,546	594,643
315	6,544	6,859	134,364
3,200	800	4,000	40,000
4,489	4,489	8,978	35,909
3,664	262	3,926	26,174
2,620	4,350	6,970	21,405
1,487	372	1,859	18,589
3,466	182	3,648	18,240
1,158	306	1,464	14,307
1,061	265	1,326	13,270
993	249	1,242	12,421
-	10,996	10,996	10,996
234	706	940	9,407
787	41	828	8,281
749	374	1,123	7,488
599	60	659	7,188
59,906	67,458	127,364	972,682
\$ 59,906	\$ 67,458	\$ 127,364	\$ 1,451,928

Believe In Tomorrow National Children's Foundation, Inc.

Statement Of Functional Expenses  
Year Ended December 31, 2006

	Program Services			
	Children's Housing	Hands-on Adventures	Pain Management and Distraction Technology	Total
Direct Expenses	\$ 322,445	\$ 115,486	\$ 1,544	\$ 439,475
Other Expenses				
Payroll				
Salaries and wages	299,516	78,797	2,612	380,925
Employee benefits	54,234	14,268	473	68,975
Payroll taxes	23,154	6,091	202	29,447
<b>Total payroll and             related expenses</b>	376,904	99,156	3,287	479,347
Other:				
Publicity	39,473	11,503	2,824	53,800
Depreciation	28,000	6,000	2,000	36,000
Professional fees	12,218	4,887	1,222	18,327
Office supplies	6,833	2,278	569	9,680
Miscellaneous	11,298	2,736	904	14,938
Rent	15,432	3,307	1,102	19,841
Insurance	8,460	2,115	705	11,280
Interest	11,411	2,456	819	14,686
Repairs and maintenance	5,625	1,205	402	7,232
Utilities	10,151	2,176	725	13,052
Fundraising	-	-	-	-
Telephone	6,871	1,472	491	8,834
Postage	4,554	1,897	379	6,830
Automobile expense	5,019	1,158	386	6,563
Dues and subscriptions	4,675	968	376	6,019
<b>Total other expenses</b>	546,924	143,314	16,191	706,429
<b>Total functional expenses</b>	\$ 869,369	\$ 258,800	\$ 17,735	\$ 1,145,904

See Notes To Financial Statements.

Supporting Services				
Management and General	Fundraising and Development	Total	Total	
\$ -	\$ -	\$ -	\$ 439,475	
33,521	20,896	54,417	435,342	
6,070	3,784	9,854	78,829	
2,591	1,615	4,206	33,653	
42,182	26,295	68,477	547,824	
33	2,651	2,684	56,484	
3,200	800	4,000	40,000	
3,055	3,055	6,110	24,437	
1,594	114	1,708	11,388	
3,131	4,193	7,324	22,262	
1,764	441	2,205	22,046	
2,679	141	2,820	14,100	
1,330	357	1,687	16,373	
643	161	804	8,036	
1,160	290	1,450	14,502	
-	9,034	9,034	9,034	
245	736	981	9,815	
721	38	759	7,589	
772	386	1,158	7,721	
605	55	660	6,679	
63,114	48,747	111,861	818,290	
\$ 63,114	\$ 48,747	\$ 111,861	\$ 1,257,765	

Believe In Tomorrow National Children's Foundation, Inc.

Statements Of Cash Flows  
Years Ended December 31, 2007 and 2006

	2007	2006
Cash Flows From Operating Activities		
Change in net assets	\$ 745,484	\$ 89,743
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	99,967	88,025
Allowance for promises to give	(10,156)	(45,561)
Gain on sale of automobile	(1,176)	-
In-kind gifts of fixed assets received	(888,391)	(167,534)
Changes in assets and liabilities:		
Decrease (increase) in:		
Promises to give	14,789	71,556
Prepaid expenses	(15,027)	2,294
(Decrease) Increase in:		
Deferred revenue	(1,500)	2,500
Accounts payable and accrued expenses	7,362	(24,430)
Due from related party	18,934	(38,002)
<b>Net cash used in operating activities</b>	<b>(29,714)</b>	<b>(21,409)</b>
Cash Flows From Investing Activities		
Purchase of property and equipment	(34,603)	(12,465)
Proceeds from sale of automobile	15,250	-
<b>Net cash used in investing activities</b>	<b>(19,353)</b>	<b>(12,465)</b>
Cash Flows From Financing Activities		
Principal payments on note payable	(47,626)	(28,128)
<b>Net cash used in financing activities</b>	<b>(47,626)</b>	<b>(28,128)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(96,693)</b>	<b>(62,002)</b>
Cash and cash equivalents, beginning of year	1,107,938	1,169,940
Cash and cash equivalents, end of year	<b>\$ 1,011,245</b>	<b>\$ 1,107,938</b>
Supplemental Schedule of Non-Cash Investing and Financing Activity		
Automobile purchased with note payable	<b>\$ 29,910</b>	<b>\$ -</b>
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	<b>\$ 30,127</b>	<b>\$ 34,173</b>

See Notes To Financial Statements.

## Believe In Tomorrow National Children's Foundation, Inc.

### Notes To Financial Statements

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#### Note 1. Nature Of Activities And Significant Accounting Policies

Nature of activities: Believe in Tomorrow National Children's Foundation, Inc. ("the Foundation") was founded in 1982 to provide comprehensive services to children with life-threatening illnesses and their families. The services include children's housing (hospital and respite), hands-on adventures, and pain management and distraction technology. The source of funds is primarily from federal, state, corporate and United Way employee campaign contributions, various special and fundraising events, and public donations.

A summary of the Foundation's significant accounting policies follows:

Basis of accounting: The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with the provisions of Financial Accounting Standard Board (SFAS) Statements Nos. 116 and 117.

Basis of presentation: The financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its SFAS No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

*Unrestricted net assets* - Unrestricted net assets are the net assets that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

*Temporarily restricted net assets* - Temporarily restricted net assets result from contributions whose use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Foundation pursuant to these stipulations. Net assets may be temporarily restricted for various purposes, such as use in future periods or use for specified purposes. As of December 31, 2007 and 2006, the Foundation had no temporarily restricted net assets.

*Permanently restricted net assets* - Permanently restricted net assets result from contributions whose use is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by the Foundation's actions. As of December 31, 2007 and 2006, the Foundation has no permanently restricted net assets.

Cash and cash equivalents: Cash and cash equivalents consist of demand deposits and short-term investments with original maturities of three months or less.

Credit risk: The Foundation has deposits in financial institutions in excess of amounts insured by the Federal Deposit Insurance Corporation. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Promises to give: Promises to give are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. The Foundation uses the allowance method to determine uncollectible promises to give. Promises to give are written off at the time they are determined to be uncollectible.

Property and equipment: Property and equipment purchased by the Foundation is recorded at cost. Depreciation is provided on the straight-line method over the estimated useful lives of the depreciable assets, which range from 5 to 40 years.

## Notes To Financial Statements

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### Note 1. Nature Of Activities And Significant Accounting Policies (Continued)

Valuation of long-lived assets: The Foundation accounts for the valuation of long-lived assets under SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. SFAS No. 144 requires that long-lived assets and certain identifiable intangible assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less costs to sell. Management has determined there is no impairment of long-lived assets at December 31, 2007 and 2006.

In-kind contributions: Contributions of donated non-cash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation are recorded at their fair values in the period received.

The Foundation, through fundraising efforts, generated donated goods and services aggregating \$1,291,534 and \$442,844 for the years ended December 31, 2007 and 2006, respectively.

Expenses: Functional expenses are allocated to appropriate program and supporting services based on time and facility usage studies.

Income taxes: The Foundation is a tax exempt organization under Section 501(c)(3) of the Internal Revenue Code and, as such, is not subject to federal or state income taxes, except for taxes on unrelated business income. The Foundation had no net unrelated business income for the years ended December 31, 2007 and 2006.

Restricted and unrestricted revenue: Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted, depending on the existence and/or nature of any donor restrictions. For the years ended December 31, 2007 and 2006, there were no temporarily restricted or permanently restricted contributions received.

Unconditional promises to give are recognized as revenue in the period received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Estimates: The preparation of financial statements 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 may differ from those estimates.

Reclassification: Certain prior year amounts have been reclassified to conform to the current year presentation. These reclassifications had no effect on previously reported net assets.

### Note 2. Related Party Transactions

The Children's at Johns Hopkins, Inc., (the "House") is a related party that provides temporary housing to children with life-threatening illnesses and their families. The Foundation's Board of Directors has committed to provide substantial support to the House by assisting in its fundraising efforts, including the solicitation of donated goods and services. The Foundation manages the operations of the House.

As of December 31, 2007 and 2006, the House owed the Foundation \$51,560 and \$70,494, respectively. There is no formal payment agreement.

Believe In Tomorrow National Children's Foundation, Inc.

**Notes To Financial Statements**

**Note 3. Promises To Give**

Promises to give consisted of the following at December 31:

	2007	2006
United Charities contributions	\$ 18,481	\$ 52,823
Other	55,491	35,938
	<u>73,972</u>	<u>88,761</u>
Less allowance	(2,689)	(12,845)
	<u>\$ 71,283</u>	<u>\$ 75,916</u>

Anticipated receipts as of December 31, are as follows:

Less than one year	\$ 61,312
One to five years	12,660
	<u>\$ 73,972</u>

**Note 4. Property And Equipment**

Property and equipment consisted of the following at December 31:

	2007	2006
Buildings	\$ 2,592,493	\$ 2,409,946
Automobiles	96,115	94,982
Equipment	327,750	308,739
	<u>3,016,358</u>	<u>2,813,667</u>
Less accumulated depreciation	(649,802)	(569,539)
	<u>2,366,556</u>	<u>2,244,128</u>
Land	884,045	289,045
	<u>3,250,601</u>	<u>2,533,173</u>
Construction in progress		
Building	121,435	-
	<u>\$ 3,372,036</u>	<u>\$ 2,533,173</u>

Believe In Tomorrow National Children's Foundation, Inc.

Notes To Financial Statements

Note 5. Notes Payable

Notes payable consisted of the following at December 31:

	2007	2006
Mortgage loan from SunTrust Bank, bearing interest at 6.25%, due April 2010.	\$ 210,124	\$ 216,713
Mortgage loan from SunTrust Bank, bearing interest at 5.75%, due June 2010.	264,382	278,036
Honda Auto, bearing interest at .9% due March 2010.	22,513	-
Chase Auto, bearing interest at 4.25%, due November 2009.	-	19,986
	<u>497,019</u>	<u>514,735</u>
Less current portion	<u>(33,046)</u>	<u>(28,580)</u>
	<u>\$ 463,973</u>	<u>\$ 486,155</u>

The Foundation re-financed the mortgage for its Catonsville, Maryland building on April 13, 2005 in the amount of \$225,000, collateralized by the related building. Interest only payments at 3.99% were made the first six months. Thereafter, the interest rate increased to 6.25% and is fixed at that rate for the remaining term. Monthly principal and interest payments of \$1,678 are due with a final payment due April 2010 for the balance of the note.

The Foundation executed a mortgage on December 8, 2004, in the amount of \$300,000 for the purchase and renovation of a building in Baltimore, Maryland, collateralized by the related building. Interest only payments are payable for the first six months. Beginning in July 2005, monthly principal and interest payments were \$2,559, with a final payment due in June 2010 for the balance of the note. Interest is fixed at an annual rate of 5.75%.

In 2004, the Foundation entered into a five year contract in the amount of \$33,778 to finance the purchase of a vehicle collateralized by the vehicle. The note was paid in full in 2007. Interest was fixed at an annual rate of 4.25%.

In 2007, the Foundation entered into a three year contract in the amount of \$29,090 to finance the purchase of a vehicle collateralized by the vehicle. Monthly principal and interest payments are \$843. Interest is fixed at an annual rate of .9%

Maturities of long-term debt are due in future years as follows:

Years Ending December 31,	
2008	\$ 33,046
2009	34,538
2010	429,435
	<u>\$ 497,019</u>

Note 6. Pension Plan

The Foundation has a defined contribution pension plan that covers substantially all of its full-time employees. The Foundation may contribute a discretionary amount each plan year and employees can contribute a percentage of their compensation to the plan. Contributions by the Foundation for December 31, 2007 and 2006 were \$4,059 and \$5,950, respectively.