

Believe in Tomorrow National Children's Foundation, Inc.

Financial Report
December 31, 2014

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of Believe in Tomorrow National Children's Foundation, Inc. (the Foundation) which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

McGladrey LLP

Baltimore, Maryland
June 29, 2015

Believe in Tomorrow National Children's Foundation, Inc.

**Statements of Financial Position
December 31, 2014 and 2013**

	2014	2013
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,441,540	\$ 1,314,181
Promises to give, net of allowance for uncollectible promises (2014 – \$8,498; 2013 – \$11,362) (Note 3)	125,350	96,185
Prepaid expenses	31,650	31,995
Due from related party (Note 2)	20,818	-
Certificates of deposit	30,202	18,394
Total current assets	1,649,560	1,460,755
Property and Equipment, Net (Note 4)	3,818,649	3,682,359
Total assets	\$ 5,468,209	\$ 5,143,114
Liabilities and Net Assets		
Current Liabilities		
Current portion of notes payable (Note 5)	\$ 19,399	\$ 19,399
Accounts payable and accrued expenses	24,536	36,437
Due to related party (Note 2)	-	35,778
Total current liabilities	43,935	91,614
Notes Payable, Less Current Portion (Note 5)	329,270	348,669
Total liabilities	373,205	440,283
Net Assets, Unrestricted	5,095,004	4,702,831
Total liabilities and net assets	\$ 5,468,209	\$ 5,143,114

See Notes to Financial Statements.

Believe in Tomorrow National Children's Foundation, Inc.

Statements of Activities
Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
	<u>Unrestricted</u>	<u>Unrestricted</u>
Revenue and Support		
In-kind contributions	\$ 835,135	\$ 775,235
Public contributions	781,639	952,960
Fundraisers	259,502	298,784
Indirect public support	67,076	51,812
Investment income	479	517
Total revenue and support	1,943,831	2,079,308
Expenses		
Program services		
Children's housing	1,309,261	1,408,012
Hands-on adventures	150,762	153,478
Total program services	1,460,023	1,561,490
Supporting Services		
Management and general	66,544	65,831
Fundraising and development	25,091	35,801
Total supporting services	91,635	101,632
Total expenses	1,551,658	1,663,122
Change in net assets	392,173	416,186
Net Assets		
Beginning of year	4,702,831	4,051,645
Transfers of net assets from affiliated organization (Note 7)	-	235,000
End of year	\$ 5,095,004	\$ 4,702,831

See Notes to Financial Statements.

Believe in Tomorrow National Children's Foundation, Inc.

Statements of Cash Flows
Years Ended December 31, 2014 and 2013

	2014	2013
Cash Flows From Operating Activities		
Change in net assets	\$ 392,173	\$ 416,186
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	106,074	101,320
Increase (decrease) in allowance for promises to give	(2,864)	294
In-kind contributions of fixed assets	(203,664)	(107,762)
Changes in assets and liabilities:		
(Increase) decrease in:		
Promises to give	(26,301)	(7,149)
Prepaid expenses	345	(16,761)
Due from/to related party	(56,596)	32,819
Increase (decrease) in:		
Accounts payable and accrued expenses	(11,901)	23,584
Net cash provided by operating activities	197,266	442,531
Cash Flows From Investing Activities		
Purchase of property and equipment	(38,700)	(48,323)
Purchase of investments	(11,808)	-
Net cash used in investing activities	(50,508)	(48,323)
Cash Flows From Financing Activities		
Principal payments on note payable	(19,399)	(18,494)
Transfer of net assets from affiliated organization	-	235,000
Net cash provided by (used in) financing activities	(19,399)	216,506
Net increase in cash and cash equivalents	127,359	610,714
Cash and Cash Equivalents		
Beginning of year	1,314,181	703,467
End of year	\$ 1,441,540	\$ 1,314,181
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	\$ 17,183	\$ 18,089

See Notes to Financial Statements.

Believe in Tomorrow National Children's Foundation, Inc.

Notes to Financial Statements

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 critically ill children and their families. The services include respite housing, hospital housing and hands-on adventures. The source of funds is primarily from public contributions, various fundraising events and federal, state, corporate and United Way employee giving campaigns.

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

Basis of presentation: The financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB). As required by the Not-for-Profit Entities Topic of the FASB Accounting Standards Codification (ASC), the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

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, 2014 and 2013, 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, 2014 and 2013, 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 at acquisition 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 (FDIC). 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. Promises to give are expected to be collected in 2014.

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.

Believe in Tomorrow National Children's Foundation, Inc.

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Valuation of long-lived assets: The Foundation reviews the valuation of long-lived assets 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.

In-kind contributions: Contributions of donated noncash assets are recorded at their estimated fair values in the period received. Contributions of donated services that create or enhance nonfinancial 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 \$835,135 and \$775,235 for the years ended December 31, 2014 and 2013, respectively.

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

Income taxes: The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) as a charitable organization whereby only unrelated business income, as defined by Section 512(a)(1) of the IRC, is subject to federal income tax. The Foundation is not considered to be a private foundation. Income which is not related to exempt purposes, less applicable deductions, may be subject to federal and state corporate income taxes. For the years ended December 31, 2014 and 2013, the Foundation concluded it has no such unrelated business income.

The Foundation adopted the accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Foundation may recognize the tax benefit from an uncertain tax position only if it is more-likely-than-not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses derecognition classification, interest and penalties on income taxes and accounting in interim periods.

Management evaluated the Foundation's tax positions and concluded that the Foundation has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of the guidance. Generally, the Foundation is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before 2011.

Revenue recognition: Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted, depending on the existence and/or nature of any donor restrictions. For the year ended December 31, 2014 and 2013, 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.

Believe in Tomorrow National Children's Foundation, Inc.

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Use of 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 revenue and expenses during the reporting period. Actual results may differ from those estimates

Reclassification: Certain 2013 amounts have been reclassified to conform to current year presentation. This reclassification had no effect on the previously reported change in net assets.

Subsequent events: Subsequent events have been evaluated through June 29, 2015, which is the date the financial statements were available to be issued.

Note 2. Related Party Transactions

The Children's House at The Johns Hopkins Hospital, Inc. (The Children's 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 Children's House by assisting in its fundraising efforts, including the solicitation of donated goods and services. The Foundation manages the operations of The Children's House and there is no formal payment arrangement. The following table reflects the activity of such support and outstanding balances due to/from The Children's House at December 31, 2014 and 2013:

	2014	2013
Due to related party, beginning of year	\$ (35,778)	\$ (2,959)
Advances to related party	446,349	362,536
Advances from related party	(389,753)	(395,355)
Due (to) from related party, end of year	<u>\$ 20,818</u>	<u>\$ (35,778)</u>

Note 3. Promises to Give

Promises to give consisted of the following at December 31, 2014 and 2013:

	2014	2013
Independent Charities of America	\$ 37,046	\$ 44,982
Other	96,802	62,565
	<u>133,848</u>	<u>107,547</u>
Less allowance	(8,498)	(11,362)
	<u>\$ 125,350</u>	<u>\$ 96,185</u>

Believe in Tomorrow National Children's Foundation, Inc.

Notes to Financial Statements

Note 4. Property and Equipment

Property and equipment consisted of the following at December 31, 2014 and 2013:

	Depreciable Life (Range)	2014	2013
Buildings and improvements	5 – 40 years	\$ 3,678,338	\$ 3,625,042
Automobile	5 years	98,894	96,114
Equipment	5 – 10 years	393,663	383,163
		<u>4,170,895</u>	<u>4,104,319</u>
Less accumulated depreciation		1,421,512	1,315,438
		<u>2,749,383</u>	<u>2,788,881</u>
Land		1,069,266	893,478
		<u>\$ 3,818,649</u>	<u>\$ 3,682,359</u>

Note 5. Notes Payable

On July 8, 2009, the Foundation entered into a \$439,939 mortgage note with SunTrust Bank to purchase the headquarters building in Catonsville, Maryland. Monthly principal and interest payments of \$3,308 commenced on August 13, 2009, and continued through September 13, 2012. The loan bore interest at a rate of 6.50% and was to mature on September 13, 2027.

On September 18, 2012, the note was refinanced with SunTrust Bank at a fixed interest rate of 4.73%, whereby monthly principal and interest payments of \$3,049 commenced on October 13, 2012. The note matures on September 13, 2027, whereby all remaining principal and accrued interest become due. The loan is collateralized by a mortgage on the property.

Notes payable consisted of the following at December 31, 2014 and 2013:

	2014	2013
Mortgage loan	\$ 348,669	\$ 368,068
Less current portion	(19,399)	(19,399)
	<u>\$ 329,270</u>	<u>\$ 348,669</u>

Maturities of long-term debt at December 31, 2014, are due in future years as follows:

Year Ending December 31,

2015	\$ 20,283
2016	21,235
2017	22,323
2018	23,419
2019	24,570
Thereafter	236,839
	<u>\$ 348,669</u>

Believe in Tomorrow National Children's Foundation, Inc.

Notes to Financial Statements

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 the years ended December 31, 2014 and 2013, were \$6,414 and \$9,188, respectively.

Note 7. Transfer of Net Assets

In 1996, a donor provided an affiliated organization, The Children's House, \$235,000 to be used for expanding the housing options of pediatric patients being treated at The John's Hopkins Children's Center. During 2013, the Foundation's and The Children's House's management and Board of Directors approved a transfer for the entire amount of these funds to the Foundation which has an identical mission as The Children's House. In this approval, it was also determined that the restriction associated with the gift had been satisfied by the Foundation in previous years, and as such the transfer is reflected in unrestricted net assets as of December 31, 2013. No such transfer was made in 2014.



**Independent Auditor's Report
on the Supplementary Information**

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

We have audited the financial statements of Believe in Tomorrow National Children's Foundation, Inc. (the Foundation) as of and for the years ended December 31, 2014 and 2013, and have issued our report thereon which contained an unmodified opinion on those financial statements. See page 1. Our audits were performed for the purpose of forming an opinion on the financial statements as a whole.

The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

McGladrey LLP

Baltimore, Maryland
June 29, 2015

Believe in Tomorrow National Children's Foundation, Inc.

Schedule of Functional Expenses
Year Ended December 31, 2014

	Program Services		
	Children's Housing	Hands-on Adventures	Total
Direct Expenses	\$ 754,649	\$ 65,561	\$ 820,210
Other Expenses			
Payroll and related expenses:			
Salaries and wages	292,458	43,850	336,308
Employee benefits	62,048	9,303	71,351
Payroll taxes	22,413	3,361	25,774
Total payroll and related expenses	376,919	56,514	433,433
Office supplies and equipment	39,513	8,717	48,230
Professional fees	26,162	6,540	32,702
Insurance	24,942	1,663	26,605
Depreciation	24,185	4,837	29,022
Miscellaneous	20,300	1,472	21,772
Volunteer services	16,643	1,110	17,753
Utilities	7,221	1,444	8,665
Maintenance and repairs	6,581	1,316	7,897
Dues and subscriptions	6,304	420	6,724
Interest	5,842	1,168	7,010
Fundraising	-	-	-
Total other expenses	554,612	85,201	639,813
Total functional expenses	\$ 1,309,261	\$ 150,762	\$ 1,460,023

Supporting Services

Management and General	Fundraising and Development	Total	Total
\$ -	\$ -	\$ -	\$ 820,210
24,155	11,148	35,303	371,611
5,125	2,365	7,490	78,841
1,852	854	2,706	28,480
31,132	14,367	45,499	478,932
6,065	1,297	7,362	55,592
5,450	5,450	10,900	43,602
6,319	333	6,652	33,257
2,580	645	3,225	32,247
6,937	444	7,381	29,153
4,327	111	4,438	22,191
770	193	963	9,628
702	175	877	8,774
1,639	42	1,681	8,405
623	156	779	7,789
-	1,878	1,878	1,878
66,544	25,091	91,635	731,448
\$ 66,544	\$ 25,091	\$ 91,635	\$ 1,551,658

Believe in Tomorrow National Children's Foundation, Inc.

**Schedule of Functional Expenses
Year Ended December 31, 2013**

	Program Services		
	Children's Housing	Hands-on Adventures	Total
Direct Expenses	\$ 839,014	\$ 69,974	\$ 908,988
Other Expenses			
Payroll and related expenses:			
Salaries and wages	295,501	40,836	336,337
Employee benefits	83,971	11,604	95,575
Payroll taxes	22,185	3,066	25,251
Total payroll and related expenses	401,657	55,506	457,163
Office supplies and equipment	37,669	8,469	46,138
Professional fees	27,081	6,770	33,851
Insurance	17,748	1,183	18,931
Depreciation	24,185	4,837	29,022
Miscellaneous	19,685	1,393	21,078
Volunteer services	14,950	997	15,947
Utilities	8,422	1,684	10,106
Maintenance and repairs	5,034	1,007	6,041
Dues and subscriptions	6,416	428	6,844
Interest	6,151	1,230	7,381
Fundraising	-	-	-
Total other expenses	568,998	83,504	652,502
Total functional expenses	\$ 1,408,012	\$ 153,478	\$ 1,561,490

Supporting Services

Management and General	Fundraising and Development	Total	Total
\$ -	\$ -	\$ -	\$ 908,988
24,501	10,395	34,896	371,233
6,962	2,954	9,916	105,491
1,839	780	2,619	27,870
33,302	14,129	47,431	504,594
5,458	1,305	6,763	52,901
5,642	5,642	11,284	45,135
4,496	237	4,733	23,664
2,580	645	3,225	32,247
6,707	345	7,052	28,130
3,887	100	3,987	19,934
898	225	1,123	11,229
537	134	671	6,712
1,668	43	1,711	8,555
656	164	820	8,201
-	12,832	12,832	12,832
65,831	35,801	101,632	754,134
\$ 65,831	\$ 35,801	\$ 101,632	\$ 1,663,122