

Believe in Tomorrow National Children's Foundation, Inc.

Financial Report
December 31, 2015

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Independent Auditor's Report

RSM US LLP

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, 2015 and 2014, 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, 2015 and 2014, 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.

RSM US LLP

Baltimore, Maryland
June 24, 2016

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Believe in Tomorrow National Children's Foundation, Inc.

**Statements of Financial Position
December 31, 2015 and 2014**

	2015	2014
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,761,045	\$ 1,471,742
Promises to give, net of allowance for uncollectible promises (2015 – \$9,031; 2014 – \$8,498) (Note 3)	46,583	125,350
Prepaid expenses	16,300	31,650
Due from related party (Note 2)	-	20,818
Total current assets	1,823,928	1,649,560
Property and equipment, net (Note 4)	3,791,896	3,818,649
Total assets	\$ 5,615,824	\$ 5,468,209
Liabilities and Net Assets		
Current liabilities:		
Current portion of notes payable (Note 5)	\$ 21,235	\$ 19,399
Accounts payable and accrued expenses	33,240	24,536
Due to related party (Note 2)	53,162	-
Total current liabilities	107,637	43,935
Notes payable, less current portion (Note 5)	307,083	329,270
Total liabilities	414,720	373,205
Net assets:		
Unrestricted	5,126,104	5,095,004
Temporarily restricted (Note 6)	75,000	-
Total net assets	5,201,104	5,095,004
Total liabilities and net assets	\$ 5,615,824	\$ 5,468,209

See notes to financial statements.

Believe in Tomorrow National Children's Foundation, Inc.

Statements of Activities

Years Ended December 31, 2015 and 2014

	2015			2014
	Unrestricted	Temporarily Restricted	Total	Unrestricted
Revenue and support:				
In-kind contributions	\$ 672,594	\$ -	\$ 672,594	\$ 835,135
Public contributions	715,509	75,000	790,509	781,639
Fundraisers	285,938	-	285,938	259,502
Indirect public support	77,218	-	77,218	67,076
Investment income	293	-	293	479
Total revenue and support	1,751,552	75,000	1,826,552	1,943,831
Expenses:				
Program services				
Children's housing	1,455,347	-	1,455,347	1,309,261
Hands-on adventures	152,568	-	152,568	150,762
Total program services	1,607,915	-	1,607,915	1,460,023
Supporting services:				
Management and general	75,975	-	75,975	66,544
Fundraising and development	36,562	-	36,562	25,091
Total supporting services	112,537	-	112,537	91,635
Total expenses	1,720,452	-	1,720,452	1,551,658
Change in net assets	31,100	75,000	106,100	392,173
Net assets:				
Beginning of year	5,095,004	-	5,095,004	4,702,831
End of year	\$ 5,126,104	\$ 75,000	\$ 5,201,104	\$ 5,095,004

See notes to financial statements.

Believe in Tomorrow National Children's Foundation, Inc.

Statements of Cash Flows
Years Ended December 31, 2015 and 2014

	2015	2014
Cash flows from operating activities:		
Change in net assets	\$ 106,100	\$ 392,173
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	114,407	106,074
Increase (decrease) in allowance for promises to give	533	(2,864)
In-kind contributions of fixed assets	(9,444)	(203,664)
Changes in assets and liabilities:		
(Increase) decrease in:		
Promises to give	78,234	(26,301)
Prepaid expenses	15,350	345
Due from/to related party	73,980	(56,596)
Increase (decrease) in:		
Accounts payable and accrued expenses	8,704	(11,901)
Net cash provided by operating activities	387,864	197,266
Cash flows from investing activities:		
Purchase of property and equipment	(78,210)	(38,700)
Cash flows from financing activities:		
Principal payments on note payable	(20,351)	(19,399)
Net increase in cash and cash equivalents	289,303	139,167
Cash and cash equivalents:		
Beginning of year	1,471,742	1,332,575
End of year	\$ 1,761,045	\$ 1,471,742
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 16,232	\$ 17,183

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.

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, 2015 and 2014, 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 2016.

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.

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.

Believe in Tomorrow National Children's Foundation, Inc.

Notes to Financial Statements

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

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 \$672,594 and \$835,135 for the years ended December 31, 2015 and 2014, 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, 2015 and 2014, 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 2012.

Revenue recognition: Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted, depending on the existence and/or nature of any donor restrictions. There were \$75,000 and \$0 temporarily restricted donations received in 2015 and 2014, respectively. For the years ended December 31, 2015 and 2014, there were no 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.

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.

Believe in Tomorrow National Children's Foundation, Inc.

Notes to Financial Statements

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

Reclassifications: Certain 2014 amounts have been reclassified to conform to the 2015 presentation. These reclassifications had no effect on the previously reported change in net assets or net assets.

Subsequent events: Subsequent events have been evaluated through June 24, 2016, which is the date the financial statements were available to be issued.

Accounting pronouncements pending: In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The amendments in this ASU create Topic 606, *Revenue from Contracts with Customers*, and supersede the revenue requirements in Topic 605, *Revenue Recognition*, including most industry-specific revenue recognition guidance throughout the Industry Topics of the Codification. In summary, the core principle of Topic 606 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The amendments in this ASU are effective for annual reporting periods beginning after December 15, 2018. The impact of adopting ASU 2014-09 on the Foundation's financial statements for subsequent periods has not yet been determined.

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, 2015 and 2014:

	2015	2014
Due (to) from related party, beginning of year	\$ 20,818	\$ (35,778)
Advances to related party	620,969	446,349
Advances from related party	(694,949)	(389,753)
Due (to) from related party, end of year	<u>\$ (53,162)</u>	<u>\$ 20,818</u>

Note 3. Promises to Give

Promises to give consisted of the following at December 31, 2015 and 2014:

	2015	2014
Independent Charities of America	\$ 37,519	\$ 37,046
Other	18,095	96,802
	<u>55,614</u>	<u>133,848</u>
Less allowance	(9,031)	(8,498)
	<u>\$ 46,583</u>	<u>\$ 125,350</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, 2015 and 2014:

	Depreciable Life (Range)	2015	2014
Buildings and improvements	5-40 years	\$ 3,764,005	\$ 3,678,338
Automobile	5 years	98,894	98,894
Equipment	5-10 years	395,650	393,663
		<u>4,258,549</u>	<u>4,170,895</u>
Less accumulated depreciation		<u>1,535,919</u>	<u>1,421,512</u>
		<u>2,722,630</u>	<u>2,749,383</u>
Land		<u>1,069,266</u>	<u>1,069,266</u>
		<u>\$ 3,791,896</u>	<u>\$ 3,818,649</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, 2015 and 2014:

	2015	2014
Mortgage loan	\$ 328,318	\$ 348,669
Less current portion	(21,235)	(19,399)
	<u>\$ 307,083</u>	<u>\$ 329,270</u>

Maturities of long-term debt at December 31, 2015, are due in future years as follows:

Years ending December 31:	
2016	\$ 21,235
2017	22,323
2018	23,419
2019	24,570
2020	25,745
Thereafter	211,026
	<u>\$ 328,318</u>

Believe in Tomorrow National Children’s Foundation, Inc.

Notes to Financial Statements

Note 6. Temporarily Restricted Net Assets

At December 31, 2015, and 2014, the Foundation had temporarily restricted net assets consisting of the following:

	2015	2014
Believe in Tomorrow House at Deep Creek	\$ 75,000	\$ -

Note 7. 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, 2015 and 2014, were \$8,738 and \$6,414, respectively.

Note 8. Subsequent Events

Subsequent to year-end, the Foundation received an unrestricted cash contribution for \$685,000.

In January 2016, the Foundation purchased a house in Ocean City for \$226,000.



RSM US LLP

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, 2015 and 2014, 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.

RSM US LLP

Baltimore, Maryland
June 24, 2016

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Believe in Tomorrow National Children's Foundation, Inc.

Schedule of Functional Expenses
Year Ended December 31, 2015

	Program Services			Supporting Services			
	Children's Housing	Hands-On Adventures	Total	Management and General	Fundraising and Development	Total	Total
Direct expenses	\$ 825,093	\$ 80,603	\$ 905,696	\$ -	\$ -	\$ -	\$ 905,696
Other expenses:							
Payroll and related expenses:							
Salaries and wages	338,303	32,537	370,840	27,114	19,189	46,303	417,143
Employee benefits	59,739	5,746	65,485	4,788	3,388	8,176	73,661
Payroll taxes	27,925	2,687	30,612	2,238	1,584	3,822	34,434
Total payroll and related expenses	425,967	40,970	466,937	34,140	24,161	58,301	525,238
Depreciation	34,728	6,946	41,674	3,704	926	4,630	46,304
Office supplies and equipment	32,866	7,197	40,063	4,633	1,300	5,933	45,996
Insurance	32,309	2,154	34,463	8,185	431	8,616	43,079
Volunteer services	26,808	1,787	28,595	6,970	179	7,149	35,744
Professional fees	25,534	6,384	31,918	5,320	5,320	10,640	42,558
Miscellaneous	23,403	1,723	25,126	8,908	343	9,251	34,377
Utilities	8,608	1,722	10,330	918	230	1,148	11,478
Maintenance and repairs	7,590	1,517	9,107	809	202	1,011	10,118
Dues and subscriptions	6,922	461	7,383	1,799	46	1,845	9,228
Interest	5,519	1,104	6,623	589	147	736	7,359
Fundraising	-	-	-	-	3,277	3,277	3,277
Total other expenses	630,254	71,965	702,219	75,975	36,562	112,537	814,756
Total functional expenses	\$ 1,455,347	\$ 152,568	\$ 1,607,915	\$ 75,975	\$ 36,562	\$ 112,537	\$ 1,720,452

Believe in Tomorrow National Children's Foundation, Inc.

**Schedule of Functional Expenses
Year Ended December 31, 2014**

	Program Services			Supporting Services			
	Children's Housing	Hands-On Adventures	Total	Management and General	Fundraising and Development	Total	Total
Direct expenses	\$ 754,649	\$ 65,561	\$ 820,210	\$ -	\$ -	\$ -	\$ 820,210
Other expenses:							
Payroll and related expenses:							
Salaries and wages	292,458	43,850	336,308	24,155	11,148	35,303	371,611
Employee benefits	62,048	9,303	71,351	5,125	2,365	7,490	78,841
Payroll taxes	22,413	3,361	25,774	1,852	854	2,706	28,480
Total payroll and related expenses	376,919	56,514	433,433	31,132	14,367	45,499	478,932
Office supplies and equipment	39,513	8,717	48,230	6,065	1,297	7,362	55,592
Professional fees	26,162	6,540	32,702	5,450	5,450	10,900	43,602
Insurance	24,942	1,663	26,605	6,319	333	6,652	33,257
Depreciation	24,185	4,837	29,022	2,580	645	3,225	32,247
Miscellaneous	20,300	1,472	21,772	6,937	444	7,381	29,153
Volunteer services	16,643	1,110	17,753	4,327	111	4,438	22,191
Utilities	7,221	1,444	8,665	770	193	963	9,628
Maintenance and repairs	6,581	1,316	7,897	702	175	877	8,774
Dues and subscriptions	6,304	420	6,724	1,639	42	1,681	8,405
Interest	5,842	1,168	7,010	623	156	779	7,789
Fundraising	-	-	-	-	1,878	1,878	1,878
Total other expenses	554,612	85,201	639,813	66,544	25,091	91,635	731,448
Total functional expenses	\$ 1,309,261	\$ 150,762	\$ 1,460,023	\$ 66,544	\$ 25,091	\$ 91,635	\$ 1,551,658