

Believe in Tomorrow National Children's Foundation, Inc.

Financial Report
December 31, 2016

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Independent Auditor's Report

RSM US LLP

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

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, 2016 and 2015, 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, 2016 and 2015, 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 1, 2017

Believe in Tomorrow National Children's Foundation, Inc.

**Statements of Financial Position
December 31, 2016 and 2015**

	2016	2015
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,169,927	\$ 1,761,045
Promises to give, net of allowance for uncollectible promises (2016 – \$14,677; 2015 – \$9,031) (Note 3)	96,286	46,583
Prepaid expenses	16,000	16,300
Total current assets	2,282,213	1,823,928
Property and equipment, net (Note 4)	3,987,824	3,791,896
Total assets	\$ 6,270,037	\$ 5,615,824
Liabilities and Net Assets		
Current liabilities:		
Current portion of notes payable (Note 5)	\$ 22,323	\$ 21,235
Accounts payable and accrued expenses	40,254	33,240
Due to related party (Note 2)	53,325	53,162
Deferred revenue	19,926	-
Total current liabilities	135,828	107,637
Notes payable, less current portion (Note 5)	284,776	307,083
Total liabilities	420,604	414,720
Net assets:		
Unrestricted	5,774,433	5,126,104
Temporarily restricted (Note 6)	75,000	75,000
Total net assets	5,849,433	5,201,104
Total liabilities and net assets	\$ 6,270,037	\$ 5,615,824

See notes to financial statements.

Believe in Tomorrow National Children's Foundation, Inc.

**Statements of Activities
Years Ended December 31, 2016 and 2015**

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue and support:						
In-kind contributions	\$ 771,442	\$ -	\$ 771,442	\$ 672,594	\$ -	\$ 672,594
Public contributions	1,466,717	-	1,466,717	715,509	75,000	790,509
Fundraisers	270,374	-	270,374	285,938	-	285,938
Indirect public support	84,815	-	84,815	77,218	-	77,218
Investment income	2,061	-	2,061	293	-	293
Total revenue and support	2,595,409	-	2,595,409	1,751,552	75,000	1,826,552
Expenses:						
Program services						
Children's housing	1,593,139	-	1,593,139	1,455,347	-	1,455,347
Hands-on adventures	241,681	-	241,681	152,568	-	152,568
Total program services	1,834,820	-	1,834,820	1,607,915	-	1,607,915
Supporting services:						
Management and general	65,696	-	65,696	75,975	-	75,975
Fundraising and development	46,564	-	46,564	36,562	-	36,562
Total supporting services	112,260	-	112,260	112,537	-	112,537
Total expenses	1,947,080	-	1,947,080	1,720,452	-	1,720,452
Change in net assets	648,329	-	648,329	31,100	75,000	106,100
Net assets:						
Beginning of year	5,126,104	75,000	5,201,104	5,095,004	-	5,095,004
End of year	\$ 5,774,433	\$ 75,000	\$ 5,849,433	\$ 5,126,104	\$ 75,000	\$ 5,201,104

See notes to financial statements.

Believe in Tomorrow National Children's Foundation, Inc.

Statements of Cash Flows
Years Ended December 31, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Change in net assets	\$ 648,329	\$ 106,100
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	116,996	114,407
Increase in allowance for promises to give	5,646	533
In-kind contributions of fixed assets	(3,325)	(9,444)
Changes in assets and liabilities:		
(Increase) decrease in:		
Promises to give	(55,349)	78,234
Prepaid expenses	300	15,350
Due to related party	163	73,980
Increase in:		
Accounts payable and accrued expenses	7,014	8,704
Deferred revenue	19,926	-
Net cash provided by operating activities	739,700	387,864
Cash flows from investing activities:		
Purchase of property and equipment	(309,599)	(78,210)
Cash flows from financing activities:		
Principal payments on note payable	(21,219)	(20,351)
Net increase in cash and cash equivalents	408,882	289,303
Cash and cash equivalents:		
Beginning of year	1,761,045	1,471,742
End of year	\$ 2,169,927	\$ 1,761,045
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 15,363	\$ 16,232
Supplemental disclosure of noncash investing activities:		
Donations of property and equipment	\$ 3,325	\$ 9,444

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, 2016 and 2015, 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 \$771,442 and \$672,594 for the years ended December 31, 2016 and 2015, 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, 2016 and 2015, 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 2013.

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 temporarily restricted donations received in 2015 which remained restricted in 2016. There were no temporarily restricted donations received in 2016. For the years ended December 31, 2016 and 2015, there were no permanently restricted contributions received.

The Foundation recognizes revenue for events in the fiscal year that the event occurs. Monies received prior to year-end that is related to an event occurring in the following fiscal year is recorded as deferred revenue until the earnings process is complete.

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 2015 amounts have been reclassified to conform to the 2016 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 1, 2017, 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.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this ASU make improvements to the information provided in the financial statements and accompanying notes of not-for-profit entities. The amendments set forth the FASB's improvements to net asset classification requirements and the information presented about a not-for-profit entity's liquidity, financial performance and cash flows. The ASU will be effective for fiscal years beginning after December 15, 2017. Earlier application is permitted. The changes in this ASU should generally be applied on a retrospective basis in the year that the ASU is first applied. The Foundation is in the process of evaluating the impact of this ASU on the financial statements.

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.

In 2016, the Foundation began recording salary expense related to operation of The Children's House as an in-kind contribution from the Foundation to The Children's House rather than requiring The Children's House to reimburse the Foundation for the related expenses. The contribution totaled \$129,626 for the year ended December 31, 2016. The following table reflects the activity of such support and outstanding balances due to/from The Children's House at December 31, 2016 and 2015:

	2016	2015
Due (to) from related party, beginning of year	\$ (53,162)	\$ 20,818
Advances to related party	517,728	620,969
Advances from related party	(517,891)	(694,949)
Due to related party, end of year	<u>\$ (53,325)</u>	<u>\$ (53,162)</u>

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, 2016 and 2015:

	2016	2015
Independent Charities of America	\$ 35,100	\$ 37,519
Other	75,863	18,095
	<u>110,963</u>	<u>55,614</u>
Less allowance	(14,677)	(9,031)
	<u>\$ 96,286</u>	<u>\$ 46,583</u>

Note 4. Property and Equipment

Property and equipment consisted of the following at December 31, 2016 and 2015:

	Depreciable Life (Range)	2016	2015
Buildings and improvements	5-40 years	\$ 3,792,312	\$ 3,764,005
Automobile	5 years	141,705	98,894
Equipment	5-10 years	398,329	395,650
		<u>4,332,346</u>	<u>4,258,549</u>
Less accumulated depreciation		1,652,915	1,535,919
		<u>2,679,431</u>	<u>2,722,630</u>
Land		1,308,393	1,069,266
		<u>\$ 3,987,824</u>	<u>\$ 3,791,896</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, 2016 and 2015:

	2016	2015
Mortgage loan	\$ 307,099	\$ 328,318
Less current portion	(22,323)	(21,235)
	<u>\$ 284,776</u>	<u>\$ 307,083</u>

Believe in Tomorrow National Children's Foundation, Inc.

Notes to Financial Statements

Note 5. Notes Payable (Continued)

Maturities of long-term debt at December 31, 2016, are due in future years as follows:

Years ending December 31:		
2017	\$	22,323
2018		23,419
2019		24,570
2020		25,745
2021		27,041
Thereafter		184,001
	\$	<u>307,099</u>

Note 6. Temporarily Restricted Net Assets

At December 31, 2016, and 2015, the Foundation had temporarily restricted net assets consisting of the following:

	2016	2015
Believe in Tomorrow House at Deep Creek	\$ 75,000	\$ 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, 2016 and 2015, were \$10,251 and \$8,738, respectively.

Note 8. Subsequent Event

Subsequent to year-end, the Foundation received a land donation.



RSM US LLP

Independent Auditor's Report on the Supplementary Information

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

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, 2016 and 2015, 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 1, 2017

Believe in Tomorrow National Children's Foundation, Inc.

Schedule of Functional Expenses
Year Ended December 31, 2016

	Program Services			Supporting Services			
	Children's Housing	Hands-On Adventures	Total	Management and General	Fundraising and Development	Total	Total
Direct expenses	\$ 938,443	\$ 181,303	\$ 1,119,746	\$ -	\$ -	\$ -	\$ 1,119,746
Other expenses:							
Payroll and related expenses:							
Salaries and wages	379,225	26,366	405,591	19,335	14,501	33,836	439,427
Employee benefits	59,231	5,697	64,928	4,747	3,360	8,107	73,035
Payroll taxes	25,434	1,768	27,202	1,297	972	2,269	29,471
Total payroll and related expenses	463,890	33,831	497,721	25,379	18,833	44,212	541,933
Depreciation	24,928	4,986	29,914	2,659	665	3,324	33,238
Office supplies and equipment	28,102	6,239	34,341	4,001	1,048	5,049	39,390
Insurance	26,940	1,797	28,737	6,825	359	7,184	35,921
Volunteer services	46,274	3,085	49,359	12,031	308	12,339	61,698
Professional fees	16,330	4,081	20,411	3,402	3,402	6,804	27,215
Miscellaneous	21,776	2,313	24,089	7,146	524	7,670	31,759
Utilities	7,332	1,466	8,798	782	196	978	9,776
Maintenance and repairs	4,566	913	5,479	487	122	609	6,088
Dues and subscriptions	9,334	622	9,956	2,427	62	2,489	12,445
Interest	5,224	1,045	6,269	557	139	696	6,965
Fundraising	-	-	-	-	20,906	20,906	20,906
Total other expenses	654,696	60,378	715,074	65,696	46,564	112,260	827,334
Total functional expenses	\$ 1,593,139	\$ 241,681	\$ 1,834,820	\$ 65,696	\$ 46,564	\$ 112,260	\$ 1,947,080

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