

Believe In Tomorrow National Children's Foundation

Financial Report
December 31, 2008

McGladrey & Pullen
Certified Public Accountants

Contents

Independent Auditor's Report	1
Financial Statements	
Statements Of Financial Position	2
Statements Of Activities	3
Statements Of Functional Expenses	4 – 7
Statements Of Cash Flows	8
Notes To Financial Statements	9 – 14

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. (the Foundation) as of December 31, 2008 and 2007, 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, 2008 and 2007, 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

Timonium, Maryland
July 13, 2009

Believe In Tomorrow National Children's Foundation, Inc.

Statements Of Financial Position
December 31, 2008 And 2007

Assets	2008	2007
Current Assets		
Cash and cash equivalents	\$ 769,389	\$ 985,931
Promises to give, net of allowance for uncollectible promises (2008 – \$0; 2007 – \$2,689) (Note 3)	63,798	71,283
Prepaid expenses	19,460	26,946
Due from related party (Note 2)	3,778	51,560
Investments (Notes 4 and 8)	22,814	25,314
Total current assets	879,239	1,161,034
Property And Equipment, Net (Note 5)	3,609,120	3,372,036
Total assets	\$ 4,488,359	\$ 4,533,070
Liabilities And Net Assets		
Current Liabilities		
Current portion of notes payable (Note 6)	\$ 34,538	\$ 33,046
Accounts payable and accrued expenses	18,078	36,982
Deferred revenue	-	1,000
Total current liabilities	52,616	71,028
Notes Payable, Less Current Portion (Note 6)	429,742	463,973
Total liabilities	482,358	535,001
Net Assets, Unrestricted	4,006,001	3,998,069
Total liabilities and net assets	\$ 4,488,359	\$ 4,533,070

See Notes To Financial Statements.

Believe In Tomorrow National Children's Foundation, Inc.

Statements Of Activities
Years Ended December 31, 2008 And 2007

	2008 Unrestricted	2007 Unrestricted
Revenue and support:		
In-kind contributions	\$ 679,306	\$ 1,291,534
Public contributions	452,841	505,974
Fundraisers	243,140	328,554
Indirect public support	55,886	29,598
Investment income	21,287	41,752
Total revenue and support	1,452,460	2,197,412
Expenses:		
Program services:		
Children's housing	1,045,766	1,088,009
Hands-on adventures	296,340	236,555
Total program services	1,342,106	1,324,564
Supporting services:		
Management and general	60,789	59,906
Fundraising and development	41,633	67,458
Total supporting services	102,422	127,364
Total expenses	1,444,528	1,451,928
Change in net assets	7,932	745,484
Net assets		
Beginning of year	3,998,069	3,252,585
End of year	\$ 4,006,001	\$ 3,998,069

See Notes To Financial Statements.

Believe In Tomorrow National Children's Foundation, Inc.

Statement Of Functional Expenses
Year Ended December 31, 2008

	Program Services		
	Children's Housing	Hands-on Adventures	Total
Direct expenses	\$ 487,146	\$ 152,203	\$ 639,349
Other expenses			
Payroll			
Salaries and wages	294,023	78,006	372,029
Employee benefits	47,360	12,565	59,925
Payroll taxes	22,289	5,913	28,202
Total payroll and related expenses	363,672	96,484	460,156
Other			
Publicity	20,672	5,519	26,191
Depreciation	38,833	7,767	46,600
Professional fees	26,209	9,530	35,739
Office supplies	11,207	3,448	14,655
Miscellaneous	19,891	4,220	24,111
Rent	16,222	3,244	19,466
Insurance	15,486	3,574	19,060
Interest	9,358	1,872	11,230
Repairs and maintenance	2,815	563	3,378
Utilities	11,288	2,258	13,546
Fundraising	-	-	-
Telephone	8,602	1,720	10,322
Postage	5,781	2,223	8,004
Automobile expense	3,239	694	3,933
Dues and subscriptions	5,345	1,021	6,366
Total other expenses	558,620	144,137	702,757
Total functional expenses	\$ 1,045,766	\$ 296,340	\$ 1,342,106

See Notes To Financial Statements.

Supporting Services

Management And General	Fundraising And Development	Total	Total
\$ -	\$ -	\$ -	\$ 639,349
27,000	20,615	47,615	419,644
4,349	3,322	7,671	67,596
2,048	1,563	3,611	31,813
33,397	25,500	58,897	519,053
4	506	510	26,701
4,142	1,036	5,178	51,778
5,956	5,956	11,912	47,651
2,414	172	2,586	17,241
3,877	5,514	9,391	33,502
1,730	433	2,163	21,629
4,527	238	4,765	23,825
999	250	1,249	12,479
300	75	375	3,753
1,204	301	1,505	15,051
-	459	459	459
287	860	1,147	11,469
845	44	889	8,893
463	231	694	4,627
644	58	702	7,068
60,789	41,633	102,422	805,179
\$ 60,789	\$ 41,633	\$ 102,422	\$ 1,444,528

Believe In Tomorrow National Children's Foundation, Inc.

Statement Of Functional Expenses
Year Ended December 31, 2007

	Program Services		
	Children's Housing	Hands-on Adventures	Total
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
Total payroll and related expenses	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
Total other expenses	679,201	166,117	845,318
Total functional expenses	\$ 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.

Statements Of Cash Flows
Years Ended December 31, 2008 And 2007

	2008	2007
Cash Flows From Operating Activities		
Change in net assets	\$ 7,932	\$ 745,484
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	116,499	99,967
Allowance for promises to give	(2,689)	(10,156)
Unrealized loss (gain) on investments	2,500	(7,377)
Gain on sale of automobile	-	(1,176)
In-kind gifts of fixed assets received	(345,189)	(888,391)
Changes in assets and liabilities:		
(Increase) decrease in:		
Promises to give	10,174	14,789
Prepaid expenses	7,486	(15,027)
Increase (decrease) in:		
Deferred revenue	(1,000)	(1,500)
Accounts payable and accrued expenses	(18,904)	7,362
Due from related party	47,782	18,934
Net cash used in operating activities	(175,409)	(37,091)
Cash Flows From Investing Activities		
Purchase of property and equipment	(8,394)	(34,603)
Proceeds from sale of automobile	-	15,250
Net cash used in investing activities	(8,394)	(19,353)
Cash Flows From Financing Activities		
Principal payments on note payable	(32,739)	(47,626)
Net decrease in cash and cash equivalents	(216,542)	(104,070)
Cash And Cash Equivalents		
Beginning of year	985,931	1,090,001
End of year	<u>\$ 769,389</u>	<u>\$ 985,931</u>
Supplemental Schedule Of Noncash Investing And Financing Activity		
Automobile purchased with note payable	<u>\$ -</u>	<u>\$ 29,910</u>
Supplemental Disclosure Of Cash Flow Information		
Cash paid for interest	<u>\$ 26,504</u>	<u>\$ 30,127</u>

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 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 Standards Board (FASB) Statements of Financial Accounting Standards (SFAS) Statements Nos. 116 and 117.

Basis of presentation: The financial statement presentation follows the recommendations of the FASB 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, 2008 and 2007, 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, 2008 and 2007, 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 (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.

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

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 that there is no impairment of long-lived assets at December 31, 2008 and 2007.

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 \$679,306 and \$1,291,534 for the years ended December 31, 2008 and 2007, 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 (IRC) 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, 2008 and 2007.

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, 2008 and 2007, 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.

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 revenues and expenses during the reporting period. Actual results may differ from those estimates.

Recent accounting pronouncements: In July 2006, FASB issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with SFAS No. 109, *Accounting for Income Taxes*. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition of tax benefits, classification on the balance sheet, interest and penalties, accounting in interim periods, disclosure, and transition.

Believe In Tomorrow National Children's Foundation, Inc.

Notes To Financial Statements

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

In December 2008, the FASB provided for a deferral of the effective date of FIN 48 for certain nonpublic enterprises to annual financial statements for fiscal years beginning after December 15, 2008. The Foundation has elected this deferral and accordingly will be required to adopt FIN 48 in its 2009 annual financial statements. Prior to adoption of FIN 48, the Foundation will continue to evaluate its uncertain tax positions and related income tax contingencies under SFAS No. 5, *Accounting for Contingencies*. SFAS No. 5 requires the Foundation to accrue for losses it believes are probable and can be reasonably estimated. Management is currently assessing the impact of FIN 48 on its financial position and results of operations and has not yet determined if the adoption of FIN 48 will have a material effect on its financial statements.

Reclassification: Certain amounts pertaining to 2007 have been reclassified to conform with current year classifications. The reclassifications had no impact on the current year change in 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, 2008 and 2007, the House owed the Foundation \$3,778 and \$51,560, respectively. There is no formal payment agreement.

Note 3. Promises To Give

Promises to give consisted of the following at December 31, 2008 and 2007:

	2008	2007
America's Charities contributions	\$ -	\$ 18,481
Independent Charities of America	23,301	-
Other	40,497	55,491
	<u>63,798</u>	<u>73,972</u>
Less allowance	-	(2,689)
	<u>\$ 63,798</u>	<u>\$ 71,283</u>

Note 4. Investments

At December 31, 2008 and 2007, the cost and fair value of investments and its components were as follows:

	2008		2007	
	Cost	Fair Value	Cost	Fair Value
Certificates of deposit	\$ 17,029	\$ 17,029	\$ 17,029	\$ 17,029
Equity securities	10,006	5,785	10,006	8,285
	<u>\$ 27,035</u>	<u>\$ 22,814</u>	<u>\$ 27,035</u>	<u>\$ 25,314</u>

Believe In Tomorrow National Children's Foundation, Inc.

Notes To Financial Statements

Note 4. Investments (Continued)

Investment income (loss) for the years ended December 31, 2008 and 2007, is comprised of the following:

	2008	2007
Unrealized (loss) gain	\$ (2,500)	\$ 7,377
Interest income	23,787	34,375
	<u>\$ 21,287</u>	<u>\$ 41,752</u>

Note 5. Property And Equipment

Property and equipment consisted of the following at December 31, 2008 and 2007:

	2008	2007
Buildings	\$ 2,675,281	\$ 2,592,493
Automobiles	96,115	96,115
Equipment	331,905	327,750
	<u>3,103,301</u>	<u>3,016,358</u>
Less accumulated depreciation	(766,301)	(649,802)
	<u>2,337,000</u>	<u>2,366,556</u>
Land	884,045	884,045
	<u>3,221,045</u>	<u>3,250,601</u>
Construction in progress		
Building	388,075	121,435
	<u>\$ 3,609,120</u>	<u>\$ 3,372,036</u>

Note 6. Notes Payable

Notes payable consisted of the following at December 31, 2008 and 2007:

	2008	2007
Mortgage loan from SunTrust Bank, bearing interest at 6.25%, due April 2010.	\$ 203,146	\$ 210,124
Mortgage loan from SunTrust Bank, bearing interest at 5.75%, due June 2010.	248,714	264,382
Honda Auto, bearing interest at .9% due March 2010.	12,420	22,513
	<u>464,280</u>	<u>497,019</u>
Less current portion	(34,538)	(33,046)
	<u>\$ 429,742</u>	<u>\$ 463,973</u>

Believe In Tomorrow National Children's Foundation, Inc.

Notes To Financial Statements

Note 6. Notes Payable (Continued)

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 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,

2009	\$	34,538
2010		429,742
	\$	<u>464,280</u>

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 December 31, 2008 and 2007, were \$4,463 and \$4,059, respectively.

Note 8. Fair Value Of Financial Instruments

During the year ended December 31, 2008, the Foundation adopted SFAS No. 157, *Fair Value Measurements*. This statement establishes a single authoritative definition of fair value, sets out a framework for measuring fair value, and requires additional disclosures about fair value measurements. SFAS No. 157 applies to all assets and liabilities that are being measured and reported on a fair value basis. SFAS No. 157 requires new disclosure that establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosure about fair value measurements. This statement enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. The statement requires that assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data

Level 3: Unobservable inputs that are not corroborated by market data

Believe In Tomorrow National Children's Foundation, Inc.

Notes To Financial Statements

Note 8. Fair Value Of Financial Instruments (Continued)

In determining the appropriate levels, the Foundation performs a detailed analysis of the assets and liabilities that are subject to SFAS No. 157. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3. There were no Level 3 inputs for any assets held by the Foundation at December 31, 2008.

The table below presents the balances of assets and liabilities measured at fair value on a recurring basis by level within the hierarchy:

	Total	Level 1	Level 2	Level 3
Equity securities	\$ 5,785	\$ 5,785	\$ -	\$ -
Certificates of deposit	17,029	-	17,029	-
	<u>\$ 22,814</u>	<u>\$ 5,785</u>	<u>\$ 17,029</u>	<u>\$ -</u>

The Foundation's equity securities are priced based at market prices in active markets, therefore are considered Level 1 items. The certificate of deposit is priced based on their stated interest rates and quality ratings. The interest and quality ratings are observable at commonly quoted intervals for the full term of the instruments and are, therefore, considered Level 2 items.