

FOUNDATION FOR BURNS AND TRAUMA, INC.

AUDITED FINANCIAL STATEMENTS
Year ended September 30, 2008

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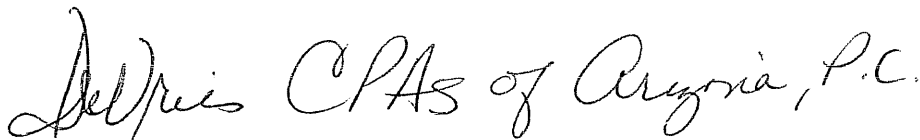
INDEPENDENT AUDITORS' REPORT

Board of Directors
Foundation for Burns and Trauma, Inc.
Phoenix, Arizona

We have audited the accompanying statement of financial position of Foundation for Burns and Trauma, Inc. (an Arizona nonprofit organization) as of September 30, 2008 and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 audit provides 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 Foundation for Burns and Trauma, Inc. as of September 30, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.



DEVRIES CPAS OF ARIZONA, P.C.

February 20, 2008

Integrity is the highest form of service.

FOUNDATION FOR BURNS AND TRAUMA, INC.
STATEMENT OF FINANCIAL POSITION
September 30, 2008

ASSETS

Cash and cash equivalents	\$	334,802
Investments - Note 3		264,667
Pledges receivable - Note 4		121,855
Other receivables		5,394
Prepaid expenses		46,000
Property and equipment - Note 5		<u>541,385</u>
		<u>\$ 1,314,103</u>

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable	\$	51,036
Accrued payroll expenses		21,861
Funds held for others		<u>23,606</u>
		96,503
Net assets:		
Unrestricted:		
Undesignated		362,979
Board designated - Note 6		8,621
Expended for property and equipment		<u>541,385</u>
		912,985
Temporarily restricted - Note 7		<u>304,615</u>
		<u>1,217,600</u>
		<u>\$ 1,314,103</u>

See Accompanying Notes.

FOUNDATION FOR BURNS AND TRAUMA, INC.
STATEMENT OF ACTIVITIES
 Year ended September 30, 2008

Unrestricted net assets:	
Public support and revenue:	
Contributions	\$ 468,945
In-kind contributions - Note 8	104,374
Special events	263,417
Program fees	7,425
Other income	2,573
	<u>846,734</u>
Released from restrictions	381,828
Total public support and revenue	<u>1,228,562</u>
Expenses and losses:	
Functional expenses:	
Program services	1,122,121
Management and general	77,834
Fundraising and public relations	64,664
	<u>1,264,619</u>
Direct cost of special events	98,996
Investment loss - Note 3	58,108
Total expenses and losses	<u>1,421,723</u>
(Decrease) in unrestricted net assets	(193,161)
Temporarily restricted net assets:	
Contributions	356,013
Special events	103,000
Released from restrictions	<u>(381,828)</u>
Increase in temporarily restricted net assets	<u>77,185</u>
Net (decrease) in net assets	(115,976)
Net assets, beginning of year	<u>1,333,576</u>
Net assets, end of year	<u><u>\$ 1,217,600</u></u>

See Accompanying Notes.

FOUNDATION FOR BURNS AND TRAUMA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year ended September 30, 2008

	Program services							Fundraising and public relations	Total
	Youth burn survivor services	Forever Courage House	Burn center support	Burn prevention education	Volunteer services	Total Programs	Management and general		
Salaries	\$ 85,314	\$ 138,263	\$ 7,245	\$ 61,417	\$ 23,917	\$ 316,156	\$ 47,420	\$ 27,821	\$ 391,397
Payroll taxes and benefits	18,254	23,784	1,681	8,510	6,357	58,586	12,580	7,682	78,848
Other personnel expenses	180	1,024	15	121	53	1,393	65	38	1,496
	<u>103,748</u>	<u>163,071</u>	<u>8,941</u>	<u>70,048</u>	<u>30,327</u>	<u>376,135</u>	<u>60,065</u>	<u>35,541</u>	<u>471,741</u>
Accounting	2,695	4,227	262	1,820	788	9,792	1,001	1,142	11,935
Board expenses	412	644	35	278	120	1,489	148	88	1,725
Burn center initiatives			33,797			33,797			33,797
Burn professional education			92,344			92,344			92,344
Burn survivor's conference		8,731				8,731			8,731
Community presence	567	887	49	383	166	2,052	202	121	2,375
Contract labor	1,688	2,641	145	1,140	493	6,107	603	361	7,071
Depreciation	3,435	25,345	181	1,415	613	30,989	745	449	32,183
Direct benefits to burn survivors		163,214				163,214			163,214
Donated professional services	15,017	2,101	116	907	393	18,534	479	287	19,300
Equipment and facilities	48,342	845	19,745	164	43	69,139	85	49	69,273
Furniture and upgrades	69	10,503	6	99	20	10,697	40	23	10,760
Insurance	1,407	3,991	121	950	411	6,880	503	301	7,684
Mileage, gas and parking	2,468	3,169	25	626	111	6,399	100	61	6,560
Newsletter								15,256	15,256
Occupancy	17,379	27,193	1,498	11,734	5,080	62,884	9,996	5,824	78,704
Operations	58,497	3,587	10	2,889	115	65,098	41	269	65,408
Postage	832	1,015	51	421	173	2,492	210	322	3,024
Printing and promotion	6,108	9,059	1,920	9,047	1,530	27,664	1,866	3,543	33,073
Repairs and maintenance		12,868	10,528			23,396			23,396
Research			2,324			2,324			2,324
Scholarships	15,656					15,656			15,656
Subscriptions and memberships	268	404	15	184	49	920	60	36	1,016
Supplies	1,772	5,851	94	26,830	317	34,864	387	232	35,483
Telephone and utilities	2,266	26,494	2,528	1,530	662	33,480	1,303	759	35,542
Vehicle expenses		2,556				2,556			2,556
Volunteer appreciation	4,968	256	5,803	2,439	1,022	14,488	77,834	64,664	14,488
	<u>\$ 287,594</u>	<u>\$ 478,652</u>	<u>\$ 180,538</u>	<u>\$ 132,904</u>	<u>\$ 42,433</u>	<u>\$ 1,122,121</u>	<u>\$ 77,834</u>	<u>\$ 64,664</u>	<u>\$ 1,264,619</u>

See Accompanying Notes

FOUNDATION FOR BURNS AND TRAUMA, INC.
STATEMENT OF CASH FLOWS
Year ended September 30, 2008

Cash flows from operating activities:	
Net (decrease) in net assets	\$ (115,976)
Adjustments to reconcile change in net assets to net cash from operating activities:	
Depreciation	32,183
Unrealized loss on investments	80,402
In-kind property and equipment donations	(10,142)
(Increase) decrease in operating assets:	
Pledges receivable	(101,940)
Prepaid expenses	(45,000)
Other receivables	(5,394)
Increase (decrease) in operating liabilities:	
Accounts payable	33,572
Accrued payroll expenses	8,399
(Decrease) in custodial liabilities	(730)
Net cash (used in) operating activities	<u>(124,626)</u>
Cash flows from investing activities:	
Purchases of property and equipment	(24,319)
Purchases of investments	<u>(9,542)</u>
Net cash (used in) investing activities	<u>(33,861)</u>
Net (decrease) in cash and cash equivalents	(158,487)
Cash and cash equivalents, beginning of year	<u>493,289</u>
Cash and cash equivalents, end of year	<u>\$ 334,802</u>

Supplemental cash flow information:

No cash paid for interest or income taxes in 2008.

See Accompanying Notes.

FOUNDATION FOR BURNS AND TRAUMA, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 1 – Organization

Foundation for Burns and Trauma, Inc. (Foundation) is a nonprofit organization with a two-fold mission: to assist in the development of a community based burn center and to respond to the community's desire for an organization that can receive and earmark public donations for burn patient treatment, rehabilitation, and public education. The Foundation is dedicated to assisting burn victims and their families in becoming burn survivors through rehabilitation, treatment and research; the reduction of death and injury from burns and fire through prevention education, and serving as an advocacy partner for the prevention of trauma associated with other injuries. To accomplish its mission, the Foundation sponsors the following programs:

Youth burn survivor services

- *Arizona Children's Burn Camp (Camp Courage)* – Camp Courage is a summer camp specifically for child burn survivors ages 6 to 15. Camp Courage offers child burn survivors the chance to escape the stares and teasing that tend to be an everyday part of life and be like any other kid. At camp they engage in activities designed to build self esteem through accomplishment such as rappelling and rock climbing, and others simply intended to be fun such as canoeing, horseback riding, archery and arts & crafts. This camp is a tremendous opportunity for emotional healing and personal growth for approximately 100 kids each year.
- *Children's Holiday Party* – Due to the low socio-economic status of most of our client families, we provide a holiday party not only for the child burn survivors but for their families as well. We provide a turkey dinner, presents for everyone, arts and crafts activities, and of course a visit from Santa Claus. A door prize raffle is held so that families go home with a gift box of household items in addition to the toys. Each year we host between 300 and 350 people.
- *School Re-entry Program* – This service is designed to help facilitate a child's return to school and mainstream life as quickly and easily as possible. Firefighters, adult burn survivors and social workers meet with the student body and faculty at a burn survivor's school and dispel the myths and fears surrounding a serious burn injury.

Forever Courage House

The Arizona Burn Center ranks as the second busiest burn care facility in the United States. Therefore, many of the patients treated there are from out of town and their families endure significant financial hardship being away from home and work for often weeks at a time. The following services are provided:

- *Forever Courage House Family Home* – The Forever Courage House facility is a ten-family home where families can stay for as short as one night to as long as needed for free. Our longest stay exceeded ten months. We give them a place to sleep, shower and most importantly, seek the emotional support from other families enduring the same tragic circumstances of a family member suffering from painful and often life-threatening injuries.
- *FCH: Family Support Services* – The financial hardship that a prolonged hospital stay places on a family can be devastating. Forever Courage House provides financial support to needy families in the form of transportation, assistance with utility, rent and mortgage bills, pharmaceutical prescriptions and medical equipment and supplies. In addition, we provide transportation to and from the Arizona Burn Center and meal vouchers for the hospital cafeteria. Recipients of these benefits need not be guests at the Forever Courage House Family Home.
- *Burn Survivor Scholarships* – As child burn survivors enter into adulthood, the Foundation for Burns and Trauma is there to provide funding for higher education. Scholarships of up to \$2,000 per semester are available to burn survivors who qualify and wish to pursue an education which may otherwise be out of reach.

Burn center support

The Foundation for Burns and Trauma contributes funding to the Arizona Burn Center, the second busiest burn center in the United States, to purchase supplemental equipment, enhance facilities, support research, educate hospital staff, and provide treatment to over 4,000 patients each year.

FOUNDATION FOR BURNS AND TRAUMA, INC.
NOTES TO FINANCIAL STATEMENTS - continued
September 30, 2008

NOTE 1 – Organization – continued

Burn prevention education

- *Health and Safety Fairs* – The Foundation participates in approximately 25 community health and safety fairs each year. The booth and display are staffed by volunteers who distribute prevention literature about burn and scald prevention.
- *Smoke Alarm Outreach* – The Smoke Alarm Outreach program provides needy families in older neighborhoods with free dual-sensor smoke alarms fitted with 10-year lithium batteries. Working in conjunction with local civic organizations and fire departments, volunteers walk door-to-door and install the alarms at no charge.
- *Mrs. HotPots* - The Mrs. HotPots program was introduced in late summer of 2008, and is designed to reach out to 3 and 4 year old preschoolers and their parents with a message of home safety and burn prevention. The children are treated to an interactive safety/story time with Mrs. HotPots, a character conceived and acted by our burn prevention specialist. Safety and burn prevention literature is sent home with each child for the parents. In its first 3 months, Mrs. HotPots educated twenty-six classes totaling 484 children.

Volunteer services

The programs and services provided by the Foundation for Burns and Trauma depend heavily on the support of community volunteers. These individuals install smoke alarms, staff health and safety fair booths, coordinate our special events and serve as counselors and staff members at the Arizona Children's Burn Camp. We employ a full-time volunteer coordinator to ensure that opportunities and appreciation are communicated to each of our nearly 300 volunteers.

NOTE 2 – Summary of significant accounting policies

Financial statement presentation

The Foundation is required under generally accepted accounting principles to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 could differ from those estimates.

Cash and cash equivalents

The Foundation considers all cash and highly liquid investments with an original maturity of three months or less to be cash equivalents. The Foundation maintains its cash in bank deposit accounts which, for short periods of time, may exceed federally insured limits. At September 30, 2008, all cash was within federally insured limits.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are stated at their fair values in the statement of financial position. Unrealized gains or losses are included in the change in net assets in the accompanying statement of activities.

FOUNDATION FOR BURNS AND TRAUMA, INC.
NOTES TO FINANCIAL STATEMENTS - continued
September 30, 2008

NOTE 2 – Summary of significant accounting policies – continued

Property and equipment

Purchased property and equipment are carried at cost. Donated property and equipment are carried at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, from 5 to 30 years. The Foundation capitalizes all expenditures for property and equipment in excess of \$500 with a useful life of more than one year.

Income tax status

The Foundation is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Foundation's tax-exempt purpose may be subject to taxation as unrelated business income. In addition, the Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(11) and has been classified as an organization other than a private foundation under Section 509(a)(1).

Contributions/restricted revenue

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Donated goods, facilities and services

Donated goods and space are valued at their fair market value. Donated services are recognized in the financial statements at their fair market value if the following criteria are met:

- The services require specialized skills and the services provided by individuals possessing those skills.
- The services would typically need to be purchased if not donated.

Although the Foundation utilizes the services of many outside volunteers, the fair value of these services is not recognized in the accompanying financial statements since they do not meet the criteria for recognition under generally accepted accounting principles.

Expense allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE 3 – Investments

The market value of investments held at September 30, 2008 consisted of \$264,667 in mutual funds. Investment income (loss) is reported in the Statement of Activities as follows:

Interest and dividends	\$ 22,294
Unrealized (loss)	<u>(80,402)</u>
	<u>\$ (58,108)</u>

FOUNDATION FOR BURNS AND TRAUMA, INC.
NOTES TO FINANCIAL STATEMENTS - continued
September 30, 2008

NOTE 4 - Pledges receivable

At September 30, 2008, receivables consisted of unconditional promises to give totaling \$121,855, receivable in less than one year, thus no allowance for present value was recorded. Management considers all pledges to be collectible; therefore no allowance for uncollectible pledges has been established.

NOTE 5 - Property and equipment

Property and equipment consisted of the following at September 30, 2008:

Land		\$	110,494
Buildings and improvements			489,654
Furniture and equipment			79,088
			<u>679,236</u>
Less accumulated depreciation			(137,851)
		\$	<u><u>541,385</u></u>

NOTE 6 - Board designated net assets

The board has designated \$8,621 at September 30, 2008 to be used for renovations to the Forever Courage House.

NOTE 7 - Temporarily restricted net assets

Temporarily restricted net asset activity was as follows during the year ended September 30, 2008:

	Beginning balance	Additions	Releases	Ending balance
Burn camp	\$ 68,709	\$ 235,880	\$ (277,938)	\$ 26,651
Burn center	93,453	63,452	(27,499)	129,406
2009 prevention programs	0	17,000		17,000
Capital campaign startup	2,574			2,574
Africa Burn Relief	0	26,555	(25,499)	1,056
Video production	15,000		(15,000)	0
Shuttle van	6,435		(4,238)	2,197
Yuma burn survivors	18,003			18,003
Andrea's Closet	8,220		(8,220)	0
Forever Courage House	0	12,500	(9,784)	2,716
Courage House parking lot resurface	1,386			1,386
Adopt-a-family	0	626		626
Tree Festival	13,650	103,000	(13,650)	103,000
	<u>\$ 227,430</u>	<u>\$ 459,013</u>	<u>\$ (381,828)</u>	<u>\$ 304,615</u>

FOUNDATION FOR BURNS AND TRAUMA, INC.
NOTES TO FINANCIAL STATEMENTS - continued
September 30, 2008

NOTE 8 – In-kind contributions

The Foundation received goods and services without payment or compensation. This support is reflected in the financial statements as revenues in accordance with generally accepted accounting. This in-kind activity consisted of the following for the years ended September 30, 2008 and 2007:

Office space	\$ 74,474
Legal services	1,800
Medical services - Burn Camp infirmary	17,500
Capital additions - Forever Courage House renovations	10,142
Other in-kind	458
	<u>\$ 104,374</u>

NOTE 9 – Related party transactions

During the year ended September 30, 2008 FBT had the following related party transactions:

- The Foundation received donated office space from a law firm. A partner of the law firm is a board member. The value of the office space was \$74,474 for the year ended September 30, 2008.
- FBT received in-kind legal services from a board member during 2008. The value of the legal services totaled \$1,800.
- FBT received in-kind financial services from a board member during 2008. The value of the financial services totaled \$5,400.
- FBT received in-kind medical services to its burn camp program from a board member during 2008. The value of the medical services totaled \$17,500.

NOTE 10 - Tax-deferred annuity plan

The Foundation participates in a tax-deferred annuity plan (Plan) qualified under Section 403(b) of the Internal Revenue Code. The Plan covers all full-time and regular part-time employees of the Foundation after one year of employment. The Foundation contributes to the Plan 4% of gross salaries for qualified employees. Employees may elect to make contributions to the Plan up to the maximum amount allowed by the Internal Revenue Code. Plan expense for the year ended September 30, 2008 was \$11,893.