

**FOUNDATION FOR
BURNS AND TRAUMA, INC.**

**AUDITED FINANCIAL STATEMENTS
Years ended December 31, 2006 and 2005**

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AUDITED FINANCIAL STATEMENTS
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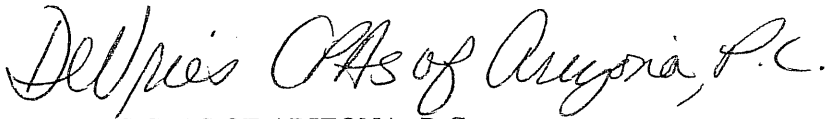
INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of financial position of Foundation for Burns and Trauma, Inc. as of December 31, 2006 and 2005 and the related statements of activities, functional expenses and cash flows for the years 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 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 audits 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 Foundation for Burns and Trauma, Inc. as of December 31, 2006 and 2005, 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.


DEVRIES CPAS OF ARIZONA, P.C.

June 7, 2007

Integrity is the highest form of service.

FOUNDATION FOR BURNS AND TRAUMA, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
ASSETS		
Cash and cash equivalents	\$ 650,546	\$ 517,107
Investments - Note 3	310,780	266,760
Pledges receivable - Note 4	107,867	273,526
Prepaid expenses and deposits	8,348	7,380
Property and equipment - Note 5	<u>556,163</u>	<u>343,057</u>
	<u>\$ 1,633,704</u>	<u>\$ 1,407,830</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 79,101	\$ 16,084
Accrued payroll expenses	15,560	15,671
Funds held for others	<u>14,970</u>	<u>7,770</u>
	109,631	39,525
Net assets:		
Unrestricted:		
Undesignated	634,688	628,335
Board designated - Note 6	50,000	50,000
Expended for property and equipment	<u>556,163</u>	<u>343,057</u>
	1,240,851	1,021,392
Temporarily restricted net assets - Note 7	<u>283,222</u>	<u>346,913</u>
	<u>1,524,073</u>	<u>1,368,305</u>
	<u>\$ 1,633,704</u>	<u>\$ 1,407,830</u>

See Accompanying Notes.

FOUNDATION FOR BURNS AND TRAUMA, INC.
STATEMENTS OF ACTIVITIES
Years ended December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Unrestricted net assets:		
Public support and revenue:		
Contributions	\$ 330,832	\$ 369,953
Grants	30,650	8,600
Donated professional services	12,900	20,400
Donated property and equipment	202,541	8,623
Special events	316,207	240,608
Investment income - Note 3	55,681	15,844
Other income	1,221	3,992
	<u>950,032</u>	<u>668,020</u>
Released from restrictions	312,289	296,340
Total public support and revenue	<u>1,262,321</u>	<u>964,360</u>
Expenses and direct costs:		
Functional expenses:		
Program services	865,020	731,587
Management and general	66,127	63,192
Fundraising and public relations	36,428	31,214
	<u>967,575</u>	<u>825,993</u>
Loss on disposal of property and equipment	0	2,551
Direct cost of special events	75,287	57,994
Total expenses and direct costs	<u>1,042,862</u>	<u>886,538</u>
Increase in unrestricted net assets	219,459	77,822
Temporarily restricted net assets:		
Contributions	230,598	351,444
Grants	18,000	95,000
Released from restrictions	<u>(312,289)</u>	<u>(296,340)</u>
Increase (decrease) in temporarily restricted net assets	<u>(63,691)</u>	<u>150,104</u>
Net increase in net assets	155,768	227,926
Net assets, beginning of year, as restated, Note 11	<u>1,368,305</u>	<u>1,140,379</u>
Net assets, end of year, as restated, Note 11	<u>\$ 1,524,073</u>	<u>\$ 1,368,305</u>

See Accompanying Notes.

FOUNDATION FOR BURNS AND TRAUMA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2006

	Program services							Total	
	Youth burn survivor services	Forever courage house	Burn center support	Burn prevention education	Volunteer services	Total Programs	Management and general		Fundraising and public relations
Salaries	\$ 51,300	\$ 85,560	\$ 8,272	\$ 23,427	\$ 31,875	\$ 200,434	\$ 45,495	\$ 22,774	\$ 268,703
Payroll taxes and benefits	10,819	17,522	1,485	4,521	6,938	41,285	8,535	4,599	54,419
	<u>62,119</u>	<u>103,082</u>	<u>9,757</u>	<u>27,948</u>	<u>38,813</u>	<u>241,719</u>	<u>54,030</u>	<u>27,373</u>	<u>323,122</u>
Accounting	1,706	2,833	268	767	1,066	6,640	936	571	8,147
Board expenses	338	561	53	152	211	1,315	188	113	1,616
Burn professional education	2,741	1,226	66,423	162	225	70,777	186	114	71,077
Burn survivor's conference		1,448				1,448			1,448
Community education	904	1,500	3,133	5,467	565	11,569	496	302	12,367
Contract labor	1,432	10,951	13,448	2,003	785	28,619	689	420	29,728
Depreciation	4,612	9,295	724	2,075	2,882	19,588	2,533	1,542	23,663
Direct benefits to burn survivors		95,498	495			95,993			95,993
Equipment and facilities	46,740	2,562	42,156	5,421	105	96,984	88	54	97,126
Furniture and upgrades	36	6,485	6	16	22	6,565	21	12	6,598
Insurance	1,755	5,194	197	566	786	8,498	691	420	9,609
Mileage, gas and parking	2,777	2,161	79	281	313	5,611	275	168	6,054
Occupancy	4,804	7,973	755	2,162	3,002	18,696	2,637	1,606	22,939
Operations	43,541	6,812	27,296	267		77,916			77,916
Other expenses	273	784	25,412	99	137	26,705	120	831	27,656
Postage	724	977	92	276	368	2,437	321	195	2,953
Printing and promotion	4,272	5,965	1,945	31,615	2,028	45,825	1,077	1,583	48,485
Repairs and maintenance	1	3,335		1	1	3,338		1	3,339
Research			33,296			33,296			33,296
Scholarships		5,416				5,416			5,416
Staff/volunteer appreciation	5,473	300	3,339	124	3,783	13,019	99	60	13,178
Subscriptions and memberships	237	394	37	107	148	923	104	63	1,090
Supplies	947	3,382	118	8,305	468	13,220	387	237	13,844
Telephone and utilities	1,914	12,054	301	861	1,196	16,326	1,048	640	18,014
Donated professional services	11,517	608	58	165	229	12,577	201	123	12,901
	<u>\$ 198,863</u>	<u>\$ 290,796</u>	<u>\$ 229,388</u>	<u>\$ 88,840</u>	<u>\$ 57,133</u>	<u>\$ 865,020</u>	<u>\$ 66,127</u>	<u>\$ 36,428</u>	<u>\$ 967,575</u>

See Accompanying Notes

FOUNDATION FOR BURNS AND TRAUMA, INC.
STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2005

	Program services							Fundraising and public relations	Total
	Youth survivor services	Forever courage house	Burn center support	Burn prevention education	Volunteer services	Total Programs	Management and general		
Salaries	\$ 46,097	\$ 66,055	\$ 4,843	\$ 28,061	\$ 8,981	\$ 154,037	\$ 43,733	\$ 21,835	\$ 219,605
Payroll taxes and benefits	7,441	11,754	818	4,795	1,535	26,343	8,364	3,638	38,345
Accounting	53,538	77,809	5,661	32,856	10,516	180,380	52,097	25,473	257,950
Board expenses	1,990	2,891	210	1,222	391	6,704	958	455	8,117
Burn professional education	559	813	59	344	110	1,885	269	128	2,282
Community education	430	648	80,544	729	233	82,584	207	98	82,889
Contract labor	1,174	1,875	7,247	3,882	1,242	15,420	565	268	16,253
Depreciation	1,587	3,150	48,671	18,421	5,896	77,725	475	225	78,425
Direct benefits to burn survivors	1,113	11,034	118	684	219	13,168	536	255	13,959
Equipment and facilities	46,120	54,518	200	1,394	446	56,558			56,558
Furniture and upgrades	157	3,418	19,652	1,512	484	71,186	1,004	566	72,756
Insurance	1,757	1,606	17	97	31	1,908	97	54	2,059
Mileage, gas and parking	2,184	2,044	149	863	276	5,089	677	321	6,087
Occupancy	4,418	1,471	53	416	133	4,257	239	114	4,610
Operations	35,824	6,419	467	2,710	867	14,881	2,716	1,530	19,127
Other expenses	445	382	27,480	2,108	675	66,469			66,469
Postage	722	1,359	31	203	65	2,103	138	66	2,307
Printing and promotion	2,484	863	62	451	144	2,242	284	135	2,661
Repairs and maintenance	18	3,644	247	17,857		24,232	1,126	535	25,893
Research		3,532	2,657	10	3	6,220	11	6	6,237
Scholarships			30,414			30,414			30,414
Staff/volunteer appreciation	3,059	9,351	1,026		13,196	17,535	86	41	17,662
Subscriptions and memberships	67	254	7	349	112	1,118	33	24	1,175
Supplies	594	583	59	343	110	4,147	269	128	4,544
Telephone and utilities	2,286	3,041	242	1,403	449	15,611	1,405	792	17,808
Donated professional services	20,400	11,231				20,400			20,400
	<u>\$ 180,926</u>	<u>\$ 201,936</u>	<u>\$ 225,273</u>	<u>\$ 87,854</u>	<u>\$ 35,598</u>	<u>\$ 731,587</u>	<u>\$ 63,192</u>	<u>\$ 31,214</u>	<u>\$ 825,993</u>

See Accompanying Notes.

FOUNDATION FOR BURNS AND TRAUMA, INC.
STATEMENTS OF CASH FLOWS
Years ended December 31, 2006 and 2005

	2006	2005
Cash flows from operating activities:		
Increase in net assets	\$ 155,768	\$ 227,926
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	23,663	13,959
Unrealized (gain) on investments	(34,173)	(8,304)
Donated property and equipment	(202,541)	(8,623)
Loss on disposal of property and equipment	0	2,551
(Increase) decrease in operating assets:		
Pledges receivable	165,659	(147,891)
Prepaid expenses and deposits	(968)	(6,633)
Increase (decrease) in operating liabilities:		
Accounts payable	63,017	(3,116)
Accrued payroll expenses	(111)	5,314
Funds held for others	7,200	4,116
Net cash provided by operating activities	177,514	79,299
Cash flows from investing activities:		
Purchases of property and equipment	(34,227)	(20,940)
Purchases of investments	(9,848)	(6,922)
Net cash (used in) investing activities	(44,075)	(27,862)
Net increase in cash and cash equivalents	133,439	51,437
Cash and cash equivalents, beginning of year	517,107	465,670
Cash and cash equivalents, end of year	\$ 650,546	\$ 517,107

Supplemental cash flow information:

No cash paid for interest or income taxes in 2006 or 2005.

See Accompanying Notes.

FOUNDATION FOR BURNS AND TRAUMA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2006 and 2005

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 nine-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 \$1,200 per semester are available to burn survivors who qualify and wish to pursue an education which may otherwise be out of reach.

FOUNDATION FOR BURNS AND TRAUMA, INC.
NOTES TO FINANCIAL STATEMENTS - continued
December 31, 2006 and 2005

NOTE 1 – Organization – continued

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.

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. In 2006 we initiated the program by installing 187 alarms in October and with a goal of four outreach walk events scheduled for 2007.

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.

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 and 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
December 31, 2006 and 2005

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.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

FOUNDATION FOR BURNS AND TRAUMA, INC.
NOTES TO FINANCIAL STATEMENTS - continued
December 31, 2006 and 2005

NOTE 3 – Investments

The market value of investments held at December 31, 2006 and 2005 consisted of \$310,780 and \$266,760, respectively, in mutual funds. Investment income is reported in the statement of activities as follows:

	<u>2006</u>	<u>2005</u>
Dividends	\$ 21,508	\$ 7,540
Unrealized gains	34,173	8,304
	<u>\$ 55,681</u>	<u>\$ 15,844</u>

NOTE 4 – Pledges receivable

At December 31, 2006 and 2005 receivables consisted of unconditional promises to give, totaling \$107,867 and \$273,526, respectively, 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 December 31, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
Land	\$ 110,494	\$ 110,494
Buildings and improvements	457,926	261,046
Furniture and equipment	69,453	29,564
	<u>637,873</u>	<u>401,104</u>
Less accumulated depreciation	<u>(81,710)</u>	<u>(58,047)</u>
	<u>\$ 556,163</u>	<u>\$ 343,057</u>

NOTE 6 – Board designated net assets

The board has designated \$50,000 at December 31, 2006 and 2005, respectively, to be used as seed money to begin the capital campaign for the new burn center.

NOTE 7 – Temporarily restricted net assets

Temporarily restricted net asset activity was as follows during the year ended December 31, 2006:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Releases</u>	<u>Ending balance</u>
Burn Camp	\$ 49,146	\$ 148,087	\$ (133,700)	\$ 63,533
Burn Center	150,521		(54,630)	95,891
Restricted for future operations	70,000	70,000	(70,000)	70,000
Capital campaign startup	30,299		(25,000)	5,299
Africa Burn Relief	0	19,647	(16,342)	3,305
Video production	15,000			15,000
Shuttle Van	15,000		(3,983)	11,017
Scholarships	649		(649)	0
Yuma burn survivors	8,798	9,478	(5,705)	12,571
Andrea's Closet	7,500		(2,280)	5,220
Courage House parking lot resurface	0	1,386		1,386
	<u>\$ 346,913</u>	<u>\$ 248,598</u>	<u>\$ (312,289)</u>	<u>\$ 283,222</u>

FOUNDATION FOR BURNS AND TRAUMA, INC.
NOTES TO FINANCIAL STATEMENTS - continued
December 31, 2006 and 2005

NOTE 8 – Operating leases

The Foundation leases its office space under a non-cancelable operating lease expiring January 31, 2007. Future minimum operating lease payments are \$1,742 for the year ending December 31, 2007. Total rental expense for the years ended December 31, 2006 and 2005 was \$20,901 and \$19,127, respectively.

NOTE 9 – Related party transactions

During the years ended December 31, 2006 and December 31, 2005, the Foundation purchased public relations services from a company owned by a board member. The total expense was \$17,887 and \$32,400 for the years ended December 31, 2006 and 2005, respectively. The balance due to the company totaled \$5,461 and \$0 at December 31, 2006 and 2005, respectively. Balances due are included in accounts payable at December 31, 2006 and 2005.

NOTE 10 - Tax-deferred annuity plan

The Foundation participates in a tax-deferred annuity 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 make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code if they wish. Plan expense for the years ended December 31, 2006 and 2005 was \$6,519 and \$3,673, respectively.

NOTE 11 – Prior period adjustment

During the year ended December 31, 2006, the following corrections were made to net assets at December 31, 2005:

	Unrestricted net assets	Temporarily restricted net assets	Total net assets
Balance at December 31, 2005 as previously reported	\$ 1,036,392	\$ 331,913	\$ 1,368,305
Reclassification per donor restriction	(15,000)	15,000	0
Balance at December 31, 2005 as restated	<u>\$ 1,021,392</u>	<u>\$ 346,913</u>	<u>\$ 1,368,305</u>