

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

AUDITED FINANCIAL STATEMENTS
Nine months ended September 30, 2007

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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, 2007 and the related statements of activities, functional expenses and cash flows for the nine months 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, 2007, and the changes in its net assets and its cash flows for the nine months then ended in conformity with accounting principles generally accepted in the United States of America.

Devries CPAs of Arizona, P.C.

DEVRIES CPAS OF ARIZONA, P.C.

July 25, 2008

Integrity is the highest form of service.

FOUNDATION FOR BURNS AND TRAUMA, INC.
STATEMENT OF FINANCIAL POSITION
September 30, 2007

ASSETS

| | | |
|---------------------------------|----|-------------------------|
| Cash and cash equivalents | \$ | 493,289 |
| Investments - Note 3 | | 335,527 |
| Pledges receivable - Note 4 | | 19,915 |
| Prepaid expenses | | 1,000 |
| Property and equipment - Note 5 | | <u>539,107</u> |
| | \$ | <u><u>1,388,838</u></u> |

LIABILITIES AND NET ASSETS

| | | |
|-------------------------------------|----|-------------------------|
| Liabilities: | | |
| Accounts payable | \$ | 17,464 |
| Accrued payroll expenses | | 13,462 |
| Funds held for others | | <u>24,336</u> |
| | | 55,262 |
| Net assets: | | |
| Unrestricted: | | |
| Undesignated | | 543,039 |
| Board designated - Note 6 | | 24,000 |
| Expended for property and equipment | | <u>539,107</u> |
| | | 1,106,146 |
| Temporarily restricted - Note 7 | | <u>227,430</u> |
| | | <u><u>1,333,576</u></u> |
| | \$ | <u><u>1,388,838</u></u> |

See Accompanying Notes.

FOUNDATION FOR BURNS AND TRAUMA, INC.
STATEMENT OF ACTIVITIES
 Nine months ended September 30, 2007

| | |
|---|----------------------------|
| Unrestricted net assets: | |
| Public support and revenue: | |
| Contributions | \$ 235,344 |
| Donated professional services | 21,550 |
| Donated space and other | 46,303 |
| Special events | 14,059 |
| Investment income - Note 3 | 39,178 |
| Other income | 1,715 |
| | <u>358,149</u> |
| Released from restrictions | 281,806 |
| Total public support and revenue | <u>639,955</u> |
| Expenses and direct costs: | |
| Functional expenses: | |
| Program services | 691,542 |
| Management and general | 51,774 |
| Fundraising and public relations | 29,121 |
| | <u>772,437</u> |
| Direct donor benefits | 661 |
| Direct cost of special events | 1,562 |
| Total expenses and direct costs | <u>774,660</u> |
| (Decrease) in unrestricted net assets | (134,705) |
| Temporarily restricted net assets: | |
| Contributions | 226,014 |
| Released from restrictions | <u>(281,806)</u> |
| (Decrease) in temporarily restricted net assets | <u>(55,792)</u> |
| Net (decrease) in net assets | (190,497) |
| Net assets, beginning of period | <u>1,524,073</u> |
| Net assets, end of period | <u><u>\$ 1,333,576</u></u> |

See Accompanying Notes.

FOUNDATION FOR BURNS AND TRAUMA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
 Nine months ended September 30, 2007

| | Program services | | | | | | Fundraising and public relations | Total |
|-----------------------------------|------------------------------|-----------------------|---------------------|---------------------------|--------------------|-------------------|----------------------------------|-------------------|
| | Youth burn survivor services | Forever Courage House | Burn center support | Burn prevention education | Volunteer services | Total Programs | | |
| Salaries | \$ 42,968 | \$ 78,077 | \$ 6,241 | \$ 31,607 | \$ 26,389 | \$ 185,282 | \$ 17,350 | \$ 233,972 |
| Payroll taxes and benefits | 8,940 | 16,897 | 1,138 | 4,776 | 5,751 | 37,502 | 3,595 | 47,640 |
| Other personnel expenses | 110 | 202 | 16 | 77 | 68 | 473 | 35 | 566 |
| Accounting | 52,018 | 95,176 | 7,395 | 36,460 | 32,208 | 223,257 | 20,980 | 282,178 |
| Bad debt | 1,593 | 2,914 | 226 | 1,116 | 986 | 6,835 | 503 | 8,178 |
| Board expenses | 625 | | | | | 625 | 46 | 747 |
| Burn center initiatives | 199 | 365 | 28 | 140 | 123 | 855 | 63 | 1,024 |
| Burn professional education | 1,470 | 2,365 | 34,398 | | | 34,398 | | 34,398 |
| Burn survivor's conference | | 3,255 | 23,572 | 2,008 | 179 | 29,594 | 91 | 29,837 |
| Community education | | | 2,125 | 1,046 | | 3,255 | | 3,255 |
| Community presence | 1,346 | 2,462 | 191 | 943 | 833 | 5,775 | 425 | 6,910 |
| Contract labor | 876 | 6,980 | 125 | 614 | 543 | 9,138 | 277 | 9,876 |
| Depreciation | 1,982 | 18,589 | 189 | 934 | 825 | 22,519 | 909 | 23,957 |
| Direct benefits to burn survivors | | 85,272 | | | | 85,272 | | 85,272 |
| Donated professional services | 18,289 | 1,443 | 112 | 553 | 488 | 20,885 | 249 | 21,550 |
| Equipment and facilities | 46,581 | 4,331 | 12,557 | 956 | 845 | 65,270 | 931 | 66,743 |
| Furniture and upgrades | | 1,877 | | | | 1,877 | | 1,877 |
| Insurance | 1,036 | 1,896 | 147 | 726 | 642 | 4,447 | 327 | 5,320 |
| Mileage, gas and parking | 1,353 | 2,494 | 64 | 360 | 278 | 4,549 | 142 | 4,926 |
| Newsletter | 1,498 | 2,741 | 213 | 1,050 | 928 | 6,430 | 473 | 7,693 |
| Occupancy | 8,863 | 16,216 | 1,260 | 6,212 | 5,488 | 38,039 | 3,523 | 47,608 |
| Operations | 36,863 | 122 | 5 | 24 | 22 | 37,036 | 11 | 37,065 |
| Other expenses | 108 | 489 | 4 | 102 | 20 | 723 | 10 | 750 |
| Postage | 1,585 | 705 | 55 | 270 | 239 | 2,854 | 122 | 3,178 |
| Printing and promotion | 369 | 828 | 22 | 3,573 | 95 | 4,887 | 82 | 5,017 |
| Repairs and maintenance | 1 | 5,576 | 3,500 | 1 | 1 | 9,079 | 1 | 9,080 |
| Research | | | 1,800 | | | 1,800 | | 1,800 |
| Scholarships | 6,667 | | | | | 6,667 | | 6,667 |
| Subscriptions and memberships | 113 | 207 | 16 | 79 | 70 | 485 | 36 | 581 |
| Supplies | 641 | 3,229 | 70 | 14,681 | 303 | 18,924 | 155 | 19,336 |
| Telephone and utilities | 1,432 | 18,805 | 203 | 1,003 | 886 | 22,329 | 569 | 23,876 |
| Vehicle expenses | | 4,654 | | | | 4,654 | | 4,654 |
| Volunteer appreciation | 9,104 | | 3,440 | 774 | 2,595 | 15,913 | | 15,913 |
| | <u>\$ 194,612</u> | <u>\$ 282,991</u> | <u>\$ 91,717</u> | <u>\$ 73,625</u> | <u>\$ 48,597</u> | <u>\$ 691,542</u> | <u>\$ 29,121</u> | <u>\$ 772,437</u> |

See Accompanying Notes

FOUNDATION FOR BURNS AND TRAUMA, INC.
STATEMENT OF CASH FLOWS
 Nine months ended September 30, 2007

| | |
|---|-----------------------|
| Cash flows from operating activities: | |
| (Decrease) in net assets | \$ (190,497) |
| Adjustments to reconcile change in net assets to net cash from operating activities: | |
| Depreciation | 23,957 |
| Unrealized (gain) on investments | (24,747) |
| Decrease in operating assets: | |
| Pledges receivable | 87,952 |
| Prepaid expenses | 7,348 |
| Increase (decrease) in operating liabilities: | |
| Accounts payable | (61,637) |
| Accrued payroll expenses | (2,098) |
| Funds held for others | 9,366 |
| Net cash (used in) operating activities | <u>(150,356)</u> |
| Cash flows (used in) investing activities - | |
| Purchases of property and equipment | <u>(6,901)</u> |
| Net (decrease) in cash and cash equivalents | (157,257) |
| Cash and cash equivalents, beginning of period | <u>650,546</u> |
| Cash and cash equivalents, end of period | <u>\$ 493,289</u> |

Supplemental cash flow information:

No cash paid for interest or income taxes during the nine months ended September 30, 2007.

See Accompanying Notes.

FOUNDATION FOR BURNS AND TRAUMA, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

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.

The Foundation changed its fiscal year end from December 31 to September 30 during the nine months ended September 30, 2007.

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 \$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
September 30, 2007

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.

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, 2007, the amount in excess of insured limits was \$304,217.

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, 2007

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, 2007 consisted of \$335,527 in mutual funds. Investment income is reported in the statement of activities as follows:

| | |
|------------------|------------------|
| Dividends | \$ 14,431 |
| Unrealized gains | 24,747 |
| | <u>\$ 39,178</u> |

FOUNDATION FOR BURNS AND TRAUMA, INC.
NOTES TO FINANCIAL STATEMENTS - continued
September 30, 2007

NOTE 4 – Pledges receivable

At September 30, 2007, receivables consisted of unconditional promises to give totaling \$19,915, 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, 2007:

| | | | |
|-------------------------------|--|----|-----------------------|
| Land | | \$ | 110,494 |
| Buildings and improvements | | | 459,286 |
| Furniture and equipment | | | 74,994 |
| | | | <u>644,774</u> |
| Less accumulated depreciation | | | <u>(105,667)</u> |
| | | \$ | <u><u>539,107</u></u> |

NOTE 6 – Board designated net assets

The board has designated \$24,000 at September 30, 2007 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 period ended September 30, 2007:

| | Beginning balance | Additions | Releases | Ending balance |
|-------------------------------------|----------------------|-------------------|---------------------|-------------------|
| Burn camp | \$ 63,533 | \$ 164,154 | \$ (158,978) | \$ 68,709 |
| Burn center | 95,891 | 11,425 | (13,863) | 93,453 |
| Restricted for future operations | 70,000 | | (70,000) | 0 |
| Capital campaign startup | 5,299 | | (2,725) | 2,574 |
| Africa Burn Relief | 3,305 | 22,785 | (26,090) | 0 |
| Video production | 15,000 | | | 15,000 |
| Shuttle van | 11,017 | | (4,582) | 6,435 |
| Yuma burn survivors | 12,571 | 9,000 | (3,568) | 18,003 |
| Tree Festival | 0 | 13,650 | | 13,650 |
| Andrea's Closet | 5,220 | 5,000 | (2,000) | 8,220 |
| Courage House parking lot resurface | 1,386 | | | 1,386 |
| | <u>\$ 283,222</u> | <u>\$ 226,014</u> | <u>\$ (281,806)</u> | <u>\$ 227,430</u> |

NOTE 8 – Related party transactions

During the period ended September 30, 2007, the Foundation received donated office space from a board member valued at \$43,443 for the nine months ended September 30, 2007.

FOUNDATION FOR BURNS AND TRAUMA, INC.
NOTES TO FINANCIAL STATEMENTS - continued
September 30, 2007

NOTE 9 - 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 nine months ended September 30, 2007 was \$6,447.