

PHOENIX SOCIETY FOR BURN SURVIVORS, INC.
FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2008

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Jack A. Ullrey, CPA

Valerie K. Watts, CPA

Jason M. Martin, CPA

Jessica M. Ullrey, CPA

INDEPENDENT AUDITORS' REPORT

To The Board of Directors
Phoenix Society for Burn Survivors, Inc.
Grand Rapids, Michigan

We have audited the accompanying statement of financial position of Phoenix Society for Burn Survivors, Inc., (a nonprofit corporation) as of December 31, 2008, and the related statements of activities, functional expenses, and its cash flows for the year then ended. The 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. The prior year summarized comparative information has been derived from the December 31, 2007, financial statements; and in our report dated May 1, 2008 we expressed an unqualified opinion on those financial statements.

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 Phoenix Society for Burn Survivors, Inc., as of December 31, 2008, and the results of its operations and changes in net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script that reads 'Ullrey & Company'.

Ullrey & Company
Certified Public Accountants

Kalamazoo, Michigan
March 23, 2009

FINANCIAL STATEMENTS

PHOENIX SOCIETY FOR BURN SURVIVORS, INC.

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2008

WITH COMPARATIVE TOTALS FOR 2007

ASSETS

	<u>2008</u>	<u>2007</u>
CURRENT ASSETS		
Cash	\$ 229,013	\$ 249,387
Investments - Endowment Fund	276,187	363,795
Investments - PEG Scholarships	54,650	97,803
Investments - Dearborn Firefighters Endowment Fund	27,254	35,898
Unconditional promises to give	108,110	119,682
Accounts receivable	175,356	102,962
Inventory	14,552	11,002
Prepaid expenses	13,229	8,060
TOTAL CURRENT ASSETS	<u>898,351</u>	<u>988,589</u>
PROPERTY AND EQUIPMENT		
Office Building	274,503	274,503
Office furniture & equipment	111,891	106,710
Less accumulated depreciation	<u>(88,908)</u>	<u>(62,025)</u>
TOTAL PROPERTY AND EQUIPMENT	<u>297,486</u>	<u>319,188</u>
TOTAL ASSETS	<u>\$ 1,195,837</u>	<u>\$ 1,307,777</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 14,642	\$ 15,317
Current portion of mortgage note payable	6,641	6,298
Other liabilities	13,351	12,613
Deferred revenue	<u>8,500</u>	<u>22,000</u>
TOTAL CURRENT LIABILITIES	43,134	56,228
LONG-TERM DEBT		
Mortgage note payable-net of current portion	<u>160,874</u>	<u>167,330</u>
TOTAL LIABILITIES	<u>204,008</u>	<u>223,558</u>
NET ASSETS		
Unrestricted	306,442	275,920
Temporarily restricted	<u>685,387</u>	<u>808,299</u>
TOTAL NET ASSETS	<u>991,829</u>	<u>1,084,219</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,195,837</u>	<u>\$ 1,307,777</u>

The accompanying notes are an integral part of these financial statements.

PHOENIX SOCIETY FOR BURN SURVIVORS, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2008

WITH COMPARATIVE TOTALS FOR 2007

	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL	
			2008	2007
SUPPORT AND REVENUES				
Individual contributions	\$ 123,013	\$ 81,128	\$ 204,141	\$ 249,826
World Burn Congress	365,327	199,580	564,907	452,427
Regional revenues	-	45,323	45,323	47,279
Fundraising events-net of \$10,041 in expenses	57,898	-	57,898	70,926
Program revenues	27,165	-	27,165	42,965
Dues	16,323	-	16,323	25,840
Investment income (loss)	991	(135,153)	(134,162)	37,454
Net assets released from restrictions:				
Restrictions satisfied by payments	313,790	(313,790)	-	-
TOTAL SUPPORT & REVENUES	904,507	(122,912)	781,595	926,717
OPERATING EXPENSES				
PROGRAM SERVICES				
Peer support	109,311	-	109,311	90,614
Soar	55,682	-	55,682	37,925
Collaboration	-	-	-	80,140
Education	80,619	-	80,619	84,482
Advocacy	80,984	-	80,984	36,740
World Burn Congress	391,304	-	391,304	417,171
TOTAL PROGRAM SERVICES	717,900	-	717,900	747,072
SUPPORT SERVICES				
General and administrative	62,965	-	62,965	73,992
Fundraising	93,120	-	93,120	90,669
TOTAL SUPPORT SERVICES	156,085	-	156,085	164,661
TOTAL OPERATING EXPENSES	873,985	-	873,985	911,733
INCREASE (DECREASE) IN NET ASSETS	30,522	(122,912)	(92,390)	14,984
NET ASSETS AT BEGINNING OF YEAR	275,920	808,299	1,084,219	1,069,235
NET ASSETS AT END OF YEAR	\$ 306,442	\$ 685,387	\$ 991,829	\$ 1,084,219

The accompanying notes are an integral part of these financial statements.

PHOENIX SOCIETY FOR BURN SURVIVORS, INC.

STATEMENT OF FUNCTIONAL EXPENSES
 FOR THE YEAR ENDED DECEMBER 31, 2008
 WITH COMPARATIVE TOTALS FOR 2007

PROGRAM SERVICES

	PEER SUPPORT	SOAR	EDUCATION	ADVOCACY	WORLD BURN CONGRESS
Salaries	\$ 29,243	\$ 23,273	\$ 27,689	\$ 31,874	\$ 73,696
Payroll taxes	2,259	1,786	2,185	2,460	5,661
Employee benefits	3,102	3,415	2,250	3,416	10,404
Occupancy costs	4,377	-	4,377	5,533	4,377
Postage	5,243	545	4,383	5,216	6,755
Bank charges	192	-	197	192	3,570
Printing and media	13,928	11,634	6,623	6,051	12,100
Professional fees	6,571	4,500	2,071	2,262	5,821
Supplies	752	836	729	759	1,257
Travel	2,055	3,688	7,734	6,816	10,120
Conferences and meetings	-	-	-	-	-
Marketing and promotion	3,750	-	732	2,010	378
Insurance	1,536	25	1,536	1,553	2,036
Scholarship awards	-	5,903	7,500	-	56,460
Computer support	4,394	-	4,394	4,557	4,394
Recognition & gifts	-	-	-	40	-
Administrative expenses	-	-	-	-	-
World Burn Congress expenses	-	-	-	-	183,397
Telephone	1,664	77	1,468	1,494	3,627
Licenses and permits	-	-	-	-	500
Memberships	30	-	30	30	30
Regional program expenses	23,494	-	-	-	-
Depreciation	6,721	-	6,721	6,721	6,721
TOTAL	\$ 109,311	\$ 55,682	\$ 80,619	\$ 80,984	\$ 391,304

The accompanying notes are an integral part of these financial statements.

SUPPORTING SERVICES

TOTAL PROGRAM SERVICES	GENERAL & ADMINISTRATIVE		TOTAL SUPPORTING SERVICES		TOTALS	
		FUNDRAISING			2008	2007
\$ 185,775	\$ 32,236	\$ 45,518	\$ 77,754	\$ 263,529	\$ 232,721	
14,351	2,473	3,556	6,029	20,380	17,546	
22,587	5,224	4,630	9,854	32,441	33,782	
18,664	2,537	2,189	4,726	23,390	22,337	
22,142	2,054	5,874	7,928	30,070	29,239	
4,151	96	96	192	4,343	4,844	
50,336	2,958	13,298	16,256	66,592	49,720	
21,225	2,015	7,656	9,671	30,896	72,667	
4,333	2,288	921	3,209	7,542	5,754	
30,413	3,643	1,714	5,357	35,770	54,931	
-	271	1,000	1,271	1,271	1,125	
6,870	1,108	189	1,297	8,167	10,445	
6,686	798	738	1,536	8,222	3,330	
69,863	-	-	-	69,863	42,840	
17,739	1,159	1,159	2,318	20,057	13,378	
40	887	23	910	950	1,666	
-	1,223	-	1,223	1,223	-	
183,397	-	-	-	183,397	255,153	
8,330	1,041	786	1,827	10,157	8,366	
500	-	3,608	3,608	4,108	3,849	
120	954	165	1,119	1,239	1,699	
23,494	-	-	-	23,494	24,280	
26,884	-	-	-	26,884	22,061	
<u>\$ 717,900</u>	<u>\$ 62,965</u>	<u>\$ 93,120</u>	<u>\$ 156,085</u>	<u>\$ 873,985</u>	<u>\$ 911,733</u>	

The accompanying notes are an integral part of these financial statements.

PHOENIX SOCIETY FOR BURN SURVIVORS, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2008

WITH COMPARATIVE TOTALS FOR 2007

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (Decrease) in net assets	\$ (92,390)	\$ 14,984
Adjustments to reconcile increase (decrease) in net cash provided by operations		
Depreciation	26,884	22,061
Realized and unrealized (gains) losses on investments	140,924	(4,471)
(Increase) Decrease in operating assets		
Unconditional promises to give	11,572	110,886
Accounts receivable	(72,394)	(74,771)
Prepaid expenses and other assets	(5,169)	(760)
Inventory	(3,550)	(8,661)
Increase (Decrease) in operating liabilities		
Accounts payable	(675)	(3,737)
Accrued expenses	738	3,385
Deferred revenues	(13,500)	(28,500)
NET CASH PROVIDED BY (USED BY) OPERATING ACTIVITIES	<u>(7,560)</u>	<u>30,416</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(5,181)	(58,073)
Change in investments	(1,520)	(27,614)
NET CASH PROVIDED BY (USED BY) INVESTING ACTIVITIES	<u>(6,701)</u>	<u>(85,687)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on long-term borrowings	(6,113)	(5,793)
NET CASH PROVIDED BY (USED BY) FINANCING ACTIVITIES	<u>(6,113)</u>	<u>(5,793)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(20,374)	(61,064)
BEGINNING CASH AND CASH EQUIVALENTS	<u>249,387</u>	<u>310,451</u>
ENDING CASH AND CASH EQUIVALENTS	<u>\$ 229,013</u>	<u>\$ 249,387</u>
ADDITIONAL INFORMATION:		
Cash paid for interest	<u>\$ 9,988</u>	<u>\$ 10,306</u>

The accompanying notes are an integral part of these financial statements.

PHOENIX SOCIETY FOR BURN SURVIVORS, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Phoenix Society for Burn Survivors, Inc., was formed in 1977 to work with burn survivors, families, healthcare professionals, burn centers, the fire industry and donors to provide burn recovery support, improve the quality of burn care and prevent burn injury. The Organization's mission is to empower anyone affected by a burn injury through peer support, education and advocacy.

Promises to Give

Contributions are recognized when the donor makes a promise to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are 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.

Contributions

Under Statement of Financial Accounting Standards (SFAS) No. 116, *Accounting for Contributions Received and Contributions Made*, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the absence or existence and nature of any donor restrictions.

Donated Materials and Services

Donated materials and equipment are reflected as contributions at their estimated value at date of receipt. A number of volunteers have donated their time performing a variety of tasks that assist the Organization. No amounts have been reflected in the statement for donated services since the donations do not meet the criteria for recognition under SFAS No. 116.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Property and Equipment

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed into service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method.

Financial Statement Presentation

Under SFAS No. 117, *Financial Statements of Not-for-Profit Organizations*, the Organization 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.

PHOENIX SOCIETY FOR BURN SURVIVORS, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Organization is a not-for-profit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

Investments

Under SFAS No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Inventory

Inventory consists of books, tapes, and other materials and is stated at the lower of cost (determined on the first-in, first-out method) or market.

NOTE B - INVESTMENTS

The fair value and the unrealized appreciation (depreciation) of investments held in the Tom and Mary Hessel Endowment, The Phoenix Educational Grant Scholarship Program, and the Dearborn Firefighters Endowment at December 31, 2008, are summarized as follows:

	<u>COST</u>	<u>FAIR VALUE</u>	<u>UNREALIZED APPRECIATION (DEPRECIATION)</u>
Money Market funds	\$ 16,777	\$ 16,777	\$ -
Mutual funds	402,332	341,314	(61,018)
Total	<u>\$ 419,109</u>	<u>\$ 358,091</u>	<u>\$ (61,018)</u>

Investment income for the year ended December 31, 2008, was classified as temporarily restricted and is summarized as follows:

Interest and dividends	\$ 11,527
Advisor's fees	(5,756)
Realized gains (losses)	24,493
Unrealized gains (losses)	(165,417)
Total	<u>\$ (135,153)</u>

PHOENIX SOCIETY FOR BURN SURVIVORS, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2008

NOTE C – UNCONDITIONAL PROMISES TO GIVE

The unconditional promises to give are from major contributors who pledged from 2005 through 2008, and are collectible over a varying number of years. The unconditional promises to give from the major contributors are restricted for use in the year they are received. The promises are reflected at the present value of future cash flows using a discount rate of 2.2% to 5.0%, and amounts are deemed collectible; therefore, no provision for uncollectible is necessary.

Receivable in one to five years	60,231
Total unconditional promises to give	111,231
Less: unamortized discount	(3,121)
Total	<u>\$ 108,110</u>

NOTE D – PROPERTY AND EQUIPMENT

Cost of property and equipment and depreciable lives as of December 31, 2008, are summarized as follows:

Office Building	\$ 274,503
Office furniture & equipment	111,891
Total cost	386,394
Less: accumulated depreciation	(88,908)
Net carrying amount	<u>\$ 297,486</u>

NOTE E - RESTRICTIONS ON ASSETS

On December 6, 2001, the Organization established the Tom and Mary Hessel Endowment Fund. This Fund was established as a separate temporarily restricted fund with a contribution made by Thomas J. Hessel and Mary P. Hessel in the amount of \$251,475. The income from the endowment is to be used to support the charitable activities of the Phoenix Society For Burn Survivors, Inc. The endowment is classified as a temporarily restricted net asset because the Organization's Board of Directors, with a two-thirds majority vote, may make distributions from the principal of the fund to support the charitable activities of the Organization.

The remaining temporarily restricted net assets consist of funds raised by the various regions for use in their regions and funds donated for specific activities or available for use in future years.

PHOENIX SOCIETY FOR BURN SURVIVORS, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2008

NOTE E - RESTRICTIONS ON ASSETS (CONTINUED)

Temporarily restricted net assets are as follows at December 31, 2008:

Tom & Mary Hessel Endowment	\$	276,187
Dearborn Firefighters Endowment		27,254
Major donor program-time restricted		65,879
Phoenix Educational Grant (PEG)		
Scholarship Program		54,650
Region I		62,374
Region IV		5,529
After-care reentry		2,500
Soar peer research		23,448
Soar peer support		25,000
World Burn Congress Scholarships		14,250
World Burn Congress 2009		25,000
World Burn Congress 2010		100,000
Fund development position		3,316
Total	\$	<u>685,387</u>

NOTE F – MORTGAGE NOTE PAYABLE

The mortgage note payable is with J P Morgan Chase Bank, NA, dated May 16, 2005, in the amount of \$187,900. The note payable is secured by a first mortgage on the Organization's office condominium in Grandville, Michigan. The mortgage note is due in monthly installments of \$1,342, including interest at 5.75% and maturing in October, 2024. The balance due at December 31, 2008, is as follows:

Mortgage Note Payable	\$	167,515
Less: current portion		6,641
Net Long-term debt	\$	<u>160,874</u>

Principal payments on long-term debt in the succeeding years are as follows:

Year ended December 31, 2009	\$	6,641
2010		7,033
2011		7,449
2012		7,889
2013		8,354
Thereafter		130,149
	\$	<u>167,515</u>

NOTE G - CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Organization to concentration of credit risk consist principally of cash and cash equivalent accounts in financial institutions. Cash and cash equivalents does not exceed the increased federally insured limits of \$250,000, at December 31, 2008. The investments in mutual funds and stocks are subject to the general risk of a market decline.

PHOENIX SOCIETY FOR BURN SURVIVORS, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2008

NOTE H - FUNCTIONAL ALLOCATION OF EXPENSES

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

NOTE I - SUMMARIZED COMPARATIVE INFORMATION

The financial statements include certain prior-year summarized comparative information in total, but not by asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2007, from which the summarized information was derived.

NOTE J - WORLD BURN CONGRESS

The Organization's World Burn Congress is an annual international conference that brings together hundreds of burn survivors, their families, caregivers, burn care professionals and firefighters. It is a forum to provide support and increase knowledge of burn recovery. The revenue and support for the World Burn Congress was as follows:

Unrestricted	
Sponsors	\$ 147,812
Registrations	127,133
Exhibitions	11,900
In-kind contributions	66,930
Other revenues	11,552
	<u>\$ 365,327</u>
Temporarily Restricted	
World Burn Congress Scholarships	\$ 74,580
World Burn Congress 2009	25,000
World Burn Congress 2010	100,000
	<u>\$ 199,580</u>

NOTE K - RETIREMENT PLAN

In 2008 the Organization established a qualified defined-contribution pension plan covering all eligible employees. The Organization contributes 2% of employees' eligible annual compensation, and employees can make voluntary contributions. The Organization's contribution to the plan totaled \$4,358 for 2008.