

The Children's House At The Johns Hopkins Hospital, Inc.

Financial Report
December 31, 2010

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Independent Auditor's Report

To the Board of Directors
The Children's House at The Johns Hopkins Hospital, Inc.
Baltimore, Maryland

We have audited the accompanying statements of financial position of The Children's House at The Johns Hopkins Hospital, Inc. (The Children's House) as of December 31, 2010 and 2009, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of The Children's House'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 The Children's House at The Johns Hopkins Hospital, Inc. as of December 31, 2010 and 2009, 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

Baltimore, Maryland
June 23, 2011

The Children's House At The Johns Hopkins Hospital, Inc.

**Statements Of Financial Position
December 31, 2010 And 2009**

Assets	2010	2009
Cash And Cash Equivalents	\$ 1,477,248	\$ 1,434,353
Promises To Give, Net Of Allowance For Uncollectable Promises (2010 – \$26,929; 2009 – \$27,911) (Note 3)	137,042	132,601
Property And Equipment, Net (Note 4)	1,131,013	1,189,930
Prepaid Assets	2,717	-
Total assets	\$ 2,748,020	\$ 2,756,884
Liabilities And Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 12,723	\$ 11,717
Due to related party (Note 2)	74,382	28,655
Total liabilities	87,105	40,372
Net Assets		
Unrestricted		
Undesignated	1,294,902	1,291,582
Net investment in plant	1,131,013	1,189,930
Total unrestricted	2,425,915	2,481,512
Temporarily restricted (Note 5)	235,000	235,000
Net assets	2,660,915	2,716,512
Total liabilities and net assets	\$ 2,748,020	\$ 2,756,884

See Notes To Financial Statements.

The Children's House At The Johns Hopkins Hospital, Inc.

Statements Of Activities

Years Ended December 31, 2010 And 2009

	2010		
	Unrestricted	Temporarily Restricted	Total
Revenue and support:			
Public contributions	\$ 150,137	\$ -	\$ 150,137
Program service contributions	72,793	-	72,793
United Charities contributions	181,985	-	181,985
Interest and other	11,864	-	11,864
In-kind contributions	240,267	-	240,267
Total revenue and support	657,046	-	657,046
Expenses:			
Program services	669,843	-	669,843
Management and general	27,381	-	27,381
Fundraising	15,419	-	15,419
Total expenses	712,643	-	712,643
Change in net assets	(55,597)	-	(55,597)
Net assets, beginning of year	2,481,512	235,000	2,716,512
Net assets, end of year	\$ 2,425,915	\$ 235,000	\$ 2,660,915

See Notes To Financial Statements.

2009		
Unrestricted	Temporarily Restricted	Total
\$ 55,022	\$ -	\$ 55,022
72,752	-	72,752
206,764	-	206,764
13,517	-	13,517
188,546	-	188,546
<u>536,601</u>	<u>-</u>	<u>536,601</u>
570,876	-	570,876
17,773	-	17,773
9,095	-	9,095
<u>597,744</u>	<u>-</u>	<u>597,744</u>
(61,143)	-	(61,143)
<u>2,542,655</u>	<u>235,000</u>	<u>2,777,655</u>
<u>\$ 2,481,512</u>	<u>\$ 235,000</u>	<u>\$ 2,716,512</u>

The Children's House At The Johns Hopkins Hospital, Inc.

Statements Of Functional Expenses
Years Ended December 31, 2010 And 2009

	2010			Total
	Program Services	Management And General	Fundraising	
Salaries	\$ 199,511	\$ 16,626	\$ 5,542	\$ 221,679
Resident activities	190,258	-	-	190,258
Depreciation	57,738	589	589	58,916
Occupancy	57,240	584	584	58,408
Miscellaneous	34,471	4,304	4,304	43,079
Janitorial	38,228	390	390	39,008
Payroll taxes and benefits	26,796	2,233	744	29,773
Equipment rental and maintenance	23,374	239	239	23,852
Professional fees	9,885	2,118	2,118	14,121
Office supplies and equipment	9,819	50	150	10,019
Telephone	8,937	46	137	9,120
Insurance	8,907	91	91	9,089
Public relations	2,443	-	271	2,714
Dues and subscriptions	1,344	-	149	1,493
Postage and shipping	892	111	111	1,114
Total functional expenses	\$ 669,843	\$ 27,381	\$ 15,419	\$ 712,643

See Notes To Financial Statements.

2009

Program Services	Management And General	Fundraising	Total
\$ 132,262	\$ 10,529	\$ 2,632	\$ 145,423
162,564	-	-	162,564
59,091	603	603	60,297
54,370	555	555	55,480
4,954	619	619	6,192
43,639	445	445	44,529
23,288	1,854	463	25,605
33,748	344	344	34,436
11,364	2,435	2,435	16,234
24,918	127	381	25,426
6,556	33	100	6,689
10,553	108	108	10,769
2,598	-	289	2,887
-	-	-	-
971	121	121	1,213
<u>\$ 570,876</u>	<u>\$ 17,773</u>	<u>\$ 9,095</u>	<u>\$ 597,744</u>

The Children's House At The Johns Hopkins Hospital, Inc.

Statements Of Cash Flows

Years Ended December 31, 2010 And 2009

	2010	2009
Cash Flows From Operating Activities		
Change in net assets	\$ (55,597)	\$ (61,143)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	58,916	60,297
Allowance for promises to give	(982)	27,911
Changes in assets and liabilities:		
(Increase) decrease in:		
Promises to give	(3,459)	(14,998)
Due to related party	45,727	24,877
Prepaid assets	(2,716)	-
Increase (decrease) in:		
Accounts payable and accrued expenses	1,006	8,465
Net cash provided by operating activities	42,895	45,409
Net increase in cash and cash equivalents	42,895	45,409
Cash And Cash Equivalents		
Beginning of year	1,434,353	1,388,944
End of year	\$ 1,477,248	\$ 1,434,353

See Notes To Financial Statements.

The Children's House At The Johns Hopkins Hospital, Inc.

Notes To Financial Statements

Note 1. Nature Of Activities And Significant Accounting Policies

Nature of activities: The Children's House at The Johns Hopkins Hospital, Inc. (The Children's House) was founded in 1989 for the purpose of providing temporary housing for family members of the children receiving treatment at The Johns Hopkins Hospital. It is a 15-bedroom, four-level facility that includes living rooms, kitchens on each floor, a children's playroom and a large meeting room for groups. The sources of funds are primarily from contributions and various fundraising events.

A summary of The Children's House's significant accounting policies follows:

Basis of presentation: The financial statements have been prepared on the accrual basis of accounting. The Children's House follows the accounting and reporting practices set forth in the American Institute of Certified Public Accountants industry audit guide, *Not-for-Profit Organizations*.

Under this Accounting and Reporting Guide, net assets, revenue, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of The Children's House and changes therein are classified and reported as follows:

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 the passage of time or can be fulfilled and removed by actions of The Children's House pursuant to these stipulations. Net assets may be temporarily restricted for various purposes, such as use in future periods or use for specified purposes.

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 Children's House's actions. As of December 31, 2010 and 2009, The Children's House had 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 Children's House has deposits in financial institutions in excess of amounts insured by the Federal Deposit Insurance Corporation. The Children's House 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 Children's House that is, in substance, unconditional. The Children's House 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. Promises to give are expected to be collected in 2010.

Property and equipment: Property and equipment purchased by The Children's House 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.

The Children's House At The Johns Hopkins Hospital, Inc.

Notes To Financial Statements

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

Valuation of long-lived assets: The Children's House reviews the valuation of long-lived assets and certain identifiable intangible assets 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.

In-kind contributions: Contributions of donated non-cash assets are recorded at their fair value in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, which are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation are recorded at their fair value in the period received.

The Children's House, through fundraising efforts generated donated goods and services aggregating \$240,267 and \$188,546 for the years ended December 31, 2010 and 2009, respectively.

Expenses: Functional expenses are allocated between program services, management and general and fundraising, based on time and facility usage studies.

Income taxes: The Children's House is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code) as a charitable organization whereby only unrelated business income, as defined by Section 512(a)(1) of the Code, is subject to Federal income tax. The Children's House is not considered to be a private foundation. Income which is not related to exempt purposes, less applicable deductions, may be subject to federal and state corporate income taxes. For the years ended December 31, 2010 and 2009, The Children's House concluded it has no such unrelated business income.

The Children's House adopted the accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, The Children's House may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses derecognition classification, interest and penalties on income taxes, and accounting in interim periods.

Management evaluated The Children's House's tax positions and concluded that The Children's House has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of the guidance. Generally, The Children's House is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before 2007.

The Children's House At The Johns Hopkins Hospital, Inc.

Notes To Financial Statements

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

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.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

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 revenue and expenses during the reporting period. Actual results may vary from those estimates.

Subsequent events: Subsequent events have been evaluated through June 23, 2011, which is the date the financial statements were available to be issued.

Note 2. Related Party Transactions

The Believe in Tomorrow National Children's Foundation, Inc. (the Foundation), a related party, advanced funds to The Children's House for payroll and other expenses during the years ended December 31, 2010 and 2009. The Foundation's Board of Directors has committed to provide support to The Children's House by assisting in its fundraising efforts, including the solicitation of donated goods and services. The outstanding balance between The Children's House and the Foundation at December 31, 2010 and 2009, was a payable of \$74,382 and \$28,655, respectively. There is no formal payment agreement.

Note 3. Promises To Give

Promises to give consisted of the following at December 31, 2010 and 2009:

	2010	2009
Independent Charities of America	\$ 162,182	\$ 156,266
Other contributions receivable	1,789	4,246
	<u>163,971</u>	<u>160,512</u>
Less allowance	<u>(26,929)</u>	<u>(27,911)</u>
	<u>\$ 137,042</u>	<u>\$ 132,601</u>

The Children's House At The Johns Hopkins Hospital, Inc.

Notes To Financial Statements

Note 4. Property And Equipment

Property and equipment consisted of the following at December 31, 2010 and 2009:

	2010	2009
Land	\$ 184,134	\$ 184,134
Building and improvements	1,740,791	1,740,791
Furniture and fixtures	92,447	92,447
Equipment	82,586	82,586
	<u>2,099,958</u>	<u>2,099,958</u>
Less accumulated depreciation	(968,945)	(910,028)
	<u>\$ 1,131,013</u>	<u>\$ 1,189,930</u>

Note 5. Temporarily Restricted Net Assets

Temporarily restricted net assets are restricted for house expansion in the amount of \$235,000 at December 31, 2010 and 2009. There were no amounts released from restriction during the years ended December 31, 2010 and 2009.

Note 6. Pension Plan

The Children's House has a defined contribution pension plan that covers substantially all of its full-time employees. The Children's House may contribute a discretionary amount each plan year and employees can contribute a percentage of their compensation to the Plan. The Children's House's contributions to the Plan were \$0 and \$592 for the years ended December 31, 2010 and 2009, respectively.