

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

Financial Report
December 31, 2008

McGladrey & Pullen
Certified Public Accountants

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McGladrey & Pullen

Certified Public Accountants

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. as of December 31, 2008 and 2007, 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, 2008 and 2007, 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

Timonium, Maryland
July 13, 2009

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

Statements Of Financial Position
December 31, 2008 And 2007

Assets	2008	2007
Cash and cash equivalents	\$ 1,388,944	\$ 1,298,165
Promises to give, net of no allowance for uncollectible promises in 2008 and \$13,596 in 2007	145,514	180,280
Property and equipment, net	1,250,227	1,307,921
Total assets	\$ 2,784,685	\$ 2,786,366
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 3,252	\$ 19,926
Due to related party	3,778	51,560
Total liabilities	7,030	71,486
Net Assets		
Unrestricted		
Undesignated	1,292,428	1,171,959
Net investment in plant	1,250,227	1,307,921
Total unrestricted	2,542,655	2,479,880
Temporarily restricted	235,000	235,000
Net assets	2,777,655	2,714,880
Total liabilities and net assets	\$ 2,784,685	\$ 2,786,366

See Notes To Financial Statements.

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

Statements Of Activities
Years Ended December 31, 2008 And 2007

	2008		
	Unrestricted	Temporarily Restricted	Total
Revenue and support:			
Public contributions	\$ 226,641	\$ -	\$ 226,641
Program service contributions	75,244	-	75,244
United Charities contributions	194,760	-	194,760
Interest and other	27,323	-	27,323
In-kind contributions	108,031	-	108,031
Total revenue and support	631,999	-	631,999
Expenses:			
Program services	540,250	-	540,250
Management and general	19,306	-	19,306
Fundraising	9,668	-	9,668
Total expenses	569,224	-	569,224
Change in net assets	62,775	-	62,775
Net assets, beginning of year	2,479,880	235,000	2,714,880
Net assets, end of year	\$ 2,542,655	\$ 235,000	\$ 2,777,655

See Notes To Financial Statements.

2007

Unrestricted	Temporarily Restricted	Total
\$ 363,386	\$ -	\$ 363,386
78,442	-	78,442
75,035	-	75,035
54,269	-	54,269
81,975	-	81,975
<u>653,107</u>	<u>-</u>	<u>653,107</u>
437,644	-	437,644
16,315	-	16,315
9,877	-	9,877
<u>463,836</u>	<u>-</u>	<u>463,836</u>
189,271	-	189,271
<u>2,290,609</u>	<u>235,000</u>	<u>2,525,609</u>
<u>\$ 2,479,880</u>	<u>\$ 235,000</u>	<u>\$ 2,714,880</u>

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

Statements Of Functional Expenses
Years Ended December 31, 2008 And 2007

	2008			
	Program Services	Management and General	Fundraising	Total
Salaries	\$ 151,845	\$ 12,087	\$ 3,022	\$ 166,954
In-kind contributions	108,031	-	-	108,031
Occupancy	55,740	569	569	56,878
Janitorial	28,871	295	295	29,461
Depreciation	61,082	623	623	62,328
Equipment rental and maintenance	10,274	105	105	10,484
Payroll taxes and benefits	22,805	1,815	454	25,074
Office supplies and equipment	12,594	64	193	12,851
Insurance	9,802	100	100	10,002
Professional fees	10,360	2,220	2,220	14,800
Resident activities	51,682	-	-	51,682
Public relations	2,255	-	251	2,506
Telephone	3,133	16	47	3,196
Miscellaneous	10,888	1,361	1,361	13,610
Fundraising	-	-	324	324
Postage and shipping	411	51	51	513
Dues and subscriptions	477	-	53	530
Total functional expenses	\$ 540,250	\$ 19,306	\$ 9,668	\$ 569,224

See Notes To Financial Statements.

2007

2007				
Program Services	Management and General	Fundraising	Total	
\$ 128,884	\$ 10,260	\$ 2,565	\$ 141,709	
81,976	-	-	81,976	
60,798	620	620	62,038	
31,236	319	319	31,874	
27,674	282	282	28,238	
24,887	254	254	25,395	
20,151	1,604	402	22,157	
13,540	69	207	13,816	
9,800	100	100	10,000	
9,135	1,958	1,958	13,051	
9,040	-	-	9,040	
7,065	-	785	7,850	
6,256	32	96	6,384	
5,890	737	736	7,363	
-	-	1,398	1,398	
642	80	80	802	
670	-	75	745	
<u>\$ 437,644</u>	<u>\$ 16,315</u>	<u>\$ 9,877</u>	<u>\$ 463,836</u>	

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

Statements Of Cash Flows
Years Ended December 31, 2008 And 2007

	2008	2007
Cash Flows From Operating Activities		
Change in net assets	\$ 62,775	\$ 189,271
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	62,328	28,239
Allowance for promises to give	(13,596)	(34,401)
In-kind gifts of fixed assets received	-	(45,901)
Change in assets and liabilities:		
Decrease (increase) in:		
Promises to give	48,362	84,392
Due to related party	(47,782)	(18,934)
Prepaid expenses	-	804
(Decrease) increase in:		
Accounts payable and accrued expenses	(16,674)	3,259
Net cash provided by operating activities	<u>95,413</u>	<u>206,729</u>
Cash Flows From Investing Activities		
Purchase of property and equipment	(4,634)	-
Net cash used in investing activities	<u>(4,634)</u>	<u>-</u>
Net increase in cash and cash equivalents	90,779	206,729
Cash And Cash Equivalents		
Beginning of year	<u>1,298,165</u>	<u>1,091,436</u>
End of year	<u>\$ 1,388,944</u>	<u>\$ 1,298,165</u>

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 accounting: The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with the provisions of Financial Accounting Standard Board (FASB) Statements of Financial Accounting Standards (SFAS) Statements Nos. 116 and 117.

Basis of presentation: The financial statement presentation follows the recommendations of the FASB in its SFAS No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, The Children's House is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

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 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 Corporation's actions. As of December 31, 2008 and 2007, 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 2009.

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 five 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 accounts for the valuation of long-lived assets under SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. SFAS No. 144 requires that long-lived assets and certain identifiable intangible assets be reviewed 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. Management has determined that there is no impairment of long-lived assets at December 31, 2008 and 2007.

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 \$108,031 and \$81,975 for the years ended December 31, 2008 and 2007, 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 a tax exempt organization under Section 501(c)(3) of the Internal Revenue Code and, as such, is not subject to federal or state income taxes, except for taxes on unrelated business income. The Children's House had no net unrelated business income for the years ended December 31, 2008 and 2007.

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

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

Notes To Financial Statements

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

Recent accounting pronouncements: In July 2006, FASB issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with SFAS No. 109, *Accounting for Income Taxes*. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition of tax benefits, classification on the balance sheet, interest and penalties, accounting in interim periods, disclosure, and transition.

In December 2008, the FASB provided for a deferral of the effective date of FIN 48 for certain nonpublic enterprises to annual financial statements for fiscal years beginning after December 15, 2008. The Children's House has elected this deferral and accordingly will be required to adopt FIN 48 in its 2009 annual financial statements. Prior to adoption of FIN 48, The Children's House will continue to evaluate its uncertain tax positions and related income tax contingencies under SFAS No. 5, *Accounting for Contingencies*. SFAS No. 5 requires The Children's House to accrue for losses it believes are probable and can be reasonably estimated. Management is currently assessing the impact of FIN 48 on its financial position and results of operations and has not yet determined if the adoption of FIN 48 will have a material effect on its financial statements.

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, 2008 and 2007. 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, 2008 and 2007 was a payable of \$3,778 and \$51,560, respectively. There is no formal payment agreement.

Note 3. Promises To Give

Promises to give consisted of the following at December 31:

	2008	2007
Independent Charities of America	\$ 90,804	\$ -
Other contributions receivable	54,710	103,785
United Charities contributions	-	90,091
	<u>145,514</u>	<u>193,876</u>
Less allowance	-	(13,596)
	<u>\$ 145,514</u>	<u>\$ 180,280</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:

	2008	2007
Land	\$ 184,134	\$ 184,134
Building and improvements	1,740,791	1,740,791
Furniture and fixtures	92,447	92,447
Equipment	82,586	77,952
	<u>2,099,958</u>	<u>2,095,324</u>
Less accumulated depreciation	(849,731)	(787,403)
	<u>\$ 1,250,227</u>	<u>\$ 1,307,921</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, 2008 and 2007. There were no amounts were released from restriction during the year ended December 31, 2008 and 2007.

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 contributions to the Plan were approximately \$500 for the years ended December 31, 2008 and 2007.