

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

Financial Report
December 31, 2021

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RSM US LLP

Independent Auditor's Report

Board of Directors
The Children's House at The Johns Hopkins Hospital, Inc.

Opinion

We have audited the financial statements of The Children's House at The Johns Hopkins Hospital, Inc. (The Children's House), which comprise the statements of financial position as of December 31, 2021 and 2020, the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The Children's House as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Children's House and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Children's House's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Children's House's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Children's House's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audits.

RSM US LLP

Baltimore, Maryland
August 15, 2022

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

Statements of Financial Position
December 31, 2021 and 2020

	2021	2020
Assets		
Current assets:		
Cash	\$ 387,960	\$ 411,695
Promises to give, current portion (Note 4)	52,624	69,487
Accrued revenue	10,872	20,463
Prepaid expenses	20,811	5,834
Total current assets	472,267	507,479
Property and equipment, net (Note 5)	958,619	1,039,278
Promises to give, net of current portion, net of allowance for uncollectible promises (2021—\$29,981; 2020—\$23,680) (Note 4)	33,581	62,735
Total assets	\$ 1,464,467	\$ 1,609,492
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 22,573	\$ 17,737
Economic Injury Disaster Loan, current portion (Note 8)	538	-
Total current liabilities	23,111	17,737
Notes payable (Note 6)	197,591	197,591
Economic Injury Disaster Loan, net of current portion (Note 8)	149,462	150,000
Due to related party (Note 3)	319,838	218,358
Total liabilities	690,002	583,686
Commitments (Notes 6 and 7)		
Net assets:		
Without donor restrictions	774,465	1,025,806
Total net assets	774,465	1,025,806
Total liabilities and net assets	\$ 1,464,467	\$ 1,609,492

See notes to financial statements.

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

Statements of Activities
Years Ended December 31, 2021 and 2020

	2021	2020
Revenue and support:		
In-kind contributions	\$ 372,485	\$ 407,883
Indirect public support	79,920	96,610
Public contributions	233,762	403,253
Program service contributions	46,647	32,862
Total revenue and support	732,814	940,608
Expenses:		
Program services	940,430	930,456
Management and general	20,616	20,122
Fundraising	23,109	27,638
Total expenses	984,155	978,216
Change in net assets	(251,341)	(37,608)
Net assets without donor restrictions:		
Beginning of year	1,025,806	1,063,414
End of year	\$ 774,465	\$ 1,025,806

See notes to financial statements.

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

Statement of Functional Expenses
Year Ended December 31, 2021

	Program Services	Management and General	Fundraising	Total
Resident activities	\$ 255,970	\$ -	\$ -	\$ 255,970
Salaries	324,606	9,505	9,845	343,956
Depreciation (Note 5)	84,460	862	862	86,184
Janitorial	61,169	624	624	62,417
Occupancy	58,346	595	595	59,536
Payroll taxes and benefits (Note 7)	47,009	1,386	1,436	49,831
Equipment rental and maintenance	35,974	367	367	36,708
Professional fees	28,918	6,197	6,197	41,312
Volunteer services	11,940	122	122	12,184
Insurance	9,800	100	100	10,000
Office supplies and equipment	8,487	87	87	8,661
Dues and subscriptions	7,585	-	843	8,428
Miscellaneous	6,166	771	771	7,708
Fundraising	-	-	1,260	1,260
Total functional expenses	\$ 940,430	\$ 20,616	\$ 23,109	\$ 984,155

See notes to financial statements.

The Children’s House at The Johns Hopkins Hospital, Inc.

**Statement of Functional Expenses
Year Ended December 31, 2020**

	Program Services	Management and General	Fundraising	Total
Resident activities	\$ 273,247	\$ -	\$ -	\$ 273,247
Salaries	343,128	9,762	8,678	361,568
Depreciation (Note 5)	80,166	818	818	81,802
Janitorial	58,665	599	599	59,863
Occupancy	36,394	371	371	37,136
Payroll taxes and benefits (Note 7)	43,008	1,224	1,088	45,320
Equipment rental and maintenance	17,690	181	181	18,052
Professional fees	28,610	6,131	6,131	40,872
Volunteer services	14,648	149	149	14,946
Insurance	9,800	100	100	10,000
Office supplies and equipment	11,959	122	122	12,203
Dues and subscriptions	7,825	-	869	8,694
Miscellaneous	5,316	665	665	6,646
Fundraising	-	-	7,867	7,867
Total functional expenses	\$ 930,456	\$ 20,122	\$ 27,638	\$ 978,216

See notes to financial statements.

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

Statements of Cash Flows
Years Ended December 31, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ (251,341)	\$ (37,608)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	86,184	81,802
Increase in allowance for promises to give	6,301	1,826
Changes in assets and liabilities:		
Decrease (increase) in:		
Promises to give	39,716	(14,500)
Accrued revenue	9,591	14,574
Prepaid expenses	(14,977)	(834)
Increase (decrease) in:		
Accounts payable and accrued expenses	4,836	(734)
Due to related party	101,480	110,231
Net cash (used in) provided by operating activities	(18,210)	154,757
Cash flows from investing activities:		
Purchases of property and equipment	(5,525)	(1,421)
Net cash used in investing activities	(5,525)	(1,421)
Cash flows from financing activities:		
Proceeds from Economic Injury Disaster Loan	-	150,000
Net cash provided by financing activities	-	150,000
Net (decrease) increase in cash	(23,735)	303,336
Cash:		
Beginning of year	411,695	108,359
End of year	\$ 387,960	\$ 411,695

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 statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB). As required by the Not-for-Profit Entities Topic of the FASB Accounting Standards Codification (ASC), The Children's House is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions: Net assets without donor restrictions are the net assets that are neither invested in perpetuity, nor purpose- or time-restricted by donor-imposed stipulations.

Net assets with donor restrictions: Net assets with donor restrictions are 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 restricted for various purposes, such as use in future periods or use for specified purposes. The Children's House did not have any net assets with donor restrictions as of December 31, 2021 and 2020.

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 account, and management 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. Net promises to give are expected to be received over the next two years.

Property and equipment: Property and equipment purchased by The Children's House is recorded at cost. Donated property and equipment is recorded at the fair value at the date of the gift. 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 capitalizes all property and equipment purchased with a unit cost of \$1,000 or more or donated with a fair value per unit of \$1,000 or more and a useful life of more than one year.

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

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

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Functional allocation of expenses: The costs of providing various program and supporting activities have been presented on a detailed functional bases in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Certain expenses are attributable to more than one program or supporting function. These expenses are allocated consistently based on the following:

- Volunteer services, personnel related costs and other miscellaneous costs are allocated based on estimates of time and effort for each functional area
- Depreciation, occupancy and janitorial costs are allocated based on the percentage of fixed assets utilized by each functional area
- Resident activities costs are allocated entirely to program services provided to participants
- Fundraising costs are allocated entirely to fundraising and development supporting services

Income taxes: The Children's House is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) as a charitable organization, whereby only unrelated business income, as defined by Section 512(a)(1) of the IRC, 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, 2021 and 2020, 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% 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 2018.

Support and revenue—contributions: Unconditional contributions received, including grants and contracts deemed to be non-exchange transactions, are recorded as support to net assets with or without donor restrictions, depending on the existence and/or nature of donor restrictions. All donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Conditional contributions are those contributions that contain donor-imposed rights of refund/return and barriers (performance obligations and/or controlling stipulations). Conditional contributions are recognized into revenue when conditions are satisfied and then follow the above policies for unconditional contributions. Conditional contributions received in advance of satisfying conditions are recorded as deferred revenue.

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

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Indirect public support consists of contributions collected by a third-party and employee-giving campaigns held by various companies. Indirect public support is recognized as revenue in accordance with the contributions above.

In-kind contributions: Contributions of donated noncash assets are recorded at their estimated 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 \$372,485 and \$407,883 for the years ended December 31, 2021 and 2020, respectively.

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.

Uncertainties: On January 30, 2020, the World Health Organization declared the coronavirus (COVID-19) outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had, and are expected to continue to have, an adverse impact on the economies and financial markets of many countries. It is unknown how long these conditions will last and what the complete financial effect will be on The Children's House. The extent of the impact of COVID-19 on The Children's House's operations and financial performance are uncertain and cannot be predicted. Management is continually monitoring the impact of COVID-19.

Recent accounting pronouncements not yet adopted: In July 2020, the FASB issued Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The amendment is intended to increase transparency of contributed nonfinancial assets for not-for-profit entities through enhancements in presentation and disclosure requirements. Entities will now be required to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. This ASU is effective for fiscal years beginning January 1, 2022. The Children's House is currently in the process of evaluating the impact of the new accounting guidance on its financial statements.

Subsequent events: Subsequent events have been evaluated through August 15, 2022, which is the date the financial statements were available to be issued.

Note 2. Liquidity and Availability

The Children's House is primarily supported by contributions, fundraising events and giving campaigns. As part of The Children's House's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. The Children's House does not have any donor restricted, board designated or other contractual limitations on its financial assets. In the event of financial distress or an immediate liquidity need resulting from events outside of the typical life cycle of converting financial assets to cash or settling financial liabilities, The Children's House would obtain a related party loan from the Believe in Tomorrow National Children's Foundation (the Foundation).

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

Notes to Financial Statements

Note 2. Liquidity and Availability (Continued)

Financial assets available to meet cash needs for general expenditures within one year as of December 31, 2021 and 2020, are as follows:

	2021	2020
Cash and cash equivalents	\$ 387,960	\$ 411,695
Current portion of promises to give	52,624	69,487
Accrued revenue	10,872	20,463
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 451,456</u>	<u>\$ 501,645</u>

Note 3. Related Party Transactions

The Foundation, a related party, advanced funds to The Children's House during the years ended December 31, 2021 and 2020. 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. There is also no formal payment arrangement.

The Foundation records salary expense related to operations of The Children's House as an in-kind contribution from the Foundation to The Children's House rather than requiring The Children's House to reimburse the Foundation for the related expense. The contribution totaled \$122,980 and \$127,710 for the years ended December 31, 2021 and 2020, respectively. The following table reflects the activity of such support and outstanding balances due to/from the Foundation at December 31, 2021 and 2020:

	2021	2020
Due to related party, beginning of year	\$ (218,358)	\$ (108,127)
Advances to related party	244,073	585,724
Advances from related party	(345,553)	(695,955)
Due to related party, end of year	<u>\$ (319,838)</u>	<u>\$ (218,358)</u>

Note 4. Promises to Give

Promises to give of \$86,205 and \$132,222 at December 31, 2021 and 2020, respectively, consisted of gross promises to give of \$116,186 and \$155,902, net of allowances for doubtful promises to give of \$29,981 and \$23,680, respectively, for the years then ended. Promises to give are expected to be received in the next two years.

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

Notes to Financial Statements

Note 5. Property and Equipment

Property and equipment consisted of the following at December 31, 2021 and 2020:

	Depreciable Life (Range)	2021	2020
Building and improvements	5-40 years	\$ 2,198,374	\$ 2,198,374
Furniture and fixtures	5-10 years	144,368	135,962
Equipment	5-10 years	106,192	109,073
		<u>2,448,934</u>	<u>2,443,409</u>
Less accumulated depreciation		<u>(1,674,449)</u>	<u>(1,588,265)</u>
		774,485	855,144
Land		184,134	184,134
		<u>\$ 958,619</u>	<u>\$ 1,039,278</u>

Note 6. Notes Payable

On September 26, 2018, The Children's House entered into a loan agreement with the Community Development Administration, a unit of the Division of Development Finance of the Department of Housing and Community Development, of the state of Maryland for energy efficiency and renewable energy improvements to the property for up to \$350,000. The loan is a noninterest-bearing promissory note and matures on September 1, 2053, whereby all principal becomes due. The loan balance was \$197,591 at December 31, 2021 and 2020.

Note 7. 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. There were contributions of \$1,953 and \$0 to the plan from The Children's House for the years ended December 31, 2021 and 2020, respectively.

Note 8. Economic Injury Disaster Loan

On May 14, 2020, The Children's House applied for and received an Economic Injury Disaster Loan (EIDL) of \$150,000 from the Small Business Administration (SBA). The interest rate is 2.75% per annum, payable in monthly installments of \$641 originally commencing on May 14, 2021, with the loan maturing on May 14, 2050. The loan is collateralized by The Children's House's tangible and intangible personal property. On March 26, 2021, the SBA granted a 24-month deferment of principal and interest payments from the original date of the note for EIDLs approved in 2020. On March 15, 2022, the SBA granted an additional 6-month deferment for a total 30-month deferment of principal and interest payments from the original date of the note for EIDLs approved in 2020. Monthly installments now commence on November 14, 2022, and the loan matures on November 14, 2052.

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

Notes to Financial Statements

Note 8. Economic Injury Disaster Loan (Continued)

Maturities of the Economic Injury Disaster Loan at December 31, 2021, are due in future years as follows:

Years ending December 31:

2022	\$	538
2023		3,279
2024		3,371
2025		3,464
2026		3,561
Thereafter		135,787
	\$	<u>150,000</u>