

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

Financial Report
December 31, 2007

McGladrey & Pullen
Certified Public Accountants

Contents

Independent Auditor's Report	1
<hr/>	
Financial Statements	
Statements Of Financial Position	2
Statements Of Activities	3 – 4
Statements OF Functional Expenses	5 – 6
Statements Of Cash Flows	7
Notes To Financial Statements	8 – 10

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, 2007 and 2006 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, 2007 and 2006 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 24, 2008

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

Statements Of Financial Position
December 31, 2007 and 2006

Assets	2007	2006
Cash and cash equivalents	\$ 1,298,165	\$ 1,091,436
Promises to give, net of allowance for uncollectible promises of \$13,596 in 2007 and \$47,997 in 2006	180,280	230,271
Prepaid expenses	-	804
Property and equipment, net	1,307,921	1,290,259
Total assets	\$ 2,786,366	\$ 2,612,770
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 19,926	\$ 16,667
Due to related party	51,560	70,494
Total liabilities	71,486	87,161
Net Assets		
Unrestricted		
Undesignated	1,171,959	1,000,350
Net investment in plant	1,307,921	1,290,259
Total unrestricted	2,479,880	2,290,609
Temporarily restricted	235,000	235,000
Net assets	2,714,880	2,525,609
Total liabilities and net assets	\$ 2,786,366	\$ 2,612,770

See Notes To Financial Statements.

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

Statements Of Activities
Years Ended December 31, 2007 and 2006

	2007		
	Unrestricted	Temporarily Restricted	Total
Revenues and support			
Public contributions	\$ 363,386	\$ -	\$ 363,386
Program service revenue	78,442	-	78,442
United Charities contributions	75,035	-	75,035
Investment and other	54,269	-	54,269
In-kind contributions	81,975	-	81,975
	<u>653,107</u>	-	<u>653,107</u>
Net assets released from restrictions	-	-	-
Total revenues and support	<u>653,107</u>	-	<u>653,107</u>
Expenses			
Program services	437,644	-	437,644
Management and general	16,315	-	16,315
Fundraising	9,877	-	9,877
Total expenses	<u>463,836</u>	-	<u>463,836</u>
Change in net assets	189,271	-	189,271
Net assets, beginning of year	<u>2,290,609</u>	<u>235,000</u>	<u>2,525,609</u>
Net assets, end of year	<u>\$ 2,479,880</u>	<u>\$ 235,000</u>	<u>\$ 2,714,880</u>

See Notes To Financial Statements.

2006

Unrestricted	Temporarily Restricted	Total
\$ 268,913	\$ -	\$ 268,913
68,695	-	68,695
221,398	-	221,398
40,087	-	40,087
92,012	-	92,012
691,105	-	691,105
10,904	(10,904)	-
702,009	(10,904)	691,105
515,705	-	515,705
16,282	-	16,282
15,325	-	15,325
547,312	-	547,312
154,697	(10,904)	143,793
2,135,912	245,904	2,381,816
\$ 2,290,609	\$ 235,000	\$ 2,525,609

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

Statements Of Functional Expenses
Years Ended December 31, 2007 and 2006

	2007			
	Program Services	Management and General	Fundraising	Total
Salaries	\$ 128,884	\$ 10,260	\$ 2,565	\$ 141,709
In-kind contributions	81,976	-	-	81,976
Occupancy	60,798	620	620	62,038
Janitorial	31,236	319	319	31,874
Depreciation	27,674	282	282	28,238
Equipment rental and maintenance	24,887	254	254	25,395
Payroll taxes and benefits	20,151	1,604	402	22,157
Office supplies and equipment	13,540	69	207	13,816
Insurance	9,800	100	100	10,000
Professional fees	9,135	1,958	1,958	13,051
Resident activities	9,040	-	-	9,040
Public relations	7,065	-	785	7,850
Telephone	6,256	32	96	6,384
Miscellaneous	5,890	737	736	7,363
Fundraising	-	-	1,398	1,398
Postage and shipping	642	80	80	802
Dues and subscriptions	670	-	75	745
Total functional expenses	<u>\$ 437,644</u>	<u>\$ 16,315</u>	<u>\$ 9,877</u>	<u>\$ 463,836</u>

See Notes To Financial Statements.

2006

Program Services	Management and General	Fundraising	Total
\$ 202,552	\$ 10,556	\$ 6,342	\$ 219,450
68,629	-	-	68,629
66,736	681	681	68,098
12,514	128	128	12,770
56,840	580	580	58,000
17,937	183	183	18,303
34,358	1,790	1,076	37,224
10,174	52	156	10,382
10,626	108	108	10,842
7,534	1,614	1,614	10,762
13,876	-	-	13,876
2,133	-	237	2,370
6,890	35	105	7,030
3,441	430	430	4,301
-	-	3,508	3,508
998	125	125	1,248
467	-	52	519
<u>\$ 515,705</u>	<u>\$ 16,282</u>	<u>\$ 15,325</u>	<u>\$ 547,312</u>

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

Statements Of Cash Flows
Years Ended December 31, 2007 and 2006

	2007	2006
Cash Flows From Operating Activities		
Change in net assets	\$ 189,271	\$ 143,793
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	28,239	58,000
Allowance for promises to give	(34,401)	(29,310)
In-kind gifts of fixed assets received	(45,901)	(23,383)
Realized loss on investments	-	7,592
Change in assets and liabilities		
Decrease (increase) in:		
Promises to give	84,392	6,249
Due to (from) related party	(18,934)	38,002
Prepaid expenses	804	1,293
Decrease (increase) in:		
Accounts payable and accrued expenses	3,259	(13,228)
Net cash provided by operating activities	206,729	189,008
Cash Flows From Investing Activities		
Purchase of property and equipment	-	(2,367)
Proceeds from sale of investments	-	489,757
Net cash provided by investing activities	-	487,390
Net increase in cash and cash equivalents	206,729	676,398
Cash and cash equivalents, beginning of year	1,091,436	415,038
Cash and cash equivalents, end of year	\$ 1,298,165	\$ 1,091,436

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 (SFAS) Statements Nos. 116 and 117.

Basis of presentation: The financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its SFAS No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the School 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, 2007 and 2006, 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 2008.

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 Statement of Financial Accounting Standards (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 there is no impairment of long-lived assets at December 31, 2007 and 2006.

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 \$81,975 and \$92,012 for the years ended December 31, 2007 and 2006, 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, 2007 and 2006.

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.

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.

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, 2007 and 2006. 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, 2007 and 2006 was a payable of \$51,560 and \$70,494, respectively. There is no formal payment agreement.

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

Notes To Financial Statements

Note 3. Promises To Give

Promises to give consisted of the following at December 31:

	2007	2006
United Charities contributions	\$ 90,091	\$ 179,866
Other contributions receivable	103,785	98,402
	<u>193,876</u>	<u>278,268</u>
Less allowance	(13,596)	(47,997)
	<u>\$ 180,280</u>	<u>\$ 230,271</u>

Note 4. Property And Equipment

Property and equipment consisted of the following at December 31:

	2007	2006
Land	\$ 184,134	\$ 184,134
Building and improvements	1,740,791	1,740,791
Furniture and fixtures	92,448	46,547
Equipment	77,951	77,951
	<u>2,095,324</u>	<u>2,049,423</u>
Less accumulated depreciation	(787,403)	(759,164)
	<u>\$ 1,307,921</u>	<u>\$ 1,290,259</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, 2007 and 2006. There were no amounts were released from restriction during the year ended December 31, 2007 and amounts released from restriction during the year ended December 31, 2006 were spent for their designated program purposes.

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, 2007 and 2006.