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

Financial Report
December 31, 2014

Contents

McGladrey

Independent Auditor's Report

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

Report on the Financial Statements
We have audited the accompanying 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, 2014 and 2013, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility
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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Children's House as of December 31, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

McGladrey LLP

Baltimore, Maryland
June 29, 2015

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

Statements of Financial Position
December 31, 2014 and 2013

	2014	2013
Assets		
Cash and Cash Equivalents	**$ 578,301**	$ 802,759
Promises to Give, Net of Allowance for Uncollectible Promises (2014 – $24,833; 2013 – $30,594) (Note 3)	**90,448**	98,369
Due From Related Party (Note 2)	**-**	35,778
Prepaid Expenses	**8,000**	5,679
Property and Equipment, Net (Note 4)	**1,045,128**	1,080,080
Total assets	**$ 1,721,877**	$ 2,022,665
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	**$ 12,744**	$ 22,957
Due to related party (Note 2)	**20,818**	-
Total liabilities	**33,562**	22,957
Net Assets		
Unrestricted		
Undesignated	**643,187**	919,628
Net investment in plant	**1,045,128**	1,080,080
Total net assets	**1,688,315**	1,999,708
Total liabilities and net assets	**$ 1,721,877**	$ 2,022,665

See Notes to Financial Statements.

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

Statements of Activities
Years Ended December 31, 2014 and 2013

	2014		
	Unrestricted	**Temporarily Restricted**	**Total**
Revenue and Support			
In-kind contributions	$ 290,470	$ -	$ 290,470
Indirect public support	86,797	-	86,797
Public contributions	130,344	-	130,344
Program service contributions	75,405	-	75,405
Interest and other	336	-	336
Total revenue and support	583,352	-	583,352
Expenses			
Program services	857,137	-	857,137
Management and general	20,984	-	20,984
Fundraising	16,624	-	16,624
Total expenses	894,745	-	894,745
Change in net assets	(311,393)	-	(311,393)
Net Assets, Beginning of Year	1,999,708	-	1,999,708
Transfers of Net Assets to Affiliated Organization (Note 5)	-	-	-
Net Assets, End of Year	$ 1,688,315	$ -	$ 1,688,315

See Notes to Financial Statements.

2013		
Unrestricted	Temporarily Restricted	Total
$ 324,553	$ -	$ 324,553
126,435	-	126,435
149,034	-	149,034
77,420	-	77,420
921	-	921
678,363	-	678,363
768,091	-	768,091
22,182	-	22,182
17,446	-	17,446
807,719	-	807,719
(129,356)	-	(129,356)
2,129,064	235,000	2,364,064
-	(235,000)	(235,000)
$ 1,999,708	$ -	$ 1,999,708

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

Statements of Functional Expenses
Years Ended December 31, 2014 and 2013

	2014			
	Program Services	Management and General	Fundraising	Total
Salaries	$ 299,571	$ 13,164	$ 8,348	$ 321,083
Resident Activities	236,592	-	-	236,592
Depreciation	57,067	582	582	58,231
Occupancy	51,746	528	528	52,802
Volunteer Services	47,960	489	489	48,938
Janitorial	44,251	452	452	45,155
Payroll Taxes and Benefits	37,690	1,656	1,050	40,396
Equipment Rental and Maintenance	23,874	244	244	24,362
Office Supplies and Equipment	20,727	106	317	21,150
Professional Fees	12,744	2,731	2,731	18,206
Insurance	9,800	100	100	10,000
Dues and Subscriptions	7,657	-	851	8,508
Miscellaneous	7,458	932	932	9,322
Total functional expenses	$ 857,137	$ 20,984	$ 16,624	$ 894,745

See Notes to Financial Statements.

2013			
Program Services	Management and General	Fundraising	Total
$ 261,000	$ 14,231	$ 9,393	$ 284,624
211,417	-	-	211,417
45,852	468	468	46,788
47,761	487	487	48,735
32,464	331	331	33,126
41,975	428	428	42,831
33,244	1,813	1,196	36,253
27,513	281	281	28,075
31,303	160	479	31,942
12,467	2,672	2,672	17,811
9,800	100	100	10,000
3,604	-	400	4,004
9,691	1,211	1,211	12,113
$ 768,091	$ 22,182	$ 17,446	$ 807,719

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

Statements of Cash Flows
Years Ended December 31, 2014 and 2013

	2014	2013
Cash Flows From Operating Activities		
Change in net assets	$ (311,393)	$ (129,356)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	58,231	46,788
Decrease in allowance for promises to give	(5,761)	(4,675)
In-kind contributions of fixed assets	(12,779)	(76,081)
Changes in assets and liabilities:		
(Increase) decrease in:		
Promises to give	13,682	(3,112)
Due from related party	35,778	(32,820)
Prepaid assets	(2,321)	2,879
Increase (decrease) in:		
Due to related party	20,818	-
Accounts payable and accrued expenses	(10,213)	8,350
Net cash used in operating activities	(213,958)	(188,027)
Cash Flows From Investing Activities		
Purchase of property and equipment	(10,500)	(25,634)
Cash Flows From Financing Activities		
Transfers of net assets to affiliated organization	-	(235,000)
Net decrease in cash and cash equivalents	(224,458)	(448,661)
Cash and Cash Equivalents		
Beginning of year	802,759	1,251,420
End of year	$ 578,301	$ 802,759

See 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 three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

> *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, 2014 and 2013, 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 at acquisition 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 2014.

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.

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 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 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 $290,470 and $324,553 for the years ended December 31, 2014 and 2013, 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 (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, 2014 and 2013, 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 2011.

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.

Reclassifications: Certain 2013 amounts have been reclassified to conform to the 2014 presentation. These reclassifications had no effect on the previously reported change in net assets or net assets.

Subsequent events: Subsequent events have been evaluated through June 29, 2015, 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, 2014 and 2013. 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 following table reflects the activity of such support and outstanding balances due (to)/from the Foundation at December 31, 2014 and 2013:

	2014	2013
Due from related party, beginning of year	$ 35,778	$ 2,959
Advances to related party	389,753	395,355
Advances from related party	(446,349)	(362,536)
Due from (to) related party, end of year	$ (20,818)	$ 35,778

Note 3. Promises to Give

Promises to give consisted of the following at December 31, 2014 and 2013:

	2014	2013
Independent Charities of America	$ 99,230	$ 122,880
Other contributions receivable	16,051	6,083
	115,281	128,963
Less allowance	(24,833)	(30,594)
	$ 90,448	$ 98,369

Note 4. Property and Equipment

Property and equipment consisted of the following at December 31, 2014 and 2013:

	Depreciable Life (Range)	2014	2013
Building and improvements	5 – 40 years	$ 1,835,505	$ 1,828,017
Furniture and fixtures	5 – 10 years	122,727	106,936
Equipment	5 – 10 years	82,586	82,586
		2,040,818	2,017,539
Less accumulated depreciation		(1,179,824)	(1,121,593)
		860,994	895,946
Land		184,134	184,134
		$ 1,045,128	$ 1,080,080

Note 5. Transfer of Net Assets

In 1996, a donor provided The Children's House $235,000 to be used for expanding the housing options of pediatric patients being treated at The John's Hopkins Children's Center. During 2013, management and the Board of Directors approved a transfer for the entire amount of these funds to Believe in Tomorrow National Children's Foundation, Inc. (the Foundation), an affiliated organization with an identical mission as The Children's House. In this approval, it was also determined that the restriction associated with the gift had been satisfied by the Foundation in previous years and are reflected as transfer of net assets to an affiliated organization on the statements of activities.

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 $3,473 and $2,594 for the years ended December 31, 2014 and 2013, respectively.