

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

Financial Report  
December 31, 2015

## Contents

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Independent auditor's report	1
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Financial statements	
Statements of financial position	2
Statements of activities	3
Statements of functional expenses	4-5
Statements of cash flows	6
Notes to financial statements	7-10

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## Independent Auditor's Report

RSM US LLP

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, 2015 and 2014, 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, 2015 and 2014, 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.

*RSM US LLP*

Baltimore, Maryland  
June 24, 2016

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

Statements of Financial Position  
December 31, 2015 and 2014

	2015	2014
<b>Assets</b>		
Cash and cash equivalents	\$ 273,949	\$ 578,301
Promises to give, net of allowance for uncollectible promises (2015 – \$20,741; 2014 – \$24,833) (Note 3)	61,270	90,448
Due from related party (Note 2)	53,162	-
Prepaid expenses	5,000	8,000
Property and equipment, net (Note 4)	991,531	1,045,128
	<u>1,384,912</u>	<u>1,721,877</u>
<b>Total assets</b>	<b>\$ 1,384,912</b>	<b>\$ 1,721,877</b>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 19,203	\$ 12,744
Due to related party (Note 2)	-	20,818
<b>Total liabilities</b>	<u>19,203</u>	<u>33,562</u>
Net assets:		
Unrestricted:		
Undesignated	374,178	643,187
Net investment in plant	991,531	1,045,128
<b>Total net assets</b>	<u>1,365,709</u>	<u>1,688,315</u>
<b>Total liabilities and net assets</b>	<b>\$ 1,384,912</b>	<b>\$ 1,721,877</b>

See notes to financial statements.

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

**Statements of Activities**  
**Years Ended December 31, 2015 and 2014**

	2015	2014
	Unrestricted	Unrestricted
Revenue and support:		
In-kind contributions	\$ 277,658	\$ 290,470
Indirect public support	73,109	86,797
Public contributions	134,298	130,344
Program service contributions	74,485	75,405
Interest and other	9	336
<b>Total revenue and support</b>	<b>559,559</b>	<b>583,352</b>
Expenses:		
Program services	862,109	857,137
Management and general	9,620	20,984
Fundraising	10,436	16,624
<b>Total expenses</b>	<b>882,165</b>	<b>894,745</b>
<b>Change in net assets</b>	<b>(322,606)</b>	<b>(311,393)</b>
Net assets, beginning of year	<b>1,688,315</b>	1,999,708
Net assets, end of year	<b>\$ 1,365,709</b>	<b>\$ 1,688,315</b>

See notes to financial statements.

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

Statements of Functional Expenses  
Year Ended December 31, 2015

	2015			
	Program Services	Management and General	Fundraising	Total
Salaries	\$ 307,401	\$ 3,137	\$ 3,137	\$ 313,675
Resident activities	249,466	-	-	249,466
Depreciation	59,738	610	609	60,957
Janitorial	57,258	584	585	58,427
Occupancy	53,260	544	543	54,347
Payroll taxes and benefits	29,294	299	299	29,892
Equipment rental and maintenance	28,758	293	294	29,345
Office supplies and equipment	20,897	213	213	21,323
Volunteer services	16,308	166	167	16,641
Professional fees	13,230	2,835	2,835	18,900
Insurance	9,800	100	100	10,000
Dues and subscriptions	7,339	-	815	8,154
Miscellaneous	9,360	839	839	11,038
<b>Total functional expenses</b>	<b>\$ 862,109</b>	<b>\$ 9,620</b>	<b>\$ 10,436</b>	<b>\$ 882,165</b>

See notes to financial statements.

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

Statements of Functional Expenses  
Year Ended December 31, 2014

	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
Janitorial	44,251	452	452	45,155
Occupancy	51,746	528	528	52,802
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
Volunteer services	47,960	489	489	48,938
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
<b>Total functional expenses</b>	<b>\$ 857,137</b>	<b>\$ 20,984</b>	<b>\$ 16,624</b>	<b>\$ 894,745</b>

See notes to financial statements.

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

**Statements of Cash Flows**  
**Years Ended December 31, 2015 and 2014**

	2015	2014
Cash flows from operating activities:		
Change in net assets	\$ (322,606)	\$ (311,393)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	60,957	58,231
Decrease in allowance for promises to give	(4,092)	(5,761)
In-kind contributions of fixed assets	(7,360)	(12,779)
Changes in assets and liabilities:		
(Increase) decrease in:		
Promises to give	33,270	13,682
Due from/to related party	(73,980)	56,596
Prepaid assets	3,000	(2,321)
Increase (decrease) in:		
Accounts payable and accrued expenses	6,459	(10,213)
<b>Net cash used in operating activities</b>	<b>(304,352)</b>	<b>(213,958)</b>
Cash flows from investing activities:		
Purchase of property and equipment	-	(10,500)
<b>Net decrease in cash and cash equivalents</b>	<b>(304,352)</b>	<b>(224,458)</b>
Cash and cash equivalents:		
Beginning of year	578,301	802,759
End of year	<b>\$ 273,949</b>	<b>\$ 578,301</b>

See notes to financial statements.



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

### Notes to Financial Statements

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#### 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, 2015 and 2014, 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 2016.

**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

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#### 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 \$277,658 and \$290,470 for the years ended December 31, 2015 and 2014, 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, 2015 and 2014, 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 2012.

**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.

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

### Notes to Financial Statements

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

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 2014 amounts have been reclassified to conform to the 2015 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 24, 2016, which is the date the financial statements were available to be issued.

**Accounting pronouncements pending:** In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The amendments in this ASU create Topic 606, *Revenue from Contracts with Customers*, and supersede the revenue requirements in Topic 605, *Revenue Recognition*, including most industry-specific revenue recognition guidance throughout the Industry Topics of the Codification. In summary, the core principle of Topic 606 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The amendments in this ASU are effective for annual reporting periods beginning after December 15, 2018. The impact of adopting ASU 2014-09 on The Children's House consolidated financial statements for subsequent periods has not yet been determined.

#### 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, 2015 and 2014. 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, 2015 and 2014:

	2015	2014
Due (to) from related party, beginning of year	\$ (20,818)	\$ 35,778
Advances to related party	694,949	389,753
Advances from related party	(620,969)	(446,349)
Due (to) from related party, end of year	<u>\$ 53,162</u>	<u>\$ (20,818)</u>

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

### Notes to Financial Statements

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#### Note 3. Promises to Give

Promises to give consisted of the following at December 31, 2015 and 2014:

	2015	2014
Independent Charities of America	\$ 82,011	\$ 99,230
Other contributions receivable	-	16,051
	<u>82,011</u>	<u>115,281</u>
Less allowance	(20,741)	(24,833)
	<u>\$ 61,270</u>	<u>\$ 90,448</u>

#### Note 4. Property and Equipment

Property and equipment consisted of the following at December 31, 2015 and 2014:

	Depreciable Life (Range)	2015	2014
Building and improvements	5-40 years	\$ 1,838,827	\$ 1,835,505
Furniture and fixtures	5-10 years	126,765	122,727
Equipment	5-10 years	82,586	82,586
		<u>2,048,178</u>	<u>2,040,818</u>
Less accumulated depreciation		(1,240,781)	(1,179,824)
		<u>807,397</u>	<u>860,994</u>
Land		184,134	184,134
		<u>\$ 991,531</u>	<u>\$ 1,045,128</u>

#### Note 5. 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 \$2,804 and \$3,473 for the years ended December 31, 2015 and 2014, respectively.