



The **Children's Inn** at NIH

THE CHILDREN'S INN AT NIH, INC.

FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

THE CHILDREN’S INN AT NIH, INC.

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JUNE 30, 2024 AND 2023**

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Independent Auditor's Report

Board of Directors
The Children's Inn at NIH, Inc.
Bethesda, Maryland

Opinion

We have audited the accompanying financial statements of The Children's Inn at NIH, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Children's Inn at NIH, Inc. as of June 30, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Inn at NIH, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Prior Period Financial Statements

The financial statements of The Children's Inn at NIH, Inc. as of June 30, 2023, were audited by other auditors whose report expressed an unmodified opinion on those statements.

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 Inn at NIH, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are 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 generally accepted auditing standards will always detect a material misstatement when it exists.

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

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 generally accepted auditing standards, 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 Inn at NIH, Inc.'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 Inn at NIH, Inc.'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 audit.

Councilor, Buchanan + Mitchell, P.C.

Bethesda, Maryland
October 3, 2024

Certified Public Accountants

THE CHILDREN'S INN AT NIH, INC.

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
Assets		
Cash and Cash Equivalents	\$ 1,282,601	\$ 1,508,806
Accounts Receivable	211,130	342,596
Promises to Give, Net	4,769,781	1,430,176
Prepaid Expenses	132,038	101,335
Investments	67,393,183	57,786,640
Property and Equipment, Net	3,297,660	4,140,402
Other Assets	44,495	-
Total Assets	<u>\$ 77,130,888</u>	<u>\$ 65,309,955</u>
Liabilities and Net Assets		
Liabilities		
Accounts Payable and Accrued Expenses	\$ 522,587	\$ 366,065
Accrued Payroll and Leave	807,635	680,172
Total Liabilities	1,330,222	1,046,237
Net Assets		
Without Donor Restrictions	23,301,015	21,966,332
With Donor Restrictions	52,499,651	42,297,386
Total Net Assets	<u>75,800,666</u>	<u>64,263,718</u>
Total Liabilities and Net Assets	<u>\$ 77,130,888</u>	<u>\$ 65,309,955</u>

See accompanying Notes to Financial Statements.

THE CHILDREN'S INN AT NIH, INC.

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Support						
Grants, Contributions, and Events Revenue	\$ 5,100,329	\$ 9,614,136	\$ 14,714,465	\$ 4,822,158	\$ 5,049,339	\$ 9,871,497
Contributions of Nonfinancial Assets	3,487,105	-	3,487,105	3,318,631	-	3,318,631
Patient Lodging	1,405,329	-	1,405,329	1,089,102	-	1,089,102
Investment Income	4,080,622	4,374,864	8,455,486	2,138,212	2,946,705	5,084,917
Employee Retention Credits and Miscellaneous Income	14,759	-	14,759	288,347	-	288,347
Net Assets Released from Restrictions	3,786,735	(3,786,735)	-	1,999,971	(1,999,971)	-
Total Revenues and Support	<u>17,874,879</u>	<u>10,202,265</u>	<u>28,077,144</u>	<u>13,656,421</u>	<u>5,996,073</u>	<u>19,652,494</u>
Expenses						
Program Services						
Housing	8,443,062	-	8,443,062	7,149,686	-	7,149,686
Resident Services	3,563,531	-	3,563,531	3,364,131	-	3,364,131
Total Program Services	<u>12,006,593</u>	<u>-</u>	<u>12,006,593</u>	<u>10,513,817</u>	<u>-</u>	<u>10,513,817</u>
Supporting Services						
Management and General	1,849,923	-	1,849,923	1,773,275	-	1,773,275
Fundraising	2,683,680	-	2,683,680	2,550,111	-	2,550,111
Total Supporting Services	<u>4,533,603</u>	<u>-</u>	<u>4,533,603</u>	<u>4,323,386</u>	<u>-</u>	<u>4,323,386</u>
Total Expenses	<u>16,540,196</u>	<u>-</u>	<u>16,540,196</u>	<u>14,837,203</u>	<u>-</u>	<u>14,837,203</u>
Change in Net Assets	1,334,683	10,202,265	11,536,948	(1,180,782)	5,996,073	4,815,291
Net Assets, Beginning of Year	<u>21,966,332</u>	<u>42,297,386</u>	<u>64,263,718</u>	<u>23,147,114</u>	<u>36,301,313</u>	<u>59,448,427</u>
Net Assets, End of Year	<u>\$ 23,301,015</u>	<u>\$ 52,499,651</u>	<u>\$ 75,800,666</u>	<u>\$ 21,966,332</u>	<u>\$ 42,297,386</u>	<u>\$ 64,263,718</u>

See accompanying Notes to Financial Statements.

THE CHILDREN'S INN AT NIH, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2024

	Program Services			Supporting Services			Total
	Housing	Resident Services	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries and Benefits	\$ 1,194,154	\$ 1,474,722	\$ 2,668,876	\$ 1,374,981	\$ 1,239,719	\$ 2,614,700	\$ 5,283,576
Contributed Occupancy Expense	2,635,041	574,509	3,209,550	22,972	49,226	72,198	3,281,748
Building Construction Expense Contributed to NIH	2,151,857	-	2,151,857	-	-	-	2,151,857
Cleaning, Facilities, and Equipment Maintenance	967,272	-	967,272	4,605	9,209	13,814	981,086
Patient Services - Meals, Supplies, Other Patient Support	299,435	1,236,522	1,535,957	1,303	1,043	2,346	1,538,303
Public Relations, Promotion, and Development	57,093	96,785	153,878	28,101	1,127,831	1,155,932	1,309,810
Depreciation and Amortization	834,926	-	834,926	86,277	37,007	123,284	958,210
Consulting and Professional Services	175,949	5,909	181,858	80,894	39,485	120,379	302,237
Information Technology	60,064	138,890	198,954	160,279	73,809	234,088	433,042
Insurance	51,631	10,228	61,859	23,091	4,738	27,829	89,688
Credit Card Processing and Other Fees	-	-	-	46,103	78,476	124,579	124,579
Other Expenses	15,640	25,966	41,606	21,317	23,137	44,454	86,060
Total Expenses	\$ 8,443,062	\$ 3,563,531	\$ 12,006,593	\$ 1,849,923	\$ 2,683,680	\$ 4,533,603	\$ 16,540,196

See accompanying Notes to Financial Statements.

THE CHILDREN'S INN AT NIH, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023

	Program Services			Supporting Services			Total
	Housing	Resident Services	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries and Benefits	\$ 1,095,938	\$ 1,353,429	\$ 2,449,367	\$ 1,261,891	\$ 1,137,754	\$ 2,399,645	\$ 4,849,012
Contributed Occupancy Expense	2,522,639	550,002	3,072,641	21,992	47,126	69,118	3,141,759
Building Construction Expense Contributed to NIH	1,046,438	-	1,046,438	-	-	-	1,046,438
Cleaning, Facilities, and Equipment Maintenance	932,013	-	932,013	9,418	18,837	28,255	960,268
Patient Services - Meals, Supplies, Other Patient Support	289,402	1,195,089	1,484,491	1,260	1,008	2,268	1,486,759
Public Relations, Promotion, and Development	54,967	93,181	148,148	27,054	1,085,832	1,112,886	1,261,034
Depreciation and Amortization	774,718	-	774,718	80,056	34,338	114,394	889,112
Consulting and Professional Services	294,005	9,873	303,878	135,171	65,977	201,148	505,026
Information Technology	55,910	129,285	185,195	149,195	68,705	217,900	403,095
Insurance	72,234	14,310	86,544	32,305	6,629	38,934	125,478
Credit Card Processing and Other Fees	-	-	-	39,366	67,008	106,374	106,374
Other	11,422	18,962	30,384	15,567	16,897	32,464	62,848
Total Expenses	\$ 7,149,686	\$ 3,364,131	\$ 10,513,817	\$ 1,773,275	\$ 2,550,111	\$ 4,323,386	\$ 14,837,203

See accompanying Notes to Financial Statements.

THE CHILDREN'S INN AT NIH, INC.

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023**

	2024	2023
Cash Flows from Operating Activities		
Change in Net Assets	\$ 11,536,948	\$ 4,815,291
Adjustments to Reconcile Change in Net Assets to Net Cash Used in Operating Activities		
Change in Allowance for Doubtful Accounts	18,229	7,172
Change in Discount for Long-Term Promises to Give	288,295	21,497
Depreciation and Amortization	958,210	889,112
Donated Property	-	(10,000)
Net Realized and Unrealized Gains on Investments	(8,467,757)	(5,110,463)
Loss on Disposals of Property and Equipment	22,594	-
Contributions and Interest and Dividends Restricted for Long-Term Purposes	(2,815,550)	(2,846,328)
<u>(Increase) Decrease in Assets</u>		
Accounts Receivable	131,466	(291,166)
Promises to Give	(3,646,129)	(1,120,670)
Prepaid Expenses	(30,703)	8,641
Other Assets	(44,495)	-
<u>Increase (Decrease) in Liabilities</u>		
Accounts Payable and Accrued Expenses	156,522	195,618
Accrued Payroll and Leave	127,463	93,850
Net Cash Used in Operating Activities	(1,764,907)	(3,347,446)
Cash Flows from Investing Activities		
Purchase of Investments	(5,904,310)	(22,431,184)
Proceeds from Sale or Maturities of Investments	4,765,524	24,009,265
Purchases of Property and Equipment	(138,062)	(882,269)
Net Cash (Used in) Provided by Investing Activities	(1,276,848)	695,812
Cash Flows from Financing Activities		
Contributions and Interest and Dividends Restricted for Long-Term Purposes	2,815,550	2,846,328
Net Cash Provided by Financing Activities	2,815,550	2,846,328
Net (Decrease) Increase in Cash and Cash Equivalents	(226,205)	194,694
Cash and Cash Equivalents, Beginning of Year	1,508,806	1,314,112
Cash and Cash Equivalents, End of Year	\$ 1,282,601	\$ 1,508,806
Noncash Transaction from Investing and Financing Activities		
Donated Property	\$ -	\$ 10,000

See accompanying Notes to Financial Statements.

THE CHILDREN'S INN AT NIH, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Children's Inn at NIH, Inc., doing business as The Children's Inn at NIH, Inc. (The Inn), is a private, nonprofit residence for families and their children who are participating in pediatric research at the National Institutes of Health's (NIH) Clinical Center. The Inn enhances the opportunities for groundbreaking medical discoveries by providing a free "place like home" that reduces the burdens of illness through a supportive environment including therapeutic, educational and recreational programming. The Inn was incorporated on September 29, 1988, under the laws of the state of Maryland.

These activities are primarily funded by individual, foundation and corporate donations, as well as contributed facilities, property, goods and services.

A summary of The Inn's significant accounting policies follows:

Basis of Presentation

The Inn follows the accounting requirements of the Not-for-Profit Entities topic of the Financial Accounting Standards Board's (FASB) Accounting Standards Codification (ASC). Under FASB ASC, The Inn is required to report information regarding its net assets and its activities according to two categories:

- *Net Assets Without Donor Restrictions:* Net assets without donor restrictions include those net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as by board designation. Net assets without donor restrictions represent funds that are available for support of The Inn's operations.
- *Net Assets With Donor Restrictions:* Net assets with donor restrictions include those net assets whose use by The Inn has been donor-restricted with specified time or purpose limitations, or that the donated funds be maintained in perpetuity but permit The Inn to use investment income derived from the donated assets for either specified or unspecified purposes. See Notes 6 and 7 for details regarding net assets with donor restrictions.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of reporting cash flows, The Inn considers money market funds held for long-term investment purposes to be cash equivalents.

Investments

Investments with readily determinable fair values are reflected at fair value. To adjust the carrying value of these investments, the change in fair value is reflected as a component of investment income on the statements of activities.

THE CHILDREN'S INN AT NIH, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments (Continued)

The Inn's investments represent donor-restricted endowments and other investments held for general operating purposes or restrictions placed by the donor. Investments are reported at fair value. The fair value of equity securities and mutual and exchange traded funds are based on quotations obtained from national securities exchanges.

Alternative investments, for which quoted prices are generally not available, are carried at estimated fair values, as provided by the external general partners or investment managers. The Inn reviews and evaluates the values provided by the external managers and agrees with the valuation methods and assumptions used in determining the fair value of the alternative investments. Additional information regarding The Inn's fair value methodologies for investments is included in Note 3, fair value measurements.

Financial Risk

The Inn maintains cash and cash equivalents with commercial banks and money market funds with financial institutions. For short periods of time due to cash flow fluctuations, certain balances held within these accounts may not be fully guaranteed or insured by the U.S. federal government (the Government). The uninsured portions of these accounts are backed solely by the assets of the underlying institutions. Therefore, the failure of an underlying institution could result in financial loss to The Inn. However, The Inn has not experienced any losses in these accounts and believes it is not exposed to a significant level of credit risk.

The Inn invests funds in a professionally managed portfolio which includes money market funds as well as various types of marketable debt and equity securities. Investments are exposed to market and credit risks. Therefore, investments may be subject to significant fluctuations in fair value and investment balances reported in the accompanying financial statements may not be reflective of the portfolio's value during subsequent periods. By policy, investments are kept within limits intended to prevent risks caused by concentration.

Promises to Give

The Inn uses the allowance method to record potentially uncollectible promises to give and accounts receivable. Promises to give and accounts receivable are reported at their outstanding balances, reduced by an allowance for doubtful accounts and discounts, if any. Management periodically evaluates the adequacy of the allowance for doubtful accounts by considering The Inn's past loss experience, known and inherent risks in the promises to give and accounts receivable population, and current economic conditions. The allowance for potentially uncollectible promises to give was \$27,579 and \$9,350 as of June 30, 2024 and 2023, respectively.

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates appropriate for the expected term of the promises to give. Amortization of the discount is included in grants, contributions and events revenue in the accompanying statements of activities.

THE CHILDREN'S INN AT NIH, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

Accounts receivable amounts are presented in the statements of financial position at the net amount expected to be collected. The Inn uses the loss-rate method to estimate expected credit losses based on historical experience, current conditions, and reasonable and supportable forecasts about collectability. Historical credit loss experience provides the basis for the estimation of expected credit losses and adjustments are made for differences in current and forecasted risk characteristics and economic conditions. The key risk characteristics for accounts receivable are the asset type, historical credit loss patterns, and reasonable and supportable forecasts.

Property and Equipment

Property and equipment is recorded at cost. The Inn capitalizes expenditures for property, certain improvements and equipment in excess of \$5,000. Depreciation on computers, furniture, fixtures and equipment is provided for on a straight-line basis over the estimated useful lives of the assets, which range from three to seven years. Licensee improvements made to The Inn's contributed space in connection with The Inn's Use License Agreement with the Government, as discussed in Note 10, are amortized over the estimated useful lives of the assets, which are seven years. Replacements, maintenance and repairs that do not improve or extend the lives of the respective assets are expensed as incurred. Upon the retirement or disposal of assets, the accounts are relieved of the cost and accumulated depreciation and amortization, with any resulting gain or loss included in revenue and support or expense. Costs incurred in the renovation of new property and equipment are accumulated in property and equipment but will not be depreciated until such time as the relevant assets are completed and put into operational use.

From time to time, The Inn will enter into various agreements to fund improvements to properties that are owned by the Government. In instances where the agreements specify that the improvements are gifts from The Inn to the Government, these expenditures are not capitalized. Noncapitalized gifts to the Government totaled \$1,985,480 for The Inn's main building and \$166,377 for Rabson House during the year ended June 30, 2024. Noncapitalized gifts to the Government totaled \$985,330 for The Inn's main building and \$61,108 for Rabson House during the year ended June 30, 2023.

Valuation of Long-Lived Assets

The Inn reviews long-lived assets and certain identifiable intangible 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 value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

THE CHILDREN'S INN AT NIH, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

The Inn reports gifts of cash and other assets, including property and improvements, as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated asset. 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 accompanying statements of activities as net assets released from restrictions. Contributions are reported as revenue and support in the year in which payments are received and/or unconditional promises to give are made. Conditional promises to give are not included as revenue and support until such time as the conditions are substantially met. See Note 5 for conditional promises to give as of June 30, 2024 and 2023.

Contributions of nonfinancial assets consist of donated assets, facilities, property, professional services and other goods and services. The value of in-kind contributions is recorded as revenue and support and expense at the estimated fair value as provided by the donor as of the date of receipt or the date the services were provided. For goods, the fair value is based on actual cost as provided by the donor or an approximation of average cost based on The Inn's online research of similar products sold in the United States. For services, The Inn utilizes the actual market rate provided by the donor or an approximation of the market rate for similar services based on The Inn's online research of similar services in the Washington, D.C. metropolitan area. Annual in-kind contributions from NIH are generally valued on the basis of a market valuation study which is adjusted for changes in the consumer price index.

Contributions that enhance nonfinancial assets such as licensee improvements are capitalized. The Inn's policy is to utilize the donated non-financial assets in their operations.

Revenue from patient lodging is an exchange transaction with NIH. Patient lodging revenue is recognized over the time a patient stays at The Inn on a per-night basis. The rate is fixed annually on a per-night stay basis with NIH. NIH is generally billed on a weekly basis and is due upon receipt.

There are limited economic factors that would affect the nature, amount and timing of cash flows or uncertainty or revenue recognition. The Inn did not have any impairment or credit losses on any receivables arising from contracts with customers. There are also no incremental costs of obtaining a contract and no significant financing components or variable considerations in pricing.

Contract Balances

The timing of revenue recognition may not align with the right to invoice the customer. The Inn records accounts receivable when it has the unconditional right to issue an invoice and receive payment, regardless of whether revenue has been recognized. If revenue has not yet been recognized, a contract liability (deferred revenue) also is recorded. If revenue is recognized in advance of the right to invoice, a contract asset (unbilled receivable) is recorded. Opening balances of accounts receivable as of July 1, 2022 and 2023, were \$51,430 and \$342,596, respectively.

THE CHILDREN'S INN AT NIH, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statements of activities and statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Costs related to a specific functional activity are charged directly to that activity.

Indirect costs are allocated among the program and supporting services benefited based on management's best estimates. Salaries and benefits are allocated based on employee time and effort studies. Occupancy costs are allocated based on square footage for each department. Depreciation and amortization costs are allocated based on the departmental assignment of each asset. Shared information technology and consulting services are allocated based on estimated usage by project or department. Other shared costs are allocated based on each function's percentage of direct program expenses or departmental staff hours.

Income Taxes

The Inn is exempt from federal income taxes under Internal Revenue Code (IRC) Section 501(a) as an organization described in IRC Section 501(c)(3) and, therefore, qualifies for the charitable contribution deduction. The Inn has been determined not to be a private foundation under IRC Sections 509(a)(1) and 170(b)(1)(A)(vi). The Inn is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the Internal Revenue Service (IRS). In addition, The Inn is subject to income tax on net income derived from business activities that are unrelated to its exempt purpose. However, management has determined that The Inn is not subject to unrelated business income tax. Therefore, The Inn has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

Reclassifications

Certain 2023 amounts have been reclassified for comparative purposes.

2. ADOPTION OF ACCOUNTING STANDARDS CODIFICATION TOPIC 326

During the year ended June 30, 2024, The Inn adopted Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. ASU 2016-13 revises the accounting requirements related to the measurement of credit losses and requires organizations to measure all expected credit losses for financial assets based on historical experience, current conditions, and reasonable and supportable forecasts about collectability. Assets must be presented in the financial statements at the net amount expected to be collected. All assets that fall within the scope of ASU 2016-13 were evaluated to determine if the measurement of expected credit losses was material. The Inn adopted ASU 2016-13 and the effect of the adoption was not material to the financial statements.

3. FAIR VALUE MEASUREMENTS

The Inn has implemented the accounting standards topic regarding fair value measurements. This standard establishes a framework for measuring fair value in accordance with U.S. GAAP and expands disclosures about fair value measurements.

THE CHILDREN'S INN AT NIH, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

3. FAIR VALUE MEASUREMENTS (CONTINUED)

This standard uses the following prioritized input levels to measure fair value. The input levels used for valuing investments are not necessarily an indication of risk.

Level 1 - observable inputs that reflect quoted prices for identical assets or liabilities in active markets such as stock quotes;

Level 2 - includes inputs other than Level 1 inputs that are directly or indirectly observable in the marketplace such as yield curves or other market data;

Level 3 - Unobservable inputs which reflect the reporting entity's assessment of the assumptions that market participants would use in pricing the asset or liability including assumptions about risk such as bid/ask spreads and liquidity discounts.

Investments using Level 1 inputs consist of investments in mutual funds listed on a national market or exchange which are valued at the last sales price or, if there is no sale and the market is still considered active, at the last transaction price before year end.

Investments recorded at cost include certificates of deposit and cash. Investments at cost are not required to be classified in one of the levels prescribed by the fair value hierarchy.

Investments recorded at net asset value (NAV) consist of investments in various partnerships, investment companies and common trust funds, which are considered alternative investments. These alternative investments are not publicly traded; The Inn, therefore, values these investments at the NAV as reported by the fund managers, multiplied by the number of units held. The NAV of these funds is based on the fair value of the underlying securities held by the funds. Because of the inherent uncertainty in the valuations of these investments, their estimated values may differ significantly from the values that would have been used had a ready market for the investments existed, and the difference could be material. As permitted by U.S. GAAP, The Inn uses the NAV as a practical expedient to determine the fair value of these alternative investments. In accordance with the Fair Value Measurement topic, such investments are not classified within the fair value hierarchy.

The following table summarizes The Inn's investments measured at fair value on a recurring basis aggregated by the fair value hierarchy level within which those measurements were made as of June 30, 2024:

	Total	Fair Value		
		Level 1	Level 2	Level 3
Money Market Funds	\$ 3,972,515	\$ 3,972,515	\$ -	\$ -
Deposits	29,375	29,375	-	-
Mutual Funds and Exchange-Traded Funds				
Developed Fixed Income	454,940	454,940	-	-
Total Investments at Fair Value	4,456,830	\$ 4,456,830	\$ -	\$ -
Investments Valued at Cost	88,021			
Investments Valued at NAV	62,848,332			
Total Investments	\$ 67,393,183			

THE CHILDREN'S INN AT NIH, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

3. FAIR VALUE MEASUREMENTS (CONTINUED)

The following table summarizes The Inn's investments measured at fair value on a recurring basis aggregated by the fair value hierarchy level within which those measurements were made as of June 30, 2023:

	Total	Fair Value		
		Level 1	Level 2	Level 3
Money Market Funds	\$ 2,644,618	\$ 2,644,618	\$ -	\$ -
Mutual Funds and Exchange-Traded Funds				
Developed Fixed Income	1,064,324	1,064,324	-	-
Long/Short Equity	518,906	518,906	-	-
Total Investments at Fair Value	4,227,848	<u>\$ 4,227,848</u>	<u>\$ -</u>	<u>\$ -</u>
Investments Valued at Cost	113,729			
Investments Valued at NAV	53,445,063			
Total Investments	<u>\$ 57,786,640</u>			

The following presents further information regarding the composition of The Inn's investments measured under the NAV practical expedient as of June 30, 2024 and 2023:

	Fair Value		Unfunded Commitments June 30, 2024	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
	2024	2023			
Alternative Investments					
Domestic Equity (a)	\$ 21,384,740	\$ 17,330,148	\$ -	Daily	2 Days
International Equity (b)	7,369,679	3,894,659	-	Daily-Monthly	1-15 Days
Emerging Equity (c)	6,378,928	5,159,336	-	Daily	2 Days
Global Equity (d)	12,193,044	12,955,037	-	Daily	2 Days
Government Bonds (e)	7,630,367	8,228,463	-	Daily	1 Day
Global Multisector Funds (f)	2,845,973	2,060,069	-	Daily	2 Days
Multiasset (g)	4,672,901	3,817,351	-	Quarterly	65 Days
Private Equity (h)	372,700	-	3,215,000	N/A	N/A
Total	<u>\$ 62,848,332</u>	<u>\$ 53,445,063</u>	<u>\$ 3,215,000</u>		

- (a) Domestic equity funds seek investment returns that approximates as closely as practicable, before expenses, or exceed the performance of the Russell 2000 Index, Russel Small Cap Completeness® Index, FTSE RAFI U.S. 1000 Index, and S&P 500® Index, respectively, through investment in U.S. equity securities as well as derivatives. Valuations are based on estimated NAV provided by the investment managers. Investments are redeemable at their NAV as of the end of the respective period.
- (b) International equity funds have strategies that include achievement of an above average long-term return from a portfolio invested primarily in equity securities of small and mid-size companies located outside the United States, and approximation of the performance of the MSCI EAFE 100% Hedged to USD Index over the long term through investment in other collective investment funds which have characteristics consistent with the fund's overall investment objective. Valuations are based on NAV provided by the investment managers. Investments are redeemable at their NAV as of the end of the respective period.

THE CHILDREN'S INN AT NIH, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

3. FAIR VALUE MEASUREMENTS (CONTINUED)

- (c) Emerging equity fund attempts to achieve long-term appreciation and current income by investing in a diversified portfolio of equity securities of companies domiciled or doing primary business in emerging market countries. The fund's objective is to meet or exceed the performance of the MSCI Emerging Markets Index. Valuations are based on estimated NAV provided by the investment managers. Investments are redeemable at their NAV as of the end of the respective period.
- (d) Global equity fund attempts to achieve long-term appreciation and current income by investing in a diversified portfolio of equity securities of companies, either directly, or indirectly through investment funds or managed accounts. The fund invests in global equities, including U.S. companies, seeking to meet or exceed the performance of the MSCI World Index. Valuations are based on estimated NAV provided by the investment managers. Investments are redeemable at their NAV as of the end of the respective period.
- (e) Government bonds funds seek investment returns that approximates as closely as practicable, before expenses, the performance of the Bloomberg Barclays U.S. Treasury Inflation Protected Securities (TIPS) Index and Bloomberg Barclays U.S. Treasury Index over the long term by investing in U.S. treasury inflation protected securities, fixed income, and U.S. treasury securities. Underlying investments also include other collective investment funds, which have characteristics consistent with the fund's overall investment objective. Valuations are based on estimated NAV provided by the investment managers. Investments are redeemable at their NAV as of the end of the respective period.
- (f) Global multisector bonds fund has an investment objective to outperform a blended benchmark composed as follows: 50% of the Bloomberg Capital Investment Grade Corporate Index, 25% of the Bloomberg Barclays Capital 2% Capped High Yield Issuer Index and 25% of the Standard & Poor's/LSTA Leveraged Loan Index. Underlying investments include direct and affiliated funds in a variety of credit instruments including ABS, corporate bonds, and term loans. Investments include investment-grade and below-investment grade securities as well as derivatives. Valuations are based on estimated NAV provided by the investment managers. Investments are redeemable at their NAV as of the end of the respective period.
- (g) Multi-asset funds have various investment objectives including to grow investor value by allocating capital directly and indirectly to investment funds and managed accounts, and to achieve capital appreciation with limited volatility through an actively managed, opportunistic, multi-strategy portfolio of hedge fund investments. Underlying investments are global and include affiliated and unaffiliated hedge funds and derivatives such as forward foreign currency exchange contracts. One of the funds included in this category has a fund-level 25% gate where up to 25% of a participant's shares may be redeemed quarterly upon 100 days' notice. The other fund allows redemptions at quarter-end upon 65 days prior notice. Valuations are based on estimated NAV provided by the investment managers. Investments are redeemable at their NAV as of the end of the respective period.
- (h) Private equity is sources of investment capital provided by institutions for the purposes of acquiring interests in companies and/or products. The role private equity serves in the portfolio is as a return enhancer, with the premium earned over other investment options serving to compensate for the liquidity risk, and as a diversifier, providing a differentiation to public equities and access to a wider range of strategies.

THE CHILDREN'S INN AT NIH, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

3. FAIR VALUE MEASUREMENTS (CONTINUED)

Investment income is summarized as follows for the years ended June 30, 2024 and 2023:

	2024	2023
Interest and Dividends	\$ 172,146	\$ 165,589
Realized and Unrealized Gains	8,467,757	5,110,463
Investment Income	8,639,903	5,276,052
Less Investment Fees	(184,417)	(191,135)
Net Investment Income	\$ 8,455,486	\$ 5,084,917

4. PROMISES TO GIVE

The Inn's promises to give were due to be received as follows at June 30, 2024 and 2023:

	2024	2023
Due in Less than One Year	\$ 1,508,727	\$ 881,023
Due in One to Five Years	3,598,425	580,000
Gross Promises to Give	5,107,152	1,461,023
Less Discount to Net Present Value	(309,792)	(21,497)
Less Allowance for Doubtful Accounts	(27,579)	(9,350)
Promises to Give, Net	\$ 4,769,781	\$ 1,430,176

The Inn uses a market rate to calculate the discount on multi-year promises to give at the time the promises to give is made. The interest rate applied was 4.3 and 4.14 as of June 30, 2024 and 2023, respectively.

5. CONDITIONAL PROMISES TO GIVE

During May 2021, The Inn received a conditional promise to give of \$500,000 that is due to be received in five annual payments of \$100,000. The payments are due to be received each January during the years 2022 through 2026. Payment is contingent upon the donor's determination that key program goals, objectives and milestones are being met and will be recorded as support as those conditions are met. During the years ended June 30, 2022, June 30, 2023, and June 30, 2024, the conditions for the first, second, and third installments of \$100,000 had been met, and the related contribution was recorded. The remaining \$200,000 is deemed conditional and is not recorded on the financial statements until conditions are met as of June 30, 2024.

During May 2023, The Inn received a conditional promise to give of \$14,000,000 that is due to be received in five annual payments of \$2,800,000. The payments are due to be received each May during the years 2023 through 2027. Payment is contingent upon the donor's determination that key program goals, objectives and milestones are being met and will be recorded as support as those conditions are met. During the years ended June 30, 2023, and June 30, 2024, the conditions for the first and second installments of \$2,800,000 had been met, and the related contribution was recorded. The remaining \$8,400,000 is deemed conditional and is not recorded on the financial statements until conditions are met as of June 30, 2024.

THE CHILDREN'S INN AT NIH, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

6. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Leasehold Improvements	\$ 9,122,611	\$ 9,102,546
Furniture, Fixtures, and Equipment	2,539,908	2,542,003
Exterior Improvements	2,954,316	2,094,319
IT Equipment	1,601,803	1,585,361
Construction in Progress	24,640	808,821
Vehicles	39,318	39,318
Total Property and Equipment	<u>16,282,596</u>	16,172,368
Less Accumulated Depreciation and Amortization	<u>(12,984,936)</u>	<u>(12,031,966)</u>
Property and Equipment, Net	<u>\$ 3,297,660</u>	<u>\$ 4,140,402</u>

Depreciation and amortization expense was \$958,210 and \$889,112 for the years ended June 30, 2024 and 2023, respectively.

7. NET ASSETS

Net assets with donor restrictions consisted of the following at June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Perpetual in Nature		
Endowment Funds - Contributions and Earnings Allocated to Corpus	\$ 29,354,210	\$ 28,703,931
Specified Time or Purpose		
Unspent Earning of Endowment Funds	12,431,214	8,780,250
Capital Projects	10,438,640	4,379,159
Resident Services Program	191,729	337,229
Housing Program	83,858	96,817
Total Net Assets With Donor Restrictions	<u>\$ 52,499,651</u>	<u>\$ 42,297,386</u>

For the years ended June 30, 2024 and 2023, net assets were released from donor restrictions as follows:

Resident Service Program	\$ 800,382	\$ 912,686
Capital Project	2,958,267	1,086,776
Housing Program	28,086	509
Total Releases from Restrictions	<u>\$ 3,786,735</u>	<u>\$ 1,999,971</u>

8. ENDOWMENTS

The Inn's endowments consist of donor-restricted endowment funds which are classified within net assets with donor restrictions. As required by U.S. GAAP, net assets associated with these endowments are classified and reported based on the existence or absence of donor-imposed restrictions.

THE CHILDREN'S INN AT NIH, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

8. ENDOWMENTS (CONTINUED)

Interpretation of Relevant Law

The Inn has interpreted the Uniform Prudent Management of Institutional Funds Act of 2007 (UPMIFA), as enacted by Maryland, as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, The Inn retains in perpetuity: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Donor restricted amounts not retained in perpetuity are also included in net assets with donor restrictions and are available for expenditure by The Inn in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, The Inn considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The status of The Inn's reserves balance compared to the target.
- The long-term and short-term needs of The Inn in carrying out its purposes.
- The Inn's present and anticipated financial requirements.
- Expected total return on investments.
- Price level trends.
- General economic conditions.

Return Objectives and Risk Parameters for Endowments and Other Long-Term Investments

The Inn has adopted investment and spending policies for endowment assets and other long-term investments that attempt to provide appropriate liquidity while seeking to maintain the purchasing power of the assets. Permanent endowment assets are donor-restricted funds that The Inn must hold in perpetuity. After taking into consideration such factors as The Inn's financial stability, uncertainty of future cash flows and market volatility, the board of directors of The Inn believes that a medium-high risk strategy is prudent considering the long-term focus of these investments. Under the investment policy, as approved by the board of directors, The Inn's objective for the long-term investment funds is to maximize the total return, net of spending and inflation, while maintaining risk parameters consistent with those outlined in the investment guidelines. The Inn's goal is to achieve (after fees and expenses) a return of the then-current National Consumer Price Index (CPI) plus 3% over multiple market cycles with as limited a level of volatility as possible. This investment policy must be reviewed annually by the finance committee and, if necessary, amended and presented to the board of directors for reapproval.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate of return objectives, The Inn relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Inn targets a diversified asset allocation to achieve its long-term return objectives with prudent risk constraints.

THE CHILDREN'S INN AT NIH, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

8. ENDOWMENTS (CONTINUED)

Strategies Employed for Achieving Objectives (Continued)

Management of The Inn's long-term investments is currently delegated to an outsourced chief investment officer (OCIO). The OCIO monitors a well-diversified group of mutual funds and other investments that consistently adhere to prespecified asset allocation guidelines (policy portfolios). The policy portfolios reflect the objectives of The Inn, including the following:

- Complying with specific allowable asset allocation ranges including: 40% to 80% for public equities, 5% to 30% for investment-grade fixed-income securities, and 0% to 5% for liquid real assets, 0% to 15% for multi-asset funds, 0% to 10% for opportunistic investments, 0% to 20% for private investments, and 0% to 10% for cash and cash equivalents.
- Preserving purchasing power relative to inflation.
- Diversifying across multiple asset classes.
- Complying with the prohibition of direct investment in specific, named strategies that have the potential to amplify the tolerable risk of the portfolio.

Spending policy: Earnings on the permanent endowments, if specified by the donor as designated for particular programmatic purposes, are considered donor-restricted. Earnings on the permanent endowments that the donor has specified may be available to support The Inn's operating expenses, or for which the donor did not provide guidance on the intended use of the investment earnings, are considered donor-restricted until such time as they are appropriated by the board of directors of The Inn for operating needs. Some of The Inn's endowments require that a portion of the investment earnings be added to the funds required to be held in perpetuity. Such investment returns are accumulated to the permanent endowment.

The Inn's board of directors determines annually how non-donor-directed investment income from the endowments will be managed during the next fiscal year.

Funds with deficiencies: From time to time, the fair value of assets associated with an individual donor-restricted endowment fund may fall below the level that the donor or UPMIFA requires The Inn to retain as a fund of perpetual duration. There were no funds with deficiencies as of June 30, 2024 and 2023.

THE CHILDREN'S INN AT NIH, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

8. ENDOWMENTS (CONTINUED)

Contributions and investment earnings allocated to the corpus of each fund consisted of the following at June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Sanofi Aventis Legacy Fund	\$ 13,603,531	\$ 13,603,531
Merck Company Foundation Fund	2,000,000	2,000,000
Weinberg Foundation Fund	3,112,789	2,797,949
Joyce A. Jenkins Endowment Fund	2,303,901	1,993,658
General Endowment Fund	3,256,437	3,256,437
Robert James Fitzgerald Endowment Fund	1,088,703	1,088,703
AFCEA Endowment Fund	2,720,045	2,720,045
Rose and Harold Kramer Endowment Fund	315,148	315,148
Other Endowment Funds	953,656	928,460
	<u>\$ 29,354,210</u>	<u>\$ 28,703,931</u>

Sanofi Aventis Legacy Fund: This fund was established in 2008, to support the needs of children and their families receiving medical care at NIH.

Merck Company Foundation Fund: This fund was established in 1996, to provide support for future operating expenses of The Inn.

Weinberg Foundation Fund: This fund was established in 1993, through restricted contributions from donors, to subsidize various programs and services for temporary residents and visitors of The Inn.

Joyce A. Jenkins Endowment Fund: This fund was established in 2006, to support the needs of children receiving medical care at the NIH and those of their families.

General Endowment Fund: The purpose of this fund is to provide investment income to be used for operating expenses.

Robert James Fitzgerald Endowment Fund: This fund was established in 2008, to provide support for future operating expenses of The Inn.

AFCEA Endowment Fund: This fund was established in 2008, to ensure that children and their families receive the utmost care and comfort during their stay at The Inn.

Rose and Harold Kramer Endowment Fund: This fund was established in 2007, to raise funds to provide services to children and/or for research purposes.

Other: Other endowments consist of a variety of funds that provide support for future program and operating expenses of The Inn.

THE CHILDREN'S INN AT NIH, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

8. ENDOWMENTS (CONTINUED)

All of The Inn's endowment-related activities are related to donor-restricted endowment funds. The Inn had the following endowment-related activities for the years ended June 30:

	With Donor Restrictions		Total
	Accumulated Investment Gain	Contributions and Earnings Allocated to Corpus	
Endowment Net Assets - June 30, 2023	\$ 8,780,250	\$ 28,703,931	\$ 37,484,181
Investment Income	3,519,724	781,517	4,301,241
Transfer	131,238	(131,238)	-
Endowment Net Assets - June 30, 2024	\$ 12,431,212	\$ 29,354,210	\$ 41,785,422
	With Donor Restrictions		
	Accumulated Investment Gain	Contributions and Earnings Allocated to Corpus	Total
Endowment Net Assets - June 30, 2022	\$ 6,187,501	\$ 28,400,845	\$ 34,588,346
Investment Income	2,430,908	464,927	2,895,835
Transfer	161,841	(161,841)	-
Endowment Net Assets - June 30, 2023	\$ 8,780,250	\$ 28,703,931	\$ 37,484,181

9. PATIENT LODGING

The Inn provides residential lodging to patients receiving treatment at NIH as part of The Inn's program services. The Inn entered into a letter of agreement with NIH for patient lodging that is effective until The Inn revokes the agreement. The Inn received lodging fees of \$1,405,329 and \$1,089,102 from NIH for the years ended June 30, 2024 and 2023, respectively.

10. CONTRIBUTIONS OF NONFINANCIAL ASSETS

The Inn's original facility was constructed on land provided by the Government, with private funds raised by the Friends of The Children's Inn. A subsequent addition/expansion was constructed in 2004, using funds raised by The Inn. The Inn donated the building to the Government. Under a Use License Agreement with the Government, The Inn has been granted exclusive use of the facility (at no charge) to provide lodging and related services. The Government has also agreed to provide utilities, structural and grounds maintenance, telephone, security and various other services to The Inn. The term is for an indefinite period subject to specified termination options. Either party may terminate the agreement upon six months' notice to the other party. The Inn annually recognizes revenue and expenses for the estimated value of the space and related services received based on a valuation study that is adjusted annually based on consumer price indexes for each category.

THE CHILDREN’S INN AT NIH, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

10. CONTRIBUTIONS OF NONFINANCIAL ASSETS (CONTINUED)

Donated nonfinancial assets are not sold and are utilized for The Inn’s operations. Unless otherwise noted, contributed facilities, property, goods and services do not have donor-imposed restrictions. Contributed occupancy services were used across all of The Inn’s program and supporting services as shown on the statements of functional expenses.

Volunteer and resident supplies and resident support were used in The Inn’s housing and resident services programs. General and administrative support includes contributed professional consulting services that cover supporting activities, such as team building, surveys and recruitment. Contributed services are valued and are reported at the estimated fair value in the financial statements based on current rates for similar professional services.

Total contributed facilities, property, goods and services recognized by The Inn, were as follows for the years ended June 30:

	2024	2023
NIH Annual In-Kind Contributions		
NIH-Contributed Occupancy Services		
Building Rent	\$ 2,189,233	\$ 2,081,020
Transportation Services	262,089	254,208
Daily Security Services	232,745	225,310
Utilities, Telephone, and Internet	389,716	312,043
Building Maintenance Services	82,898	146,605
Laundry Services	94,985	91,951
Other Services	30,082	30,622
Total NIH-Contributed Occupancy Services	3,281,748	3,141,759
Volunteer and Residence Supplies	32,027	31,224
Total NIH Annual In-Kind Contributions	3,313,775	3,172,983
Resident Meals, Supplies, and Entertainment	158,760	90,894
Donated Event Services and Auction Items	150,048	105,594
Less Disposed Auction Items	(139,978)	(107,540)
General and Administrative Consulting Services	4,500	46,700
Capitalized Property	-	10,000
	\$ 3,487,105	\$ 3,318,631

The estimated value of volunteer services that enhance the operating efficiencies of The Inn, but do not meet the requirements of a specialized skill for inclusion in the financial statements, was estimated at \$334,854 and \$252,010 for the years ended June 30, 2024 and 2023, respectively.

THE CHILDREN'S INN AT NIH, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

11. JOINT COST ALLOCATION

The Inn incurred joint costs from the production of fundraising appeals and website maintenance during the years ended June 30, 2024 and 2023. These joint costs were allocated as follows:

	2024	2023
Program Services	\$ 92,150	\$ 124,110
Fundraising	152,487	155,651
General and Administrative	21,454	30,227
	<u>\$ 266,091</u>	<u>\$ 309,988</u>

12. RETIREMENT PLANS

The Inn has a retirement plan under IRC Section 401(k) covering both full-time and part-time employees who meet certain eligibility requirements. As approved by the board of directors, The Inn is required to make a 3% safe harbor contribution to each eligible employee for the plan year. In addition, The Inn may make an annual discretionary contribution to the plan upon approval by the Board.

The Inn made a 4% discretionary contribution to the plan for each of the years ended June 30, 2024 and 2023. In addition, The Inn made an additional discretionary match to the plan using the following formula: a matching contribution will be made for 100% of the first 1% of employee salary deferral and 50% of any additional employee salary deferral up to 5% of their compensation. Total contributions made to the plan were \$373,044 and \$306,531 for the years ended June 30, 2024 and 2023, respectively.

In addition, The Inn has a deferred compensation plan under IRC Section 457(b). There were no contributions by The Inn to the deferred compensation plan for the years ended June 30, 2024 and 2023. During the fiscal year ended June 30, 2024, total contributions made by an eligible employee to the deferred compensation plan were \$44,495. No contributions were made by other eligible employees during the year ended June 30, 2023.

13. CONCENTRATIONS

Major Donors

For the years ended June 30, 2024 and 2023, The Inn recognized revenue of \$3,313,776 and \$3,172,983, respectively, in in-kind contributions from NIH. For the years ended June 30, 2024 and 2023, non-NIH contributions totaled \$6,800,000 and \$4,140,000, respectively, from the next five largest donors. These amounts represent approximately 35% and 50% of The Inn's total revenue and support, excluding investment income or loss, in 2024 and 2023, respectively, including contributed facilities, property, goods and services.

14. COMMITMENTS

Employment Agreement

The Inn has signed an employment agreement with its CEO, which provides for severance pay should the CEO be terminated without cause. The agreement automatically renews for successive one-year terms, unless terminated earlier in accordance with the agreement.

THE CHILDREN'S INN AT NIH, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

14. COMMITMENTS (CONTINUED)

Apartment and Furniture Leases

The Inn has several apartment leases in Bethesda, Maryland, which provide supplemental residential lodging to patients receiving treatment at NIH. The apartment leases have various end dates through July 2024. Total rent expense for the leases was \$58,172 and \$57,290 for the years ended June 30, 2024 and 2023, respectively. Future lease commitments total \$59,088 for the year ending June 30, 2025.

15. LIQUIDITY AND RESERVES

The Inn manages its liquidity and reserves through the implementation of its reserves policy and investment policy. According to the policy, The Inn must maintain an Operating Reserve equal to 12 months of annual expense based on the prior year final audited expenses plus 10% to cover any operating shortfalls and 10% as a buffer to cover a market downturn. Operating funds are made up of current and intermediate operating funds. According to the investment policy, current operating funds, which contain investments in cash and cash equivalents, should contain one to four months of the most current operating budget.

Intermediate operating funds, which contain fixed income securities, should contain two to five months of the most current operating budget. Compliance to policy is achieved via monthly reports that show balances in each of the fund pools. The Inn's reserves policy includes steps to be taken if any of the funding pools fall outside the designated minimums or maximums.

Financial assets available for general expenditure within one year of June 30, are as follows:

	<u>2024</u>	<u>2023</u>
<i>Financial Assets</i>		
Cash and Cash Equivalents	\$ 1,282,601	\$ 1,508,806
Accounts Receivable	211,130	342,596
Promises to Give, Net	4,769,781	1,430,176
Investments	67,393,183	57,786,640
Less Net Assets With Donor Restrictions	<u>(52,499,651)</u>	<u>(42,297,386)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures within One Year	<u>\$ 21,157,044</u>	<u>\$ 18,770,832</u>

The Inn has grown financial reserves due to the prudent management of its assets, the success of its operations and the generosity of its donors. The intended use of these reserves is as follows:

- An Operating Reserve equal to 12 months of annual expense based on the prior year final audited expenses plus 10% to cover any operating shortfalls and 10% as a buffer to cover a market downturn. At June 30, 2024, the Operating Reserve was \$16,500,000.
- The remaining unrestricted reserves are designated for strategic and long-term goals. The unrestricted balance of approximately \$13,900,000 as of June 30, 2024, is intended to be used to help fund the proposed renovations and expansion of The Inn, which is currently in the design phase, with construction expected to commence in 2025. Current cost estimates are between \$53,000,000 and \$55,000,000. A capital campaign has been launched to help fund the project.

THE CHILDREN'S INN AT NIH, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

16. STRATEGIC PLAN PROJECTS

In 2018, The Inn launched its #INN2025 strategic plan and has made considerable progress accelerating the impact on medical discovery and care through three strategic goals:

- Evolve to a state-of-the-art smart living environment.
- Strengthen the support programs that better integrate discovery and care.
- Maximize a diverse group of leaders, supporters and volunteers and ensure The Inn's financial viability.

During the fiscal year ended June 30, 2024, The Inn's Master Plan project progressed through the 65% phase of design development which included more detailed and developed designs of the interior spaces, exterior elevations, and site work. Following a successful submission and approval process with NIH's Division of Technical Review (DTR) in January 2024, the project team prepared an updated estimate of \$53,713,027 for design and construction costs.

The design team later issued an internal 95% design development set in June 2024 for The Inn to review in anticipation of a 100% submission to NIH in July at the start of the new fiscal year. Based on current schedules, the design development process is anticipated to be completed in fall 2024 with construction commencing in January 2025. Completion of the project is anticipated to occur in summer 2027.

As of June 30, 2024, The Inn is contractually obligated to pay an additional \$1,246,262, plus \$382,978 added after fiscal year 2024 (total as of July 31, 2024, \$1,629,240) for architectural work, and \$696,258 for a Master Plan owner's representative.

Young Adult Residence (formerly the Rabson House)

NIH procured a contractor on September 25, 2023, and a groundbreaking ceremony was held on-site on December 1, 2023. Based on the current schedule, the renovation and final fit-out of the house is anticipated to be completed in early 2026.

17. SUBSEQUENT EVENTS

Subsequent events were evaluated through October 3, 2024, which is the date the financial statements were available to be issued.