

HOSPITAL HOSPITALITY HOUSE CORPORATION

FINANCIAL STATEMENTS

DECEMBER 31, 2005

(With Independent Auditors' Report Thereon)

HOSPITAL HOSPITALITY HOUSE CORPORATION
FINANCIAL STATEMENTS
DECEMBER 31, 2005

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Hospital Hospitality House Corporation

We have audited the accompanying statement of financial position of Hospital Hospitality House Corporation (a nonprofit organization) as of December 31, 2005, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hospital Hospitality House Corporation as of December 31, 2005, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information on pages 9 and 10 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as whole.

As stated in Note 9, Hospital Hospitality House Corporation understated its assets and net assets as of December 31, 2004; consequently, a prior period adjustment affecting previously reported net assets has been recorded.

Akerslout, Patterson & Associates, P.L.L.C.

February 28, 2006

HOSPITAL HOSPITALITY HOUSE CORPORATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2005

ASSETS

Current Assets:

Cash	\$	234,464	
Investments		1,193	
Accounts receivable		715	
Current installments of contributions receivable		60,000	
Prepaid insurance		3,155	
Total current assets			\$ 299,527

Assets Whose Use is Limited:

Cash	189,554	
Endowment receivable	9,651	
		199,205

Contributions receivable, net of current installments	100,000
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Land, building and equipment	1,521,901	
Less: accumulated depreciation	(122,531)	
		1,399,370
		\$ 1,998,102

LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable	\$	2,924	
Accrued expenses		22,046	
Total current liabilities			\$ 24,970

Net Assets:

Unrestricted	1,610,288	
Unrestricted board-designated	13,639	
Total unrestricted net assets		1,623,927
Temporarily restricted		339,554
Permanently restricted		9,651
Total net assets		1,973,132
		\$ 1,998,102

See accompanying notes to financial statements.

HOSPITAL HOSPITALITY HOUSE CORPORATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public Support and Revenues:				
Public Support:				
Contributions	\$ 113,728	\$ 136,452	\$ 71	\$ 250,251
Special events	14,478	75,584	-	90,062
Total public support	<u>128,206</u>	<u>212,036</u>	<u>71</u>	<u>340,313</u>
Revenues:				
Guest fees	62,776	-	-	62,776
Grants	52,650	-	-	52,650
Interest and investment income	1,965	-	640	2,605
In-kind revenue	27,585	-	-	27,585
Net assets released from restrictions	<u>94,322</u>	<u>(94,262)</u>	<u>(60)</u>	<u>-</u>
Total revenues	<u>239,298</u>	<u>(94,262)</u>	<u>580</u>	<u>145,616</u>
Total public support and revenues	<u>367,504</u>	<u>117,774</u>	<u>651</u>	<u>485,929</u>
Expenses and Losses:				
Program Services:				
House	<u>268,620</u>	<u>-</u>	<u>-</u>	<u>268,620</u>
Supporting Services:				
Management and general	72,392	-	-	72,392
Fundraising	<u>60,790</u>	<u>-</u>	<u>-</u>	<u>60,790</u>
Total supporting services	<u>133,182</u>	<u>-</u>	<u>-</u>	<u>133,182</u>
Total program and supporting expenses	<u>401,802</u>	<u>-</u>	<u>-</u>	<u>401,802</u>
Increase (decrease) in net assets	(34,298)	117,774	651	84,127
Net assets - beginning of year, as previously stated	1,657,651	30,144	-	1,687,795
Prior period adjustment	<u>574</u>	<u>191,636</u>	<u>9,000</u>	<u>201,210</u>
Net assets - beginning of year, as restated	<u>1,658,225</u>	<u>221,780</u>	<u>9,000</u>	<u>1,889,005</u>
Net assets - end of year	<u>\$ 1,623,927</u>	<u>\$ 339,554</u>	<u>\$ 9,651</u>	<u>\$ 1,973,132</u>

302,901

See accompanying notes to financial statements.

HOSPITAL HOSPITALITY HOUSE CORPORATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2005

	Program Services	Supporting Services		Total Expenses
	House	Management and General	Fundraising	
Salaries and wages	\$ 96,861	\$ 38,437	\$ 18,450	\$ 153,748
Employee taxes and benefits	19,500	7,738	3,715	30,953
Contract labor	-	8,977	2,288	11,265
Office supplies	2,589	1,136	284	4,009
Computer hardware and software	2,586	1,202	566	4,354
Equipment contracts	1,883	490	206	2,579
Professional development	973	413	356	1,742
Telephone	8,341	1,472	-	9,813
Postage	1,031	516	1,031	2,578
Outreach	3,380	1,155	2,058	6,593
Occupancy	23,977	4,585	-	28,562
Repairs and maintenance	15,280	2,696	-	17,976
Bad debt expense	2,644	-	-	2,644
No charge rooms	8,760	-	-	8,760
In-kind donations	27,586	-	-	27,586
Bank fees	1,016	-	116	1,132
Special events	-	-	31,720	31,720
Depreciation	51,964	2,735	-	54,699
Loss on disposal of assets	-	740	-	740
Miscellaneous	249	100	-	349
Total Expenses	<u>\$ 268,620</u>	<u>\$ 72,392</u>	<u>\$ 60,790</u>	<u>\$ 401,802</u>

See accompanying notes to financial statements.

HOSPITAL HOSPITALITY HOUSE CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2005

Cash Flows From Operating Activities:

Increase in net assets	\$ 84,127
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Adjustments to reconcile increase in net assets
to net cash provided by operating activities:

Depreciation	\$	54,699
Loss on disposal of equipment		740
Changes in:		
Accounts receivable		2,128
Contributions receivable		42,775
Restricted cash		(167,774)
Prepaid insurance		(2,855)
Accounts payable		(26,581)
Accrued expenses		<u>21,446</u>
Total adjustments		<u>(75,422)</u>
Net cash provided by operating activities		8,705

Cash Flows From Investing Activities:

Purchase of equipment	(10,196)
Purchase of investments	(619)
Reinvestment in endowment fund	<u>(651)</u>
Net cash used in investing activities	<u>(11,466)</u>

Net decrease in cash	(2,761)
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Cash - beginning of year	<u>237,225</u>
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Cash - end of year	<u><u>\$ 234,464</u></u>
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See accompanying notes to financial statements.

HOSPITAL HOSPITALITY HOUSE CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005

NOTE 1 - Summary of Significant Accounting Policies

a. Nature of Activities

The Hospital Hospitality House Corporation, is a nonprofit organization, which was organized on May 14, 1974, to provide temporary housing for families and patients who face a medical crisis. Virtually all of the Organization's revenues and support for the year ended December 31, 2005, were from the general public.

b. Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned and any related investments for general or specific purposes.

c. Cash Equivalents

Cash equivalents are those items that have an original maturity date of ninety days or less from the date of issuance. At December 31, 2005, there were no cash equivalents.

d. Land, Building and Equipment

Land, buildings and equipment are recorded at cost, or, if donated, at the estimated fair market value at the date of donation. The Organization's capitalization policy is to capitalize any expenditures over \$1,000 for property and equipment. Depreciation is provided utilizing the straight-line method over the estimated useful lives of the respective assets. Expenditures for repairs and maintenance are charged to expense as incurred.

e. Functional Allocation of Expenses

The costs of providing program services and supporting services have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

f. Advertising

Advertising is expensed as incurred.

HOSPITAL HOSPITALITY HOUSE CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005

NOTE 1 - Summary of Significant Accounting Policies. (continued)

g. Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and, therefore, no provision for federal income taxes is reflected in the accompanying financial statements. The Organization has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Internal Revenue Code. There was no unrelated business income for the year ended December 31, 2005.

h. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

i. Fair Values of Financial Instruments

The carrying values of current assets and current liabilities approximate fair values due to short maturities of these instruments.

j. Contributions Receivable

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Unconditional promises to give are recorded when the promises are made. Unconditional promises to give due in the next year are reflected as current contributions receivable to give and are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reflected as long-term contributions receivable and are recorded at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are received to discount the amounts. The Organization uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. At December 31, 2005, unconditional promises to give totaled \$160,000, and all were considered to be collectible.

NOTE 2 - Assets Whose Use is Limited

At December 31, 2005, the Organization had assets whose use is restricted as follows:

Night Position	\$ 946
Technology	1,089
Collaborative Campaign	<u>187,519</u>
	<u>\$ 189,554</u>

HOSPITAL HOSPITALITY HOUSE CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005

NOTE 3 - Contributions Receivable

The following are the future maturities of contributions receivable at December 31, 2005:

<u>Year ending</u> <u>December 31,</u>	<u>Amount</u>
2006	\$ 60,000
2007	50,000
2008	<u>50,000</u>
Total	<u>\$ 160,000</u>

NOTE 4 - Donated Services and Materials

The Organization receives contributions of household items which it consumes in the course of fulfilling its mission. The Organization records these contributions as in-kind revenue and expenses in accordance to the criteria for recognition under SFAS No. 116.

~~*~~ NOTE 5 - Commitments and Contingencies

In July 2005, the existing employees of the Organization became employees of Vanderbilt University. The Organization leases these employees from Vanderbilt University, which provides all of the payroll related benefits and services. Total employee lease expense for the year ended December 31, 2005, was \$66,115.

NOTE 6 - Leases

The Organization leases storage space and copier on a month-to-month basis under lease arrangements classified as operating leases. Total rent expense under these leases was \$2,652 during the year ended December 31, 2005.

~~*~~ NOTE 7 - Endowment

The endowment is owned at the CF.

At December 31, 2005, the Nashville Area Community Foundation, Inc., a non-profit organization, is in control of an endowment fund for the Hospital Hospitality House Corporation. The Foundation has ultimate authority and control over all property of the fund and the income derived therefrom; however, the endowment is considered to be a reciprocal transfer and is therefore recorded as a receivable on the balance sheet of the Hospital Hospitality House Corporation. The balance of the fund at December 31, 2005 was \$9,651.

NOTE 8 - Board-Designated Net Assets

The board of directors has designated \$13, 639 for building repairs and regular maintenance.

NOTE 9 - Prior Period Adjustment

A prior period adjustment has been recorded in the amount of \$201,210 to include investments, endowment income and contributions receivable at December 31, 2004, that were not previously reported on the Organization's audited financial statements. This adjustment increased net assets at the beginning of the year by \$201,210.

HOSPITAL HOSPITALITY HOUSE CORPORATION
SUPPLEMENTAL SCHEDULE OF CONTRIBUTIONS
FOR THE YEAR ENDED DECEMBER 31, 2005

Unrestricted:		
Individuals	\$	73,575
Congregations		21,725
Corporations		12,916
Clubs and organizations		5,393
Hospitals		<u>119</u>
Total unrestricted	\$	113,728
Temporarily restricted:		
Night position		15,000
Technology		5,425
Collaborative campaign		<u>116,027</u>
Total temporarily restricted		136,452
Permanently restricted:		
Endowment		<u>71</u>
Total contributions	\$	<u>250,251</u>

HOSPITAL HOSPITALITY HOUSE CORPORATION
SUPPLEMENTAL SCHEDULE OF SPECIAL EVENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Revenue</u>	<u>Expenses</u>	<u>Net</u>
Soul Incision CD	\$ 75,584	\$ 22,662	\$ 52,922
Spring spa	4,231	3,082	1,149
Ryman performance	10,160	5,901	4,259
Cookbooks	<u>87</u>	<u>75</u>	<u>12</u>
Total Expenses	<u>\$ 90,062</u>	<u>\$ 31,720</u>	<u>\$ 58,342</u>