

HOSPITAL HOSPITALITY HOUSE CORPORATION

FINANCIAL STATEMENTS

DECEMBER 31, 2006

(With Independent Auditors' Report Thereon)

HOSPITAL HOSPITALITY HOUSE CORPORATION
FINANCIAL STATEMENTS
DECEMBER 31, 2006

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Akerslout, Patterson & Associates, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

3326 Aspen Grove Drive • Suite 500 • Franklin, TN 37067

Phone: (615) 376-8800 Fax: (615) 376-8816

www.ap-cpas.com

Member of the
American Institute of
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Accountants

Member of the
Tennessee Society of
Certified Public
Accountants

Charles Akerslout, III

Lisa L. Patterson

INDEPENDENT AUDITOR'S 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, 2006, 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, 2006, 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 10 and 11 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.

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

March 20, 2007

HOSPITAL HOSPITALITY HOUSE CORPORATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2006

ASSETS

Current Assets:

Cash	\$ 596,810	
Investments	2,174	
Accounts receivable	60	
Contributions receivable	48,321	
Prepaid insurance	<u>5,723</u>	
Total current assets		\$ 653,088

Assets Whose Use is Limited:

Cash	208,639	
Endowment receivable	<u>11,035</u>	
		219,674

Property and Equipment:

Land, building and equipment	1,526,037	
Less: accumulated depreciation	<u>(178,559)</u>	
		<u>1,347,478</u>
		<u>\$ 2,220,240</u>

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable	\$ <u>64,620</u>	
Total current liabilities		\$ <u>64,620</u>

Net Assets:

Unrestricted	1,935,946	
Unrestricted board-designated	<u>13,639</u>	
Total unrestricted net assets		1,949,585
Temporarily restricted		195,000
Permanently restricted		<u>11,035</u>
Total net assets		<u>2,155,620</u>

\$ 2,220,240

HOSPITAL HOSPITALITY HOUSE CORPORATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public Support and Revenues:				
Public Support:				
Contributions	\$ 240,313	\$ 16,995	\$ 100	\$ 257,408
Special events	<u>321,627</u>	<u>-</u>	<u>-</u>	<u>321,627</u>
Total public support	<u>561,940</u>	<u>16,995</u>	<u>100</u>	<u>579,035</u>
Revenues:				
Guest fees	62,701	-	-	62,701
Interest and investment income	4,836	-	1,354	6,190
In-kind revenue	49,739	-	-	49,739
Net assets released from restrictions	<u>161,619</u>	<u>(161,549)</u>	<u>(70)</u>	<u>-</u>
Total revenues	<u>278,895</u>	<u>(161,549)</u>	<u>1,284</u>	<u>118,630</u>
Total public support and revenues	<u>840,835</u>	<u>(144,554)</u>	<u>1,384</u>	<u>697,665</u>
Expenses and Losses:				
Program Services:				
House	<u>342,004</u>	<u>-</u>	<u>-</u>	<u>342,004</u>
Supporting Services:				
Management and general	83,441	-	-	83,441
Fundraising	<u>89,732</u>	<u>-</u>	<u>-</u>	<u>89,732</u>
Total supporting services	<u>173,173</u>	<u>-</u>	<u>-</u>	<u>173,173</u>
Total program and supporting expenses	<u>515,177</u>	<u>-</u>	<u>-</u>	<u>515,177</u>
Increase (decrease) in net assets	325,658	(144,554)	1,384	182,488
Net assets - beginning of year	<u>1,623,927</u>	<u>339,554</u>	<u>9,651</u>	<u>1,973,132</u>
Net assets - end of year	<u>\$ 1,949,585</u>	<u>\$ 195,000</u>	<u>\$ 11,035</u>	<u>\$ 2,155,620</u>

HOSPITAL HOSPITALITY HOUSE CORPORATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2006

	Program Services	Supporting Services		Total
	House	Management and General	Fundraising	Expenses
Leased employees	\$ 154,631	\$ 31,580	\$ 31,579	\$ 217,790
Contract labor		11,660		11,660
Office supplies	3,573	1,731	48	5,352
Computer hardware and software	702	50		752
Equipment contracts	1,710	1,305	404	3,419
Telephone	6,040	3,249		9,289
Postage	1,363	3,180	700	5,243
Outreach	24,676	3,709		28,385
Occupancy	30,781	6,219		37,000
Repairs and maintenance	7,504	3,424		10,928
Bad debt expense	60			60
No charge rooms	21,300			21,300
In-kind donations	49,739			49,739
Bank fees	685	356	774	1,815
Special events			56,227	56,227
Depreciation	39,220	16,808		56,028
Miscellaneous	20	170	-	190
Total Expenses	<u>\$ 342,004</u>	<u>\$ 83,441</u>	<u>\$ 89,732</u>	<u>\$ 515,177</u>

See accompanying notes to financial statements.

HOSPITAL HOSPITALITY HOUSE CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2006

Cash Flows From Operating Activities:

Increase in net assets	\$ 182,488
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Adjustments to reconcile increase in net assets
to net cash provided by operating activities:

Depreciation	\$	56,028	
Unrealized gains on investments		(387)	
Donated investments		(694)	
Reinvested in endowment fund		(1,284)	
Changes in:			
Accounts receivable		655	
Contributions receivable		111,679	
Restricted cash		(19,085)	
Prepaid insurance		(2,568)	
Accounts payable		61,696	
Accrued expenses		<u>(22,046)</u>	
Total adjustments			<u>183,994</u>
Net cash provided by operating activities			366,482

Cash Flows From Investing Activities:

Purchase of land, building and equipment	<u>(4,136)</u>		
Net cash used in investing activities			<u>(4,136)</u>

Net increase in cash	362,346
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Cash - beginning of year	<u>234,464</u>
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Cash - end of year	<u><u>\$ 596,810</u></u>
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HOSPITAL HOSPITALITY HOUSE CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 1 - Summary of Significant Accounting Policies

a. **Nature of Activities**

Hospital Hospitality House Corporation, a nonprofit organization, 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, 2006, 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 must 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, 2006, 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
DÉCEMBER 31, 2006

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, 2006.

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 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, 2006, unconditional promises to give totaled \$48,321, all of which were considered to be collectible.

k. Concentration of Credit Risk

At December 31, 2006, and at various times through the year, the Organization had cash balances with banks exceeding \$100,000, which is the maximum insured by the Federal Deposit Insurance Corporation.

During the year ended December 31, 2006, the Organization received 45% of total revenue from one event.

Of the Organization's pledges receivable at December 31, 2006, 63% is from 4 donors.

HOSPITAL HOSPITALITY HOUSE CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 2 - Assets Whose Use is Limited

At December 31, 2006, the Organization had assets whose use is restricted as follows:

Endowment receivable	\$ 11,035
Board designated for repairs and maintenance	13,639
Day Services	2,716
Technology	1,196
Collaborative Campaign	<u>191,088</u>
	<u>\$ 219,674</u>

NOTE 3 - Contributions Receivable

The following are the future maturities of contributions receivable at December 31, 2006:

<u>Year ending</u> <u>December 31,</u>	<u>Amount</u>
2007	<u>\$ 48,321</u>

NOTE 4 - Property and Equipment

Property and equipment at December 31, 2006, consists of the following:

Land	\$ 137,400
Building and improvements	1,299,212
Furniture, fixtures and equipment	<u>89,425</u>
	1,526,037
Less: accumulated depreciation	<u>(178,559)</u>
	<u>\$ 1,347,478</u>

NOTE 5 - 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 6 - Commitments and Contingencies

The Organization leases employees from Vanderbilt University, which provides all of the payroll related benefits and services. Total employee lease expense for the year ended December 31, 2006, was \$217,790.

NOTE 7 - 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 \$2,252 during the year ended December 31, 2006.

HOSPITAL HOSPITALITY HOUSE CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 8 - Endowment Receivable

At December 31, 2006, the Nashville Area Community Foundation, Inc., a non-profit organization, has been granted variance power of an endowment fund for 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 Hospital Hospitality House Corporation. The balance of the fund at December 31, 2006, was \$11,035.

NOTE 9 - Board-Designated Net Assets

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

NOTE 10 - Investment income

Investment income consists of the following:

Interest income	\$ 4,802
Unrealized gain on investment	771
Realized gain on investment	<u>617</u>
Total	<u>\$ 6,190</u>

HOSPITAL HOSPITALITY HOUSE CORPORATION
SUPPLEMENTAL SCHEDULE OF CONTRIBUTIONS
FOR THE YEAR ENDED DECEMBER 31, 2006

Unrestricted:		
Individuals	\$	116,034
Congregations		20,638
Corporations		4,857
Clubs and organizations		6,486
Foundations		92,268
Hospitals		<u>30</u>
Total unrestricted	\$	240,313
Temporarily restricted:		
Day services		10,000
Technology		3,425
Collaborative campaign		<u>3,570</u>
Total temporarily restricted		16,995
Permanently restricted:		
Endowment		<u>100</u>
Total contributions	\$	<u>257,408</u>

HOSPITAL HOSPITALITY HOUSE CORPORATION
SUPPLEMENTAL SCHEDULE OF SPECIAL EVENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Revenue</u>	<u>Expenses</u>	<u>Net</u>
Patrons' Luncheon featuring Patch Adams	\$ <u>321,627</u>	\$ <u>44,366</u>	\$ <u>277,261</u>
Total	\$ <u>321,627</u>	\$ <u>44,366</u>	\$ <u>277,261</u>

