

HOSPITAL HOSPITALITY HOUSE CORPORATION

FINANCIAL STATEMENTS

DECEMBER 31, 2013

(With Independent Auditor's Report Thereon)

HOSPITAL HOSPITALITY HOUSE CORPORATION
FINANCIAL STATEMENTS
DECEMBER 31, 2013

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PATTERSON, HARDEE & BALLENTINE, P.C.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Hospital Hospitality House Corporation

We have audited the accompanying financial statements of Hospital Hospitality House Corporation (a nonprofit organization) which comprise the statement of financial position as of December 31, 2013, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hospital Hospitality House Corporation as of December 31, 2013 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.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedule of contributions and supplemental schedule of special events on pages 13 and 14 are presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Patterson Hande & Bellentine

March 7, 2014

HOSPITAL HOSPITALITY HOUSE CORPORATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2013

ASSETS

Current Assets:		
Cash	\$ 626,395	
Investments	24,175	
Accounts receivable	930	
Contributions receivable, net of allowance for doubtful accounts of \$4,000	42,858	
Prepaid expenses	<u>17,588</u>	
Total current assets		\$ 711,946
Property and Equipment, net		1,015,301
Assets Whose Use is Limited:		
Cash	195,026	
Contributions receivable	75,000	
Endowment	<u>14,763</u>	
		<u>284,789</u>
		<u>\$ 2,012,036</u>

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts payable	\$ 29,243	
Accrued expenses	<u>21,937</u>	
Total current liabilities		\$ 51,180
Net Assets:		
Unrestricted		1,676,067
Temporarily restricted	270,026	
Permanently restricted	<u>14,763</u>	
Restricted net assets		<u>\$ 284,789</u>
Total net assets		<u>1,960,856</u>
		<u>\$ 2,012,036</u>

See accompanying notes to the financial statements.

HOSPITAL HOSPITALITY HOUSE CORPORATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public Support and Revenue:				
Contributions	\$ 161,100	\$ 3,585	\$ -	\$ 164,685
Special events	329,746	-	-	329,746
Total public support	<u>490,846</u>	<u>3,585</u>	<u>-</u>	<u>494,431</u>
Revenue:				
Guest services provided	271,014	-	-	271,014
Less: services provided at no charge	<u>(198,885)</u>	<u>-</u>	<u>-</u>	<u>(198,885)</u>
Guest services provided, net	<u>72,129</u>	<u>-</u>	<u>-</u>	<u>72,129</u>
Interest and investment income	7,737	-	2,772	10,509
In-kind revenue	67,531	-	-	67,531
Net assets released from restriction	<u>130,537</u>	<u>(130,537)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>277,934</u>	<u>(130,537)</u>	<u>2,772</u>	<u>150,169</u>
Total support and revenue	<u>768,780</u>	<u>(126,952)</u>	<u>2,772</u>	<u>644,600</u>
Expenses:				
Program services	759,627	-	-	759,627
Management and general	132,458	-	-	132,458
Fundraising	<u>240,781</u>	<u>-</u>	<u>-</u>	<u>240,781</u>
Total expenses	<u>1,132,866</u>	<u>-</u>	<u>-</u>	<u>1,132,866</u>
Increase (decrease) in net assets	(364,086)	(126,952)	2,772	(488,266)
Net assets - beginning of year	<u>2,040,153</u>	<u>396,978</u>	<u>11,991</u>	<u>2,449,122</u>
Net assets - end of year	<u>\$ 1,676,067</u>	<u>\$ 270,026</u>	<u>\$ 14,763</u>	<u>\$ 1,960,856</u>

See accompanying notes to the financial statements.

HOSPITAL HOSPITALITY HOUSE CORPORATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2013

		Supporting Services		
	<u>Program</u>	<u>Management</u>	<u>Fundraising</u>	<u>Total</u>
	<u>Services</u>	<u>and General</u>	<u>Expenses</u>	<u>Expenses</u>
Bad debt expense	\$ -	\$ -	\$ 18,410	\$ 18,410
Bank fees	2,248	-	750	2,998
Computer hardware and software	-	-	5,881	5,881
Depreciation	35,379	15,162	-	50,541
Equipment contracts	2,021	350	323	2,694
Equipment rent	1,620	281	259	2,160
Food	229	-	-	229
Furnishings	7,545	-	-	7,545
In-kind expenses	67,531	-	-	67,531
Insurance	16,717	5,572	-	22,289
Leased employees (See Note 12)	159,006	93,076	135,736	387,818
Licenses and permits	169	253	-	422
Occupancy	372,519	-	-	372,519
Office supplies	1,517	1,564	1,518	4,599
Other fundraising- mailing	-	-	10,297	10,297
Outreach	9,885	-	1,744	11,629
Postage	474	475	-	949
Professional development	-	792	-	792
Professional fees	5,638	5,638	-	11,276
Repairs and maintenance	24,499	2,722	-	27,221
Special events	-	-	64,775	64,775
Telephone	8,162	1,632	1,088	10,882
Utilities and occupancy	44,468	4,941	-	49,409
	<u>\$ 759,627</u>	<u>\$ 132,458</u>	<u>\$ 240,781</u>	<u>\$ 1,132,866</u>

See accompanying notes to the financial statements.

HOSPITAL HOSPITALITY HOUSE CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2013

Cash Flows From Operating Activities:		
Decrease in net assets		\$ (488,266)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:		
Depreciation	\$ 50,541	
Capital gains reinvested	(1,466)	
Realized gain on investment	(867)	
Unrealized gain on investment	(922)	
Interest received, net of investment fees	(186)	
Changes in:		
Accounts receivable	960	
Pledges receivable	117,510	
Prepaid expenses	4,511	
Assets whose use is limited	123,513	
Accounts payable	(12,837)	
Accrued expenses	(26,776)	
Total adjustments		<u>253,981</u>
Net cash used in operating activities		<u>(234,285)</u>
Cash Flows From Investing Activities:		
Purchase of equipment	<u>(2,193)</u>	
Net cash used in investing activities		<u>(2,193)</u>
Net decrease in cash		(236,478)
Cash - beginning of year		<u>862,873</u>
Cash - end of year		<u><u>\$ 626,395</u></u>

See accompanying notes to the financial statements.

HOSPITAL HOSPITALITY HOUSE CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 1 - Nature of Activities

In these notes, the terms "Organization", "HHH", "we", "us" or "our" mean the Hospital Hospitality House Corporation. Since opening in 1974, we have provided over 425,000 nights of lodging, meals and other supportive services to patients and families, serving guests from all 95 counties in Tennessee, all 50 states in the U.S. and 39 foreign countries. We serve all area hospitals - including Centennial, Children's, Metro General, St. Thomas Midtown (formerly Baptist), St Thomas West, Women's & Children's at Centennial, Vanderbilt and the VA. We were the first House of its kind in the United States and we continue to be a model for hospitality houses opening around the country.

Our mission is to be a home away from home for patients and caregivers seeking medical treatment in Nashville hospitals by providing lodging, meals and other supportive services.

We fulfill this mission through a variety of programs that directly serve our mission and priorities. In 2013, we served 525 families with 12,348 room nights (1,301 guests) through our residential program and 154 families through day services. We served a total 679 families (not including our Waiting Room Adoption program, which reaches approximately 50,000 people annually).

Overview of House Program Services

The Residence

We now serve 35 families each night, providing nearly 12,775 room nights annually. The average length of stay has increased dramatically to 26 nights (22 nights in standard rooms and 66 nights in Walmart House). Our number of families reached per year has dropped due to the increased length of stay.

We provide all meals and snacks, free laundry facilities, internet access, private rooms and baths, and private phone lines with voicemail. Our goal is to eliminate as much stress as possible so that patients and caregivers can remain focused on what is truly important.

The HHH Walmart House

Opened in March 2009 as part of our residential program, the HHH Walmart House offers eight apartments for patients and families with stays of thirty days or longer in Nashville's hospitals.

The HHH Walmart House provides a combined sense of privacy and community and creates an inviting, affordable, and accommodating atmosphere for family and friends to visit, relieving stress and loneliness. This environment also helps families with long-term stays maintain a greater sense of normalcy and day-to-day function. Families in The HHH Walmart House are encouraged and welcomed to use the dining, kitchen, and laundry facilities in our main residence. They are followed and supported by our staff and volunteers just like any of our families.

Day Services

For those caregivers who prefer to remain at the hospital or for the caregivers we unfortunately turn away each day due to lack of space, we offer day services programs. Guests come to shower, do laundry, rest in our lounge, and have a bite to eat. This brief respite from the hospital rejuvenates caregivers while meeting their most basic needs. In 2013, we served 154 families, a 45% increase over 2012, through this program.

HOSPITAL HOSPITALITY HOUSE CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 1 - Nature of Activities (continued)

Overview of House Program Services

Waiting Room Adoption

We adopt over 25 waiting rooms at local hospitals and clinics, including Centennial, Metro General, St Thomas Midtown, St Thomas West, Vanderbilt and the VA, providing baskets stocked with toiletries, snacks, games, magazines and other items waiting friends and families may need. In 2010, we expanded to outlying hospitals, including Southern Hills and Hendersonville Medical Center. We also provide "Overnight Bags," bags packed with toiletries and supplies for those caregivers staying overnight in hospital waiting rooms and "HHH Activity Bags" for children waiting with family members. These bags provide child-friendly snacks and activities such as coloring books, puzzles, etc. In 2013, we reached approximately 50,000 people through this program.

Partner Hotels

We work with fourteen local hotels that provide respite nights for families at an extremely low medical rate once our rooms are filled each night. If a family cannot afford the lowered rate, we will cover the cost to let the family rest.

NOTE 2 - Summary of Significant Accounting Policies

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, our net assets and changes therein are classified and reported as follows:

Unrestricted Net Assets

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

Temporarily Restricted Net Assets

Temporarily restricted net assets are net assets subject to donor-imposed stipulations that may or will be met, by our actions 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

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

Cash Equivalents

For purposes of the Statement of Cash Flows, we consider cash equivalents to be items that have an original maturity date of ninety days or less from the date of issuance or are liquid investments such as money market funds. At December 31, 2013, we had \$40,836 in money market funds, which is included in cash. As of December 31, 2013, we had no cash equivalents.

HOSPITAL HOSPITALITY HOUSE CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 2 - Summary of Significant Accounting Policies (continued)

Contributions Receivable

Contributions are recognized when the donor makes a promise to give 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. We use the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and our analysis of specific promises made.

Investments

We use a framework for measuring fair value and disclosing fair values. We define fair value at the price which would be received to sell an asset in an orderly transaction between market participants at the measurement date. We use this framework for all assets and liabilities measured and reported on a fair value basis and enable the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. The statement requires each asset and liability carried at fair value be classified into one of the following categories:

Level 1 - Quoted market prices in active markets for identical assets or liabilities

Level 2 - Observable market based inputs or unobservable inputs corroborated by market data

Level 3 - Unobservable inputs that are not corroborated by market data

All of our investments are based on level 1 inputs at the active market price as of December 31, 2013.

Property and Equipment

Property and equipment are recorded at cost, or, if donated, at the estimated fair market value at the date of donation. Our capitalization policy is to capitalize any expenditure 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.

Revenue

We receive contributions from foundations, congregations, corporations, hospitals, grantors and individuals. We recognize this revenue as it is received or promised to us in accordance with generally accepted accounting principles for non-profit organizations. We also receive revenues from guests who stay in our residence and partner hotels. Fees are based on the family's ability to pay. Often there is no charge.

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.

Advertising

Advertising is expensed as incurred.

HOSPITAL HOSPITALITY HOUSE CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 2 - Summary of Significant Accounting Policies (continued)

Income Taxes

We are a tax-exempt organization under Section 501(c) (3) of the Internal Revenue Code, and are classified as an organization that is not a private foundation as defined in Section 509(a) of the Internal Revenue Code. Therefore, no provision for federal income taxes is included in the accompanying financial statements. We do not believe there are any uncertain tax positions. Further, we do not believe that we have any unrelated business income, which would be subject to federal taxes. We are not subject to examination by U.S. federal or state taxing authorities for years before 2010.

Use of Estimates

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

Fair Values of Financial Instruments

The carrying values of current assets and current liabilities approximate fair values due to short maturities of these instruments. The carrying value of long-term contributions receivable approximates fair value within an insignificant amount.

NOTE 3 - Contribution Receivable

Contributions receivable consisted of the following at December 31, 2013:

Due in less than one year	\$ 71,858
Due in one to five years	<u>50,000</u>
	121,858
Less: allowance for doubtful accounts	<u>(4,000)</u>
Net contribution receivable	117,858
Less: restricted contribution receivable	<u>(75,000)</u>
	<u><u>42,858</u></u>

NOTE 4 - Investments

At December 31, 2013, we held the following investment, listed at fair market value as of that date:

Marketable equity securities	<u>\$ 24,175</u>
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The marketable securities we held consisted of various publicly traded stocks and various real estate investment trusts. Investment income includes interest, dividends, changes in fair market value and realized gains and losses.

HOSPITAL HOSPITALITY HOUSE CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 5 - Property and Equipment

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

Furniture, fixtures and equipment	\$ 93,944
Land	137,400
Buildings and improvements	<u>1,307,460</u>
	1,538,804
Less: accumulated depreciation	<u>(523,503)</u>
	<u>\$ 1,015,301</u>

NOTE 6 - Temporarily Restricted Net Assets

Temporarily restricted net assets consisted of the following at December 31, 2013:

Capital Campaign	\$ 194,383
Ayers Foundation	75,000
Christmas fund	<u>643</u>
	<u>\$ 270,026</u>

NOTE 7 - Permanently Restricted Net Assets

Permanently restricted net assets consisted of the following at December 31, 2013:

Endowment (See Note 9)	<u>\$ 14,763</u>
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NOTE 8 - Leases

We lease apartments at the Walmart house and various office equipment under lease arrangements classified as operating leases. Our lease for the Walmart house expires in December 2014. Our lease for the office equipment expires in August 2016. We also rent seventeen rooms at a local extended stay hotel, on a week to week basis, as a part of our regular residential program. We rent other rooms as needed at local partner hotels. We are not committed to a lease with any of the local hotels.

Total rent expense under these leases was \$374,679 during the year ended December 31, 2013.

A schedule of future minimum lease payments required under all noncancelable operating leases as of December 31, 2013, follows:

For the year ending <u>December 31,</u>	
2014	\$ 101,040
2015	2,160
2016	<u>1,260</u>
Total	<u>\$ 104,460</u>

HOSPITAL HOSPITALITY HOUSE CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 9 - Endowment

At December 31, 2013, the Nashville Area Community Foundation, Inc., (the Foundation) a non-profit organization, is in control of an endowment fund for us. The endowment has been recorded as permanently restricted. The Foundation has ultimate authority and control over all property of the fund and the income derived there from. The endowment is considered a reciprocal transfer and is therefore recorded as an asset on our Statement of Financial Position.

The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) as requiring the preservation of the fair value of the original gifts as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

Since the Foundation has control over the fund and the earnings, we have not established an investment policy for the fund nor have we established policies for expenditures from the fund. We are not aware of any deficiencies in the fair value of assets in the fund as compared to the required amounts by the donors. We recognize contribution income when the Foundation makes a distribution to us. We recognize investment earnings and fees in the Statement of Activities, as they are reported to us by the Foundation.

Beginning balance		\$	11,991
Interest income	\$	339	
Realized gain		867	
Unrealized gain		1,720	
Administrative fees		(80)	
Investment fees		(74)	
			<u>2,772</u>
Ending Balance		\$	<u>14,763</u>

NOTE 10 - Donated Services and Materials

We receive contributions of household items, which we consume in the course of fulfilling our mission. We record these contributions as in-kind revenue and expenses in accordance with the criteria of generally accepted accounting principles. During the year we recorded \$67,531 of in-kind revenue as follows: \$27,049 in donated food and household items, \$4,478 in donated linen services, \$12,004 in donated repair and maintenance work, and \$24,000 in legal services.

NOTE 11 - Concentrations of Credit Risk

At December 31, 2013, we owed 99% of all outstanding accounts payable to one vendor and two donors pledged 82% of all outstanding contribution receivables.

NOTE 12 - Leased Employees

We lease all employees from Vanderbilt University, which provides all payroll related benefits and services. Total employee lease expense for the year ended December 31, 2013, was \$387,818.

NOTE 13 - Subsequent Events

We have evaluated events subsequent to the year ending December 31, 2013. As of March 7, 2014, the date that the financial statements were available to be issued, no events subsequent to the balance sheet date are considered necessary to be included in the financial statements for the period ended December 31, 2013.

HOSPITAL HOSPITALITY HOUSE CORPORATION
SUPPLEMENTAL SCHEDULE OF CONTRIBUTIONS
FOR THE YEAR ENDED DECEMBER 31, 2013

Unrestricted:

Individuals	\$ 31,744
Congregations	16,610
Corporations	4,740
Clubs and organizations	1,916
Foundations	95,568
Hospitals	10,000
Other	<u>522</u>

Total unrestricted \$ 161,100

Temporarily restricted:

Christmas fund	1,225
Property and equipment	<u>2,360</u>

Total temporarily restricted 3,585

Total contributions \$ 164,685

HOSPITAL HOSPITALITY HOUSE CORPORATION
SUPPLEMENTAL SCHEDULE OF SPECIAL EVENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Revenue</u>	<u>Expenses</u>	<u>Net</u>
Patrons' Luncheon	\$ 225,492	\$ 29,609	\$ 195,883
Rock the House	59,419	16,526	42,893
Golf Tournament	44,835	18,640	26,195
	<hr/>	<hr/>	<hr/>
Total	<u>\$ 329,746</u>	<u>\$ 64,775</u>	<u>\$ 264,971</u>