2017

Financial Statements

HOSPITAL HOSPITALITY HOUSE CORPORATION

FINANCIAL STATEMENTS

WITH SUPPLEMENTARY INFORMATION

DECEMBER 31, 2017

(With Independent Auditor's Report Thereon)

HOSPITAL HOSPITALITY HOUSE CORPORATION
FINANCIAL STATEMENTS
DECEMBER 31, 2017

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PATTERSON, HARDEE & BALLENTINE, P.C.
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of 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, 2017, 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 from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hospital Hospitality House Corporation as of December 31, 2017, 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.

1889 General George Patton Drive, Suite 200 Franklin, TN 37067 phone: 615-750-5537 fax: 615-750-5543

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of contributions and special events on pages 15 and 16 are presented for purposes of additional analysis and are 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 Hardee & Ballentine

March 23, 2018

HOSPITAL HOSPITALITY HOUSE CORPORATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017

ASSETS

Current Assets:		
Cash and cash equivalents	$ 606,457	
Investments	30,971	
Accounts receivable	3,059	
Contributions receivable, net	9,998	
Prepaid expenses	31,631	
Total current assets		$ 682,116
Property and Equipment, net		827,332
Assets Whose Use is Limited:		
Cash	3,455,076	
Restricted pledges, net	426,314	
Endowment	18,009	
Total assets whose use is limited		3,899,399
Total Assets		$ 5,408,847

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts payable	$ 8,910	
Accrued expenses	84,822	
Total current liabilities		$ 93,732
Net Assets:		
Unrestricted		1,415,716
Temporarily restricted	3,881,390	
Permanently restricted	18,009	
Restricted net assets		3,899,399
Total net assets		5,315,115
Total Liabilities and Net Assets		$ 5,408,847

See accompanying notes to the financial statements.

HOSPITAL HOSPITALITY HOUSE CORPORATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENED DECEMBER 31, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public Support and Revenue:				
Contributions	$ 274,943	$ 10,050	$ -	$ 284,993
Special events	401,306	-	-	401,306
New Facility	-	1,626,314	-	1,626,314
Total public support	676,249	1,636,364	-	2,312,613
Revenue:				
Guest services provided	167,191	-	-	167,191
Less: services provided at no charge	(26,614)	-	-	(26,614)
Guest services provided, net	140,577	-	-	140,577
Interest and investment income, net	15,708	-	2,178	17,886
In-kind revenue	60,909	-	-	60,909
Net assets released from restriction	-	-	-	-
Total revenue	217,194	-	2,178	219,372
Total support and revenue	893,443	1,636,364	2,178	2,531,985
Expenses:				
Program services	527,094	-	-	527,094
Management and general	126,039	-	-	126,039
Fundraising expenses	262,343	-	-	262,343
Total expenses	915,476	-	-	915,476
Increase (decrease) in net assets	(22,033)	1,636,364	2,178	1,616,509
Net assets - beginning of year	1,437,749	2,245,026	15,831	3,698,606
Net assets - end of year	$1,415,716	$3,881,390	$ 18,009	$5,315,115

See accompanying notes to the financial statements.

HOSPITAL HOSPITALITY HOUSE CORPORATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

		Supporting Services		
	Program Services	Management and General	Fundraising Expenses	Total Expenses
Apartment expenses	$ 135,340	$ -	$ -	$ 135,340
Apartment expenses - upgrades	40,000	-	-	40,000
Bank fees	6,590	-	2,197	8,787
Capital campaign - marketing	-	-	49,551	49,551
Computer hardware and software	-	-	4,079	4,079
Depreciation	32,842	14,075	-	46,917
Equipment contracts*	4,515	783	722	6,020
Food*	3,157	-	-	3,157
In-kind expenses	60,909	-	-	60,909
Insurance	8,866	2,955	-	11,821
Leased employees (See Note 13)	144,420	84,538	123,285	352,243
Licenses and permits	244	367	-	611
Office supplies*	4,116	4,241	4,116	12,473
Outreach	17,768	-	3,135	20,903
Printing	13	14	-	27
Professional development	-	879	-	879
Professional fees*	11,017	11,017	-	22,034
Repairs and maintenance*	19,845	2,205	-	22,050
Special events	-	-	74,054	74,054
Telephone	9,033	1,807	1,204	12,044
Utilities and occupancy*	28,419	3,158	-	31,577
	$ 527,094	$ 126,039	$ 262,343	$ 915,476

*These natural classes include expenses incurred during the transition and stay at our temporary location totalling $21,162.

HOSPITAL HOSPITALITY HOUSE CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017

Cash Flows From Operating Activities:		
Increase in net assets		$ 1,616,509
Adjustments to reconcile increase in net assets to net cash used in operating activities:		
Depreciation	$ 46,917	
Investment loss, net	(2,599)	
Changes in:		
Accounts receivable	(2,129)	
Contributions receivable	(4,720)	
Prepaid expenses	(12,215)	
Assets whose use is limited	(1,636,364)	
Accounts payable	3,814	
Accrued expenses	38,182	
Deferred revenue	(50,000)	
Total adjustments		(1,619,114)
Net cash used in operating activities		(2,605)
Cash Flows From Investing Activities:		
Purchase of investments	(3,659)	
Net cash used in investing activities		(3,659)
Net decrease in cash		(6,264)
Cash and cash equivalents - beginning of year		612,721
Cash and cash equivalents - end of year		$ 606,457

See accompanying notes to the financial statements.

HOSPITAL HOSPITALITY HOUSE CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

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.

Overview of House Program Services

The Residence and HHH Apartments

We currently serve 18 families each night—ten rooms in the primary residence, and eight 1-2 bedroom apartments in the adjacent building, collectively providing 6,570 room nights annually. The apartments are offered to patients and families with stays of thirty days or longer in Nashville; these more secluded spaces are especially critical for those patients facing compromised immune systems. We provide meals and snacks, free laundry facilities, internet access, private rooms and baths. We offer evening activities: game nights and ice cream socials. The sense of community support fostered is an intentional but organic offering in the residence as guests and volunteers interact.

Families eligible to stay with us all live at least 50 miles outside Nashville (with the exception of some of the families of NICU patients). But unlike the criteria and stay limits imposed by some other medical lodging facilities, guests at HHH are patients and caregivers of all ages and ailments, and are welcome to stay for as long as the patient is receiving active care at a Nashville area hospital. In 2017, we served 278 families through this program, with 93 families staying a minimum of 20 nights and 29 families staying 50 nights or more.

Day Services

For those caregivers who prefer to remain at the hospital or for the caregivers we unfortunately must 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 2017, we logged 241 check-ins for our day services program—up 45% over prior year, showing what we know to be growing need for these services in our city.

Partner Hotels

We work with a few local hotels that provide respite nights for families at a medical rate once our rooms are filled each night.

Waiting Room Adoption

HHH adopts 20 waiting rooms at local hospitals and clinics, including those in neighboring counties, providing baskets stocked with toiletries, snacks, and other items waiting friends and families—adults and children—may need.

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 - Net assets not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations, which may or will be met, either by our actions and/or by the passage of time. Restrictions fulfilled in the same accounting period in which the contributions are received are reported in the Statement of Activities as unrestricted.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations which require the assets to be permanently maintained. 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.

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 and often there is no charge.

Cash and 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, 2017, we had $42,564 in money market funds, which is included in cash and cash equivalent on the statement of financial position.

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. In accordance with accounting standards, the pledge must be accompanied by verifiable documentation in order to be recognized. 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.

NOTE 2 - Summary of Significant Accounting Policies (continued)

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, 2017.

Prepaid expenses

Prepaid expenses consist of insurance premiums paid by us in advance.

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.

Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate the related carrying amount may not be recoverable. At December 31, 2017, no assets were considered to be impaired.

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.

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.

NOTE 2 - Summary of Significant Accounting Policies (continued)

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, current liabilities and restricted cash 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 - Contributions Receivable, net

Contributions receivable consisted of the following at December 31, 2017:

Due in less than one year	$	113,998
Due in one or more years		400,000
		513,998
Less: discount to net present value		(73,686)
Less: allowance for doubtful accounts		(4,000)
Net contribution receivable	$	436,312

Contributions receivable as shown on the financial statements are as follows at December 31:

Contributions receivable, net	$	9,998
Restricted pledges, net		426,314
Net contributions receivable	$	436,312

Gross restricted pledges receivable of $500,000 for the new building made in 2017 has been discounted for the time value of money using a discount rate of 3.24%. The rate was determined using the prevailing market rate at the time the pledge was made. The net restricted pledges for the new building at December 31, 2017, was $426,314.

NOTE 4 - Investments

At December 31, 2017, we held the following investment, listed at fair market value as of that date:

Marketable equity securities	$	30,971

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.

NOTE 4 – Investments (continued)

Unrestricted investment income consisted of the following for the year ended December 31, 2017:

Interest and dividend income	$	13,393
Unrealized/realized gain		2,365
Investment fees		(50)
Interest and investment income, net	$	15,708

NOTE 5 - Property and Equipment

Property and equipment consisted of the following at December 31, 2017:

Computers	$	2,988
Furniture, fixtures and equipment		93,944
Land		137,400
Buildings and improvements		1,309,640
		1,543,972
Less: accumulated depreciation		(716,640)
	$	827,332

NOTE 6 - Accrued Expenses

Accrued expenses consisted of the following at December 31, 2017:

Accrued payroll	$	58,777
Accrued vacation		23,298
Other accrued expenses		2,747
	$	84,822

NOTE 7 - Temporarily Restricted Net Assets

Temporarily restricted net assets consisted of the following at December 31, 2017:

Capital Campaign	$	194,383
New Facility		3,686,364
Christmas fund		643
	$	3,881,390

NOTE 8 - Permanently Restricted Net Assets

Permanently restricted net assets consisted of the following at December 31, 2017:

Endowment (See Note 10)	$	18,009

NOTE 9 - Leases

We lease apartments at the HHH apartments and various office equipment under lease arrangements classified as operating leases. We renewed our lease for the HHH apartments through December 2018. Our lease for the office equipment expires in February 2021.

Total rent expense under these leases was $101,553, during the year ended December 31, 2017, which is included in the apartment expenses and equipment contracts expense accounts on the statement of functional expenses.

A schedule of future minimum lease payments required under all noncancelable operating leases as of December 31, 2017, follows:

For the year ending December 31,		
2018	$	135,620
2019		1,740
2020		1,740
2021		290
Total	$	139,390

NOTE 10 - Endowment

At December 31, 2017, 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.

The following is the balance and activity reported in our financial statements for the year ended December 31, 2017:

Beginning balance			$	15,831
Interest income	$	261		
Realized gain		855		
Unrealized gain		1,171		
Administrative fees		(67)		
Investment fees		(42)		
				2,178
Ending Balance			$	18,009

NOTE 11 - 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 $60,909 of in-kind revenue as follows: $23,761 in donated food and household items, $3,789 in donated linen services, and $33,359 in donated repair and maintenance work.

NOTE 12 - Concentrations of Credit Risk

At December 31, 2017, we owed 66% of all outstanding accounts payable to two vendors and 1 donor pledged 97% of all outstanding contribution receivables.

We maintain our cash in bank accounts which, at times, may exceed federally insured limits. We have not experienced any losses in such accounts and do not believe that we are exposed to any significant credit risk in our cash.

As of December 31, 2017, one foundation has provided 81% of total restricted funds for the construction of the new facility. The foundation meets the definition of a related party. See Note 7 and Note 15.

NOTE 13 - 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, 2017, was $352,243.

NOTE 14 - New Pronouncements

In May 2014, FASB issued Accounting Standards Update 2014-09, *Revenue from Contracts with Customers (Topic 606).* The Update provides guidance about recording contract revenue on an organization's statement of activities. The amendments in this Update are effective for annual periods beginning after December 15, 2018, and for annual periods and interim periods thereafter with early adoption permitted for annual periods beginning after December 15, 2016. We are currently evaluating the impact of adopting this statement.

In February 2016, FASB issued Accounting Standards Update 2016-02, *Leases (Topic 842).* The Update provides guidance about recording lease transactions on an organization's statements of financial position and activities. The amendments in this Update are effective for annual periods beginning after December 15, 2019, and for annual periods and interim periods thereafter with early adoption permitted. We are currently evaluating the impact of adopting this statement.

In August 2016, FASB issued Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities.* The Update provides guidance about the presentation of financial statements for non-profit organizations. The amendments in this Update are effective for annual periods beginning after December 15, 2017, and for annual periods and interim periods thereafter with early adoption permitted. We are currently evaluating the impact of adopting this statement.

In August 2016, FASB amended the Statement of Cash Flows topic of the Accounting Standards Codification to clarify how certain cash receipts and cash payments are presented and classified in the Statement of Cash Flows. The amendments will be effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Early adoption is permitted. We are currently evaluating the impact of adopting this statement.

NOTE 14 - New Pronouncements (continued)

In November 2016, FASB amended the Statement of Cash Flows topic of the Accounting Standards Codification to clarify how restricted cash is presented and classified in the statement of cash flows. The amendments will be effective for the organization for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019, with early adoption permitted. We are currently evaluating the impact of adopting this guidance on the financial statements.

NOTE 15 - Subsequent Events

We have evaluated events subsequent to the year ending December 31, 2017. As of March 23, 2018, the date that the financial statements were available to be issued, other than the following matter, no events subsequent to the balance sheet date are considered necessary to be included in the financial statements for the period ended December 31, 2017.

As of March 13, 2018, we anticipate the construction of the new facility to begin in April 2018. The project will last approximately 12 months.

HOSPITAL HOSPITALITY HOUSE CORPORATION
SUPPLEMENTAL SCHEDULE OF CONTRIBUTIONS
FOR THE YEAR ENDED DECEMBER 31, 2017

Unrestricted:		
Individuals	$ 35,872	
Congregations	1,150	
Clubs and organizations	7,496	
Foundations	230,425	
Total unrestricted		$ 274,943
Temporarily restricted:		
Foundations		10,050
Total contributions		$ 284,993

See independent auditor's report for report on supplementary information

HOSPITAL HOSPITALITY HOUSE CORPORATION
SUPPLEMENTAL SCHEDULE OF SPECIAL EVENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Revenue	Expenses	Net
Patrons' Luncheon	$ 250,686	$ 21,367	$ 229,319
Rock the House	101,066	31,540	69,526
Golf Tournament	46,630	11,964	34,666
Big Payback	581	-	581
Total	$ 398,963	$ 64,871	$ 334,092

NOTE: This schedule consists of four main special events. Miscellaneous fundraising and other general fundraising expenses are not included in this schedule. In-kind donations are not included.