2016

Financial Statements With Auditor's Letters

1889 General George Patton Drive Suite 200 · Franklin, TN 37067 · Phone 615-750-5537· Fax 615-750-5543 · www.phbcpas.com

HOSPITAL HOSPITALITY HOUSE CORPORATION

FINANCIAL STATEMENTS

DECEMBER 31, 2016

(With Independent Auditor's Report Thereon)

HOSPITAL HOSPITALITY HOUSE CORPORATION
FINANCIAL STATEMENTS
DECEMBER 31, 2016

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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, 2016, 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, 2016, 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.

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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 14 and 15 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 20, 2017

HOSPITAL HOSPITALITY HOUSE CORPORATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016

ASSETS

Current Assets:		
Cash and cash equivalents	$ 612,721	
Investments	26,891	
Accounts receivable	930	
Contributions receivable	5,278	
Prepaid expenses	19,416	
Total current assets		$ 665,236
Property and Equipment, net		874,249
Assets Whose Use is Limited:		
Cash	2,245,026	
Endowment	15,831	
Total assets whose use is limited		2,260,857
Total Assets		$ 3,800,342

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts payable	$ 5,096	
Accrued expenses	46,640	
Deferred revenue	50,000	
Total current liabilities		$ 101,736
Net Assets:		
Unrestricted		1,437,749
Temporarily restricted	2,245,026	
Permanently restricted	15,831	
Restricted net assets		2,260,857
Total net assets		3,698,606
Total Liabilities and Net Assets		$ 3,800,342

See accompanying notes to the financial statements.

HOSPITAL HOSPITALITY HOUSE CORPORATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENED DECEMBER 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public Support and Revenue:				
Contributions	$ 184,618	$1,000,000	$ -	$1,184,618
Special events	379,901	-	-	379,901
Total public support	564,519	1,000,000	-	1,564,519
Revenue:				
Guest services provided	162,075	-	-	162,075
Less: services provided at no charge	(24,772)	-	-	(24,772)
Guest services provided, net	137,303	-	-	137,303
Interest and investment income, net	8,172	-	884	9,056
In-kind revenue	52,397	-	-	52,397
Net assets released from restriction	21,000	(21,000)	-	-
Total revenue	218,872	(21,000)	884	198,756
Total support and revenue	783,391	979,000	884	1,763,275
Expenses:				
Program services	418,594	-	-	418,594
Management and general	132,769	-	-	132,769
Fundraising expenses	204,840	-	-	204,840
Total expenses	756,203	-	-	756,203
Increase in net assets	27,188	979,000	884	1,007,072
Net assets - beginning of year	1,410,561	1,266,026	14,947	2,691,534
Net assets - end of year	$1,437,749	$2,245,026	$ 15,831	$3,698,606

See accompanying notes to the financial statements.

HOSPITAL HOSPITALITY HOUSE CORPORATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016

		Supporting Services		
	Program Services	Management and General	Fundraising Expenses	Total Expenses
Apartment expenses	$ 102,587	$ 17,782	$ 16,414	$ 136,783
Bad debt expense	-	-	150	150
Bank fees	7,254	-	2,418	9,672
Computer hardware and software	-	-	3,470	3,470
Depreciation	33,172	14,216	-	47,388
Equipment contracts	2,657	460	425	3,542
Food	2,024	-	-	2,024
In-kind expenses	52,397	-	-	52,397
Insurance	9,586	3,195	-	12,781
Leased employees (See Note 14)	132,649	77,648	113,237	323,534
Licenses and permits	524	787	-	1,311
Office supplies	2,332	2,402	2,331	7,065
Outreach	13,988	-	2,468	16,456
Professional development	-	775	-	775
Professional fees	9,138	9,139	-	18,277
Repairs and maintenance	19,298	2,144	-	21,442
Special events	-	-	62,761	62,761
Telephone	8,743	1,749	1,166	11,658
Utilities and occupancy	22,245	2,472	-	24,717
	$ 418,594	$ 132,769	$ 204,840	$ 756,203

See accompanying notes to the financial statements.

HOSPITAL HOSPITALITY HOUSE CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016

Cash Flows From Operating Activities:		
Increase in net assets		$ 1,007,072
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	$ 47,388	
Capital gains reinvested	(529)	
Realized gain on investment	(681)	
Unrealized gain on investment	(1,409)	
Interest received, net of investment fees	(158)	
Changes in:		
Contributions receivable	(1,654)	
Prepaid expenses	(801)	
Assets whose use is limited	(979,000)	
Accounts payable	28,455	
Accrued expenses	(21,089)	
Total adjustments		(929,478)
Net cash provided by operating activities		77,594
Cash Flows From Investing Activities:		
Purchase of equipment	(3,270)	
Net cash used in investing activities		(3,270)
Net increase in cash		74,324
Cash and cash equivalents - beginning of year		538,397
Cash and cash equivalents - end of year		$ 612,721

See accompanying notes to the financial statements.

HOSPITAL HOSPITALITY HOUSE CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

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

We now serve 10 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 HHH apartments). 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 Apartments

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

The HHH apartments provide 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 apartments 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.

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.

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 and other items friends and families may need. In 2010, we expanded to outlying hospitals, including Southern Hills and Hendersonville Medical Center. In 2016, we reached approximately 50,000 people through this program.

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, 2016, we had $42,246 in money market funds, which is included in cash.

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, 2016.

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, 2016, 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.

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.

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 - Contribution Receivable

Contributions receivable consisted of the following at December 31, 2016:

Due in less than one year	$	9,278
Less: Allowance for doubtful accounts		(4,000)
Net contribution receivable	$	5,278

NOTE 4 - Investments

At December 31, 2016, we held the following investment, listed at fair market value as of that date:

Marketable equity securities	$	26,891

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.

Unrestricted investment income consisted of the following for the year ended December 31, 2016:

Interest and dividend income	$	7,050
Unrealized gain		1,172
Investment fees		(50)
Investment income, net	$	8,172

NOTE 5 - Property and Equipment

Property and equipment consisted of the following at December 31, 2016:

Computers	$	2,988
Furniture, fixtures and equipment		93,944
Land		137,400
Buildings and improvements		1,309,640
		1,543,972
Less: accumulated depreciation		(669,723)
	$	874,249

NOTE 6 - Accrued Expenses

Accrued expenses consisted of the following at December 31, 2016:

Accrued payroll	$	25,164
Accrued vacation		21,476
	$	46,640

NOTE 7 - Deferred Revenue

At December 31, 2016, deferred revenue consisted of $50,000 that was received for sponsorships for 2017 special events.

NOTE 8 - Temporarily Restricted Net Assets

Temporarily restricted net assets consisted of the following at December 31, 2016:

Capital Campaign	$	194,383
New Facility		2,000,000
Capital Support,		50,000
Christmas fund		643
	$	2,245,026

NOTE 9 - Permanently Restricted Net Assets

Permanently restricted net assets consisted of the following at December 31, 2016:

Endowment (See Note 11)	$	15,831

NOTE 10 - 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.

NOTE 10 - Leases (continued)

Total rent expense under these leases was $100,620, during the year ended December 31, 2016, which is shown in apartment expenses and equipment contracts on the statement of functional expenses.

A schedule of future minimum lease payments required under all noncancelable operating leases as of December 31, 2016, follows:

For the year ending December 31,		
2017	$	100,620
2018		100,620
2019		1,740
2020		1,740
2021		290
Total	$	205,010

NOTE 11 - Endowment

At December 31, 2016, 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, 2016:

Beginning balance			$	14,946
Contributions	$	100		
Interest income		233		
Realized gain		439		
Unrealized gain		237		
Administrative fees		(60)		
Investment fees		(61)		
Operating expenses		(3)		
				885
Ending Balance			$	15,831

NOTE 12 - 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 $52,397 of in-kind revenue as follows: $17,747 in donated food and household items, $3,012 in donated linen services, and $31,638 in donated repair and maintenance work.

NOTE 13 - Concentrations of Credit Risk

At various time throughout the year, we had cash balances with financial institutions which exceeded the maximum amount insured by the FDIC.

At December 31, 2016, we owed 77% of all outstanding accounts payable to two vendors and five donors pledged 58% 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.

NOTE 14 - 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, 2016, was $323,534.

NOTE 15 - Subsequent Events

We have evaluated events subsequent to the year ending December 31, 2016. As of March 20, 2017, 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, 2016.

Early in 2017 we were pledged $500,000 from a donor, to be received 1/5th evenly over five years.

HOSPITAL HOSPITALITY HOUSE CORPORATION
SUPPLEMENTAL SCHEDULE OF CONTRIBUTIONS
FOR THE YEAR ENDED DECEMBER 31, 2016

Unrestricted:		
Individuals	$ 46,837	
Congregations	14,841	
Clubs and organizations	4,940	
Foundations	118,000	
Total unrestricted		$ 184,618
Temporarily restricted:		
Foundations		1,000,000
Total contributions		$ 1,184,618

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, 2016

	Revenue	Expenses	Net
Patrons' Luncheon	$ 251,738	$ 24,208	$ 227,530
Rock the House	80,100	24,535	55,565
Golf Tournament	48,063	14,018	34,045
Total	$ 379,901	$ 62,761	$ 317,140

See independent auditor's report for report on supplementary information

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

March 20, 2017

To the Board of Directors
Hospital Hospitality House Corporation

We have audited the financial statements of Hospital Hospitality House Corporation for the year ended December 31, 2016, and have issued our report thereon dated March 20, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated December 13, 2016. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Hospital Hospitality House Corporation are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2016. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. At December 31, 2016, no estimates were considered particularly sensitive.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements was:

> The disclosure of in Note 2 to the financial statements explaining the basis of allocation of functional expenses into their appropriate functional categories.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatements detected as a result of audit procedures were corrected by management: in-kind revenues and expenses.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

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Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 20, 2017.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Directors and management of Hospital Hospitality House Corporation and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Patterson Hardee & Ballentine