

HOSPITAL HOSPITALITY HOUSE CORPORATION

FINANCIAL STATEMENTS

DECEMBER 31, 2008

(With Independent Auditor's Report Thereon)

HOSPITAL HOSPITALITY HOUSE CORPORATION
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Charles Akersloot, III
Lisa L. Patterson
Sarah C. Hardee

INDEPENDENT AUDITOR'S REPORT

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, 2008, 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, 2008, 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.

APHA, CPAs P.L.C.

January 20, 2009

HOSPITAL HOSPITALITY HOUSE CORPORATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2008

ASSETS

Current Assets:

Cash	\$ 151,306	
Investments	914,197	
Accounts receivable	1,240	
Contributions receivable, net of allowance for doubtful accounts of \$4,000	75,890	
Prepaid insurance	<u>8,122</u>	
Total current assets		\$ 1,150,755

Assets Whose Use is Limited:

Cash	397,533	
Endowment	<u>8,427</u>	
		405,960

Property and Equipment, net		<u>1,248,996</u>
		<u>\$ 2,805,711</u>

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable	\$ 30,916	
Accrued expenses	<u>1,710</u>	
Total current liabilities		\$ 32,626

Net Assets:

Unrestricted		2,367,125
Temporarily restricted	397,533	
Permanently restricted	<u>8,427</u>	
Restricted net assets		<u>405,960</u>
Total net assets		<u>2,773,085</u>
		<u>\$ 2,805,711</u>

See accompanying notes to financial statements.

HOSPITAL HOSPITALITY HOUSE CORPORATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public Support and Revenues:				
Contributions	\$ 197,910	\$ 204,300	\$ -	\$ 402,210
Special events	575,042	-	-	575,042
Total public support	<u>772,952</u>	<u>204,300</u>	<u>-</u>	<u>977,252</u>
Revenues				
Guest fees	124,300	-	-	124,300
Interest and investment income	20,144	-	(3,853)	16,291
In-kind revenue	40,951	-	-	40,951
Net assets released from restrictions	11,627	(11,627)	-	-
Total revenues	<u>197,022</u>	<u>(11,627)</u>	<u>(3,853)</u>	<u>181,542</u>
Total support and revenues	<u>969,974</u>	<u>192,673</u>	<u>(3,853)</u>	<u>1,158,794</u>
Expenses:				
Program services:				
House	<u>590,972</u>	<u>-</u>	<u>-</u>	<u>590,972</u>
Total program services	<u>590,972</u>	<u>-</u>	<u>-</u>	<u>590,972</u>
Supporting services:				
Management and general	100,111	-	-	100,111
Fundraising	<u>132,774</u>	<u>-</u>	<u>-</u>	<u>132,774</u>
Total supporting services	<u>232,885</u>	<u>-</u>	<u>-</u>	<u>232,885</u>
Total expenses	<u>823,857</u>	<u>-</u>	<u>-</u>	<u>823,857</u>
Increase (decrease) in net assets	146,117	192,673	(3,853)	334,937
Net assets, December 31, 2007	<u>2,221,008</u>	<u>204,860</u>	<u>12,280</u>	<u>2,438,148</u>
Net assets, December 31, 2008	<u>\$ 2,367,125</u>	<u>\$ 397,533</u>	<u>\$ 8,427</u>	<u>\$ 2,773,085</u>

See accompanying notes to the financial statements.

HOSPITAL HOSPITALITY HOUSE CORPORATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2008

	Program Services	Supporting Services		Total
	<u>House</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Expenses</u>
Bad debt expense	\$ -	\$ -	\$ 7,450	\$ 7,450
Bank fees	1,701	-	1,862	3,563
Computer hardware and software	-	164	3,734	3,898
Depreciation	40,851	17,507	-	58,358
Equipment contracts	721	4,354	-	5,075
Food	419	80	-	499
In-kind expenses	40,951	-	-	40,951
Insurance	10,148	4,349	-	14,497
Leased employees	191,261	40,985	40,985	273,231
Licenses and permits	-	395	-	395
Miscellaneous	160	-	-	160
No charge rooms	48,802	-	-	48,802
Occupancy	165,628	-	-	165,628
Office supplies	2,356	2,287	2,287	6,930
Outreach	29,168	-	-	29,168
Postage	3,069	3,069	-	6,138
Professional development	-	2,574	-	2,574
Professional fees	1,925	14,599	-	16,524
Program supplies	9,055	-	-	9,055
Repairs and maintenance	13,101	1,835	-	14,936
Special events	-	-	76,456	76,456
Telephone	8,871	2,218	-	11,089
Utilities	22,785	5,695	-	28,480
	<u>\$ 590,972</u>	<u>\$ 100,111</u>	<u>\$ 132,774</u>	<u>\$ 823,857</u>

See accompanying notes to financial statements.

HOSPITAL HOSPITALITY HOUSE CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2008

Cash Flows From Operating Activities:

Increase in net assets \$ 334,937

Adjustments to reconcile increase in net assets

to net cash provided by operating activities:

Depreciation	\$ 58,358	
Reinvested dividends and interest, net	3,853	
Unrealized losses on investments	4,266	
Changes in:		
Accounts receivable	3,074	
Contributions receivable	68,160	
Prepaid insurance	(487)	
Restricted cash	(192,673)	
Accounts payable	(9,250)	
Accrued expenses	<u>1,490</u>	
Total adjustments		<u>(63,209)</u>
Net cash provided by operating activities		271,728

Cash Flows From Investing Activities:

Proceeds from sale of certificates of deposit	400,000	
Purchase of investments	(2,137)	
Purchase of certificates of deposit	(1,108,280)	
Purchase of equipment	<u>(14,228)</u>	
Net cash used in investing activities		<u>(724,645)</u>

Net decrease in cash (452,917)

Cash - beginning of year 604,223

Cash - end of year \$ 151,306

HOSPITAL HOSPITALITY HOUSE CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 1 - Summary of Significant Accounting Policies

Nature of Activities

The Hospital Hospitality House Corporation is a nonprofit organization, which was organized on May 14, 1974, to provide temporary housing for families and patients who face a medical crisis. The Organization has provided over 300,000 nights of lodging to patients and families since opening its doors in 1974. To date, the Organization has served guests from every county in Tennessee, every state in the United States and 38 foreign countries. The Organization serves all area hospitals including Baptist, Centennial, Metro General, St. Thomas, Vanderbilt, and the Veterans Hospital.

Overview of House Program Services - The Residence

Patients and caregivers who stay in the residence with the Organization find private rooms and bathrooms, phones with voicemail, internet access, and laundry facilities. Guests enjoy three meals a day in the communal kitchen and dining room, often provided by a volunteer. Guests enjoy spending time in the living room, watching television or movies, reading, playing computer games or just talking. Guests also love the courtyard, relaxing in a quiet garden to release the stress of the hospital. Though families may pay up to \$20 for the room, these fees are waived more than half the time based on need. All meals, snacks, laundry services, counseling, internet, and other services are included.

Overview of House Program Services - Day Services

For those caregivers who prefer to remain at the hospital or for the caregivers unfortunately turned away each day due to lack of space, the Organization offers day services programs. Guests come to shower, do laundry, rest in the lounge, and have a meal. In 2007, the Organization added a Weekend Program Coordinator so that it could offer Day Services seven days a week.

Overview of House Program Services - Waiting Room Outreach

The Organization adopts waiting rooms at local hospitals, including Baptist, Centennial, Metro General, Vanderbilt and the Veterans Hospital, providing baskets stocked with toiletries, snacks, games, magazines and other items waiting friends and families may need. In 2007, the program expanded to include the addition of "Overnight Bags," bags packed with toiletries and supplies for those caregivers staying overnight in hospital waiting rooms.

Overview of House Program Services - Community Education Workshops

The Organization offers workshops which are free and open to the public. These are offered bi-monthly on topics such as "Navigating the Medical Maze," "Health Insurance 101," and "Self Care for the Caregiver."

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, 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.

HOSPITAL HOSPITALITY HOUSE CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 1 - Summary of Significant Accounting Policies (continued)

Permanently Restricted Net Assets

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

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, 2008, there were no cash equivalents.

Land, Building, and Equipment

Land, building 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 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.

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

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, 2008.

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.

Fair Values of Financial Instruments

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

HOSPITAL HOSPITALITY HOUSE CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

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

Contributions Receivable

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Unconditional promises to give are recorded when the promises are made. Unconditional promises to give due in the next year are reflected as current contributions receivable to give and are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reflected as long-term contributions receivable and are recorded at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are received to discount the amounts. The Organization uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. At December 31, 2008, unconditional promises to give totaled \$79,890, and the allowance for doubtful accounts was \$4,000. At December 31, 2008, 31% of pledges receivable was from one donor.

NOTE 2 - Investments

At December 31, 2008, the Organization held investments, all listed at their fair market value as of that date, in the following investment vehicles:

Certificates of deposit	\$ 908,280
Marketable securities	<u>5,917</u>
	<u>\$ 914,197</u>

NOTE 3 - Assets Whose Use is Limited

At December 31, 2008, the Organization had assets whose use is restricted as follows:

Endowment	\$ 8,427
First Technology Grant	3,220
Building Fund	100,000
Apartment Project	200,000
Soul Incision CD	53,322
Collaborative Campaign	<u>40,991</u>
	<u>\$ 405,960</u>

NOTE 4 - Property and Equipment

Machinery and equipment	\$ 106,387
Buildings	1,295,162
Land	137,400
Improvements	<u>4,050</u>
	1,542,999
Less: accumulated depreciation	<u>(294,003)</u>
	<u>\$ 1,248,996</u>

HOSPITAL HOSPITALITY HOUSE CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

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 with the criteria of SFAS No. 116. During the year the Organization recorded \$32,611 in donated inventory, \$510 in donated information technology services (17 hours at \$30 per hour), and \$7,830 in donated repair and maintenance work (87 hours at \$90 per hour).

NOTE 6 - Commitments and Contingencies

The Organization leases all employees from Vanderbilt University, which provides all payroll related benefits and services. Total employee lease expense for the year ended December 31, 2008, was \$273,231. This represents a significant concentration for source of labor, but does not signify a potential risk.

NOTE 7 - Leases

The Organization leases office equipment on a month-to-month basis under a lease arrangement classified as an operating lease. Total rent expense under this lease was \$5,075 during the year ended December 31, 2008.

NOTE 8 - Endowment

At December 31, 2008, the Nashville Area Community Foundation, Inc., a non-profit organization, is in control of an endowment fund for the Hospital Hospitality House Corporation. The Foundation has ultimate authority and control over all property of the fund and the income derived therefrom. However, the endowment is considered a reciprocal transfer and is therefore recorded as a receivable on the balance sheet of the Hospital Hospitality House Corporation. The balance of the fund at December 31, 2008 was \$8,427.

NOTE 9 - Concentrations in Accounts Payable

At December 31, 2008, the Organization owed 68% of all outstanding accounts payable to Vanderbilt University for the employees it leases.

NOTE 10 - Concentration in Credit Risk

At December 31, 2008, Hospital Hospitality House Corporation had more cash deposited in financial institutions than is insured by the FDIC.

HOSPITAL HOSPITALITY HOUSE CORPORATION
SUPPLEMENTAL SCHEDULE OF CONTRIBUTIONS
FOR THE YEAR ENDED DECEMBER 31, 2008

Unrestricted:

Individuals	\$	61,619
Congregations		21,922
Corporations		20,961
Clubs and organizations		6,043
Foundations		<u>87,365</u>

Total unrestricted \$ 197,910

Temporarily restricted:

Apartment project	200,000
Technology	3,900
Soul Incision CD	<u>400</u>

Total temporarily restricted 204,300

Total contributions \$ 402,210

HOSPITAL HOSPITALITY HOUSE CORPORATION
SUPPLEMENTAL SCHEDULE OF SPECIAL EVENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Revenue</u>	<u>Expenses</u>	<u>Net</u>
Patrons' Luncheon	\$ 544,522	\$ 59,930	\$ 484,592
Golf Tournament	<u>30,520</u>	<u>16,526</u>	<u>13,994</u>
Total	<u>\$ 575,042</u>	<u>\$ 76,456</u>	<u>\$ 498,586</u>

