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MEMBER  
TENNESSEE ASSOCIATION  
OF ACCOUNTANTS

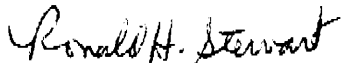
MEMBER  
NATIONAL SOCIETY  
OF ACCOUNTANTS

Board of Directors  
Aphesis House, Inc.  
1124 Fourth Ave. South  
Nashville, TN 37210

I have audited the accompanying statement of financial position - modified cash basis of Aphesis House, Inc. as of December 31, 2008, and the related statements of activities and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the statement of financial position - modified cash basis of Aphesis House, Inc. at December 31, 2008, and the statement of activities and changes in net assets and cash flows for the year then ended, on the basis of accounting described in Note 2.



Ronald H. Stewart  
Certified Public Accountant

April 29, 2009

APHESIS HOUSE, INC.  
 (A Tennessee Corporation)  
 STATEMENT OF FINANCIAL POSITION - MODIFIED CASH BASIS  
 DECEMBER 31, 2008

Assets

Current assets		\$ 7,015
Cash		
Property and equipment, at cost (Notes 2 & 3)		
Vehicles	4,500	
Furniture, fixtures, and equipment	5,425	
Leasehold improvements	<u>4,377</u>	
	14,302	
Less: accumulated depreciation	<u>3,768</u>	<u>10,534</u>
Total assets		<u>\$ 17,549</u>

Liabilities and Net Assets

Current liabilities	18,354
Credit Card Payable	<u>2,954</u>
Payroll taxes payable	\$ 21,308
Total Current Liabilities	
Net assets	<u>(3,759)</u>
Unrestricted	\$ 17,549
Total liabilities and net assets	<u>=====</u>

See notes to financial statements

APHESIS HOUSE, INC.  
(A Tennessee Corporation)  
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2008

Changes in unrestricted net assets:

Revenues, gains, and other support:

Contributions	\$ 38,040
Grants	49,785
Program fees	<u>72,491</u>
Total revenues and gains:	160,316
Operating expenses:	
Bank and finance charges	1,856
Bus fares	1,805
Contract services	28,907
Contributions	3,100
Depreciation (Notes 2 & 3)	1,330
Drug testing	650
Food	508
Fund raising costs	5,125
Insurance	2,941
Maintenance - buildings & equipment	4,508
Occupancy costs	44,881
Office supplies and expenses	3,309
Other operating costs	1,256
Payroll taxes	2,063
Postage	540
Professional services	2,450
Refunds	2,105
Returned checks	700
Taxes and licenses	110
Telephone	5,827
Travel and entertainment	1,076
Vehicle expenses	11,254
Wages and salaries	<u>26,949</u>
Total operating expenses	<u>150,250</u>
Increase in unrestricted net assets	7,066
Net assets at beginning of year	<u>(10,825)</u>
Net assets at end of year	\$ <u>(3,759)</u>

See notes to financial statements

APHESIS HOUSE, INC.  
(A Tennessee Corporation)  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2008

CASH FLOWS FROM OPERATING ACTIVITIES:

Net Profit	\$ 7,066
Adjustments to reconcile net income to net cash used in operating activities:	
Depreciation	<u>1,330</u>
NET CASH USED BY OPERATING ACTIVITIES	8,396

CASH FLOWS FROM INVESTING ACTIVITIES

Acquisitions of permanent assets	(4,500)
Decrease in credit card liability	(699)
Increase in payroll taxes payable	<u>2,954</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>(2,245)</u>
INCREASE IN CASH AND CASH EQUIVALENTS	6,151
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>864</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 7,015
	=====

See notes to financial statements

APHESIS HOUSE, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

Note 1: ORGANIZATION

Aphesis House, Inc. is a nonprofit corporation chartered under the applicable laws of the State of Tennessee November 18, 2002.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared on the modified cash basis of accounting. Accordingly, certain revenues and related assets are recognized when received rather than when earned. In addition, certain expenses are recognized when paid rather than when the obligation is incurred.

The organization's funding consists of contributions, grants and program service fees. The contributions are received from individuals and other organizations. The grant revenue during the current year was received from a Tennessee agency. Program service fees consists of amounts received from individuals being served by the charity.

Estimates - The preparation of financial statements in conformity with the generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for uncollectible accounts and amounts to be received under third party contractual agreements. In connection with the calculation of these allowances, management utilizes the criteria described above.

Fixed assets are recorded at cost. Depreciation is recorded based upon the straight-line method over the estimated useful lives of the assets. Such useful lives are as follows:

Furniture, equipment and leasehold improvement 7 to 39 years

APHESIS HOUSE, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

Note 3:

FIXED ASSETS

During the year ended December 31, 2008, depreciation expense was recorded as follows:

Vehicles	\$ 450
Furniture & fixtures	451
Office equipment	335
Leasehold improvements	<u>94</u>
	\$ 1,330

Note 4:

OPERATING LEASE

On April 10, 2004 a lease was signed for the organization's location in Nashville for one year with an option to renew for four more years ending in April 2009. On March 1, 2006 the organization entered into a three year lease on property in Madison, Tennessee ending February 28, 2009. The following is a schedule of years of future minimum rental payments required under the operating lease:

Year Ended	
<u>December 31</u>	
2009	\$ 15,900

The organization has been granted the use of a van valued at \$30,900 for four years by a governmental agency. The contract commenced October 15, 2008 and will terminate September 30, 2012. The disposition of the van after the contract term shall be determined by the governmental agency in accordance with applicable Federal and State law governing the disposition of property.

Note 5:

TAX STATUS

The organization is chartered as a nonprofit organization with the Tennessee Secretary of State. Effective April 6, 2004 the Internal Revenue Service has determined the organization is exempt from Federal Income Tax under the U.S. Internal Revenue Code Section 501(c)(3).