

APHESIS HOUSE. INC.
NASHVILLE, TENNESSEE
DECEMBER 31, 2006

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MEMBER
TENNESSEE ASSOCIATION
OF ACCOUNTANTS

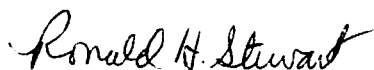
MEMBER
NATIONAL SOCIETY
OF ACCOUNTANTS

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, 2006, 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, 2006, 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

January 13, 2008

APHESIS HOUSE, INC.
(A Tennessee Corporation)
STATEMENT OF FINANCIAL POSITION - MODIFIED CASH BASIS
DECEMBER 31, 2006

Assets

Current assets		
Cash		\$ 5,756
Property and equipment, at cost (Notes 2 & 3)		
Furniture, fixtures, and equipment	5,425	
Leasehold improvements	<u>4,377</u>	
	9,802	
Less: accumulated depreciation	<u>1,322</u>	
		<u>8,480</u>
Total assets		\$ 14,236
		=====

Liabilities and Net Assets

Current liabilities		
Credit Card Payable		<u>13,829</u>
Total Current Liabilities		\$ 13,829
Net assets		
Unrestricted		<u>407</u>
Total liabilities and net assets		\$ 14,236
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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, 2006

Changes in unrestricted net assets:

Revenues, gains, and other support:

Contributions	\$ 12,090
Grant	65,294
Program fees	<u>45,430</u>

Total revenues and gains:	122,814
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Operating expenses:

Bank and finance charges	1,110
Building leases	19,050
Contract services	59,162
Contributions	1,413
Depreciation (Notes 2 & 3)	881
Disposal fees	30
Entertainment	270
Food	1,276
Insurance	3,293
Maintenance - buildings & equipment	4,586
Office supplies and expenses	3,356
Other operating costs	388
Professional services	1,902
Seminars	56
Taxes and licenses	20
Telephone	5,414
Travel	236
Utilities	11,169
Vehicle expenses	<u>15,384</u>
Total operating expenses	<u>128,996</u>

Decrease in unrestricted net assets	(6,182)
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Net assets at beginning of year (Note 5)	<u>6,589</u>
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Net assets at end of year	\$ <u>407</u>
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See notes to financial statements

APHESIS HOUSE, INC.
(A Tennessee Corporation)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2006

CASH FLOWS FROM OPERATING ACTIVITIES:

Net Loss	\$ (6,182)
Adjustments to reconcile net income to net cash used in operating activities:	
Depreciation	<u>881</u>
NET CASH USED BY OPERATING ACTIVITIES	(5,301)

CASH FLOWS FROM INVESTING ACTIVITIES

Acquisitions of permanent assets	(977)
Increase in credit card liability	<u>10,302</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>9,325</u>
INCREASE IN CASH AND CASH EQUIVALENTS	4,024
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,732</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 5,756</u></u>

See notes to financial statements

APHESIS HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

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

Note 3: FIXED ASSETS

During the year ended December 31, 2006, depreciation expense was recorded as follows:

Furniture, equipment and leasehold improvements \$881

APHESIS HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

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:

<u>Year Ended</u> <u>December 31</u>	
2007	\$ 20,200
2008	23,100
2009	<u>15,900</u>
	<u>\$59,200</u>
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Note 5: NET ASSET ADJUSTMENT

The prior year net asset balance has been decreased. There was a balance due on a credit card that was not recorded on the prior year's financial statement.

Note 6: 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).