HOSPITAL HOSPITALITY HOUSE CORPORATION

FINANCIAL STATEMENTS

DECEMBER 31, 2009

(With Independent Auditor's Report Thereon)

HOSPITAL HOSPITALITY HOUSE CORPORATION
FINANCIAL STATEMENTS
DECEMBER 31, 2009

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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, 2009, 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, 2009, 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 12 and 13 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.

As discussed in Note 11, accrued liabilities were understated as of December 31, 2008. Accordingly, a prior period adjustment has been recorded.

APH CPAs

March 9, 2010

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HOSPITAL HOSPITALITY HOUSE CORPORATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2009

ASSETS

Current Assets:		
Cash	$ 237,513	
Certificates of deposit	810,534	
Investments	6,693	
Accounts receivable	1,690	
Contributions receivable, net of allowance for doubtful accounts of $4,000	127,600	
Prepaid insurance	20,914	
Total current assets		$ 1,204,944
Property and Equipment, net		1,198,578
Assets Whose Use is Limited:		
Cash	329,135	
Endowment	10,448	
		339,583
		$ 2,743,105

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts payable	$ 47,267	
Accrued expenses	18,190	
Total current liabilities		$ 65,457
Net Assets:		
Unrestricted		2,338,065
Temporarily restricted	329,135	
Permanently restricted	10,448	
Restricted net assets		339,583
Total net assets		2,677,648
		$ 2,743,105

See accompanying notes to financial statements.

HOSPITAL HOSPITALITY HOUSE CORPORATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public Support and Revenues:				
Contributions	$ 172,788	$ 100,070	$ -	$ 272,858
Special events	436,915	-	-	436,915
Total public support	609,703	100,070	-	709,773
Revenues				
Guest fees	99,856	-	-	99,856
Interest and investment income	25,989	-	2,081	28,070
In-kind revenue	65,106	-	-	65,106
Net assets released from restrictions	168,528	(168,468)	(60)	-
Total revenues	359,479	(168,468)	2,021	193,032
Total support and revenues	969,182	(68,398)	2,021	902,805
Expenses:				
Program services:				
House	760,165	-	-	760,165
Total program services	760,165	-	-	760,165
Supporting services:				
Management and general	93,852	-	-	93,852
Fundraising	109,797	-	-	109,797
Total supporting services	203,649	-	-	203,649
Total expenses	963,814	-	-	963,814
Increase (decrease) in net assets	5,368	(68,398)	2,021	(61,009)
Net assets, December 31, 2008 as previously stated	2,367,125	397,533	8,427	2,773,085
Prior period adjustment	(34,428)	-	-	(34,428)
Net assets, December 31, 2008 as restated	2,332,697	397,533	8,427	2,738,657
Net assets, December 31, 2009	$ 2,338,065	$ 329,135	$ 10,448	$ 2,677,648

See accompanying notes to the financial statements.

HOSPITAL HOSPITALITY HOUSE CORPORATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2009

	Program Services	Supporting Services		
	House	Management and General	Fundraising	Total Expenses
Bad debt expense	$ -	$ -	$ 6,620	$ 6,620
Bank fees	3,074	-	1,574	4,648
Computer hardware and software	-	-	4,036	4,036
Depreciation	40,890	17,524	-	58,414
Equipment contracts	3,257	2,454	-	5,711
Food	193	-	-	193
In-kind expenses	65,106	-	-	65,106
Insurance	17,578	5,258	-	22,836
Leased employees	195,123	41,812	41,812	278,747
Licenses and permits	-	370	-	370
Occupancy	319,615	-	-	319,615
Office supplies	854	854	854	2,562
Outreach	27,004	-	-	27,004
Postage	3,830	1,915	1,915	7,660
Professional development	-	1,304	-	1,304
Professional fees	4,210	12,559	4,337	21,106
Program supplies	3,807	-	-	3,807
Repairs and maintenance	17,372	2,278	-	19,650
Special events	-	-	48,649	48,649
Telephone	10,741	2,325	-	13,066
Utilities	47,511	5,199	-	52,710
	$ 760,165	$ 93,852	$ 109,797	$ 963,814

See accompanying notes to financial statements.

HOSPITAL HOSPITALITY HOUSE CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2009

Cash Flows From Operating Activities:		
Decrease in net assets		$ (61,009)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:		
Depreciation	$ 58,414	
Reinvested dividends and interest, net	(3,221)	
Unrealized losses on investments	(776)	
Changes in:		
Accounts receivable	(450)	
Contributions receivable	(51,710)	
Prepaid insurance	(12,792)	
Restricted cash	66,377	
Accounts payable	(5,757)	
Accrued expenses	4,160	
Total adjustments		54,245
Net cash used in operating activities		(6,764)
Cash Flows From Investing Activities:		
Proceeds from sale of certificates of deposit	1,400,227	
Purchase of certificates of deposit	(1,299,260)	
Purchase of equipment	(7,996)	
Net cash provided by investing activities		92,971
Net increase in cash		86,207
Cash - beginning of year		151,306
Cash - end of year		$ 237,513

See accompanying notes to financial statements.

HOSPITAL HOSPITALITY HOUSE CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 1 - Summary of Significant Accounting Policies

Nature of Activities

In these notes, the terms "Organization", "we", "us" or "our" mean The Hospital Hospitality House Corporation. We are a nonprofit organization, which was organized on May 14, 1974 to provide temporary housing for families and patients who face a medical crisis. We have provided over 300,000 nights of lodging to patients and families since opening our doors in 1974. To date, we have served guests from every county in Tennessee, every state in the United States, and from thirty-eight foreign countries. We serve all area hospitals including Baptist, Centennial, Metro General, St. Thomas, Vanderbilt, and the Veterans' Hospital.

We were the first House of our kind in the United States and 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. We fulfill this mission through a variety of programs that directly serve our mission and priorities.

Overview of House Program Services

The Residence

Patients and caregivers who stay in the residence with us 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 enjoying a dinner provided by a volunteer or working together to prepare a special treat. Guests enjoy spending time in the living room, watching television or movies, reading, playing computer games or just talking. Guests also love to sit in 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, support, internet, and other services are included with the room.

In the last quarter of 2007, we began an experiment by leasing five rooms at a local extended stay facility. After successfully completing this thirty-day trial, we began leasing ten rooms on a permanent basis. As a result, we doubled the size of our residential program, beginning to serve twenty families each night. In 2009, we added two rooms to this program, bringing our total to twenty-two families each night.

The Wal-Mart House

In March 2009, we opened The Wal-Mart House, a new program in our residential services. The Wal-Mart House, funded and furnished by The Wal-Mart Foundation, offers eight apartments for patients and families with stays of thirty days or longer in Nashville's hospitals.

Families with these long-term stays often experience a greater sense of isolation and loneliness, even despair. Their support systems (family, friends, co-workers, church families) cannot physically be with them during these long stays, and they are also physically separated from their normal coping mechanisms (time with friends or family, immersion in work, working out at the local gym, attending church or support groups). Utility bills and mortgage payments continue even while families sleep in waiting rooms or struggle to pay costly hotel bills hundreds (sometimes thousands) of miles from home. Pets also must be cared for. Children must be taken to and from school and otherwise watched or supported. Jobs often must be put on hold. Often, new disability paperwork or other insurance concerns come into play. Difficult decisions must be made, and it is just an incredibly hard time in any family's life.

NOTE 1 - Summary of Significant Accounting Policies (continued)

The Wal-Mart House (continued)

Our long-term families need the family and our "home away from home" atmosphere for moral, emotional, and sometimes physical support. However, they sometimes also need a greater sense of privacy, the ability to be by themselves for a while to sort through the challenging emotions and feelings about their individual situations. These families need more space so that friends and other family members can visit on occasion, lessening the burden on one or two caregivers and providing support, encouragement, and normalcy for patients and caregivers.

Families in The Wal-Mart House 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. With the addition of this program, we serve thirty additional families per night!

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, we offer day services programs. Guests come to shower, do laundry, rest in the lounge, and have a bite to eat. This brief respite from the hospital rejuvenates caregivers while meeting their most basic needs. In 2007, we added a Weekend Program Coordinator so that we could offer Day Services seven days a week.

Waiting Room Outreach

We adopted 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 packed with toiletries and supplies for those caregivers staying overnight in hospital waiting rooms. We also added activity bags for children waiting with family members. These bags provide child-friendly snacks and activities such as coloring books, puzzles, etc.

At the close of 2008, we had adopted thirteen waiting rooms, making four deliveries each week. In April 2009, we signed on to adopt nineteen additional children's clinic waiting rooms, providing both child patients and their siblings with activity bags.

Community Education Workshops

We offer 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." These workshops are now being offered to group offsite.

Partner Hotels

As we continue to seek innovative, creative ways to deliver our services to a greater number of those in need, we approached the Greater Nashville Hotel and Lodging Association. As a result, fourteen local hotels signed on to be our partners. Once we have filled our twenty rooms each night, we are able to offer families remaining on our wait list the option of a room in a local hotel for a special medical rate of only $45, which we cover when needed. This is significantly lower than the medical rates previously offered to families, and the hotels (including the Lowes, the Sheraton, the Holiday Inn, and the Hilton, just to name a few) have been incredibly supportive of the families we serve. We place three to six families per night in this program.

NOTE 1 - Summary of Significant Accounting Policies (continued)

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 and changes therein are classified and reported as follows:

Unrestricted Net Assets

Unrestricted net assets are net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets

Temporarily restricted net assets are net assets subject to donor-imposed stipulations that may or will be met, by our actions 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.

Permanently Restricted Net Assets

Permanently restricted net assets are net assets subject to donor-imposed stipulations that they be maintained permanently. 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.

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, 2009, 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. 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.

Investments

Effective January 1, 2008, we adopted a new accounting standard relating to the fair market investment valuation. This standard establishes a framework for measuring fair value and expands disclosures about fair value measurements. The standard defines fair value at the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The adoption of the standard had no impact on any asset's financial position or results of operations. The standard applies to all assets and liabilities that are measured and reported on a fair value basis and enables 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 that 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, 2009.

NOTE 1 - Summary of Significant Accounting Policies (continued)

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 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. We have 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, 2009.

In 2009, new generally accepted accounting principles provided guidance regarding the recognition, measurement, presentation and disclosure in the financial statements of tax positions taken or expected to be taken on a tax return. We have adopted the new accounting principle in our 2009 financial statements and we have evaluated the impact of the adoption of this standard on the financial statements and 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 and current liabilities approximate fair values due to short maturities of these instruments.

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. At December 31, 2009, unconditional promises to give totaled $131,600, and the allowance for doubtful accounts was $4,000.

HOSPITAL HOSPITALITY HOUSE CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 2 - Investments

At December 31, 2009, we held investments, all listed at their fair market value as of that date, in the following investments:

Certificates of deposit	$ 810,534
Marketable securities	6,693
	$ 817,227

At December 31, 2009, the certificates of deposits we held had interest rate ranging from 1.5 to 3% and mature between January and July 2010. The marketable securities we held consisted of various publicly traded equity securities.

NOTE 3 - Assets Whose Use is Limited

At December 31, 2009, we had assets whose use is restricted as follows:

Temporarily Restricted:	
Wal-Mart Apartment Project	$ 134,752
Capital Campaign	194,383
	329,135
Permanently Restricted:	
Endowment	10,448
	$ 339,583

NOTE 4 - Property and Equipment

Machinery and equipment	$ 90,439
Buildings	1,303,421
Land	137,400
Improvements	19,735
	1,550,995
Less: accumulated depreciation	(352,417)
	$ 1,198,578

NOTE 5 - 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 $53,789 in donated household items, $3,532 in donated linen services, and $7,785 in donated repair and maintenance work.

NOTE 6 - Commitments and Contingencies

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, 2009, was $278,747.

NOTE 7 - Leases

We lease apartments at the Wal-Mart house and various office equipment under lease arrangements classified as operating leases. Total rent expense under these leases was $80,252 during the year ended December 31, 2009. Future maturities of these leases are as follows:

For the year ending December 31,	
2010	$ 99,252
2011	98,956
2012	1,476
2013	-
2014	-
Thereafter	-
Total	$ 199,684

NOTE 8 - Endowment

At December 31, 2009, the Nashville Area Community Foundation, Inc., a non-profit organization, is in control of an endowment fund for us. The Foundation has ultimate authority and control over all property of the fund and the income derived there from. However, the endowment is considered a reciprocal transfer and is therefore recorded as a receivable on our balance sheet. The balance of the fund at December 31, 2009 was $10,448.

NOTE 9 - Concentrations

At December 31, 2009 we owed 92% of all outstanding accounts payable to three vendors, three customers owed us 53% of all outstanding receivables, and we had more cash deposited in financial institutions than is insured by the FDIC.

NOTE 10 - Subsequent Events

We have evaluated events subsequent to the year ending December 31, 2009. As of March 9, 2010, the date that the financial statements were available to be issued, no events subsequent to the balance sheet date are considered necessary to be included in the financial statements for the period ended December 31, 2009.

NOTE 11 - Prior Period Adjustment

During the year ended December 31, 2009, we discovered an understatement of beginning accrued vacation expense and accrual bonuses. Accordingly, we have adjusted net assets as of January 1, 2009.

HOSPITAL HOSPITALITY HOUSE CORPORATION
SUPPLEMENTAL SCHEDULE OF CONTRIBUTIONS
FOR THE YEAR ENDED DECEMBER 31, 2009

Unrestricted:		
Individuals	$ 37,733	
Congregations	18,124	
Corporations	13,486	
Clubs and organizations	3,454	
Foundations	64,991	
Hospitals	35,000	
Total unrestricted		$ 172,788
Temporarily restricted:		
Apartment project	100,070	
Total temporarily restricted		100,070
Total contributions		$ 272,858

HOSPITAL HOSPITALITY HOUSE CORPORATION
SUPPLEMENTAL SCHEDULE OF SPECIAL EVENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

	Revenue	Expenses	Net
Patrons' Luncheon	$ 412,265	$ 37,070	$ 375,195
Golf Tournament	24,650	11,579	13,071
Total	$ 436,915	$ 48,649	$ 388,266