

HOSPITAL HOSPITALITY HOUSE CORPORATION

FINANCIAL STATEMENTS

DECEMBER 31, 2011

(With Independent Auditor's Report Thereon)

HOSPITAL HOSPITALITY HOUSE CORPORATION
FINANCIAL STATEMENTS
DECEMBER 31, 2011

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INDEPENDENT AUDITOR'S REPORT

To 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, 2011, 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, 2011, 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 of America.

Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 12 and 13 is presented for the purposes of additional analysis and is 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 Handee & Bellantone

February 1, 2012

HOSPITAL HOSPITALITY CORPORATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2011

ASSETS

Current Assets:

Cash and cash equivalents	\$ 1,033,406	
Investments	13,395	
Accounts receivable	4,080	
Pledges receivable, net of allowance for doubtful accounts of \$4,000	168,993	
Prepaid expenses	<u>23,454</u>	
Total current assets		\$ 1,243,328

Property and Equipment, net		1,106,493
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Assets Whose Use is Limited:

Cash	355,288	
Endowment	<u>12,299</u>	
		<u>367,587</u>
		<u><u>\$ 2,717,408</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable	\$ 23,230	
Accrued expenses	<u>71,486</u>	
Total current liabilities		94,716

Net Assets:

Unrestricted		2,255,105
Temporarily restricted	355,288	
Permanently restricted	<u>12,299</u>	
Restricted net assets		<u>\$ 367,587</u>
Total net assets		<u>2,622,692</u>
		<u><u>\$ 2,717,408</u></u>

See accompanying notes to the financial statements.

HOSPITAL HOSPITALITY HOUSE CORPORATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public Support and Revenue:				
Contributions	\$ 103,418	\$ 250,000	\$ -	\$ 353,418
Special events	416,026	-	-	416,026
Total public support	<u>519,444</u>	<u>250,000</u>	<u>-</u>	<u>769,444</u>
Revenue:				
Guest fees	85,420	-	-	85,420
Interest and investment income	8,814	-	1,894	10,708
In-kind revenue	66,650	-	-	66,650
Net assets released from restriction	175,524	(175,481)	(43)	-
Total revenue	<u>336,408</u>	<u>(175,481)</u>	<u>1,851</u>	<u>162,778</u>
Total support and revenue	<u>855,852</u>	<u>74,519</u>	<u>1,851</u>	<u>932,222</u>
Expenses:				
Program services	738,801	-	-	738,801
Management and general	85,407	-	-	85,407
Fundraising	147,522	-	-	147,522
Total expenses	<u>971,730</u>	<u>-</u>	<u>-</u>	<u>971,730</u>
Increase (decrease) in net assets	(115,878)	74,519	1,851	(39,508)
Net assets - beginning of year	<u>2,370,983</u>	<u>280,769</u>	<u>10,448</u>	<u>2,662,200</u>
Net assets - end of year	<u>\$ 2,255,105</u>	<u>\$ 355,288</u>	<u>\$ 12,299</u>	<u>\$ 2,622,692</u>

See accompanying notes to financial statements.

HOSPITAL HOSPITALITY HOUSE CORPORATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Supporting Services</u>			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising Expenses</u>	<u>Total Expenses</u>
Bank fees	\$ 2,985	\$ -	\$ 995	\$ 3,980
Computer hardware and software	-	-	4,871	4,871
Depreciation	37,441	16,046	-	53,487
Equipment contracts	4,784	798	798	6,380
Food	162	-	-	162
Furnishings	988	-	-	988
In-kind expenses	66,650	-	-	66,650
Insurance	18,141	6,047	-	24,188
Leased employees	198,875	41,037	75,762	315,674
Licenses and permits	-	422	-	422
Miscellaneous	-	480	-	480
Occupancy	296,743	-	-	296,743
Office supplies	1,522	1,568	1,522	4,612
Outreach	21,145	-	-	21,145
Postage	605	604	4,014	5,223
Printing and promotion	-	-	4,014	4,014
Professional development	-	1,263	-	1,263
Professional fees	5,148	5,147	-	10,295
Repairs and maintenance	16,548	2,256	-	18,804
Special events	-	-	55,546	55,546
Telephone	10,288	3,430	-	13,718
Utilities and occupancy	56,776	6,309	-	63,085
	<u>\$ 738,801</u>	<u>\$ 85,407</u>	<u>\$ 147,522</u>	<u>\$ 971,730</u>

See accompanying notes to financial statements.

HOSPITAL HOSPITALITY HOUSE CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2011

Cash Flows From Operating Activities:		
Decrease in net assets		\$ (39,508)
Adjustments to reconcile decrease in net assets		
to net cash used in operating activities:		
Depreciation	\$ 53,487	
Reinvested dividends and interest	(96)	
Realized gain on investments	(1,522)	
Changes in:		
Accounts receivable	(2,460)	
Pledges receivable	(62,636)	
Prepaid expenses	(1,307)	
Assets whose use is limited	(76,370)	
Accounts payable	18,793	
Accrued expenses	10,899	
Total adjustments		(61,212)
Net cash used in operating activities		(100,720)
Cash Flows From Investing Activities:		
Purchase of investments	(519)	
Proceeds from maturities of certificates of deposit	100,646	
Purchase of equipment	(5,625)	
Net cash provided by investing activities		94,502
Net decrease in cash		(6,218)
Cash and cash equivalents- beginning of year		1,039,624
Cash and cash equivalents- end of year		<u>\$ 1,033,406</u>

See accompanying notes to financial statements.

HOSPITAL HOSPITALITY HOUSE CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

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 380,000 nights of lodging, meals and other supportive services to patients and families, serving guests from every county in Tennessee, every state in the United States and 39 foreign countries. We serve all area hospitals—including Baptist, Centennial, Children's, Metro General, St Thomas, Vanderbilt, and the VA. We were the first House of its 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

Since 2005, HHH has tripled the size of the residential program. We now serve 30 families each night, providing nearly 11,000 room nights annually. We provide all meals and snacks, free laundry facilities, internet access, private rooms and baths, private phone lines with voicemail and basic case management and support services. Families that stay with us for two weeks undergo a biopsychosocial assessment so that we can identify needs and stressors particular to a long stay away from home. We do our best to help with any need we identify at any time whether it is arranging pet care, disability paperwork, arranging medical care for caregivers, working with the Red Cross for burn patients who have lost their homes or coordinating victim services for trauma patients hospitalized as the result of violent crime. 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 Walmart House

Opened in March 2009 as an extension of our residence, The HHH Walmart House offers eight apartments for patients and families with stays of thirty days or longer in Nashville's hospitals.

The HHH Walmart House provides 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 Walmart 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.

Overview of House Program Services

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.

Waiting Room Adoption

HHH adopts waiting rooms at local hospitals, including Baptist, Centennial, Metro General, Vanderbilt and the VA, providing baskets stocked with toiletries, snacks, games, magazines and other items waiting friends and families may need. We also provide "Overnight Bags," bags packed with toiletries and supplies for those caregivers staying overnight in hospital waiting rooms and "HHH Activity Bags" for children waiting with family members. These bags provide child-friendly snacks and activities such as coloring books, puzzles, etc. We currently adopt 32 waiting rooms in hospitals and clinics around Nashville.

HOSPITAL HOSPITALITY HOUSE CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 1 - Nature of Activities (continued)

Community Education Workshops

Workshops, free and open to the public, are offered bimonthly on topics such as "Navigating the Medical Maze," "Health Insurance 101," and "Self Care for the Caregiver." These workshops are now being offered to groups offsite.

Partner Hotels

HHH works with fourteen local hotels that provide respite nights for families at an extremely low medical rate once our rooms are filled each night. If a family cannot afford the lowered rate, HHH will cover the cost to let the family rest.

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, 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 or are liquid investments such as money market funds. At December 31, 2011, we had \$40,374 in money market funds.

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.

HOSPITAL HOSPITALITY HOUSE CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 2 - Summary of Significant Accounting Policies (continued)

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, 2011.

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, 2011.

We adopted guidance issued by FASB with respect to accounting for uncertainty in income taxes as of January 1, 2009. A tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50 percent likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded. The adoption had no effect on our financial statements.

We recognize interest and penalties related to unrecognized tax benefits in interest and income tax expense, respectively. We have no amounts accrued for interest or penalties as of December 31, 2011. We are no longer subject to examination by U.S. federal and state taxing authorities for years before 2008. We do not expect the total amount of unrecognized tax benefits to significantly change in the next 12 months.

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.

HOSPITAL HOSPITALITY HOUSE CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 2 - Summary of Significant Accounting Policies (continued)

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, 2011, unconditional promises to give totaled \$172,993, and the allowance for doubtful accounts was \$4,000.

NOTE 3 - Investments

At December 31, 2011, we held investments, all listed at their fair market value as of that date, in the following investments:

Marketable equity securities	<u>13,395</u>
	<u>\$ 13,395</u>

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.

NOTE 4 - Assets Whose Use is Limited

At December 31, 2011, we had assets whose use is restricted as follows:

Temporarily Restricted:

Walmart Apartment Project	\$ 35,905
Capital Campaign	194,383
Ayers Foundation	<u>125,000</u>
	355,288

Permanently Restricted:

Endowment	<u>12,299</u>
	<u>\$ 367,587</u>

HOSPITAL HOSPITALITY HOUSE CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 5 - Property and Equipment

Furniture, fixtures and equipment	\$ 116,334
Land	137,400
Buildings and improvements	<u>1,317,376</u>
	1,571,110
Less: accumulated depreciation	<u>(464,617)</u>
	<u>\$ 1,106,493</u>

NOTE 6 - 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 \$49,923 in donated food and household items, \$3,857 in donated linen services, and \$12,870 in donated repair and maintenance work.

NOTE 7 - Leases

We lease apartments at the Walmart house and various office equipment under lease arrangements classified as operating leases. We have the option to lease the Walmart house through 2014. We also lease twelve rooms at a local extended stay hotel, on a week to week basis, as a part of our regular residential program. We rent other rooms as needed at local partner hotels. We are not committed to a lease with any of the local hotels. Total rent expense under these leases was \$303,123 during the year ended December 31, 2011. Future maturities of these leases are as follows:

For the year ending
December 31,

2012	\$ 99,636
2013	2,160
2014	2,160
2015	2,160
2016	<u>1,260</u>
Total	<u>\$ 107,376</u>

NOTE 8 - Endowment

At December 31, 2011, 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 restricted asset on our Statement of Financial Position.

NOTE 9 - Concentrations

At December 31, 2011, we owed 68.3% of all outstanding accounts payable to two vendors and one customer owed us 72% of all outstanding receivables.

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, 2011, was \$315,674.

HOSPITAL HOSPITALITY HOUSE CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 9 - Concentrations (continued)

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 it is exposed to any significant credit risk on our cash.

NOTE 10 - Subsequent Events

We have evaluated events subsequent to the year ending December 31, 2011. As of February 1, 2012, 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, 2011.

HOSPITAL HOSPITALITY HOUSE
SUPPLEMENTAL SCHEDULE OF CONTRIBUTIONS
FOR THE YEAR ENDED DECEMBER 31, 2011

Unrestricted:

Individuals	\$	46,904
Congregations		14,044
Corporations		17,424
Clubs and organizations		2,164
Foundations		21,892
Other		990

Total unrestricted	\$	103,418
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Temporarily restricted:

Future Operations	150,000
Apartment project	100,000

Total temporarily restricted	250,000
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Total contributions	\$	353,418
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HOSPITAL HOSPITALITY HOUSE
SUPPLEMENTAL SCHEDULE OF SPECIAL EVENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Revenue</u>	<u>Expenses</u>	<u>Net</u>
Patrons' Luncheon	\$ 342,341	\$ 32,683	\$ 309,658
Rock the House	45,282	8,539	36,743
Golf Tournament	<u>28,403</u>	<u>14,324</u>	<u>14,079</u>
Total	<u>\$ 416,026</u>	<u>\$ 55,546</u>	<u>\$ 360,480</u>