Fulchino, O'Reilly & Company PC

HOSPITALITY HOMES, INC.

REPORT ON REVIEW OF FINANCIAL STATEMENTS

DECEMBER 31, 2009 AND 2008

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C O N T E N T S

	Page
ACCOUNTANT'S REPORT	1
FINANCIAL STATEMENTS:	
Statements of financial position	2
Statements of activities and changes in net assets	3
Statements of functional expenses	4
Statements of cash flows	5
Notes to financial statements	6-10

Fulchino, O'Reilly & Company PC

Certified Public Accountants

BOARD OF DIRECTORS
HOSPITALITY HOMES, INC.
Boston, Massachusetts

We have reviewed the accompanying statements of financial position of Hospitality Homes, Inc. (a non-profit organization) as of December 31, 2009 and 2008, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Hospitality Homes, Inc.

A review consists principally of inquiries of organization personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

Fulchino, O'Reilly & Company PC

July 8, 2010

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December 31		2009		2008
Assets				
Current Assets:				
Cash (Note 1)	$	225,103	$	151,794
Promises to give (Notes 1 and 2)		42,110		39,665
Other receivables		606		606
Prepaid expenses		2,304		1,094
Total Current Assets		270,123		193,159
Equipment, less accumulated depreciation of $8,306 in 2009 ($6,695 in 2008) (Note 1)		3,570		5,181
Other Assets:				
Promises to give – long-term (Notes 1 and 2)		7,269		11,712
Investments held for long-term purposes (Notes 1, 3 and 5)		86,989		70,505
		94,258		82,217
Total Assets	$	367,951	$	280,557
Liabilities and Net Assets				
Current Liabilities:				
Accounts payable and accrued expenses	$	9,420	$	4,273
Net Assets (Notes 1, 4 and 5):				
Unrestricted		177,170		96,240
Temporarily restricted		181,361		180,044
		358,531		276,284
Total Liabilities and Net Assets	$	367,951	$	280,557

See notes to financial statements.

Year Ended December 31	Unrestricted	Temporarily Restricted	Total 2009	Total 2008
Revenues (Notes 1, 3 and 8):				
Donated goods, accommodations and services	$ 632,627	$ -	**$ 632,627**	$ 842,899
Corporate, foundation & organization contributions	163,845	29,400	**193,245**	266,573
Special events	112,398	-	**112,398**	76,383
Individual contributions	48,168	1,065	**49,233**	71,746
Board support	20,401	-	**20,401**	22,941
Service fees	7,439	-	**7,439**	4,033
Investment income	3,203	-	**3,203**	2,759
Net realized and unrealized gains (losses) on investments	15,625	-	**15,625**	(31,506)
Net assets released from restriction	29,148	(29,148)	**-**	-
	1,032,854	1,317	**1,034,171**	1,255,828
Expenses (Notes 1, 6, 7 and 8):				
Functional expenses:				
Program services	835,774	-	**835,774**	1,052,992
Administrative and general	49,756	-	**49,756**	52,521
Fundraising	66,394	-	**66,394**	70,336
	951,924	-	**951,924**	1,175,849
Increase in Net Assets	80,930	1,317	**82,247**	79,979
Net assets at beginning of year	96,240	180,044	**276,284**	196,305
Net Assets at End of Year	$ 177,170	$ 181,361	**$ 358,531**	$ 276,284

See notes to financial statements.

	Program Services	Administrative & General	Fundraising	Total Year Ended December 31 2009	2008
In-kind expenses	$ 619,974	$ 12,653	$ -	**$ 632,627**	$ 842,899
Salaries	144,371	9,023	27,070	**180,464**	210,720
Events and appeals	-	-	28,520	**28,520**	30,017
Employee benefits	18,393	1,151	3,449	**22,993**	14,798
Office rent	11,998	3,000	-	**14,998**	15,270
Payroll taxes	11,911	744	2,233	**14,888**	18,717
Accounting fees	-	8,216	-	**8,216**	7,948
Outreach	7,008	-	-	**7,008**	3,133
Contractors	1,506	4,517	-	**6,023**	3,745
Telephone and utilities	4,719	524	-	**5,243**	2,540
Office expense	3,355	420	420	**4,195**	2,920
Fundraising	-	-	4,164	**4,164**	2,769
Insurance	-	2,839	-	**2,839**	3,637
Other professional fees	-	2,750	-	**2,750**	-
Bank and credit card fees	-	2,315	-	**2,315**	1,883
Newsletter	2,130	-	-	**2,130**	1,806
Payroll and benefits processing	1,628	101	307	**2,036**	2,906
Volunteer recognition and support	1,895	-	-	**1,895**	205
Staff support and training	1,880	-	-	**1,880**	486
Depreciation	1,451	161	-	**1,612**	1,345
Miscellaneous	297	1,186	-	**1,483**	3,453
Postage	1,109	139	139	**1,387**	1,088
Hosting expenses	1,173	-	-	**1,173**	354
Dues, subscriptions and memberships	824	-	92	**916**	790
Conferences and meetings	152	17	-	**169**	2,345
Travel	-	-	-	**-**	75
Total	$ 835,774	$ 49,756	$ 66,394	**$ 951,924**	**$** 1,175,849

See notes to financial statements.

Year Ended December 31		**2009**		2008
Cash Flows from Operating Activities:				
Increase in net assets	$	**82,247**	$	**79,979**
Adjustments to reconcile changes in net assets to net cash provided by operating activities:				
Donations of investments		-		**(2,149)**
Net realized and unrealized (gains) losses on investments		**(15,625)**		**31,506**
Depreciation		**1,612**		**1,345**
(Increase) decrease in:				
Promises to give		**1,998**		**(8,060)**
Other receivables		-		**1,144**
Prepaid expenses		**(1,210)**		**1,746**
Accounts payable and accrued expenses		**5,147**		**2,094**
Net Cash Provided by Operating Activities		**74,169**		**107,605**
Cash Flows from Investing Activities:				
Purchase of investments		**(2,137)**		**(1,997)**
Proceeds from sale of investments		**1,277**		-
Purchase of equipment		-		**(2,850)**
Net Cash (Used in) Investing Activities		**(860)**		**(4,847)**
Net Increase in Cash		**73,309**		**102,758**
Cash at beginning of year		**151,794**		**49,036**
Cash at End of Year	**$**	**225,103**	$	**151,794**

See notes to financial statements.

Note 1. Summary of Significant Accounting Policies:

Organization: Hospitality Homes, Inc. is a non-profit organization dedicated to providing a caring response to the housing needs of patients' families when they travel to the Boston area for medical treatment. In the spirit of service and compassion, Hospitality Homes provides comfortable, short-term accommodations in a variety of locations donated by volunteer hosts. The Organization receives in-kind and monetary donations from individuals, corporations, hospitals and religious organizations in the greater Boston area.

New accounting standard: The Financial Accounting Standards Board ("FASB") issued "The FASB Accounting Standards Codification and Hierarchy of Generally Accepted Accounting Principles" (The "Codification"). The Codification is the source of authoritative U.S. Generally Accepted Accounting Principles ("U.S. GAAP") recognized by the FASB to be applied by nongovernmental entities. All existing accounting standards documents are superseded and all other accounting literature not included in the Codification will be considered non-authoritative. The Codification does not change current U.S. GAAP.

Basis of accounting: The financial statements of Hospitality Homes, Inc. have been prepared on the accrual basis of accounting in accordance with U.S. GAAP and, accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of presentation: Under U.S. GAAP, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Financial instruments and concentration of credit risk: The Organization's financial instruments that are exposed to concentrations of credit risk consist of cash and promises to give.

The Organization places its operating cash in financial institutions covered by the Federal Deposit Insurance Corporation ("FDIC"). At times during the year, such balances may be in excess of the insurance limit. As of December 31, 2009, the Organization's cash balances were not in excess of the insured amount. The Organization has not incurred any related losses.

By their nature, all such financial instruments involve risk, including the credit risk of non performance by counter parties and the maximum potential loss may exceed the amount recognized in the statement of financial position. At December 31, 2009, in management's opinion, there was no significant risk of loss from nonperformance of the counter parties to these financial instruments.

Note 1. Summary of Significant Accounting Policies (Continued):

Donated assets: Donated marketable securities and other non-cash donations are recorded as contributions at their estimated fair values at the date of donation.

Donated goods and accommodations: In accordance with U.S. GAAP, the Organization records donated goods, accommodations and other items, which pass through the Organization's programs at their estimated fair value at the date of donation. Accordingly, donated goods and accommodations of $612,172 for the year ended December 31, 2009 ($826,116 in 2008) have been recorded as both revenue and expense in the Statements of Activities and Changes in Net Assets.

Donated services: Donated services are also recognized as contributions in accordance with U.S. GAAP if the services create or enhance non-financial assets or require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Donated services of $20,455 were received during the year ended December 31, 2009 ($16,783 in 2008).

Allocation of joint costs: The Organization conducted activities that include requests for contributions, as well as program and administrative and general components. Those activities included direct mail appeals and special events. The costs of conducting those activities included a total of $226,879 of joint costs in 2009 ($251,942 in 2008) which are not specifically attributable to particular components of the activities (joint costs). Those joint costs were allocated as follows:

	2009	2008
Program expenses	$ 181,591	$ 201,631
Administrative and general	11,578	12,761
Fundraising	33,710	37,550
	$ 226,879	$ 251,942

Income Taxes: The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Contributions to the Organization are tax deductible under Section 170(c) of the Internal Revenue Code.

Investments: The Organization carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the Statements of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statements of Activities and Changes in Net Assets.

Note 1. Summary of Significant Accounting Policies (Continued):

Investment income and gains: Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

Promises to give: Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Uncollectible promises to give are expected to be insignificant and an allowance for uncollectible promises to give is not considered necessary.

Equipment: Equipment is carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets which range from 5 to 7 years. Additions and betterments of $500 or more are capitalized, while maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

Restricted and unrestricted revenue: Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions. Contributions that are restricted by the donor are reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restrictions. 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.

Note 1. Summary of Significant Accounting Policies (Continued):

Use of estimates: The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Description of program and supporting services: The following program and supporting services are included in the accompanying financial statements:

<u>Housing program</u>

Provide temporary housing in volunteer host homes and other accommodations for families and friends of patients seeking care at Boston-area medical centers.

<u>Administrative and general</u>

Includes the functions necessary to manage the financial and coordinating responsibilities of the Organization.

<u>Fundraising</u>

Provides the structure necessary to encourage and secure private financial support from individuals, organizations and corporations.

Fair Value of Financial Instruments: U.S. GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. U.S. GAAP also establishes a framework for the measurement of fair value, and enhances disclosures about fair value measurements.

Date of Management's Review: The Society has evaluated subsequent events through July 8, 2010 which is the date the financial statements were available to be issued.

Note 2. Promises to Give:

Unconditional promises to give at December 31, 2009 and 2008 are as follows:

	2009	2008
Unconditional promises to give before unamortized discount	$ 50,070	$ 52,770
Less discount to net present value	(691)	(1,393)
Net unconditional promises to give	$ 49,379	$ 51,377
Amounts due in:		
Less than one year	$ 42,110	$ 39,665
One to five years	7,269	11,712
	$ 49,379	$ 51,377

Promises to give receivable in more than one year are discounted at a rate of 3.8%.

In addition, the Organization received a conditional promise to give that is not recognized as an asset in the statement of financial position at December 31, 2009. This promise consists of web marketing services valued at $9,500 which are expected to be recognized as revenue in 2010 when the services are expected to be performed and conditions met.

Note 3. Investments:

The Organization's investments at December 31, 2009 and 2008 consist of mutual funds and corporate stocks.

These investments represent a temporarily restricted endowment fund to be used for the long-range goals of the Organization.

	2009		
	Cost	Unrealized Gains (Losses)	Fair Value
Mutual funds	$ 108,374	$ (21,385)	$ 86,989

	2008		
	Cost	Unrealized Gains (Losses)	Fair Value
Mutual funds	$ 106,205	$ (36,861)	$ 69,344
Corporate stocks	2,170	(1,009)	1,161
	$ 108,375	$ (37,870)	$ 70,505

Note 3. Investments (Continued):

The following schedule summarizes the investment returns and their classification in the statements of activities for the years ended December 31, 2009 and 2008:

	2009	2008
Investment income	$ 3,203	$ 2,759
Net realized (losses) gains on investments	(893)	4,333
Net unrealized gain (losses) on investments	16,518	(35,839)
	$ 18,828	$ (28,747)

For investments, U.S. GAAP established a three-tier hierarchy to maximize the use of observable market data and minimize the use of unobservable inputs, and to establish classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the assets or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available. The three-tier hierarchy of inputs is summarized in the three broad levels listed below.

- Level 1 - quoted prices in active markets for identical assets.
- Level 2 - other significant observable inputs (including quoted prices for similar assets, interest rates, prepayment speeds, credit risk, etc.).
- Level 3 - significant unobservable inputs (including the Organization's own assumptions in determining the fair value of assets).

Note 3. Investments (Continued):

Fair values of assets measured on a recurring basis at December 31, 2009 and 2008:

	2009		
	Level 1	Level 2	Level 3
Mutual funds	$ 86,989	$ -	$ -

	2008		
	Level 1	Level 2	Level 3
Mutual funds	$ 69,344	$ -	$ -
Corporate stocks	1,161	-	-
	$ 70,505	$ -	$ -

Note 4. Restrictions on Net Assets:

Temporarily restricted net assets are available for the following purposes:

	2009	2008
Endowment for long-term purposes	$ 98,667	$ 98,667
For subsequent year activities	82,694	81,377
	$ 181,361	$ 180,044

Note 5. Endowment:

The Organization's endowment consists of an individual, donor-restricted endowment fund established for achieving the long-range goals of the Organization. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Organization has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Note 5. Endowment (Continued):

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the application of investments, (6) other resources of the organization, and (7) the organization's investment policies.

The Organization's endowment is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in accordance with the donor gift instrument and in a manner consistent with the standards as set forth by the Organization.\

The endowment net assets of $98,667 at December 31, 2009 and 2008 are included in temporarily restricted net assets in the accompanying statements of financial position. There were no expenditures from the endowment fund in 2009 or 2008. Unrealized gains of $15,476 in 2009 (unrealized losses of ($34,830) in 2008) related to the endowment fund are reflected in the accompanying statements of activities and changes in net assets as unrestricted activity as are realized gains and investment income of $2,168 in 2009 ($6,335 in 2008).

Return Objectives and Risk Parameters: The Organization has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, the endowment assets are invested in a manner that is intended to contribute to the Organization's total return objectives and preserve principal while maintaining a competitive yield as market conditions dictate.

Note 5. Endowment (Continued):

Strategies Employed for Achieving Objectives: To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy: The Organization's policy for the distribution of funds is determined based on the donor's intentions and investment returns as well as taking into consideration the long-term expected return on its endowment. Accordingly, over the long-term, the Organization expects the current spending policy to allow its endowment to grow at a normal inflationary rate on an annual basis. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specific term as well as to provide additional growth through new gifts and investment return.

Note 6. Operating Lease:

The organization is a tenant at will its office space. Office rental expense under this sub-lease amounted to $14,998 in 2009 ($15,270 in 2008).

Note 7. Retirement Plan:

The Organization has a Section 403(b) retirement plan for the benefit of eligible employees. The Organization does not make contributions to the plan. Eligible employees may make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code.

Note 8. Other:

Certain reclassifications were made to the 2008 financial statements to conform to the 2009 presentation of special events revenue and expenses. There was no effect on the increase in net assets.