

FINANCIAL STATEMENTS

THE HUNTSVILLE HOSPITAL FOUNDATION, INC.

HUNTSVILLE, ALABAMA

JUNE 30, 2007 and 2006

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
The Huntsville Hospital Foundation, Inc.
Huntsville, Alabama

We have audited the accompanying statements of financial position of The Huntsville Hospital Foundation, Inc., as of June 30, 2007 and 2006, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. 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 audits provide 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 The Huntsville Hospital Foundation, Inc., as of June 30, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

White, Fleming & Company, P.C.

Huntsville, Alabama

October 26, 2007

STATEMENTS OF FINANCIAL POSITION

The Huntsville Hospital Foundation, Inc.
Huntsville, Alabama

June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
ASSETS		
Cash and cash equivalents	\$ 1,888,891	\$ 1,292,695
Investments	17,422,364	15,324,432
Accounts receivable	19,093	49,425
Promises to give	472,320	197,643
Property and equipment, net	3,927	7,823
Prepaid expenses	1,275	1,961
Cash value of life insurance	24,520	22,073
Patent, net of amortization	19,961	21,435
License Agreement, net of amortization	-0-	376,742
Accrued interest	<u>-0-</u>	<u>2,237</u>
TOTAL ASSETS	<u>\$19,852,351</u>	<u>\$17,296,466</u>
LIABILITIES		
Accounts payable	\$ 51,752	\$ 103,609
Annuities payable	<u>439,065</u>	<u>466,017</u>
TOTAL LIABILITIES	490,817	569,626
NET ASSETS		
Unrestricted	10,038,973	8,176,293
Temporarily restricted	6,115,074	5,426,996
Permanently restricted	<u>3,207,487</u>	<u>3,123,551</u>
TOTAL NET ASSETS	<u>19,361,534</u>	<u>16,726,840</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$19,852,351</u>	<u>\$17,296,466</u>

See notes to financial statements.

STATEMENTS OF ACTIVITIES

The Huntsville Hospital Foundation, Inc.
Huntsville, Alabama

For the year ended June 30, 2007

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
REVENUE, GAINS, AND SUPPORT				
Investment income	\$ 2,432,893	\$ 500,177	\$ -0-	\$ 2,933,070
Contributions	153,335	1,609,120	83,936	1,846,391
Special events and other	2,680	920,189	-0-	922,869
Huntsville Hospital support	444,131	-0-	-0-	444,131
Net assets released from restrictions	<u>2,341,408</u>	<u>(2,341,408)</u>	<u>-0-</u>	<u>-0-</u>
TOTAL REVENUE, GAINS, AND SUPPORT	5,374,447	688,078	83,936	6,146,461
EXPENSES				
PROGRAM SERVICES				
Huntsville Hospital funding	2,010,373	-0-	-0-	2,010,373
Special events and other	<u>467,686</u>	<u>-0-</u>	<u>-0-</u>	<u>467,686</u>
	2,478,059	-0-	-0-	2,478,059
SUPPORTING SERVICES				
Management and general	375,188	-0-	-0-	375,188
Fund raising	<u>335,921</u>	<u>-0-</u>	<u>-0-</u>	<u>335,921</u>
	<u>711,109</u>	<u>-0-</u>	<u>-0-</u>	<u>711,109</u>
TOTAL EXPENSES	3,189,168	-0-	-0-	3,189,168
OTHER				
Impairment loss	<u>322,599</u>	<u>-0-</u>	<u>-0-</u>	<u>322,599</u>
TOTAL EXPENSES AND OTHER	<u>3,511,767</u>	<u>-0-</u>	<u>-0-</u>	<u>3,511,767</u>
CHANGE IN NET ASSETS	1,862,680	688,078	83,936	2,634,694
NET ASSETS, BEGINNING OF YEAR	<u>8,176,293</u>	<u>5,426,996</u>	<u>3,123,551</u>	<u>16,726,840</u>
NET ASSETS, END OF YEAR	<u>\$ 10,038,973</u>	<u>\$ 6,115,074</u>	<u>\$ 3,207,487</u>	<u>\$19,361,534</u>

See notes to financial statements.

STATEMENTS OF ACTIVITIES - CONTINUED

The Huntsville Hospital Foundation, Inc.

Huntsville, Alabama

For the year ended June 30, 2006

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
REVENUE, GAINS, AND SUPPORT				
Investment income	\$ 1,491,227	\$ 267,914	\$ -0-	\$ 1,759,141
Contributions	139,751	1,112,812	139,484	1,392,047
Special events and other	50,098	749,976	-0-	800,074
Huntsville Hospital support	437,522	-0-	-0-	437,522
Net assets released from restrictions	<u>1,105,052</u>	<u>(1,105,052)</u>	<u>-0-</u>	<u>-0-</u>
TOTAL REVENUE, GAINS, AND SUPPORT	3,223,650	1,025,650	139,484	4,388,784
EXPENSES				
PROGRAM SERVICES				
Huntsville Hospital funding	1,738,761	-0-	-0-	1,738,761
Special events and other	<u>361,782</u>	<u>-0-</u>	<u>-0-</u>	<u>361,782</u>
	2,100,543	-0-	-0-	2,100,543
SUPPORTING SERVICES				
Management and general	323,004	-0-	-0-	323,004
Fund raising	<u>391,611</u>	<u>-0-</u>	<u>-0-</u>	<u>391,611</u>
	<u>714,615</u>	<u>-0-</u>	<u>-0-</u>	<u>714,615</u>
TOTAL EXPENSES	<u>2,815,158</u>	<u>-0-</u>	<u>-0-</u>	<u>2,815,158</u>
CHANGE IN NET ASSETS	408,492	1,025,650	139,484	1,573,626
NET ASSETS, BEGINNING OF YEAR	<u>7,767,801</u>	<u>4,401,346</u>	<u>2,984,067</u>	<u>15,153,214</u>
NET ASSETS, END OF YEAR	<u>\$ 8,176,293</u>	<u>\$ 5,426,996</u>	<u>\$ 3,123,551</u>	<u>\$16,726,840</u>

See notes to financial statements.

STATEMENTS OF CASH FLOWS

The Huntsville Hospital Foundation, Inc.

Huntsville, Alabama

For the years ended June 30, 2007 and 2006

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$2,634,694	\$1,573,626
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	3,896	3,836
Amortization	55,617	55,616
Realized and unrealized investment gains	(2,253,159)	(1,510,074)
Uncollectible pledge expense	36,796	29,170
Impairment loss	322,599	-0-
(Increase) decrease in:		
Accounts receivable	30,332	(49,411)
Accrued interest	2,237	(306)
Promises to give	(274,677)	15,332
Prepaid expenses	686	(79)
Cash value of life insurance	(2,447)	(2,827)
Increase (decrease) in:		
Accounts payable	(51,857)	55,796
Annuities payable	(26,952)	(27,699)
NET CASH PROVIDED BY OPERATING ACTIVITIES	477,765	142,980
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	-0-	(2,179)
Purchase of investments	(3,101,924)	(4,266,637)
Proceeds from sale of investments	3,220,355	4,718,766
NET CASH PROVIDED BY INVESTING ACTIVITIES	118,431	449,950
NET INCREASE IN CASH AND CASH EQUIVALENTS	596,196	592,930
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,292,695	699,765
CASH AND CASH EQUIVALENTS, END OF YEAR	\$1,888,891	\$1,292,695
SUPPLEMENTAL INFORMATION		
Cash paid for interest	\$ 38,167	\$ 40,494

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

The Huntsville Hospital Foundation, Inc.
Huntsville, Alabama

June 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities - The Huntsville Hospital Foundation, Inc., (the Foundation) is a nonprofit corporation organized under Section 501 (c)(3) of the Internal Revenue Code. The Foundation's primary purpose is to aid, enrich, and support the health care programs of the Health Care Authority of the City of Huntsville (Huntsville Hospital). See Note I for a description of program and supporting services.

Cash and Cash Equivalents - For the purposes of the statement of cash flows, the Foundation considers most highly liquid investments with an initial maturity of three months or less to be cash and cash equivalents. Included in cash and cash equivalents are investments in money market funds in the amounts of \$1,879,354 and \$1,284,978 at June 30, 2007 and 2006, respectively. Certain money market funds are classified as investments; refer to Note D.

Concentration of Risk - Financial instruments, that potentially subject the Foundation to concentrations of credit risk, consist principally of cash and receivables. The Foundation maintains cash in accounts with high quality, Federally insured banks. Concentrations of credit risk with respect to receivables primarily relate to amounts due from contributors. The Foundation does not require collateral or other security to support the receivables.

Risks and Uncertainties - Marketable securities and other investments are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investment securities will occur in the near term and that such changes could materially affect the Foundation's net assets.

Investments - Investments consist of U.S. Treasury and corporate obligations, mutual funds, hedge funds, corporate stocks, certain money market funds, and certificates of deposit which are recorded at readily determinable fair values. The Foundation's investment in PA Stable Value Fund is valued at fair value as determined by SS&C Fund Services, a third party valuation firm. Investment income or loss (including gains and losses on investments, interest, dividends, related foreign taxes, and trustee fees) is included in the statement of activities as increases or decreases in unrestricted net assets unless the income or loss is restricted by donor or law.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

The Huntsville Hospital Foundation, Inc.
Huntsville, Alabama

June 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Property and Equipment - Furniture and equipment is recorded at cost. Straight-line depreciation is computed and recorded over the estimated useful lives of the assets.

Impairment of Long-Lived Assets - The Foundation reviews assets carrying amounts whenever events or circumstances indicate that such carrying amounts may not be recoverable. When considered impaired, the carrying amount of the asset is reduced, by a charge to the statement of activities, to its current fair value. See Note F for a description of the impairment loss incurred during the year ended June 30, 2007.

Unrestricted Net Assets - Unrestricted net assets consist of amounts that are currently available to support the Foundation's daily activities.

Temporarily Restricted Net Assets - The Foundation reports contributions and other inflows of assets as restricted support if they are received with donor stipulation that limits the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, 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 consist of assets whose use by the Foundation is limited by donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of the Foundation. The restrictions stipulate that resources be maintained permanently but permit the Foundation to expend the income generated in accordance with the provisions of the agreement.

Revenue Recognition - Revenue is recognized when earned. Revenues received in advance are deferred and recognized as revenue in the year in which earned.

Functional Allocation of Expenses - The costs of providing various programs and other activities have been summarized on a functional basis in the accompanying statement of activities. Accordingly, certain costs incurred in connection with the administration of the Foundation's various programs have been allocated among the programs and supporting services benefitted.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

The Huntsville Hospital Foundation, Inc.
Huntsville, Alabama

June 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Income Taxes - The Foundation is exempt from federal income taxes under the provisions of the Internal Revenue Code Section 501(c)(3) and also exempt from state income taxes under the applicable income tax regulations of the State of Alabama. The Foundation is exempt from taxes on income other than unrelated business income, if any. In addition, the Foundation is not considered to be a private foundation.

Use of Estimates - The preparation of financial statements in conformity with 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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Promises to Give - Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases 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.

The Foundation uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

Contributed Services - During the years ended June 30, 2007 and 2006, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Foundation, but these services do not meet the criteria for recognition as contributed services.

Reclassifications - Certain amounts in the 2006 financial statements have been reclassified to conform with the 2007 financial statement presentation.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

The Huntsville Hospital Foundation, Inc.
Huntsville, Alabama

June 30, 2007

NOTE B - CASH

As of June 30, 2007 and 2006, the carrying amounts of the Foundation's deposits were \$1,888,891 and \$1,292,695, respectively; and the bank balances were \$1,991,194 and \$1,314,873, respectively. Bank deposits of \$100,000 at June 30, 2007 and 2006, were covered by Federal depository insurance. Bank deposits of \$1,891,194 and \$1,214,873 at June 30, 2007 and 2006, respectively, were uninsured.

NOTE C - PROMISES TO GIVE

Unconditional promises to give consisted of the following at June 30:

	<u>2007</u>	<u>2006</u>
Permanently restricted funds:		
Gross promises to give	\$ 10,930	\$ 4,000
Less unamortized discount	<u>-0-</u>	<u>120</u>
NET PROMISES TO GIVE	<u><u>\$ 10,930</u></u>	<u><u>\$ 3,880</u></u>
Amounts due in:		
Less than one year	\$ 10,930	\$ 2,000
One to five years	<u>-0-</u>	<u>1,880</u>
	<u><u>\$ 10,930</u></u>	<u><u>\$ 3,880</u></u>
Temporarily restricted funds:		
Gross promises to give	\$491,164	\$199,818
Less unamortized discount	<u>32,636</u>	<u>6,055</u>
NET PROMISES TO GIVE	<u><u>\$458,528</u></u>	<u><u>\$193,763</u></u>
Amounts due in:		
Less than one year	\$245,162	\$151,198
One to five years	<u>213,366</u>	<u>42,565</u>
	<u><u>\$458,528</u></u>	<u><u>\$193,763</u></u>
Unrestricted funds:		
Gross promises to give	\$ 2,862	\$ -0-
Less unamortized discount	<u>-0-</u>	<u>-0-</u>
NET PROMISES TO GIVE	<u><u>\$ 2,862</u></u>	<u><u>\$ -0-</u></u>
Amounts due in:		
Less than one year	\$ 2,862	\$ -0-
One to five years	<u>-0-</u>	<u>-0-</u>
	<u><u>\$ 2,862</u></u>	<u><u>\$ -0-</u></u>

NOTES TO FINANCIAL STATEMENTS - CONTINUED

The Huntsville Hospital Foundation, Inc.
Huntsville, Alabama

June 30, 2007

NOTE C - PROMISES TO GIVE - CONTINUED

Promises to give due in more than one year are reflected at the present value of estimated future cash flows using discount rates ranging from 4.5% to 6%.

NOTE D - INVESTMENTS

Investments consisted of the following at June 30:

	<u>2007</u>	<u>2006</u>
Money market funds	\$ 151,121	\$ 148,123
Mutual funds	12,598,375	10,716,626
Hedge funds	1,375,311	1,235,425
Corporate stocks	3,297,557	3,020,501
Certificate of deposit	<u>-0-</u>	<u>203,757</u>
TOTAL INVESTMENTS	<u>\$17,422,364</u>	<u>\$15,324,432</u>
Unrestricted	\$ 8,619,311	\$ 6,971,528
Temporarily restricted	5,656,546	5,233,233
Permanently restricted	<u>3,146,507</u>	<u>3,119,671</u>
TOTAL	<u>\$17,422,364</u>	<u>\$15,324,432</u>

Investment income consisted of the following amounts:

	<u>2007</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Interest income	\$ 34,034	\$ 7,444	\$ 41,478
Dividend and capital gains distributions	599,589	139,349	738,938
Realized and unrealized gains	1,888,245	364,914	2,253,159
Trustee fees	(80,509)	(10,948)	(91,457)
Foreign taxes	<u>(8,466)</u>	<u>(582)</u>	<u>(9,048)</u>
	<u>\$ 2,432,893</u>	<u>\$ 500,177</u>	<u>\$2,933,070</u>

NOTES TO FINANCIAL STATEMENTS - CONTINUED

The Huntsville Hospital Foundation, Inc.
Huntsville, Alabama

June 30, 2007

NOTE D - INVESTMENTS - CONTINUED

	2006		
	Unrestricted	Temporarily Restricted	Total
Interest income	\$ 25,175	\$ 7,603	\$ 32,778
Dividend and capital gains distributions	239,785	61,541	301,326
Realized and unrealized gains	1,305,034	205,040	1,510,074
Trustee fees	(73,312)	(6,270)	(79,582)
Foreign taxes	(5,455)	-0-	(5,455)
	<u>\$ 1,491,227</u>	<u>\$ 267,914</u>	<u>\$1,759,141</u>

Investments included a certificate of deposit in the amount of \$-0- and \$203,757 at June 30, 2007 and 2006, respectively. The Foundation maintains this certificate of deposit at the same financial institution as the other cash balances. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$100,000. Thus, the entire balance of the certificate of deposit was uninsured as of June 30, 2007 and 2006.

NOTE E - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	2007	2006
Office furniture and equipment	\$18,028	\$18,028
Less accumulated depreciation	<u>14,101</u>	<u>10,205</u>
	<u>\$ 3,927</u>	<u>\$ 7,823</u>

Depreciation expense for the years ended June 30, 2007 and 2006, was \$3,896 and \$3,836, respectively.

NOTE F - PATENT AND LICENSE AGREEMENT

On December 15, 2003, the Foundation received the gift of a patent and license agreement for the treatment of amblyopia (lazy eye). A valuation specialist was engaged to determine the fair market value of the patent and license agreement. The fair market value of the patent was determined to be \$25,182 and the fair market value of the license agreement was determined to be \$514,355 at December 15, 2003, based on the performance of the valuation. The patent is being amortized over 205 months, the remaining life of the patent, from December 15, 2003.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

The Huntsville Hospital Foundation, Inc.
Huntsville, Alabama

June 30, 2007

NOTE F - PATENT AND LICENSE AGREEMENT - CONTINUED

The license agreement was being amortized over 114 months, the estimated useful life of the license agreement, from December 15, 2003, The Foundation engaged a valuation specialist to render an opinion as to the fair market value of the patent and license agreement as of June 30, 2007. The valuation determined that the patent has a value equal to at least book value (\$19,961) and that the license agreement has no value (\$-0-). At the time of the valuation the license agreement had a book value of \$322,599, all of which was written off as an impairment loss during the year ended June 30, 2007. The following is information on intangibles at June 30, 2007:

	2007		
	<u>Patent</u>	<u>License Agreement</u>	<u>Total</u>
Fair market value	\$25,182	\$ -0-	\$ 25,182
Less accumulated amortization	<u>(5,221)</u>	<u>-0-</u>	<u>(5,221)</u>
NET INTANGIBLES	<u>\$19,961</u>	<u>\$ -0-</u>	<u>\$ 19,961</u>
	2006		
	<u>Patent</u>	<u>License Agreement</u>	<u>Total</u>
Fair market value	\$25,182	\$ 514,355	\$539,537
Less accumulated amortization	<u>(3,747)</u>	<u>(137,613)</u>	<u>(141,360)</u>
NET INTANGIBLES	<u>\$21,435</u>	<u>\$ 376,742</u>	<u>\$398,177</u>

Estimated annual amortization expense at June 30, 2007:

<u>Fiscal Year Ending</u>	
6/30/08	\$1,474
6/30/09	\$1,474
6/30/10	\$1,474
6/30/11	\$1,474
6/30/12	\$1,474
Thereafter	\$12,591

Amortization expense for the years ended June 30, 2007 and 2006, was \$55,617 and \$55,616, respectively.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

The Huntsville Hospital Foundation, Inc.
Huntsville, Alabama

June 30, 2007

NOTE G - CASH VALUE OF LIFE INSURANCE

The Foundation is the owner and beneficiary of two insurance policies on the lives of Foundation benefactors. These policies have a combined face value of \$125,000. At June 30, 2007 and 2006, these policies had a combined cash value of \$24,520 and \$22,073, respectively.

NOTE H - PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consisted of investments carried at fair value at the date of contribution, money market funds, and promises to give were restricted to the following at June 30:

	2007	2006
Mitchum Cardiovascular	\$1,019,541	\$1,019,541
Hill Knapp Memorial	102,505	100,550
Ronald S. Owen Scholarship	77,094	69,503
Fletcher Endowment Fund	81,800	81,800
Robin Lanier Stewart Memorial	302,549	285,921
Kidney Dialysis	11,100	11,000
Ruth Camp Scholarship	110,286	109,244
Donny Derivaux Memorial	55,236	53,721
Betty Jones Memorial Heart Fund	50,785	50,785
Gesman Medical Symposium	120,262	120,207
Mary Sylvia Whitten Memorial	25,000	25,000
Dr. Otis F. Gay Endowment Fund	199,831	199,831
Capital Endowment Campaign	906,068	906,068
Fred Wessel Endowment Fund	45,295	40,295
Delta Zeta Fund	50,085	50,085
Gessler Cardiac Education Fund	25,000	-0-
Bell Radiology Education Fund	25,050	-0-
	<u>\$3,207,487</u>	<u>\$3,123,551</u>

NOTE I - DESCRIPTION OF PROGRAM AND SUPPORTING SERVICES

The following program and supporting services are included in the accompanying financial statements.

PROGRAM SERVICES

Events - Develop, manage, and participate in events that support the Hospital.

Image - Develop and conduct public relations, marketing, and charitable activities to enhance the Foundation's image, heighten public awareness of the Foundation and its purposes, and broaden and strengthen relationships.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

The Huntsville Hospital Foundation, Inc.
Huntsville, Alabama

June 30, 2007

NOTE I - DESCRIPTION OF PROGRAM AND SUPPORTING SERVICES - CONTINUED

Administration of Temporarily Restricted Programs - Manage activities of the various programs within the Foundation.

SUPPORTING SERVICES

Foundation Governance and Organizational Management - Govern the Foundation and manage its operations and empower leaders at all levels.

Finance and Administration - Discharge administrative and financial property and management functions for the Foundation.

Recruitment and Training - Create and maintain a program to recruit and train volunteers in fund-raising methodology and to motivate giving.

Communication - Communicate purpose, goals, and accomplishments of the Foundation.

Fund raising - Develop and maintain professional and ethical procedures consistent with standard Foundation operations.

NOTE J - PENSION PLAN

Huntsville Hospital has a defined contribution plan (the "Plan"). The Plan is a 401(k) plan covering all full-time employees who have reached the age of twenty-one and have completed one year of service. For purposes of the Plan, the Foundation employees are considered Huntsville Hospital employees. Huntsville Hospital provides all servicing necessary to maintain the Plan. Contributions are made by the employee, subject only to the limits set by law. Huntsville Hospital makes contributions to the Plan as set forth in the Plan agreement. Contributions made to the Plan, and investment earnings in the Plan, are tax-deferred and are available as determined by law.

NOTE K - CHARITABLE REMAINDER UNITRUSTS

Several charitable remainder unitrusts have been established by Foundation benefactors. The assets placed in the charitable remainder unitrusts are held and administered by an outside agent and are neither in the possession nor under the control of the Foundation. Certain income is retained from these trusts until the death of the last to die of the benefactor and his or her spouse. When this event occurs, the trust shall transfer its assets to the Foundation. It is possible for the benefactor to change the beneficiary of the trust. At June 30, 2007, the Foundation had been named the beneficiary of the following charitable remainder unitrusts:

NOTES TO FINANCIAL STATEMENTS - CONTINUED

The Huntsville Hospital Foundation, Inc.
Huntsville, Alabama

June 30, 2007

NOTE K - CHARITABLE REMAINDER UNITRUSTS - CONTINUED

<u>Date Established</u>	<u>Type of Assets</u>	<u>Value at Date of Establishment</u>
December 1992	Securities	\$ 50,000
December 1995	Securities	206,915
December 1996	Real Estate	532,000
December 1997	Securities	200,000
December 1999	Securities	250,000
March 2001	Securities	<u>200,000</u>
		<u>\$ 1,438,915</u>

NOTE L - GIFT ANNUITIES

On September 1, 1994, a benefactor transferred real property (an office building and the related land) with an appraised fair market value of \$676,000 to the Foundation. The building was sold on July 6, 1999. In exchange, the Foundation has an obligation to make annual payments to the grantor and his wife in the sum of \$43,940. This obligation shall terminate upon the death of the last to die of the grantor and his wife. At June 30, 2007 and 2006, the present value of this obligation was \$279,807 and \$299,214, respectively.

On June 29, 1995, a benefactor transferred cash totaling \$19,721 to the Foundation. The Foundation has an obligation to make annual payments to the grantor and his wife in the sum of \$1,282. This obligation shall terminate upon the death of the last to die of the grantor and his wife. At June 30, 2007 and 2006, the present value of this obligation was \$3,628 and \$4,530, respectively.

On December 28, 1998, a benefactor transferred cash totaling \$19,956 to the Foundation. In exchange, the Foundation has an obligation to make annual payments to the grantor and his wife in the sum of \$1,397. This obligation shall terminate upon the death of the last to die of the grantor and his wife. At June 30, 2007 and 2006, the present value of this obligation was \$9,865 and \$10,616, respectively.

On June 1, 2000, a benefactor transferred real property (an office building and the related land) with an appraised fair market value of \$275,000 to the Foundation. The building and related land were sold on June 6, 2003. In exchange, the Foundation has an obligation to make annual payments to the grantor and his wife in the sum of \$18,150. This obligation shall terminate upon the death of the last to die of the grantor and his wife. At June 30, 2007 and 2006, the present value of this obligation was \$145,765 and \$151,657, respectively.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

The Huntsville Hospital Foundation, Inc.
Huntsville, Alabama

June 30, 2007

NOTE L - GIFT ANNUITIES - CONTINUED

Huntsville Hospital has adopted a resolution whereby it will guarantee these long-term giving arrangements entered into by the Foundation, not to exceed \$2,000,000.

NOTE M - RELATED PARTY TRANSACTIONS

As a result of the close relationship between the Foundation and Huntsville Hospital described in Note A, Huntsville Hospital provides various management and general services to the Foundation.

Operating expenses totaling \$444,131 and \$437,522 were paid directly by Huntsville Hospital for the benefit of the Foundation for the fiscal years ended June 30, 2007 and 2006, respectively. All funds are donated by the Foundation to Huntsville Hospital, with the exception of certain recognition and special project programs. Donations via Huntsville Hospital totaling \$60,000 are not reflected in the Foundation's contributions due to recent legislation, which disallows certain donations to supporting organizations of nonprofit entities. The \$60,000 donated would have also been reflected as an increase in expense for Huntsville Hospital funding.