

St. Joseph's Villa Foundation

Financial Statements
Years Ended June 30, 2009 and 2008

St. Joseph's Villa Foundation

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St. Joseph's Villa Foundation

Officers and Board of Directors

Officers As of June 30, 2009

Julian P. Taylor
President

Marshall Martin
Vice President

Janice B. McNee
Treasurer

Board of Directors

Darren J. Nolt
Marshall Martin

Karen M. Whalen
Janice B. McNee

Robert W. Busch
Julian P. Taylor



Independent Auditors' Report

Board of Directors
St. Joseph's Villa Foundation
Richmond, Virginia

We have audited the statements of financial position of St. Joseph's Villa Foundation as of June 30, 2009 and 2008, 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 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 St. Joseph's Villa Foundation as of June 30, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

BDO Seidman, LLP

December 16, 2009

St. Joseph's Villa Foundation

Statements of Financial Position

<i>June 30,</i>	2009	2008
Assets		
Investments, at fair value	\$22,957,260	\$28,511,626
Accrued investment income	2,462	12,120
Total assets	\$22,959,722	\$28,523,746
Liabilities and Net Assets		
Liabilities		
Accrued investment fees	\$ —	\$ 7,040
Contribution payable, related party	900,000	1,559,195
Total liabilities	900,000	1,566,235
Net assets		
Unrestricted	21,959,722	26,857,511
Permanently restricted	100,000	100,000
Total net assets	22,059,722	26,957,511
Total liabilities and net assets	\$22,959,722	\$28,523,746

See accompanying summary of accounting policies and notes to financial statements.

St. Joseph's Villa Foundation

Statements of Activities

<i>Year Ended June 30,</i>	2009	2008
Revenue		
Net investment income	\$ 520,562	\$ 209,555
Realized net gain (loss) on investment transactions	(1,614,019)	1,028,105
Unrealized net gain (loss) on investments	(1,952,099)	(4,389,995)
Total revenue (loss)	(3,045,556)	(3,152,335)
Expenses		
Contributions	1,836,189	3,840,885
Professional fees	10,290	7,925
Insurance	5,754	4,860
Total expenses	1,852,233	3,853,670
Decrease in net assets	(4,897,789)	(7,006,005)
Net assets, beginning of year	26,957,511	33,963,516
Net assets, end of year	\$22,059,722	\$26,957,511

See accompanying summary of accounting policies and notes to financial statements.

St. Joseph's Villa Foundation

Statements of Cash Flows

<i>Year Ended June 30,</i>	2009	2008
Operating activities		
Change in net assets	\$(4,897,789)	\$(7,006,005)
Adjustments to reconcile change in net assets to net cash absorbed by operating activities		
Realized net loss (gain) on investment transactions	1,614,019	(1,028,105)
Unrealized net loss on investments	1,952,099	4,389,995
Changes in assets and liabilities		
Accrued investment income	9,658	2,665
Accrued investment fees	(7,040)	(2,611)
Contribution payable	(659,195)	1,419,195
Cash absorbed by operating activities	(1,988,248)	(2,224,866)
Investing activities		
Proceeds from sale of investments	76,792,447	14,463,795
Purchase of investments	(75,047,319)	(12,238,929)
Return of capital	243,120	—
Cash provided by investing activities	1,988,248	2,224,866
Net increase in cash	—	—
Cash, beginning of year	—	—
Cash, end of year	\$ —	\$ —

See accompanying summary of accounting policies and notes to financial statements.

St. Joseph's Villa Foundation

Summary of Significant Accounting Policies

Nature of Business	<p>St. Joseph's Villa Foundation (the Foundation) is a nonprofit corporation organized under the laws of the Commonwealth of Virginia for the purpose of performing and carrying out the promotion and support of programs for the health, education and general welfare of children and their families. The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.</p>
Estimates	<p>The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.</p>
Basis of Presentation	<p>The financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, <i>Financial Statements of a Not-for-Profit Organization</i>. Under SFAS No. 117, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted.</p> <p><u>Unrestricted Net Assets</u></p> <p>Unrestricted net assets are the net assets that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations.</p> <p><u>Temporarily Restricted Net Assets</u></p> <p>Temporarily restricted net assets result from contributions whose use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Foundation pursuant to those stipulations. Net assets may be temporarily restricted for various purposes, such as use in future periods or use for specified purposes. The Foundation currently has no temporarily restricted net assets.</p> <p><u>Permanently Restricted Net Assets</u></p> <p>Permanently restricted net assets result from contributions whose use is limited by donor-imposed stipulations that neither expire by passage of time nor otherwise removed by the Foundation's actions. The Foundation currently has \$100,000 in permanently restricted net assets. The activities within the permanently restricted net assets were not significant for the years ended June 30, 2009 and 2008, respectively.</p>

St. Joseph's Villa Foundation

Summary of Significant Accounting Policies

(continued)

Investments

Equity securities and investments in debt securities are reported at fair value. Unrealized gains and losses are included in the statements of activities. Realized gains and losses on investments are determined using the specific-identification method. Interest income on investments in debt securities is computed by the interest method over their contractual lives. Dividend income on marketable equity securities is recognized in income when dividends are declared.

Contributions

Contributions receivable include unconditional promises to give recognized at their fair values. Contributions that are to be collected more than one year into the future are recorded at their discounted present value. Contributions receivable are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. There are no contributions receivable at June 30, 2009 and 2008, respectively.

Unrestricted contributions are reported as revenues and included in additions to unrestricted net assets. Contributions with donor stipulations that limit the use of the donated assets are reported as temporarily restricted support. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same reporting period as the contribution was made are reported as unrestricted contributions.

Financial Risk

The Foundation invests in a professionally managed portfolio that contains common shares and bonds of publicly traded companies, U.S. obligations, mutual funds and money market funds. Such investments are exposed to various risks such as interest rate, market and credit. Due to the level of risk associated with such investments and the uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amount reported in the financial statements.

St. Joseph's Villa Foundation

Notes to Financial Statements

1. **Investments** Investments consist of the following at June 30, 2009 and 2008:

	2009		2008	
	Cost	Fair Value	Cost	Fair Value
Temporary cash investments	\$ 2,385,000	\$ 2,385,000	\$ 2,164,892	\$ 2,164,892
Fixed income securities	501,634	513,476	8,811,883	9,065,958
Other equities and mutual funds	2,375,000	1,838,948	—	—
Common stocks	20,328,118	18,219,836	18,215,243	17,280,776
	\$25,589,752	\$22,957,260	\$29,192,018	\$28,511,626

Components of investment income for the years ended June 30, 2009 and 2008 consist of the following:

	2009	2008
Gross investment income	\$654,306	\$345,968
Less trust management and investment advisory fees	133,744	136,413
	\$520,562	\$209,555

In fiscal years 2009 and 2008, the Foundation transferred assets totaling \$27,809,661 and \$1,784,000, respectively, between investment funds.

2. **Basis of Fair Value Measurements**

Effective July 1, 2008, the Company adopted the Statement of Financial Accounting Standards No. 157, "Fair Value Measurements" (SFAS 157). SFAS 157 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under SFAS 157 are described below:

- Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
- Level 2 Quoted prices for identical or similar assets in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly;
- Level 3 Prices or valuations that require inputs that are both significant to the fair value measure and are unobservable.

St. Joseph's Villa Foundation

Notes to Financial Statements

(continued)

2. Basis of Fair Value Measurements (continued)

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The following tables set forth, by level within the fair value hierarchy, all Foundation investment assets at fair value as of June 30, 2009. The Foundation did not have investment assets classified as Level 3 during the year ended June 30, 2008.

	Investment Assets at Fair Value as of June 30, 2009			
	Level 1	Level 2	Level 3	Total
Temporary cash investments	\$2,385,000	\$ -	\$ -	\$ 2,385,000
Common stock and mutual funds	7,072,754	11,147,082	-	18,219,836
Other equity investments	-	-	1,838,948	1,838,948
Fixed income securities	513,476	-	-	513,476
Total investments assets at fair value	\$9,971,230	\$ 11,147,082	\$1,838,498	\$22,957,260

The following table sets forth a summary of changes in the fair value of the Foundation's Level 3 assets for the year ended June 30, 2009:

	Other Equity Investments
Balance, beginning of year	\$ -
Purchases	2,375,000
Unrealized losses	(536,052)
Balance, end of year	\$1,838,948

3. Related Party Transactions

The Foundation is associated with St. Joseph's Villa. St. Joseph's Villa provides for the health, education and general welfare of children and their families. The Foundation made net contributions of \$1,829,561 and \$3,836,000 for the years ended June 30, 2009 and 2008, respectively, to this organization. During the year ended June 30, 2008, the Foundation approved a \$1.5 million contribution to the St. Joseph's Villa Capital Campaign, which is included in contribution payable in the accompanying statement of financial position. The Foundation has a contribution payable to St. Joseph's Villa in the amount of \$900,000 and \$1,559,195 as of June 30, 2009 and 2008, respectively. The Foundation also contributed \$6,628 and \$4,885 to The Villa Corporation, a related party, for the years ended June 30, 2009 and 2008, respectively.

St. Joseph's Villa Foundation

Notes to Financial Statements

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3. **Related Party Transactions (continued)** St. Joseph's Villa entered into a cancelable contract with Community Counseling Service Co., LLC in July 2007 to provide professional fundraising services for a major capital projects campaign. The contract called for eighteen monthly payments of \$29,500, totaling \$531,000 (which was funded by the Foundation through December 31, 2008).