

# St. Joseph's Villa Foundation

Financial Statements

June 30, 2017 and 2016



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# ST. JOSEPH'S VILLA FOUNDATION

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## **REPORT OF INDEPENDENT ACCOUNTANTS**

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of St. Joseph's Villa Foundation (the "Foundation"), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

A handwritten signature in black ink, appearing to read "Keita", with a long, sweeping horizontal stroke extending to the right.

October 30, 2017  
Glen Allen, Virginia

**ST. JOSEPH'S VILLA FOUNDATION**

Statements of Financial Position  
June 30, 2017 and 2016

<u>Assets</u>	<u>2017</u>	<u>2016</u>
Assets:		
Cash and cash equivalents	\$ 488,108	\$ 746,356
Investments	<u>22,615,849</u>	<u>21,204,277</u>
	<u>\$ 23,103,957</u>	<u>\$ 21,950,633</u>
 <u>Liabilities and Net Assets</u> 		
Liabilities:		
Contribution payable to St. Joseph's Villa	<u>\$ 4,990</u>	<u>\$ 1,842</u>
Net assets:		
Unrestricted	22,202,475	21,098,245
Temporarily restricted	796,492	750,546
Permanently restricted	<u>100,000</u>	<u>100,000</u>
Total net assets	<u>23,098,967</u>	<u>21,948,791</u>
	<u>\$ 23,103,957</u>	<u>\$ 21,950,633</u>

See accompanying notes to financial statements.

**ST. JOSEPH'S VILLA FOUNDATION**

Statement of Activities  
Year Ended June 30, 2017

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Revenues, support, and gains:				
Net investment income	\$ 426,011	\$ 11,778	\$ -	\$ 437,789
Unrealized gains on investments	1,986,306	54,669	-	2,040,975
Miscellaneous income	<u>4,494</u>	<u>-</u>	<u>-</u>	<u>4,494</u>
Total revenues, support, and gains	<u>2,416,811</u>	<u>66,447</u>	<u>-</u>	<u>2,483,258</u>
Net assets released from restrictions	<u>20,501</u>	<u>(20,501)</u>	<u>-</u>	<u>-</u>
Expenses and losses:				
Program services:				
Contributions	1,308,001	-	-	1,308,001
Management and general:				
Professional fees	13,513	-	-	13,513
Insurance	7,544	-	-	7,544
Miscellaneous	<u>25</u>	<u>-</u>	<u>-</u>	<u>25</u>
Total expenses	1,329,083	-	-	1,329,083
Realized losses on investments	<u>3,999</u>	<u>-</u>	<u>-</u>	<u>3,999</u>
Total expenses and losses	<u>1,333,082</u>	<u>-</u>	<u>-</u>	<u>1,333,082</u>
Change in net assets	1,104,230	45,946	-	1,150,176
Net assets, beginning of year	<u>21,098,245</u>	<u>750,546</u>	<u>100,000</u>	<u>21,948,791</u>
Net assets, end of year	<u>\$22,202,475</u>	<u>\$ 796,492</u>	<u>\$ 100,000</u>	<u>\$23,098,967</u>

See accompanying notes to financial statements.

**ST. JOSEPH'S VILLA FOUNDATION**

Statement of Activities  
Year Ended June 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues, support, and gains:				
Net investment income	\$ 1,096,391	\$ 30,345	\$ -	\$ 1,126,736
Miscellaneous income	<u>4,330</u>	<u>-</u>	<u>-</u>	<u>4,330</u>
Total revenues, support, and gains	<u>1,100,721</u>	<u>30,345</u>	<u>-</u>	<u>1,131,066</u>
Net assets released from restrictions	<u>38,361</u>	<u>(38,361)</u>	<u>-</u>	<u>-</u>
Expenses and losses:				
Program services:				
Contributions	1,324,038	-	-	1,324,038
Management and general:				
Professional fees	13,071	-	-	13,071
Insurance	6,621	-	-	6,621
Miscellaneous	<u>25</u>	<u>-</u>	<u>-</u>	<u>25</u>
Total expenses	1,343,755	-	-	1,343,755
Unrealized losses on investments	1,775,002	49,111	-	1,824,113
Realized losses on investments	<u>4,247</u>	<u>-</u>	<u>-</u>	<u>4,247</u>
Total expenses and losses	<u>3,123,004</u>	<u>49,111</u>	<u>-</u>	<u>3,172,115</u>
Change in net assets	(1,983,922)	(57,127)	-	(2,041,049)
Net assets, beginning of year	<u>23,082,167</u>	<u>807,673</u>	<u>100,000</u>	<u>23,989,840</u>
Net assets, end of year	<u>\$21,098,245</u>	<u>\$ 750,546</u>	<u>\$ 100,000</u>	<u>\$21,948,791</u>

See accompanying notes to financial statements.

## ST. JOSEPH'S VILLA FOUNDATION

### Statements of Cash Flows Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Change in net assets	\$ 1,150,176	\$ (2,041,049)
Adjustments to reconcile the change in net assets to net cash from operations:		
Realized losses on investments	3,999	4,247
Unrealized (gains) losses on investments	(2,040,975)	1,824,113
Changes in operating assets and liabilities:		
Due from St. Joseph's Villa	-	5,725
Contribution payable to St. Joseph's Villa	<u>3,148</u>	<u>1,842</u>
Net cash used in operating activities	<u>(883,652)</u>	<u>(205,122)</u>
Cash flows from investing activities:		
Proceeds from sale of investments	<u>625,404</u>	<u>4,743</u>
Net cash provided by investing activities	<u>625,404</u>	<u>4,743</u>
Net change in cash and cash equivalents	(258,248)	(200,379)
Cash and cash equivalents, beginning of year	<u>746,356</u>	<u>946,735</u>
Cash and cash equivalents, end of year	<u>\$ 488,108</u>	<u>\$ 746,356</u>

See accompanying notes to financial statements.

# ST. JOSEPH'S VILLA FOUNDATION

## Notes to Financial Statements

### 1. Organization and Summary of Significant Accounting Policies:

**Organization:** St. Joseph's Villa Foundation (the "Foundation") is a non-stock, non-profit corporation formed in Virginia for the purpose of performing and carrying out the promotion and support of programs for health, education and general welfare of children and their families.

**Basis of Accounting:** The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States ("GAAP") as determined by Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC"), which require reporting information regarding its financial position and activities according to these three classes of net assets:

**Unrestricted Net Assets:** Net assets that are not subject to donor-imposed restrictions. Unrestricted net assets include the revenues and expenses of the primary operations of the Foundation. Donor-restricted contributions, sponsorships, and grants whose restrictions are met in the same reporting period are reported as unrestricted support.

**Temporarily Restricted Net Assets:** Net assets that are subject to donor or grant-imposed stipulations that may or will be met either by actions of the Foundation and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

**Permanently Restricted Net Assets:** Net assets that are subject to donor-imposed stipulations that require the Foundation to maintain them permanently.

**Estimates:** The preparation of financial statements in conformity with 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.

**Cash and Cash Equivalents:** The Foundation considers as cash equivalents all short term, highly liquid investments with maturities of three months or less at date of acquisition.

**Concentrations Credit Risk:** The Foundation maintains its cash and cash equivalent balances in brokerage houses. Funds held by brokerage houses are insured by the Securities Investors Protection Corporation up to \$500,000, including cash claims of up to \$250,000. The Foundation periodically has balances in excess of insured limits.

## ST. JOSEPH'S VILLA FOUNDATION

### Notes to Financial Statements, Continued

#### 1. Organization and Summary of Significant Accounting Policies, Continued:

**Investments:** The Foundation's investments are reported at values determined by the respective investment managers. Investments are exposed to various risks, such as interest rate, market, and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in the risks in the near term could materially affect amounts reported on the financial statements. 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.

**Recognition of Contributions:** 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 as to purpose or time are reported as an increase in unrestricted net assets if the restriction expires in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are classified as unrestricted.

**Income Taxes:** The Foundation is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

**Income Tax Uncertainties:** Management has evaluated the effects of accounting guidance related to uncertain income tax positions and concluded that the Foundation had no significant financial statement exposure to uncertain income tax positions at June 30, 2017 and 2016. The Foundation is not currently under audit by any tax jurisdiction.

**Subsequent Events:** Management has evaluated subsequent events through October 30, 2017, the date the financial statements were available to be issued, and has determined there are no subsequent events to be reported in the accompanying financial statements.

## ST. JOSEPH'S VILLA FOUNDATION

### Notes to Financial Statements, Continued

#### 2. Investments:

The costs of investments and their related carrying values (market) by major investment type were as follows at June 30:

	2017		2016	
	Cost	Market	Cost	Market
Mutual funds -				
absolute return	\$ 21,271,170	\$ 22,593,477	\$ 21,892,673	\$ 21,185,091
Hedge funds	39,410	22,372	47,310	19,186
	\$ 21,310,580	\$ 22,615,849	\$ 21,939,983	\$ 21,204,277

#### 3. Fair Value Measurements:

The Foundation follows FASB guidance, which provides a framework for measuring fair value under GAAP, for all financial assets and liabilities measured at fair value on a recurring basis.

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The guidance requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. The guidance also establishes a fair value hierarchy which prioritizes the valuation inputs into three broad levels. Based on the underlying inputs, each fair value measurement in its entirety is reported in one of the three levels.

These levels are:

Level 1 – Valuation is based upon quoted prices for identical instruments traded in active markets. Level 1 assets and liabilities include debt and equity securities traded in an active exchange market, as well as certain U.S. Treasury securities that are traded by dealers or brokers in active markets.

Level 2 – Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Valuation is determined using model-based techniques that use significant assumptions not observable in the market and significant to the fair value measurement. These values are generally determined using pricing models for which the assumptions utilize management's estimates of market participant assumptions.

## ST. JOSEPH'S VILLA FOUNDATION

### Notes to Financial Statements, Continued

#### 3. Fair Value Measurements, Continued:

In May 2015, the FASB issued Accounting Standards Update ASU 2015-07, *Disclosure for Investments in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent)*, which eliminates the requirement to categorize investments in the fair value hierarchy if their fair value is measured using net asset value per share as a practical expedient. The amendments in this ASU are effective for fiscal years beginning after December 15, 2016, with early adoption permitted. Management elected to early adopt this ASU during 2016. As a result, the Foundation's investments valued using NAV per share as a practical expedient are excluded from categorization in the fair value hierarchy.

**Hedge funds and mutual funds-absolute return:** Valued using net asset value per share of the investments as provided by the fund managers as a practical expedient. The fair value of certain investments in the underlying entities, which may include private placements and other securities for which values are not readily available, are determined in good faith by the investment advisors of the respective entities and may not reflect amounts that could be realized upon immediate sale, nor amounts that may be ultimately realized. The estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments, and these differences could be material. Net asset valuations are provided daily, monthly or quarterly by these entities. Appreciation (depreciation) of investments in these entities is net of all fee allocations to the investment advisors. Investments at fair value totaled \$22,615,849 as of June 30, 2017 and \$21,204,277 as of June 30, 2016.

The following information is presented regarding the nature of the investments valued using NAV as a practical expedient. Redemption of these investments is restricted as indicated below and there are no unfunded commitments at June 30, 2017.

	<u>Fair Value</u>	<u>Redemption Frequency</u>	<u>Lock-in Period</u>
Hedge Funds:			
Multi-strategy (a)	\$ 22,372	Illiquid	N/A
Mutual Fund:			
Multi-asset (b)	\$ 22,593,477	Daily	N/A

**ST. JOSEPH'S VILLA FOUNDATION**

Notes to Financial Statements, Continued

**3. Fair Value Measurements, Continued:**

Redemption of these investments is restricted as indicated below and there are no unfunded commitments at June 30, 2016.

	<u>Fair Value</u>	<u>Redemption Frequency</u>	<u>Lock-in Period</u>
Hedge Funds: Multi-strategy (a)	\$ 19,186	Illiquid	N/A
Mutual Fund: Multi-asset (b)	\$ 21,185,091	Daily	N/A

(a) This fund includes investments in a feeder in a master feeder fund structure. The master fund investment employs a multi-strategy approach, investing in global securities, corporate bonds, private equities, private debt, and derivatives.

(b) This fund seeks to achieve a total return that exceeds inflation plus 5% per annum by employing a globally diversified portfolio. The fund invests in multiple security types, including private investment funds and also utilizes futures contracts and swaps.

**4. Temporarily Restricted Net Assets:**

Temporarily restricted net assets were restricted for the following purposes at June 30:

	<u>2017</u>	<u>2016</u>
Brook Road scholarship	\$ 3,000	\$ 3,000
Assisting homeless women and children	285,000	285,000
Time-restricted endowment earnings	<u>508,492</u>	<u>462,546</u>
	<u>\$ 796,492</u>	<u>\$ 750,546</u>

Time-restricted endowment earnings were released by incurring expenses to satisfy their purpose in the amount of \$20,501 for 2017 and \$38,361 for 2016.

**5. Permanently Restricted Net Assets:**

Permanently restricted net assets consists of a general endowment totaling \$100,000 at June 30, 2017 and 2016. The principal of all permanently restricted net assets must be invested in perpetuity; however, income and gains are available to support the general operations of St. Joseph's Villa (see Note 6).

## ST. JOSEPH'S VILLA FOUNDATION

### Notes to Financial Statements, Continued

#### 6. Endowment Funds:

The Foundation's endowment consists of one individual donor-restricted fund. The fund has no purpose restriction and can be used to support the general operations of St. Joseph's Villa. As required by GAAP, net assets associated with the endowment fund are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Foundation has interpreted Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the cost basis 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 Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, and (b) the original value of subsequent gifts to the permanent endowment. 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 Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

**Endowment Investing and Spending Policies:** The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, the endowment assets are invested in a manner that is intended to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Actual returns in any given year may vary. To satisfy its long-term objectives, the Foundation utilizes diversified investment classes that provide the opportunity to achieve the return objectives without exposing the funds to unnecessary risk. Absent donor specified spending policies, the Foundation appropriates amounts for expenditure based upon a target rate of 5% set as a percentage of the average market value of their investments over a trailing three calendar year end periods.

## ST. JOSEPH'S VILLA FOUNDATION

### Notes to Financial Statements, Continued

#### 6. Endowment Funds, Continued:

All endowment net assets of the Foundation are donor-restricted. Changes in endowment net assets for the years ended June 30, 2017 and 2016 were as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, July 1, 2015	\$ -	\$ 519,673	\$ 100,000	\$ 619,673
Investment return:				
Investment income	-	30,345	-	30,345
Net realized and unrealized loss	-	(49,111)	-	(49,111)
Appropriation for expenditure	<u>-</u>	<u>(38,361)</u>	<u>-</u>	<u>(38,361)</u>
Endowment net assets, June 30, 2016	-	462,546	100,000	562,546
Investment return:				
Investment income	-	11,778	-	11,778
Net realized and unrealized gain	-	54,669	-	54,669
Appropriation for expenditure	<u>-</u>	<u>(20,501)</u>	<u>-</u>	<u>(20,501)</u>
Endowment net assets, June 30, 2017	<u>\$ -</u>	<u>\$ 508,492</u>	<u>\$ 100,000</u>	<u>\$ 608,492</u>

#### 7. Related Party Transactions:

The Foundation is associated with St. Joseph's Villa, an organization that provides for the health, education, and general welfare of children and their families. The Foundation made net contributions to St. Joseph's Villa of \$1,319,414 for 2017 and \$1,335,109 for 2016.

In addition, St. Joseph's Villa provides management and qualified personnel to implement the Foundation's programs and policies. In order to be recognized in the financial statements, contributed services must meet several requirements including criteria for services to be specialized skills. These contributed services do not meet the recognition criteria and have not been recognized in the statements of activities.

The Foundation also made contributions to The Villa Corporation totaling \$9,669 for 2017 and \$8,646 for 2016.