

Virginia Health Care Foundation –

NEEDED NOW MORE THAN EVER.



recession
layoffs
"I've worked since I was 9 years old, and always had full-time jobs."
job loss
"So many days, it felt like the room was closing in on me. I was afraid if I tried to do anything at home, I'd be evicted."
foreclosures
"There are lots of people like me, who didn't make bad choices in life, but are suffering because of the recession."
economic downturn
"I made sure we had money for my son to see the dentist, but I knew we didn't have enough for my own care."
bankruptcy
"I had to skip my routine medical care and found out I was in big trouble."
record unemployment

What a year! Hardworking friends and relatives are confronting the tough realities of **no job, no benefits and no idea when things will improve.**

For tens of thousands, the answer lies with the Virginia Health Care Foundation –

NEEDED NOW MORE THAN EVER.

Catch 22



FACT: Last year, VHCF-funded providers treated more than 22,500 uninsured Virginians.

The irony was not lost on Mickey. “I had a full-time job with benefits. But then, I needed emergency heart surgery that made me miss a lot of work and jacked up my employer’s health care costs. They had to let me go. So, yes, because I needed to use my benefits, I lost my benefits.”

“I’ve worked since I was 9 years old, and always had full time employment. I never expected to find myself in this situation, but here I am at the Shenandoah Free Clinic, along with hundreds of other people who suddenly realized they had nowhere else to go.”

VHCF support of free clinics and other health safety net providers statewide is making it possible for more Virginians like Mickey to get care until they rejoin the workforce. “They’re there for people like me, and for people who’ve had hard times their whole lives. For the rest of my days, anything I have, I’m giving back to them.”

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Breathless



Crystal had dreamed of running track, but never thought she'd be able to. Her asthma was so bad she had trouble even making it to school. *“So many days, it felt like the room was closing in on me. I was afraid if I tried to do anything at all I'd run out of breath for good. But I didn't tell anyone. I kept my attacks stifled because I didn't want my dad to worry. He'd lost his job, we had no insurance, and we sure didn't have money to pay for me to go to the doctor.”*

Seeing how Crystal's asthma was affecting her attendance, her school linked Crystal and her dad with a VHCF-funded caseworker from the Martinsville-Henry County Coalition for Health and Wellness. Within days, Crystal had insurance, an inhaler, and a medical home.

She never missed another day the rest of the school year. And you should see her run!

FACT: VHCF outreach workers have helped 49,600 children enroll in state-sponsored health insurance since 1999.

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Surprised



Her husband had worked the same job for over 30 years, so when his layoff notice came, it was staggering. The need to deal with the sudden loss of income and benefits overshadowed Carol's need to get care for a painful abscessed tooth.

“I made sure we had money for my son to see the dentist, but I knew we didn't have enough for me to go.”

Desperate to find some way to deal with the pain, Carol heard about a VHCF-funded dental program at Boydton Community Health Center. There, they not only took care of the tooth, they began treatment for periodontitis – a condition that eventually would have cost Carol all of her teeth.

“Stress can accelerate periodontal disease, so I guess I shouldn't be surprised I developed it. And, while the pressure's still on, now we have something to be positive and thankful about, too.”

FACT: VHCF grants have helped establish or expand 38 dental safety net programs.

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Grateful



FACT: Over 46,000 uninsured Virginians received \$124.4 million in free prescription medicines in FY09 through VHCF's innovative software, *The Pharmacy Connection*.

It nearly killed her. Out of work for a year, Renee could no longer afford the medicines she needed to keep her diabetes, hypertension and cholesterol under control. "I was stretching my meds, alternating days, skipping doses. I thought some in me was better than none. The heart attack proved I was wrong."

That's when the Lackey Free Clinic used VHCF's software, *The Pharmacy Connection (TPC)*, and changed Renee's life.

"Before, if a doctor gave me a prescription, it was as good to me as a piece of scrap paper. There was no way I could afford to fill it. *TPC* helps get me the medicines I need to get well and stay healthy."

"There are lots of people like me, who didn't make bad choices in life, but are suffering because of the recession. I have a degree in computer science, a minor in finance and years of experience.

Thank heaven, when I needed help most, there was somewhere to turn."

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Rebuilding



FACT: \$1.5 million in VHCF grants have funded 32,000 therapy sessions for uninsured Virginians.

Like all realtors, it had been a really bad year for Bob. Sadly, that wasn't the worst of it. *"I went in for routine medical care and found out I was in big trouble. The surgery I needed to stay alive put me over my head in debt, and I became despondent. I think everyone would be if they were facing what I was."* What Bob didn't

count on was the hope that arrived via a VHCF-funded counselor at Catholic Charities of Eastern Virginia. "They sensed my desperation and frustration, and made it possible for me to speak with her on a regular basis."

The counseling is providing Bob with the drive and support to keep going in tough times. "Looking for work isn't the problem; finding it is, so I'm back to doing remodeling and carpentry for now. I'm still struggling. It's still a battle. But things are getting better all the time."

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EXTRAORDINAIRE

(\$1,000,000+)

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Central Virginia
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CFC - 31808

Richmond area LGS - 334

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We have taken great care to assure the
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Stacie Birchett at 804-828-5804 if any
corrections are needed.

NEEDED NOW MORE THAN EVER.



It's been a topsy-turvy year – Free clinic donors and volunteers have become free clinic patients.

People who have always had coverage, are suddenly without. Those who have taken the availability of medical treatment for granted, now live in fear of getting sick or injured.

The daily anxiety of living without health insurance is a tension that over 1.1 million Virginians share – and the number is rising rapidly. This has created an intense and overwhelming demand for services from Virginia's health care safety net, stretching many free clinics and community health centers beyond capacity.

In the midst of all this turbulence, the Virginia Health Care Foundation (VHCF) has been a nimble, supportive force – expanding and shoring up Virginia's health safety net organizations as demand for care escalates.

HUGE SURGE IN UNINSURED PATIENTS

In FY09, the recession brought thousands of newly uninsured patients to Virginia's free clinics and community health centers. Most had never had to seek help before. While the health safety net worked valiantly to respond to this need, many could not keep up. Waiting lists, lotteries for available slots, and delays of 3-6 months for appointments became commonplace in many communities.

To help meet the demand, VHCF increased the amount it put into health safety net grants in FY09, helping to underwrite the cost of 26 health professionals (physicians, dentists, nurse practitioners, licensed clinical social workers), who provided 53,841 patient visits.

In addition, VHCF-funded grantwriters and reviewers generated \$3.7 million in new federal allocations that helped establish three additional community health center sites, bringing the total number of federally qualified health center sites in Virginia to 101. This brings the total amount of federal awards for community health centers generated with VHCF's help to \$10.9 million since 2005.

A RECORDBREAKING AMOUNT OF FREE RX MEDICINE FOR THE UNINSURED

One of the biggest shocks for the newly uninsured is the high retail cost of prescription medicines. One of the biggest reliefs is their discovery of free chronic disease medicines available for the uninsured from the

Patient Assistance Programs (PAPs) of the nation's brandname pharmaceutical companies. Recognizing the tremendous value of the PAPs, VHCF developed **The Pharmacy Connection (TPC)**, a special software which expedites the application process for these medicines, in 1997.

Impact of The Pharmacy Connection (cumulative figures 1997-2009)

	Patients - 181,462
	Prescriptions - 2,472,515
	Value of Free Medicines - \$688,387,823

One hundred fifty hospitals, health safety net organizations, and physician practices throughout Virginia use TPC. In FY09, the value of medications obtained via TPC totaled \$124 million (AWP) – breaking the FY05 record of \$107 million. This represents 298,219 prescriptions for 46,105 uninsured patients with chronic illnesses.

The tremendous need for help with prescription medicines during this recession is also evident among the medication assistance programs that comprise **RxRelief Virginia** and the Greater Williamsburg Medication Assistance Program. These two initiatives employ 48 Medication Assistance Caseworkers (MACs), whose patient load increased



by 31% in FY09. Many *RxRelief Virginia* MACs are working beyond capacity. In FY09, *RxRelief Virginia* MACs helped 14,116 uninsured Virginians obtain a total of \$43.2 million in free medications. Remarkably, they utilized only \$1.2 million in state funds to accomplish these results!

The ***RxPartnership (RxP)***, a special VHCF-fostered initiative, whose 20 affiliate health safety net sites can provide PAP medicines without delay, also experienced a significant surge in demand in FY09. It provided 26% more prescriptions to 13% more uninsured patients.

In addition, sanofi-aventis U.S. joined GlaxoSmithKline, Merck & Company, Inc., Novartis Pharmaceuticals, Abbott and Alcon in donating products to *RxP*. This caused much celebration because it was the first time insulin became available through *RxP*. Collectively, these companies have donated \$32.4 million in free medicines that have helped 25,481 uninsured Virginians since *RxP*'s inception.

A NEW LEASE ON LIFE FOR VIRGINIANS WITH MENTAL ILLNESS

Foreclosures, job losses, and associated stresses have triggered an increase in calls to state and local suicide hotlines, and created an unprecedented need for treatment of depression, anxiety, and other similar mental health conditions at Virginia's free clinics and community health centers. Unfortunately, many don't have the staff or expertise to address these problems in a meaningful way.

This dilemma led to a unique and innovative collaboration between VHCF, the Virginia Association of Free Clinics, the Virginia Association of Community Services Boards, the Virginia Community Healthcare Association and the Attorney General of Virginia. Utilizing \$1 million of settlement

funds from a multi-state case, Attorney General Bob McDonnell challenged VHCF and its partners to match it dollar for dollar to expand availability of basic mental health services and medicines for uninsured Virginians.

Once raised, the \$2 million total will primarily underwrite 9 three-year grants to hire mental health professionals, who will treat depression, anxiety and other basic mental health conditions in Virginia's free clinics and community health centers. Each of these initiatives will be joint ventures of at least one community services board (CSB) and one health safety net organization. In many communities, this will be the first time that CSBs and free clinics or community health centers work together.



THE DENTAL DILEMMA

The uninsured often put off treatment for a variety of medical conditions, but the blinding pain caused by a toothache can not be ignored. VHCF redoubled its efforts to grow Virginia's dental safety net in FY09, devoting 40% of its grant funds to establishing and supporting community-based dental practices. Although the number of localities with a community-based dental safety net provider increased to 73 in FY09, the progress remains incremental. Many are only open part-time, and 62 localities still have none.

Stretching dental safety net dollars is one key to sustainability. During FY09, Patterson Dental Company expanded its commitment to Virginia's dental safety net by extending its special discount program to include practice management software and equipment repairs and maintenance. With these additions, Patterson is now offering its maximum discount to Virginia's dental safety net for its full line of products and services. This has saved Virginia's community-based dental providers \$271,889 in just two years.

Conferences, discount programs and the partnerships that make

them possible, don't appear out of thin air. They require work and development. VHCF's Dental Opportunities Coordinator helped obtain these cost savings and provided extensive technical assistance and support to Virginia's dental safety net providers. This position has been funded with a grant from Delta Dental of Virginia for three years.

HELP FOR CHILDREN

As a parent, losing health insurance for your children is even worse than losing your own. Your anxiety skyrockets as they engage in sports and ride their bikes. What if they get hurt? Who will pay?

Virginia's FAMIS programs provide comprehensive health insurance to children with household incomes less than or equal to 200% FPL. Given the surge in the number of uninsured children in FY09, VHCF's outreach initiatives went into overdrive. With a grant from the Anthem Blue Cross and Blue Shield Foundation supplementing annual support from the Virginia Department of Medical Assistance Services (DMAS), the number of **Project Connect** outreach workers grew to fifteen. Altogether, they enrolled 5,111 children – a 26% increase over last year. This brought the cumulative total of children enrolled by *Project Connect* to 49,624 since it started in 1999.

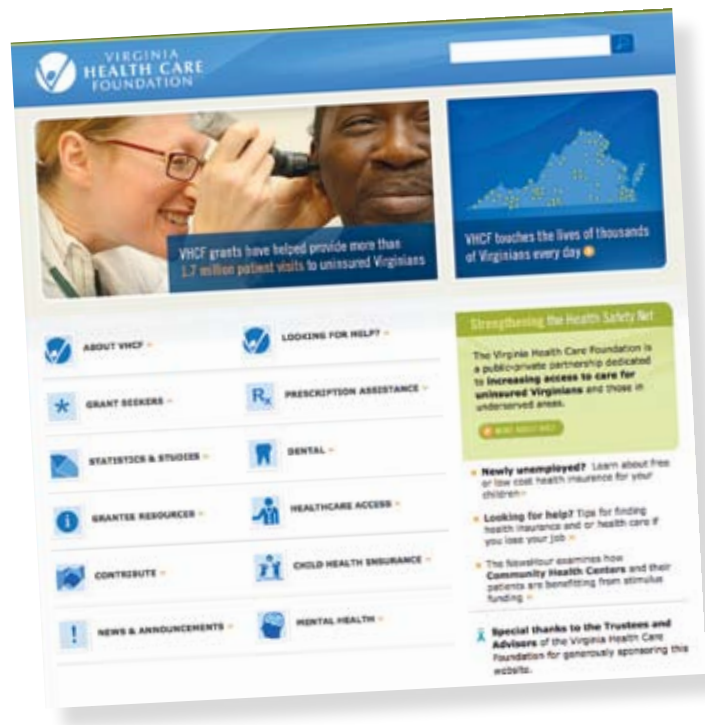


VHCF also worked with DMAS to make **SignUpNow** training available online. Those interested in learning how to identify and help eligible children enroll in the FAMIS programs can now log on to VHCF's website and be trained at their convenience.

LEADERSHIP DEVELOPMENT FOR HEALTH SAFETY NET EXECS

Chaotic, uncertain times require strong leadership. To help meet this need, VHCF launched **Leading for the Long Term** in FY09. This leadership development program was specifically designed for health safety net executive directors and senior hospital management staff, who are responsible for community health initiatives.

During these recessionary times, VHCF redesigned its website to make it easier for the uninsured to learn about and find health safety net services. This has become the most frequently visited section of the website.



Its seven-session curriculum, based on the Practical Leadership Model, covered negotiation skills, conflict resolution, strategic decisionmaking and risk-taking, collaboration, leading through change, and several other key topics.



LEADING for the LONG TERM

A Program of the Virginia Health Care Foundation

Program evaluations from the inaugural class of 20 were excellent. Underwriters for the first year included: BB&T, Kaiser Permanente, the Robins Foundation, the Virginia Hospital & Healthcare Association, the Claude Moore Charitable Foundation, and Wyeth.

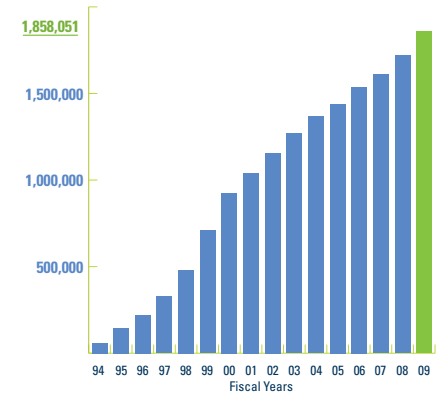
IMPRESSIVE RETURNS DESPITE THE RECESSION

While the number of uninsured Virginians and VHCF's initiatives to help them increased dramatically in FY09, one important indicator remained at a low level: VHCF's administrative costs. I am pleased to report that they represented only 11.9% of VHCF's total

expenditures. This was possible because of aggressive cost-cutting and generous in-kind contributions from a number of companies, contractors, and other partners.

Partnerships and the synergies that flow from them are at the heart of every VHCF initiative in good economic times, and bad. That is why the Virginia Health Care Foundation has been able to leverage an average of \$11 for every \$1 spent since its inception.

In addition to this exceptional return on investment, VHCF is often lauded by policymakers and its donors for its excellent stewardship. This success is the direct result of VHCF's practice of "venture philanthropy", in which every potential grantee is scrutinized with the eye of an investor seeking to build a strong, stable, sustainable health safety net for those in need. This has resulted in an impressive sustainability rate among VHCF-funded grantees: 89% continue at or above their prior level of performance for at least three years after "graduating" from VHCF funding. Remarkably, VHCF has maintained this record despite the recession.



Cumulative Patient Visits Provided by VHCF Grantees

In the midst of a recordbreaking number of uninsured Virginians, and the corresponding crush on Virginia's health safety net providers, VHCF has stepped up, and been an effective force in addressing the challenge. Whether enrolling more children in the FAMIS programs; increasing the volume of medicines for chronically ill uninsured Virginians; or dramatically expanding the availability of services within Virginia's health care safety net, the Virginia Health Care Foundation is producing results – **NOW MORE THAN EVER.**

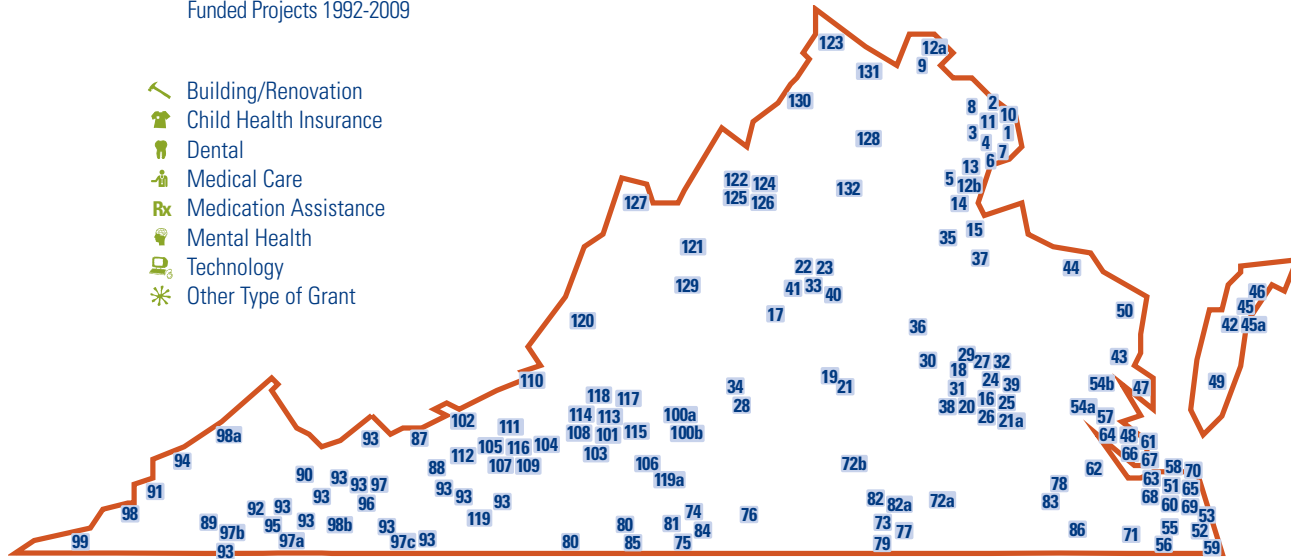


George A. Levicki
George A. Levicki, DDS
 Chairman FY09

VHCF Support for Virginia's Health Safety Net

Funded Projects 1992-2009

- Building/Renovation
- Child Health Insurance
- Dental
- Medical Care
- Medication Assistance
- Mental Health
- Technology
- Other Type of Grant



Northern Virginia

1. Alexandria Neighborhood Health Services, Inc.
2. Arlington Free Clinic
3. Fairfax Community Health Care Network
4. Fairfax Medical Care for Children Project
5. Greater Prince William Area Community Health Center
6. Inova Partnership for Healthier Kids
7. Inova Pediatric Center
8. Jeanie Schmidt Free Clinic
9. Loudoun Community Health Center
10. Marymount University Physical Therapy at Arlington Free Clinic
11. Northern VA Dental Clinic
12. Northern VA Family Service
 - a. Loudoun
 - b. Prince William
13. Potomac Hospital
14. Prince William Pediatric Primary Care
15. Stafford County Public Schools Head Start

Central Virginia

16. Access Now
17. Blue Ridge Medical Center
18. Bon Secours Care-A-Van Mobile Medical Clinic
19. Buckingham County Rural Mental Health Initiative
20. Capital Area Health Network –

Northern Neck/Eastern Shore

21. Central Virginia Health Services, Inc.
 - a. Petersburg Health Care Alliance
22. Charlottesville Area Dental Access
23. Charlottesville Free Clinic
24. Children's Hospital
25. CHIP of Greater Richmond
26. CrossOver Health Center
27. Fan Free Clinic
28. Free Clinic of Central Virginia/ MedsHelp
29. Freedom House – Greater Richmond Homeless Medical Respite
30. Goochland Free Clinic and Family Services
31. Hayes E. Willis Health Center (Richmond Urban Primary Care Initiative)
32. Irvin Gammon Craig Health Center
33. Jefferson Area Board for the Aging – Geriatric Assessment/Intervention Team
34. Johnson Health Services
35. Lloyd F. Moss Free Clinic
36. Louisa County Resource Council
37. Rappahannock Area Health District – Caroline Caries Program
38. Center for High Blood Pressure
39. Senior Connections
40. Thomas Jefferson CHIP Program
41. United Way – Thomas Jefferson Area

Northern Neck/Eastern Shore

42. Accomack County School-Based Dental Program
43. Bay Aging
44. Central Virginia Health Services, Inc. – Westmoreland Medical Center
45. Eastern Shore Rural Health System
 - a. Onley Community Health Center
46. Eastern VA Telemedicine Network
47. Gloucester-Mathews Free Clinic
48. Lackey Free Clinic
49. Northampton County School-Based Dental Program
50. Northern Neck Free Health Clinic

Hampton Roads/Peninsula

51. American Red Cross of Southeastern VA – Partners in Dental Care
52. Beach Health Clinic
53. Catholic Charities of Eastern Virginia
54. Central Virginia Health Services, Inc.
 - a. Charles City Regional Health Services
 - b. King William Dawn Community Doctors
55. Chesapeake Care Free Clinic
56. CHIP/Healthy Families of Chesapeake
57. Colonial Services Board
58. Consortium for Infant and Child Health
59. Jewish Family Services of Tidewater

60. EVMS Resource Mothers Program
61. Hampton Ecumenical Lodgings and Provisions, Inc. (HELP Free Clinic)
62. Horizon Health Services – Surry Medical Center
63. Maryview Foundation Healthcare Center
64. Olde Towne Medical Center
65. Oral Health Improvement Coalition of South Hampton Roads
66. Peninsula Agency on Aging MedTran Project
67. Peninsula Institute for Community Health
68. Portsmouth Adult Care Clinic
69. South Norfolk Health Center/Chronic Care Adult Clinic
70. The STOP Organization
71. Western Tidewater Free Clinic

Southside

72. Central VA Health Services, Inc.
 - a. Alberta Family Health Services
 - b. Charlotte Primary Care
73. Community Memorial Healthcenter
74. Danville-Pittsylvania Community Services
75. Free Clinic of Danville
76. Halifax Regional Development Foundation, Inc.
77. Health Care on the Square – Boydton Medical Center
78. Horizon Health Services – Waverly Medical Center
79. Lake Country Area Agency on Aging
80. Martinsville/Henry County Coalition for Health & Wellness
81. Piedmont Access to Health Services (PATHS)
82. Southern Dominion Health System
 - a. Lunenburg Community Health Center
83. Stony Creek Community Health Center
84. VA Western Community College Telemedicine Dental Hygiene Initiative
85. West Piedmont Health District
86. Western Tidewater Health District Children's Dental Clinic

Southwest

87. Bland County Medical Clinic
88. Brock Hughes Free Clinic
89. Clinch River Health Services
90. Cumberland Plateau Health District
91. Lenowisco Health District
92. Mendota Community Association Health Clinic
93. Mt. Rogers Medication Assistance Program
94. Mountain Empire Older Citizens, Inc.
95. People, Inc. of Southwest Virginia
96. Smyth County Free Clinic
97. Southwest VA Community Health Systems, Inc.
 - a. Meadowview Health Clinic
 - b. Twin City Medical Center – Bristol Telemedicine
 - c. Whitetop Community Health Center
98. Stone Mountain Health Services
 - a. Clinchco Dental Center
 - b. Konnarock Family Health Center
99. UVA/Southwest VA Alliance for Telemedicine

Roanoke Valley

100. Bedford Community Health Foundation
 - a. Bedford Children's and Adult Dental Clinic
 - b. Bedford Ride Program
101. Bradley Free Clinic
102. Carilion Giles Memorial Hospital
103. CHIP of Roanoke Valley
104. College of Health Sciences' Physician Assistant Program
105. Free Clinic Consortium of the New River Valley
106. Free Clinic of Franklin County
107. Free Clinic of the New River Valley
108. New Horizons Healthcare
109. Mental Health Association of the New River Valley
110. Monroe Health Center – Craig County Health Center
111. New River Valley Medication Assistance Program

112. New River Valley Senior Services MedRide
113. Carilion Clinic – Pediatric Dental Program
114. Project Access of the Roanoke Valley
115. Project Together (Blue Ridge Community Services)
116. Radford University
117. Rescue Mission of Roanoke
118. Roanoke Adolescent Health Partnership
119. Tri-Area Community Health
 - a. Tri-Area Community Health at Ferrum

Northwest

120. Alleghany Highlands Free Clinic
121. Augusta Regional Free Clinic
122. Blue Ridge Area Health Education Center
123. Free Medical Clinic of Northern Shenandoah Valley, Inc.
124. Harrisonburg Community Health Center
125. Harrisonburg-Rockingham Free Clinic
126. Harrisonburg Rockingham Dental Clinic
127. Highland Medical Center
128. Rappahannock-Rapidan Community Services Board
129. Rockbridge Area Free Clinic
130. Shenandoah County Free Clinic
131. St. Luke Community Clinic
132. UVA – Greene County School-Based Nursing Clinic

Statewide

133. Central VA Lions Hearing Aid Bank
134. Medical Society of Virginia Foundation
135. MCV School of Dentistry Mobile Dental Clinic
136. UVA Nurse Practitioner Telemedicine Initiative
137. VA Association of Free Clinics
138. VA Dental Association
139. VA Community Healthcare Association

Virginia Health Care Foundation and Affiliate
Consolidated Statements of Financial Position
June 30, 2009 and 2008

Assets	2009	2008
Current assets:		
Cash and cash equivalents	\$ 1,752,150	\$ 1,125,788
Investments	6,184,233	6,707,066
Appropriations receivable	4,080,571	4,080,571
Interest receivable	24,131	30,984
Contributions receivable	1,706,825	443,926
Contract receivable	111,708	143,123
Prepaid expenses	11,002	24,730
Restricted certificate of deposit	700,000	700,000
Total current assets	<u>14,570,620</u>	<u>13,256,188</u>
Contributions receivable, net of current portion	534,976	629,686
Property and equipment, net	29,680	32,209
Total assets	<u>\$ 15,135,276</u>	<u>\$ 13,918,083</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 64,313	\$ 65,199
Accrued rent	70,955	74,289
Grants payable	3,668,764	3,969,803
Deferred Revenue	506,021	-
Total current liabilities	<u>4,310,053</u>	<u>4,109,291</u>
Long-term debt	<u>700,000</u>	<u>700,000</u>
Total liabilities	<u>5,010,053</u>	<u>4,809,291</u>
Net assets:		
Unrestricted	4,222,321	3,868,744
Temporarily restricted	<u>5,902,902</u>	<u>5,240,048</u>
Total net assets	<u>10,125,223</u>	<u>9,108,792</u>
Total liabilities and net assets	<u>\$ 15,135,276</u>	<u>\$ 13,918,083</u>

Virginia Health Care Foundation and Affiliate
Consolidated Statements of Activities
Years Ended June 30, 2009 and 2008

	2009			2008		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and revenue:						
Appropriations	\$ -	\$ 4,080,571	\$ 4,080,571	\$ -	\$ 3,876,542	\$ 3,876,542
Contributions	218,528	2,567,093	2,785,621	329,297	1,304,940	1,634,237
Contract revenue	-	490,047	490,047	-	548,147	548,147
VHC membership interest	-	(71,186)	(71,186)	-	(24,771)	(24,771)
Investment income (loss)	(247,506)	-	(247,506)	401,844	-	401,844
Unrealized net losses on investments	(210,729)	-	(210,729)	(414,894)	-	(414,894)
Other income	83,664	-	83,664	81,459	-	81,459
Net assets released from restriction	<u>6,403,671</u>	<u>(6,403,671)</u>	<u>-</u>	<u>5,659,515</u>	<u>(5,659,515)</u>	<u>-</u>
Total support and revenue	<u>6,247,628</u>	<u>662,854</u>	<u>6,910,482</u>	<u>6,057,221</u>	<u>45,343</u>	<u>6,102,564</u>
Expenditures:						
Program services & grants	5,155,489	-	5,155,489	5,335,152	-	5,335,152
Supporting services:						
Management and general	590,703	-	590,703	567,913	-	567,913
Fundraising	147,859	-	147,859	163,138	-	163,138
Total expenditures	<u>5,894,051</u>	<u>-</u>	<u>5,894,051</u>	<u>6,066,203</u>	<u>-</u>	<u>6,066,203</u>
Change in net assets	353,577	662,854	1,016,431	(8,982)	45,343	36,361
Net assets, beginning of year	<u>3,868,744</u>	<u>5,240,048</u>	<u>9,108,792</u>	<u>3,877,726</u>	<u>5,194,705</u>	<u>9,072,431</u>
Net assets, end of year	<u>\$ 4,222,321</u>	<u>\$ 5,902,902</u>	<u>\$10,125,223</u>	<u>\$ 3,868,744</u>	<u>\$ 5,240,048</u>	<u>\$ 9,108,792</u>

Audited financial statements and report in its entirety available upon request.

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Breathless

"Thank heaven, when I needed help most, there was somewhere to turn."

Grateful

"I'm still struggling...But things are getting better all the time."

Rebuilding

...now we have something to be positive and thankful about, too."

Catch 22

Surprised

*"For the rest of my days,
anything I have, I'm
giving back to them."*

Virginia Health Care Foundation –

NEEDED NOW MORE THAN EVER.



Breathless
Virginia Health Care Foundation
Surprised
Grateful

NEEDED NOW MORE THAN EVER.

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Special thanks to Owens&Minor whose generous support has made this publication possible.



**VIRGINIA
HEALTH CARE
FOUNDATION**

**VIRGINIA HEALTH CARE FOUNDATION
AND AFFILIATES**

Consolidated Financial Statements

June 30, 2009 and 2008



VIRGINIA HEALTH CARE FOUNDATION AND AFFILIATE

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Trustees
Virginia Health Care Foundation
Richmond, Virginia:

We have audited the accompanying consolidated statements of financial position of Virginia Health Care Foundation and Affiliate (collectively, the "Foundation") as of June 30, 2009 and 2008, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these consolidated 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 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Foundation as of June 30, 2009 and 2008, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

Keiter, Stephens, Hurst, Gary & Shreaves, P.C.

August 7, 2009

VIRGINIA HEALTH CARE FOUNDATION AND AFFILIATE

Consolidated Statements of Financial Position June 30, 2009 and 2008

<u>Assets</u>	<u>2009</u>	<u>2008</u>
Current assets:		
Cash and cash equivalents	\$ 1,752,150	\$ 1,125,788
Investments	6,184,233	6,707,066
Appropriations receivable	4,080,571	4,080,571
Interest receivable	24,131	30,984
Contributions receivable	1,706,825	443,926
Contract receivable	111,708	143,123
Prepaid expenses	11,002	24,730
Restricted certificate of deposit	<u>700,000</u>	<u>700,000</u>
Total current assets	14,570,620	13,256,188
Contributions receivable, net of current portion	534,976	629,686
Property and equipment, net	<u>29,680</u>	<u>32,209</u>
Total assets	<u>\$ 15,135,276</u>	<u>\$ 13,918,083</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 64,313	\$ 65,199
Accrued rent	70,955	74,289
Grants payable	3,668,764	3,969,803
Deferred revenue	<u>506,021</u>	<u>-</u>
Total current liabilities	4,310,053	4,109,291
Long-term debt	<u>700,000</u>	<u>700,000</u>
Total liabilities	<u>5,010,053</u>	<u>4,809,291</u>
Net assets:		
Unrestricted	4,222,321	3,868,744
Temporarily restricted	<u>5,902,902</u>	<u>5,240,048</u>
Total net assets	<u>10,125,223</u>	<u>9,108,792</u>
Total liabilities and net assets	<u>\$ 15,135,276</u>	<u>\$ 13,918,083</u>

See accompanying notes to consolidated financial statements.

VIRGINIA HEALTH CARE FOUNDATION AND AFFILIATE

Consolidated Statement of Activities
Year Ended June 30, 2009

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>Total</u>
Support and revenue:			
Appropriations	\$ -	\$ 4,080,571	\$ 4,080,571
Contributions	218,528	2,567,093	2,785,621
Contract revenue	-	490,047	490,047
VHC membership interest	-	(71,186)	(71,186)
Investment loss	(247,506)	-	(247,506)
Unrealized net losses on investments	(210,729)	-	(210,729)
Other income	83,664	-	83,664
Net assets released from restriction	<u>6,403,671</u>	<u>(6,403,671)</u>	<u>-</u>
Total support and revenue	<u>6,247,628</u>	<u>662,854</u>	<u>6,910,482</u>
Expenditures:			
Program services - grants	5,155,489	-	5,155,489
Supporting services:			
Management and general	590,703	-	590,703
Fundraising	<u>147,859</u>	<u>-</u>	<u>147,859</u>
Total expenditures	<u>5,894,051</u>	<u>-</u>	<u>5,894,051</u>
Change in net assets	353,577	662,854	1,016,431
Net assets, beginning of year	<u>3,868,744</u>	<u>5,240,048</u>	<u>9,108,792</u>
Net assets, end of year	<u>\$ 4,222,321</u>	<u>\$ 5,902,902</u>	<u>\$ 10,125,223</u>

See accompanying notes to consolidated financial statements.

VIRGINIA HEALTH CARE FOUNDATION AND AFFILIATE

Consolidated Statement of Activities
Year Ended June 30, 2008

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>Total</u>
Support and revenue:			
Appropriations	\$ -	\$ 3,876,542	\$ 3,876,542
Contributions	329,297	1,304,940	1,634,237
Contract revenue	-	548,147	548,147
VHC membership interest	-	(24,771)	(24,771)
Investment income	401,844	-	401,844
Unrealized net losses on investments	(414,894)	-	(414,894)
Other income	81,459	-	81,459
Net assets released from restriction	<u>5,659,515</u>	<u>(5,659,515)</u>	<u>-</u>
Total support and revenue	<u>6,057,221</u>	<u>45,343</u>	<u>6,102,564</u>
Expenditures:			
Program services - grants	5,335,152	-	5,335,152
Supporting services:			
Management and general	567,913	-	567,913
Fundraising	<u>163,138</u>	<u>-</u>	<u>163,138</u>
Total expenditures	<u>6,066,203</u>	<u>-</u>	<u>6,066,203</u>
Change in net assets	(8,982)	45,343	36,361
Net assets, beginning of year	<u>3,877,726</u>	<u>5,194,705</u>	<u>9,072,431</u>
Net assets, end of year	<u>\$ 3,868,744</u>	<u>\$ 5,240,048</u>	<u>\$ 9,108,792</u>

See accompanying notes to consolidated financial statements.

VIRGINIA HEALTH CARE FOUNDATION AND AFFILIATE

Consolidated Statement of Functional Expenses Year Ended June 30, 2009

	Program Services and Grants	Supporting Services		Total
		Management and General	Fundraising	
Salaries	\$ -	\$ 191,489	\$ 72,402	\$ 263,891
Employee benefits/payroll taxes	-	43,112	16,417	59,529
Total salaries and related expenditures	-	234,601	88,819	323,420
Grants	3,768,989	-	-	3,768,989
RX Partnership	130,000	-	-	130,000
The Pharmacy Connection	274,597	-	-	274,597
Healthy Communities Loan Fund	16,332	-	-	16,332
MAP	236,688	-	-	236,688
Special Initiatives	30,153	-	-	30,153
Child Health Insurance Initiatives	177,978	-	-	177,978
Grantee Technical Assistance	91,132	-	-	91,132
Grantmaking	223,459	-	-	223,459
Dental Opportunities Initiative	61,552	-	-	61,552
Leading for the Long Term	144,609	-	-	144,609
Contractual services	-	173,105	30,097	203,202
Office rent	-	43,349	-	43,349
Investment fees	-	39,023	-	39,023
Telephone and fax	-	5,898	695	6,593
Supplies	-	2,481	275	2,756
Computer software and supplies	-	2,767	175	2,942
Printing and copying	-	10,502	-	10,502
Postage	-	5,772	-	5,772
Travel	-	3,723	527	4,250
Meeting costs	-	20,935	573	21,508
Special events	-	20,000	25,601	45,601
Miscellaneous	-	1,050	-	1,050
Insurance	-	10,738	-	10,738
Subscriptions, fees and dues	-	4,043	1,097	5,140
Total expenditures before depreciation and amortization	5,155,489	577,987	147,859	5,881,335
Depreciation and amortization of property and equipment	-	12,716	-	12,716
Total expenditures	\$ 5,155,489	\$ 590,703	\$ 147,859	\$ 5,894,051

See accompanying notes to consolidated financial statements.

VIRGINIA HEALTH CARE FOUNDATION AND AFFILIATE

Consolidated Statement of Functional Expenses Year Ended June 30, 2008

	Program Services and Grants	Supporting Services		Total
		Management and General	Fundraising	
Salaries	\$ -	\$ 135,501	\$ 94,046	\$ 229,547
Employee benefits/payroll taxes	-	43,740	29,570	73,310
 Total salaries and related expenditures	 -	 179,241	 123,616	 302,857
Grants	3,905,763	-	-	3,905,763
RX Partnership	130,000	-	-	130,000
The Pharmacy Connection	280,375	-	-	280,375
Healthy Communities Loan Fund	30,998	-	-	30,998
MAP	203,601	-	-	203,601
Special Initiatives	64,459	-	-	64,459
Child Health Insurance Initiatives	197,772	-	-	197,772
Grantee Technical Assistance	174,377	-	-	174,377
Grantmaking	204,164	-	-	204,164
Dental Opportunities Initiative	143,643	-	-	143,643
Contractual services	-	131,701	-	131,701
Office rent	-	40,711	-	40,711
Investment fees	-	43,439	-	43,439
Telephone and fax	-	9,863	-	9,863
Supplies	-	2,463	274	2,737
Computer software and supplies	-	2,457	199	2,656
Printing and copying	-	18,558	-	18,558
Postage	-	7,454	-	7,454
Travel	-	5,082	832	5,914
Meeting costs	-	13,351	689	14,040
Special events	-	22,000	36,828	58,828
Miscellaneous	-	2,890	-	2,890
Moving	-	14,922	-	14,922
Video	-	45,000	-	45,000
Insurance	-	10,614	-	10,614
Subscriptions, fees and dues	-	5,311	700	6,011
 Total expenditures before depreciation and amortization	 5,335,152	 555,057	 163,138	 6,053,347
Depreciation and amortization of property and equipment	-	12,856	-	12,856
 Total expenditures	 \$ 5,335,152	 \$ 567,913	 \$ 163,138	 \$ 6,066,203

See accompanying notes to consolidated financial statements.

VIRGINIA HEALTH CARE FOUNDATION AND AFFILIATE

Consolidated Statements of Cash Flows Years Ended June 30, 2009 and 2008

	2009	2008
Cash flows from operating activities:		
Change in net assets	\$ 1,016,431	\$ 36,361
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	12,716	12,856
Net realized and unrealized loss on investments	686,077	274,910
Change in assets and liabilities:		
Interest receivable	6,853	1,287
Contributions and grants receivable	(1,136,774)	11,623
Prepaid expenses	13,728	18,416
Accounts payable and accrued expenses	(4,220)	60,933
Grants payable	(301,039)	(429,634)
Deferred revenue	506,021	-
	<u>799,793</u>	<u>(13,248)</u>
Net cash provided by (used in) operating activities		
Cash flows from investing activities:		
Purchase of property and equipment	(10,187)	(21,733)
Proceeds from sales of property and equipment	-	236
Proceeds from sales of investments	2,367,460	2,527,178
Purchase of investments	(2,530,704)	(2,696,717)
	<u>(173,431)</u>	<u>(191,036)</u>
Net cash used in investing activities		
Net change in cash and cash equivalents	626,362	(204,284)
Cash and cash equivalents, beginning of year	<u>1,125,788</u>	<u>1,330,072</u>
Cash and cash equivalents, end of year	<u>\$ 1,752,150</u>	<u>\$ 1,125,788</u>

See accompanying notes to consolidated financial statements.

VIRGINIA HEALTH CARE FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements

1. **Organization and Business:**

Virginia Health Care Foundation (“VHCF”) is a Virginia not-for-profit entity which was created in June 1992 as a public/private partnership by the Governor of Virginia and the Virginia General Assembly’s Joint Commission on Health Care. VHCF’s mission is to enhance access to primary care for Virginia’s uninsured and medically underserved population by helping to foster community-based projects that combine the resources of local government, health care professionals, the business sector and local private funds.

The accompanying consolidated financial statements include the accounts and activities of VHCF and the Virginia Health Council (see Note 13) as of and for the fiscal years ended June 30, 2009 and 2008 (collectively, the “Foundation”).

2. **Summary of Significant Accounting Policies:**

Basis of Accounting: The Foundation prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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.

Net Assets: The Foundation classifies its net assets into three categories: unrestricted, temporarily restricted, and permanently restricted.

Unrestricted net assets include funds that are not subject to donor-imposed restrictions.

Temporarily restricted net assets are those funds subject to donor-imposed stipulations that may or will be met by actions of the Foundation and/or passage of time.

Permanently restricted net assets are endowment funds that are restricted to investment in perpetuity, the income from which is expendable to support the various programs sponsored by the Foundation. As of June 30, 2009 and 2008, there were no permanently restricted net assets.

VIRGINIA HEALTH CARE FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements, Continued

2. Summary of Significant Accounting Policies, Continued:

Revenue Recognition: Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Realized and unrealized gains and losses on investments are reported as increases or decreases in unrestricted net assets unless their use is restricted by donors. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications from temporarily restricted net assets to unrestricted net assets.

Cash Equivalents: Cash equivalents consist of investments in money market funds. For purposes of the consolidated statements of cash flows, the Foundation considers all highly liquid financial instruments not included in the investment portfolio with original maturities of three months or less to be cash equivalents.

Concentrations of Credit Risk: Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash and cash equivalents and pledges receivable. The Foundation places its cash and cash equivalents with multiple financial institutions to help limit this risk. At times, these balances are in excess of the FDIC insurance limit.

Receivables are from individuals, corporations, government organizations and foundations. The Foundation believes its credit risk related to these receivables is limited due to the nature of its donors.

Investments: Investments are reported at fair value, based on quoted market prices. Unrealized gains and losses are included in the consolidated statements of activities. Realized gains and losses are calculated using the specific identification method.

Property and Equipment: Property and equipment is recorded at cost for purchased items and at fair value on the date of the gift for contributed items. Major repairs and betterments are capitalized and normal maintenance and repairs are charged to expense as incurred. Depreciation is computed on a straight-line basis over the estimated useful lives (generally five years) of the assets.

Fair Value of Financial Instruments: The carrying amounts of cash and cash equivalents; appropriations receivable; interest receivable; contributions receivable; grants receivable; accounts payable and accrued expenses; and grants payable approximate fair value because of the short-term nature of these financial instruments. The fair values of long-term debt were \$671,902 as of June 30, 2009 and \$638,029 as of June 30, 2008 based on management's best estimate of market rates for a similar issue.

Income Taxes: VHCF received a favorable determination letter from the Internal Revenue Service on October 22, 1996 stating that it is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code ("IRC").

VIRGINIA HEALTH CARE FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements, Continued

2. Summary of Significant Accounting Policies, Continued:

Deferred Revenue: The Foundation received a \$1,000,000 pledge with a \$1 for \$1 matching requirement. The Foundation raised \$493,979 towards the matching requirement during 2009 and recorded a contribution of \$493,979, along with the matching funds received, in the accompanying statement of activities. The unmatched portion of the pledge (\$506,021 at June 30, 2009) is included in the accompanying statement of financial position as deferred revenue. The Foundation received the cash payment for the pledge in July 2009, prior to the remaining matching funds being raised.

Contributions and Contract Revenue: Contributions to the Foundation are recognized as revenue in the period the promise is made by the donor. Contributions of assets other than cash are recorded at their estimated fair values. Contract revenue is recorded in the year the contract is awarded, provided that the award is unconditional.

Many of the Foundation's contributions are part of a multi-year commitment. Long-term commitments are recognized as contributions in the consolidated statements of activities even though a portion of the contribution is receivable in future periods. The long-term contributions are recognized as contributions receivable at their net present value in the consolidated statements of financial position.

Donated Services: During 2009 and 2008, the Foundation received professional, marketing, and advertising services at no charge from outside organizations. These services, valued by the donors at approximately \$111,313 in 2009 and \$132,100 in 2008, were recorded as unrestricted contribution revenue and recorded as expenses in the related expense accounts in the accompanying consolidated statements of activities.

Grants: The Foundation makes grants to various local not-for-profit organizations to carry out its mission. A grant is recognized as an expense in the year the board of trustees authorized the grant. Although certain requirements are stipulated for each grant, management has assessed the possibility that those requirements will not be met as remote and, therefore, they are considered to be unconditional. Grants are generally paid within one year of authorization. The Foundation reduced grants expense by \$72,030 in 2009 and \$263,240 in 2008 for grants recognized in prior years that will not be paid due to grantees' inability to fulfill the requirements of the grants, such as enrollment goals, recruitment of health care professionals and closing of the grantee organization.

Subsequent Events: Management has evaluated subsequent events through August 7, 2009 and has determined there are no subsequent events to be reported in the accompanying consolidated financial statements.

VIRGINIA HEALTH CARE FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements, Continued

3. Cash and Cash Equivalents:

Cash and cash equivalents are comprised of the following as of June 30, 2009 and 2008:

	2009	2008
Cash on deposit	\$ 1,391,867	\$ 1,020,441
Money market funds	360,283	105,347
	\$ 1,752,150	\$ 1,125,788

4. Investments:

The costs and fair values of investments as of June 30, 2009 and 2008 are summarized as follows:

	2009		2008	
	Cost	Fair value	Cost	Fair value
Money market funds	\$ 372,218	\$ 372,218	\$ 580,166	\$ 580,166
U.S. Treasury bills	273,882	299,153	273,882	287,588
Common stock	2,881,442	2,654,906	2,936,634	3,006,490
Corporate bonds	1,293,597	1,313,021	1,273,162	1,273,795
Government obligations	1,475,679	1,544,935	1,545,078	1,559,027
	\$ 6,296,818	\$ 6,184,233	\$ 6,608,922	\$ 6,707,066

Investment income and gains and losses for investments are comprised of the following for the years ended June 30, 2009 and 2008:

	2009	2008
Interest income	\$ 227,842	\$ 261,860
Net realized (losses) gains	(475,348)	139,984
	\$ (247,506)	\$ 401,844
Net unrealized losses	\$ (210,729)	\$ (414,894)

VIRGINIA HEALTH CARE FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements, Continued

5. Fair Value Measurements:

The Foundation adopted for 2009 certain provisions of Statement of Financial Accounting Standard No. 157, *Fair Value Measurements* ("SFAS 157"), related to financial assets and liabilities and any other assets and liabilities that are carried at fair value on a recurring basis in the financial statements. The provisions of SFAS 157 related to nonrecurring fair value measurements of nonfinancial assets and nonfinancial liabilities, has been deferred to 2010. SFAS 157 provides a framework for measuring fair value under GAAP and defines fair value 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. SFAS 157 requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. SFAS 157 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 three levels:

Level 1 – Unadjusted quoted prices that are available in active markets for the identical assets or liabilities at the measurement date.

Level 2 – Other observable inputs available at the measurement date, other than quoted prices included in Level 1, either directly or indirectly, including:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets in non-active markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by other observable market data.

Level 3 – Unobservable inputs that cannot be corroborated by observable market data and reflect the use of significant management judgment. These values are generally determined using pricing models for which the assumptions utilize management's estimates of market participant assumptions.

Assets and liabilities measured at fair value on a recurring basis at June 30, 2009 include the following:

	Fair Value Using			Asset/Liabilities at Fair Value
	Level 1	Level 2	Level 3	
Assets:				
Investments	\$ 6,184,233	\$ -	\$ -	\$ 6,184,233

VIRGINIA HEALTH CARE FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements, Continued

6. Property and Equipment, Net:

Property and equipment, net as of June 30, 2009 and 2008 is as follows:

	2009	2008
Equipment	\$ 101,034	\$ 90,847
Leasehold improvements	2,949	2,949
Software	42,519	42,519
	146,502	136,315
Less accumulated depreciation and amortization	116,822	104,106
Property and equipment, net	\$ 29,680	\$ 32,209

7. Contributions and Grants Receivable:

Contributions and grants receivable are summarized as follows as of June 30, 2009 and 2008:

	2009	2008
Unconditional contributions and grants expected to be collected in:		
Less than one year	\$ 1,818,533	\$ 587,049
One year to five years	554,800	653,772
	2,373,333	1,240,821
Less discount	19,824	24,086
Total contributions and grants receivable	\$ 2,353,509	\$ 1,216,735

The future expected cash flows from contributions and grants receivable have been discounted using discount rates ranging from .51% to 2.77%.

VIRGINIA HEALTH CARE FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements, Continued

8. Long-Term Debt:

On December 18, 1995, the Foundation entered into a Loan Agreement for \$700,000 with the Robert Wood Johnson Foundation. The sole purpose of the loan is to provide the initial funding of a revolving loan fund through Branch Banking and Trust Company ("BB&T") to provide financing to increase the number of primary care providers delivering direct primary health services in Health Professional Shortage Areas ("HPSA") in Virginia. The loan was originally due on December 18, 2005 but has been extended and is now due on December 18, 2010.

Per the terms of the agreement, the \$700,000 of loan proceeds must be deposited at BB&T in a certificate of deposit ("CD"). As of June 27, 2002, the Loan Agreement was amended to reflect the request of the Foundation for the Robert Wood Johnson Foundation to waive the interest payments due. As a result, accrued interest payable of \$136,500 was reversed and recorded as contribution revenue in the 2002 consolidated financial statements. Prior to June 27, 2002, all interest earned on the CD was required to be deposited in a money market account to be used primarily to fund interest on the loan. As a result of the waiver of interest payments, all interest earned is deposited in a money market account to be used primarily to fund the Healthy Communities Loan Fund Program. This interest is recorded as cash when received and is included in investment income on the accompanying consolidated financial statements for the years ended June 30, 2009 and 2008. The restricted amounts in the money market account were \$106,148 as of June 30, 2009 and \$105,347 as of June 30, 2008. The loan proceeds are deposited in a CD bearing interest at 1.2% for 2009 and 2.98% for 2008.

The Robert Wood Johnson Foundation maintains a security interest in the CD as collateral against any unpaid principal and related obligations.

9. Revolving Loan Fund:

In conjunction with the loan agreement described in Note 8, the Foundation entered into an agreement with BB&T to establish a \$4,200,000 revolving loan fund to facilitate borrowing by approved primary care physicians, hospitals, dentists, community health centers, rural health clinics, and other primary care providers who will use the loan funds to increase the number of primary care providers in Virginia HPSA. BB&T will develop and administer the loan application and servicing process. The Foundation has no liability to BB&T for any loans made to primary care providers from the revolving loan fund.

VIRGINIA HEALTH CARE FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements, Continued

10. Lease Commitments:

The Foundation is obligated under operating leases for office space and equipment that expire on various dates through July 31, 2013. The office space lease included a lease holiday for the first year of rent, from August 1, 2007 to July 31, 2008, and includes scheduled rent increases at specified intervals during the term of the lease. The Foundation recognizes rent expense on a straight-line basis over the life of the related lease. Total rental expense for operating leases was \$93,604 in 2009 and \$84,105 in 2008. Future minimum lease payments as of June 30, 2009 are:

	Amount
Year ending June 30:	
2010	\$ 104,094
2011	107,556
2012	111,175
2013	114,431
Total	\$ 437,256

11. Temporarily Restricted Net Assets:

Temporarily restricted net assets are available for the following periods subsequent to June 30, 2009 and 2008:

	2009	2008
For periods after the end of the fiscal year	\$ 5,902,902	\$ 5,240,048

The amounts are restricted for program development purposes.

12. Employee Retirement Plan:

The Foundation has an employee retirement plan under Section 403(b) of the Internal Revenue Code. The plan provides for salary reduction contributions by eligible employees and for Foundation matching contributions, subject to certain limitations. The Foundation's matching contribution to the plan was \$61,102 for 2009 and \$68,110 for 2008.

VIRGINIA HEALTH CARE FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements, Continued

13. Virginia Health Council Membership and Trust Fund:

On July 20, 1995, the Virginia Health Council (“VHC”) restated its Articles of Incorporation and Bylaws thereby naming VHCF its sole member. With this sole membership, VHCF has the authority to elect the board of directors of VHC.

Through the sole membership of VHC, the Foundation began receiving income from the Arthur Graham Glasgow Trust. The trust is a split-interest agreement naming VHC as a 1.7% beneficiary of the trust income. VHC will receive 1.7% of the trust assets when the current beneficiaries are deceased or when time restrictions as stated in the trust agreement have expired. The present value of the future income stream from the trust and the percentage interest in the trust itself (\$301,150 less unamortized discount of \$7,947 as of June 30, 2009, and \$377,106 less unamortized discount of \$12,717 as of June 30, 2008) has been recorded as contributions receivable and as temporarily restricted net assets in the accompanying consolidated financial statements.

14. Government Appropriations:

The Commonwealth of Virginia (the “Commonwealth”) has designated an appropriation in its biennial budget to the Foundation of \$4,080,571 for the 2010 fiscal year. This appropriation is to be used to fulfill the purpose of the Foundation. The Foundation has elected to record these funds as a receivable when the Commonwealth has completed action on the current budget, which is done on an annual basis. Since the final action has been taken on the 2010 budget, the appropriation was included as a receivable as of June 30, 2009 in the accompanying consolidated financial statements. The amount of the appropriation is subject to change should the Commonwealth experience a budget shortfall; however, the Foundation has taken this possibility into consideration in its 2010 fiscal year budget. These appropriations accounted for 59% of support and revenue for 2009 and 64% of support and revenue for 2008.