



# Another Day, Another Difference

Virginia Health Care Foundation 2010 Annual Report



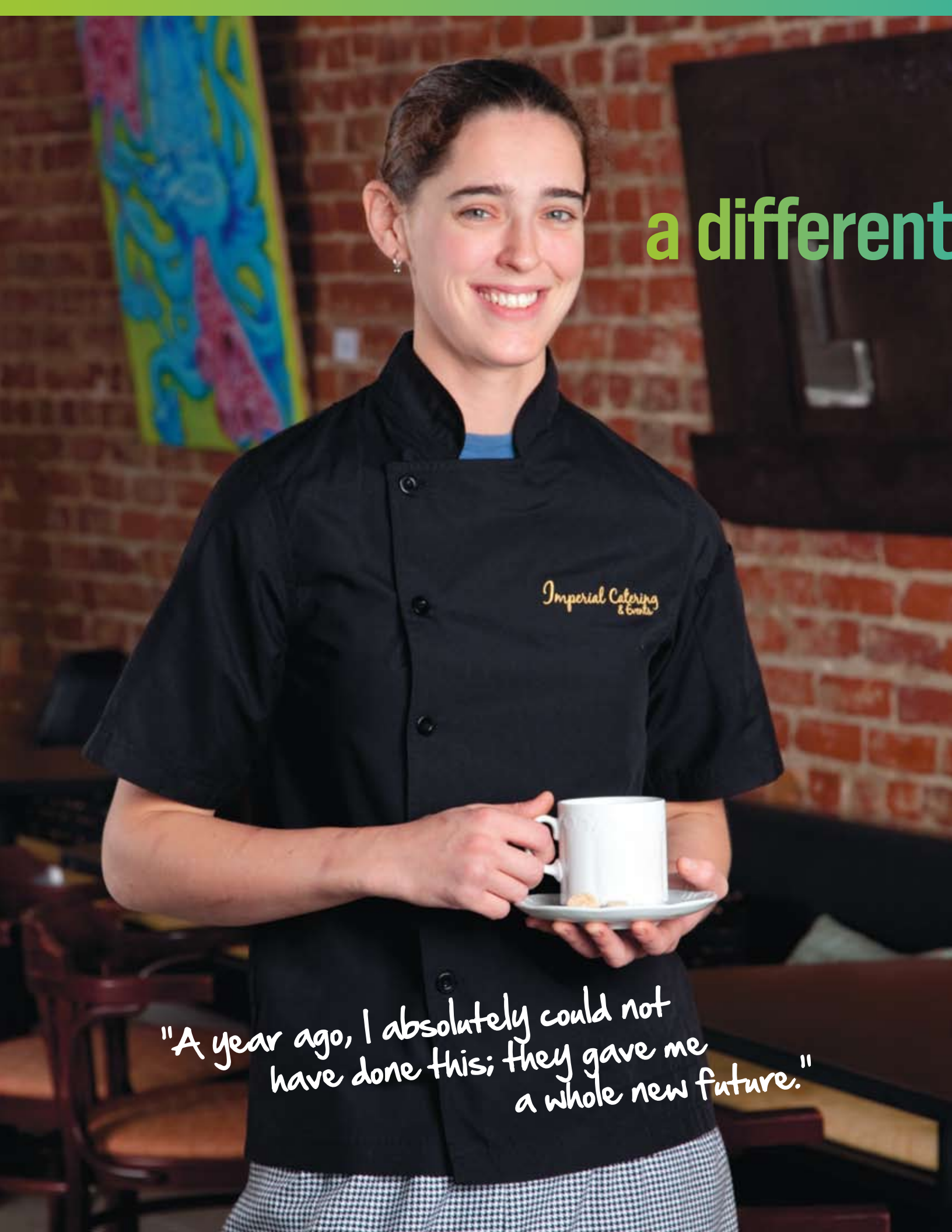


**Medical.  
Financial.  
Professional.**

Challenges can alter a life's course –  
and so can we.

The **Virginia Health Care Foundation** –  
creating **a different future** every day...





## a different future

Carly Herring (chef) + Access NOW (Richmond, VA)

Her dreams were close enough to touch,  
but her body was blocking the way.

Carly had everything she needed – talent, training and ambition. A skilled and experienced chef at 26, she was eager to open her own restaurant.

**But last fall, rheumatoid arthritis was destroying Carly's future.**

Today, she is chef and co-owner of The Empress, a popular new restaurant in Richmond.

**The difference?** A VHCF-sponsored program that connected her with an arthritis specialist and treatment, with dramatic results.



Last year, VHCF-funded providers treated 30,000 uninsured Virginians.

*"A year ago, I absolutely could not have done this; they gave me a whole new future."*

Rudy Wolf, DDS + Anthony D. Bailey, DDS, Inc. (Bedford, VA)

## a different world

The opportunities and the people –  
that's what motivated Rudy Wolf's decision.

"I had planned to return to San Diego after I graduated from VCU Dental School, but **then I participated in a VHCF-funded service learning rotation** and saw that I could help right away in an area that needs dentists.

There's such a personality and warmth to this town. They know your name. They wave to you. **And they're just so grateful."**



VHCF-funded providers have supervised clinical experiences for more than 4,800 health professions students over the years.



*"I'm making a difference here.  
This is where I want to be."*



## a different life

Cheryl Pernell + Lackey Free Clinic (Yorktown, VA)

"They've helped me so much. I am getting my life back!"

Cheryl had to will herself to put the keys in the ignition. Most times, she just went back into her home.

**"Panic attacks cost me my job,** and were destroying my life. I couldn't handle them on my own, and there was no way I could pay for help."

**Then Cheryl received the medicine and counseling she needed via VHCF's new mental health initiative.**

"Now, when I feel an attack coming on, I know what to do. Even better, **I can now drive to the clinic and the grocery store.**"



VHCF quadrupled the number of its mental health grants in FY10.

Betheye Johnson + Chesapeake Care Free Clinic

## a different outlook

When she opened her eyes, she couldn't see.  
There were black blobs everywhere.

Although laser surgery helped, she needed  
3 eye drop prescriptions to regain her sight.

**The problem?** They cost \$469 a month,  
21% of her family's monthly income.

*"If it wasn't for the free medicines from  
The Pharmacy Connection, I would be blind now."*

I'm an artist. I think in color.

They saved my eyesight. They saved my life."



A recordbreaking 54,000 uninsured Virginians received \$163 million in free prescription medicines in FY10 through VHCF's innovative software, *The Pharmacy Connection*.



*"Things were looking really bleak.  
Not anymore. I'm looking forward  
to brighter days."*



## a different outcome

The Reeves + Martinsville Henry County Coalition for Health and Wellness

*"A bill like that, at a time like this, would have devastated us. I just can't imagine."*

Teresa Reeves and her husband showed up for work one morning to find their jobs, and their family's health insurance, gone.

At the unemployment office, they met a VHCF outreach worker who helped them apply for FAMIS, the state health insurance program for children.

**The day the Reeves received their FAMIS card, Teresa got a call that her son had broken his arm playing basketball.**

"When I got the \$5,300 bill from the hospital, which said **PAID IN FULL**, I just sat down, and thanked God that we were covered."



VHCF outreach workers enrolled over 6,000 children in state-sponsored health insurance last year.



## VHCF Donors FY10

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(\$100,000 - \$299,999)

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(\$25,000 - \$99,999)

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Virginia Department of Health  
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Virginia Department of Social Services

### Thank you to all donors who contributed through the following workplace giving and charitable campaigns throughout Virginia:

Combined Federal Campaign of Central Virginia  
Combined Federal Campaign of South Hampton Roads  
Combined Federal Campaign of the Virginia Peninsula  
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Combined Federal Campaign of Southwest Central Virginia  
Commonwealth of Virginia Campaign  
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United Way of Greater Richmond and Petersburg  
United Way Local Government and Schools  
United Way of South Hampton Roads  
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### Please remember VHCF in your workplace giving campaign:

CVC – 3471  
CFC – 31808  
United Way LGS - 334

§ Donor-advised funds of The Community Foundation Serving Richmond and Central Virginia

*This listing reflects gifts received between July 1, 2009 and June 30, 2010. We have taken great care to ensure the accuracy and completeness of this list, and regret any errors or omissions. Please contact Stacie Birchett at 804-828-5804 if any corrections are needed.*





## What about the here and now?

The insurance expansions provided for in the new health reform law won't kick in until 2014.

**Meanwhile, hundreds of thousands of uninsured Virginians need somewhere to turn today.**

Somewhere is here – **the Virginia Health Care Foundation.**

Every day, through our grants and initiatives, VHCF is helping improve health and change lives across the Commonwealth.

The patients profiled in this report are representative of the 30,000 uninsured Virginians, who received needed medical or dental treatment as a result of VHCF in the past year. They are also representative of the 1.1 million plus Virginians who have no health insurance – a number that has grown dramatically as the recession has eliminated jobs and health benefits.

An overwhelming number of the newly uninsured have found their way to Virginia's health care safety net in the past year. Unfortunately, there is insufficient capacity. Virginia's free clinics reported turning away 40% of the 18,000 new patients, who sought their services in a recent six month period. At the same time, Virginia's community health centers reported

that a recordbreaking 53% of their new patients were uninsured – more than double the federal recommendation for ensuring a center's financial sustainability.

To help address this challenge, VHCF awarded 88 grants in FY10, totaling \$5.7 million – far more than ever before. These grants not only helped more uninsured Virginians obtain the care they needed, they helped employ 109 Virginians in various parts of the Commonwealth, and served as sites where 363 students in various health professions (*medical, dental, nursing*) gained clinical experience.

This approach of leveraging each grant to accomplish multiple purposes has not only stretched dollars during these difficult economic times, it

has increased the number of lives substantially impacted by VHCF.

### **\$163 Million in Free Rx Medicines for the Uninsured**

Those who come to the health care safety net for help are typically very sick – most have one or more chronic illnesses. Often, they need prescription medicines so they can function, but they can't afford them. Fortunately, the nation's brandname pharmaceutical companies offer help through their Patient Assistance Programs (*PAPs*), which provide free chronic disease medicines for the uninsured.

As a result of the recession, these PAPs were in greater demand in FY10 than ever before. **The Pharmacy Connection**, a VHCF-developed software which expedites the application process for



PAP meds, generated a recordbreaking \$163 million in free medicines for a recordbreaking 54,000 sick, uninsured Virginians. This is a 17% increase in patients and a \$38 million increase in medicines from FY09, which was a recordbreaking year itself!

**Impact of The Pharmacy Connection**  
(cumulative figures 1997-2010)

	<b>Patients - 200,573</b>
	<b>Prescriptions - 2,783,130</b>
	<b>Value of Free Medicines - \$842,686,726</b>

In addition to the hospitals, free clinics and community health centers that have traditionally used *The Pharmacy Connection*, several community services boards (CSBs) turned to it when the funds for the state pharmacy were recently eliminated by state budget cuts. As a result, 11 CSBs are now using the software. In FY10, they filled prescriptions with a value of \$118 million for 3,000 uninsured CSB patients.

In addition, VHCF started making *The Pharmacy Connection* available to health safety net organizations in other states in FY10. It is now helping the uninsured in Alaska, Maine, Florida, Mississippi, and California, and generating some needed revenue for VHCF with each software license that's sold.

About 20% of the organizations which use *The Pharmacy Connection* in Virginia operate the medication assistance programs that comprise **RxRelief Virginia** and the Greater Williamsburg Medication Assistance Program. The huge surge in need for free medicines among the uninsured has been felt by the 48 Medication Assistance Caseworkers (MACs) who staff these programs, with many working beyond capacity. In FY10, *RxRelief Virginia* MACs helped 14,911 uninsured Virginians from 74 localities obtain a total of \$48.5 million in free medicines, utilizing 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 on the day they're prescribed, experienced a significant surge in demand, as well. In FY10, *RxP* provided 29% more prescriptions to 21% more uninsured patients with donated products from the following pharmaceutical companies: GlaxoSmithKline, Merck & Company, Inc., Novartis Pharmaceuticals, Abbot, Alcon, and sanofi-aventis US. Collectively, these companies have donated \$46 million in free medicines since *RxP's* inception six years ago.

**Double the Difference for Uninsured Children**

A recession spares no one – not even children. For newly uninsured parents like the Reeves (page 10), losing health insurance for your children is even worse than losing your own. Anxiety skyrockets as they engage in sports and ride their bikes. What if they get hurt? Where will you turn for care?

Virginia's FAMIS programs provide comprehensive health insurance to children in households with incomes less than or equal to 200% of the federal poverty level (\$44,100 for a family of four). About 130,000 children who are estimated to be eligible, haven't enrolled. In many instances, their parents have no idea that they are eligible.

Seeing the surge in the number of uninsured children in FY10, VHCF

sought ways to increase the number of its **Project Connect** outreach workers, and received its first federal funding, as a result. This doubled the number of



*Project Connect* grants and helped boost the total numbers of outreach workers to 24. They are now available in 75% of the localities that have the highest number of eligible uninsured children. Grants from Anthem Blue Cross and Blue Shield and the Danville Regional Foundation, and annual support from the Virginia Department of Medical Assistance Services (DMAS) provided funding for the remaining outreach workers.

Altogether, VHCF's *Project Connect* outreach workers over enrolled 6,000

children in the FAMIS programs in FY10 – a 17% increase from FY09.

**A Groundbreaking Mental Health Initiative**

Which is worse? Trying to raise \$1 million during the depths of the recession when charitable dollars are hard to come by, or abandoning the scores of uninsured Virginians seeking treatment for anxiety and depression from a health safety net without the capacity to treat them?

That's the question VHCF faced when former Attorney General (now Governor) Bob McDonnell issued a \$1 million challenge grant to the Foundation with settlement funds from a multi-state case.

With the stresses of job losses and foreclosures triggering an increase in calls to state and local suicide hotlines, and an unprecedented demand for basic mental health services at Virginia's free clinics and community health centers – the answer was obvious and resounding.



VHCF set to work. It not only met the challenge with the help of many partners in FY10, it used the \$2 million total to launch **A New Lease on Life**, an innovative initiative developed in collaboration with the Virginia Association of Community Services Boards, the Virginia Association of Free Clinics, and the Virginia Community Healthcare Association.

The proceeds are underwriting 9 three-year grants across the state. All are supporting salaries for mental health professionals, who are treating depression, anxiety and other basic mental health conditions in Virginia's free clinics and community health centers.

A handful of the grants also support salaries for medical personnel, who are providing primary medical care at local CSBs to their Seriously Mentally Ill clients. These "pilots" are determining the efficacy of utilizing community health centers as the medical home for uninsured Virginians with serious mental illness. Currently, they have no source of medical care to treat the diabetes and other chronic illnesses often caused by the medicines they must take to manage their mental illness. Many die 15-20 years prematurely as a result.

Each of the *A New Lease on Life* initiatives is a joint venture between at least one CSB and one health safety net organization. In many communities, this is the first time that CSBs and community health centers or free clinics have worked together.

All are breaking new ground in delivery of services for uninsured Virginians with mental illness, and creating models of care, which can be replicated throughout the Commonwealth in the future.

### Progress in Oral Health

Even in the best of times, nearly half of all Virginians have no dental insurance. This means they must purchase dental services as a commodity – just like tires, or an air conditioner. With competing expenses for necessities and limited incomes, dental check-ups are typically not a priority in most households. This is especially true during a recession.

As communities learn of the dental distress and associated consequences experienced by many of their citizens, more and more are taking action – often with the technical assistance and financial help of VHCF. Today, 74 localities have a community-based provider of dental care for the uninsured. VHCF has funded 36 of them, with grants to 11 in FY10 alone. The Foundation has invested \$6.7 million in Virginia’s dental safety net over the years and is the largest funder of dental care in Virginia.

Despite significant progress, the need for dental care, especially among uninsured adults, is substantial. In fact, 61 localities still have no community-based dental safety net provider. Inadequate access to dental care is cited at the top of the list of priorities in a growing number of community needs assessments throughout the state. To help address this, VHCF developed



guidebooks in FY10 detailing how to implement two successful models of local dental delivery for adults.

Helping stretch dental safety net dollars is another Foundation goal. To that end, VHCF has negotiated a special program with Patterson Dental Company to apply its maximum discount on all products and services to all dental safety net providers in Virginia, regardless of their size. In FY10, this generated \$231,000 in savings, bringing total savings of \$485,000 to the dental safety net since the program was initiated three years ago.

Nothing happens in a vacuum. Recognizing that good planning is essential to progress, VHCF lent the talents of its Dental Opportunities Coordinator (*DOC*) to help with the convening of a Virginia Oral Health Summit in FY10, and the subsequent development of a five-year action plan. Currently, the Foundation is serving as an incubator to develop a new Virginia

Oral Health Coalition, which emerged as a priority of Summit attendees.

Guidebooks, discount programs, summits, and the partnerships that make them possible don’t appear out of thin air. They require work and development. VHCF’s *DOC* has been funded for four years with a generous grant from Delta Dental of Virginia.

### Boosting Virginia’s Health Workforce

The most critical factor in making treatment available to uninsured and medically underserved Virginians is having a sufficient number of doctors, dentists, nurse practitioners, licensed clinical social workers and other health professionals in all corners of the Commonwealth. Through the years, VHCF has utilized a multi-pronged approach to increase the number of providers in Virginia’s medically underserved areas. It has given grants totaling \$8 million to community health centers throughout the state to hire the medical and dental personnel

they need; enabled 29 free clinics to increase patient capacity by hiring nurse practitioners and physicians’ assistants; and provided the financial wherewithal to attract more mental health professionals to rural areas. The Foundation has also helped some of Virginia’s colleges and universities initiate innovative approaches to training health professionals. For example, VHCF has underwritten dental preceptorship experiences at four free clinics for residents from Virginia Commonwealth University’s (VCU)



Dental School. Dr. Wolf (page 4) was one of them. In FY10, VHCF helped VCU’s Department of Psychology dramatically expand a successful pilot, which trains psychology doctoral students with medical residents in an ambulatory care clinic that treats the uninsured.

Finally, VHCF-funded providers serve as training sites for a variety of health professions students. Over the years, more than 4,800 students have participated in clinical experiences as a result of VHCF funding.

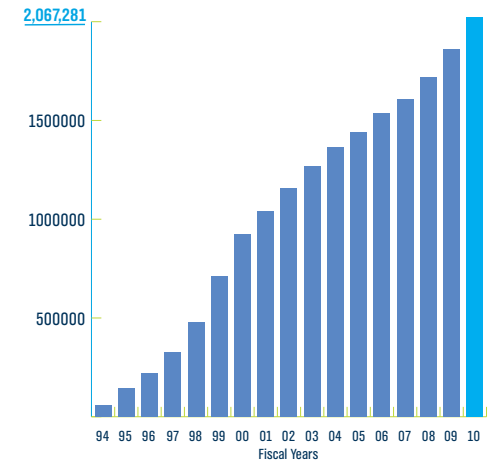
### Impressive Returns Despite the Recession

While the number of uninsured Virginians and VHCF’s initiatives to help them increased dramatically in FY10, one important indicator remained at a low level: VHCF’s administrative costs. I am pleased to report that they represented only 8.5% 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.

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



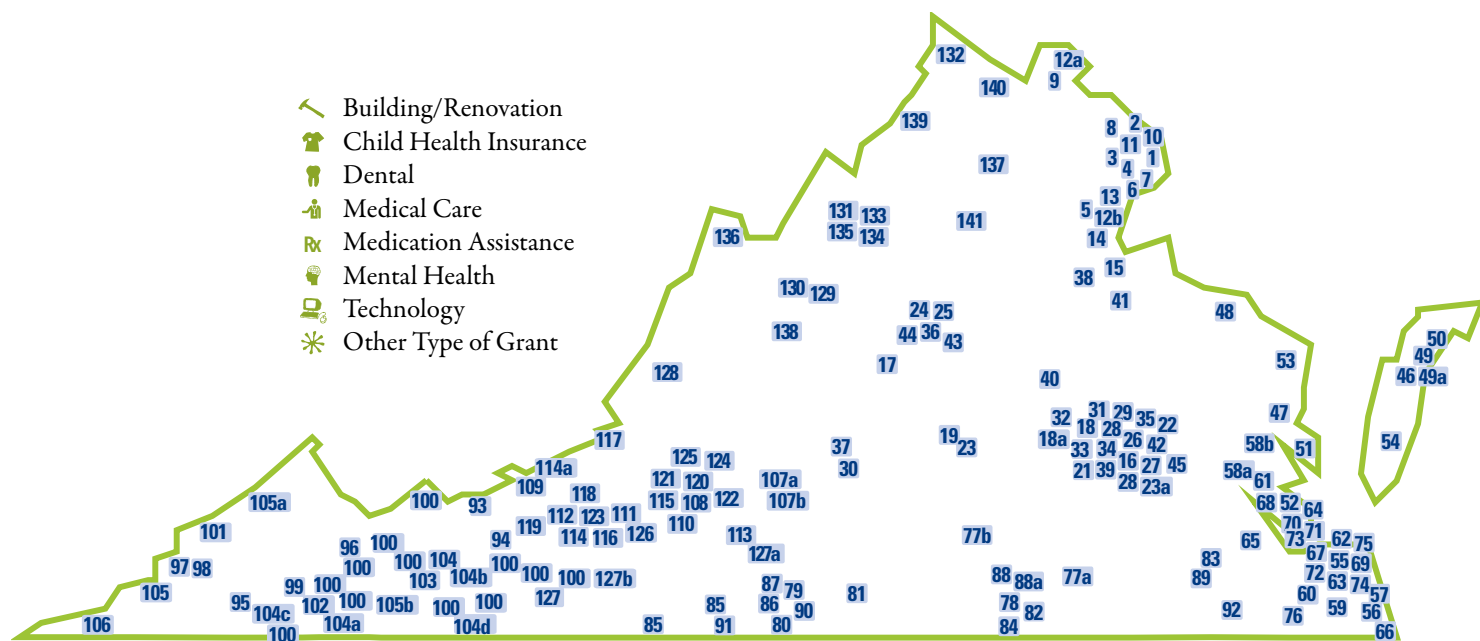
Cumulative Patient Visits Provided by VHCF Grantees

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 **MAKING A SIGNIFICANT DIFFERENCE IN THE LIVES OF VIRGINIANS EVERY DAY.**



*George A. Levicki*  
George A. Levicki, DDS  
Chairman FY10

# Making the Difference: VHCF Grants (1992-2010)



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

## Northern Virginia

1. Alexandria Community Services Board
1. Alexandria Neighborhood Health Services, Inc.
1. Arlington Community Services Board
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
5. Prince William County Community Services Board
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 Richmond Health System
- a. Care-A-Van Mobile Medical Clinic
19. Buckingham County Rural Mental Health Initiative
20. Capital Area Health Network – Vernon J. Harris Community Health Center
21. Center for High Blood Pressure
22. Central Virginia Health Care Project
23. Central Virginia Health Services, Inc.
  - a. Petersburg Health Care Alliance
24. Charlottesville Area Dental Access
25. Charlottesville Free Clinic
26. Children's Hospital
27. CHIP of Greater Richmond
28. CrossOver Health Center
29. Fan Free Clinic
30. Free Clinic of Central Virginia/MedsHelp
31. Freedom House – Greater Richmond Homeless Medical Respite
32. Goochland Free Clinic and Family Services
33. Hayes E. Willis Health Center (Richmond Urban Primary Care Initiative)
28. Henrico Area Mental Health & Developmental Services
34. Henrico County Public Schools
35. Irvin Gammon Craig Health Center
36. Jefferson Area Board for the Aging – Geriatric Assessment/Intervention Team
37. Johnson Health Services
38. Lloyd F. Moss Free Clinic

39. Love of Jesus Health Clinic
40. Louisa County Resource Council
41. Rappahannock Area Health District – Caroline Caries Program
42. Senior Connections
43. Thomas Jefferson CHIP Program
41. United Way – Thomas Jefferson Area
45. Virginia Commonwealth University's Medical College of Virginia

## Northern Neck/Eastern Shore

46. Accomack County School-Based Dental Program
47. Bay Aging
48. Central Virginia Health Services, Inc. – Westmoreland Medical Center
49. Eastern Shore Community Services Board
49. Eastern Shore Rural Health System
  - a. Onley Community Health Center
50. Eastern VA Telemedicine Network
51. Gloucester-Mathews Free Clinic
52. Lackey Free Clinic
53. Middle Peninsula Northern Neck Community Services Board
54. Northampton County School-Based Dental Program
53. Northern Neck Free Health Clinic

## Hampton Roads/Peninsula

55. American Red Cross of Southeastern VA – Partners in Dental Care
56. Beach Health Clinic

57. Catholic Charities of Eastern Virginia
58. Central Virginia Health Services, Inc.
  - a. Charles City Regional Health Services
  - b. King William Dawn Community Doctors
59. Chesapeake Care Free Clinic
60. CHIP/Healthy Families of Chesapeake
61. Colonial Behavioral Health
62. Consortium for Infant and Child Health
63. EVMS Resource Mothers Program
64. Hampton Ecumenical Lodgings and Provisions, Inc. (HELP Free Clinic)
65. Horizon Health Services – Surry Medical Center
66. Jewish Family Services of Tidewater
67. Maryview Foundation Healthcare Center
68. Olde Towne Medical Center
69. Oral Health Improvement Coalition of South Hampton Roads
70. Peninsula Agency on Aging MedTran Project
71. Peninsula Institute for Community Health
72. Portsmouth Adult Care Clinic
73. Riverside Health System Foundation – Project CARE
74. South Norfolk Health Center/Chronic Care Adult Clinic
75. The STOP Organization
76. Western Tidewater Free Clinic

## Southside

77. Central VA Health Services, Inc.
  - a. Alberta Family Health Services
  - b. Charlotte Primary Care
78. Community Memorial Healthcenter
79. Danville-Pittsylvania Community Services
80. Free Clinic of Danville
81. Halifax Regional Development Foundation, Inc.
82. Health Care on the Square – Boydton Medical Center
83. Horizon Health Services – Waverly Medical Center
84. Lake Country Area Agency on Aging
85. Martinsville/Henry County Coalition for Health & Wellness
86. Piedmont Access to Health Services (PATHS)
87. Pittsylvania County Community Action, Inc.

88. Southern Dominion Health System
  - a. Lunenburg Community Health Center
89. Stony Creek Community Health Center
90. VA Western Community College Telemedicine Dental Hygiene Initiative
91. West Piedmont Health District
92. Western Tidewater Health District Children's Dental Clinic

## Southwest

93. Bland County Medical Clinic
94. Brock Hughes Free Clinic
95. Clinch River Health Services
96. Cumberland Plateau Health District
97. Lenowisco Health District
98. Lonesome Pine Office on Youth
99. Mendota Community Association Health Clinic
100. Mt. Rogers Medication Assistance Program
101. Mountain Empire Older Citizens, Inc.
102. People, Inc. of Southwest Virginia
103. Smyth County Free Clinic
104. Southwest VA Community Health Systems, Inc.
  - a. Meadowview Health Clinic
  - b. Southwest Virginia Regional Dental Center
  - c. Twin City Medical Center – Bristol Telemedicine
  - d. Whitetop Community Health Center
105. Stone Mountain Health Services
  - a. Clinchco Dental Center
  - b. Konnarock Family Health Center
106. UVA/Southwest VA Alliance for Telemedicine

## Roanoke Valley

107. Bedford Community Health Foundation
  - a. Bedford Children's and Adult Dental Clinic
  - b. Bedford Ride Program
108. Bradley Free Clinic
109. Carilion Giles Memorial Hospital
110. CHIP of Roanoke Valley
111. College of Health Sciences' Physician Assistant Program
112. Free Clinic Consortium of the New River Valley
113. Free Clinic of Franklin County
114. Free Clinic of the New River Valley
  - a. Giles Free Clinic
115. New Horizons Healthcare
116. Mental Health Association of the New River Valley
117. Monroe Health Center – Craig County Health Center

118. New River Valley Medication Assistance Program
119. New River Valley Senior Services MedRide
120. Carilion Clinic – Pediatric Dental Program
121. Project Access of the Roanoke Valley
122. Project Together (Blue Ridge Community Services)
123. Radford University
124. Rescue Mission of Roanoke
125. Roanoke Adolescent Health Partnership
126. Southwest VA Community Health Systems, Inc. – Center for Family Health
127. Tri-Area Community Health Centers
  - a. Tri-Area Community Health Center at Ferrum
  - b. Tri-Area Community Health Center at Floyd

## Northwest

128. Alleghany Highlands Community Services Board
128. Alleghany Highlands Free Clinic
129. Augusta Regional Dental Clinic
130. Augusta Regional Free Clinic
131. Blue Ridge Area Health Education Center
132. Free Medical Clinic of Northern Shenandoah Valley, Inc.
133. Harrisonburg Community Health Center
134. Harrisonburg-Rockingham Dental Clinic
135. Harrisonburg-Rockingham Free Clinic
136. Highland Medical Center
137. Rappahannock-Rapidan Community Services Board
138. Rockbridge Area Community Services
138. Rockbridge Area Free Clinic
139. Shenandoah County Free Clinic
140. St. Luke Community Clinic
141. UVA – Greene County School-Based Nursing Clinic

## Statewide

142. Central VA Lions Hearing Aid Bank
143. Medical Society of Virginia Foundation
144. MCV School of Dentistry Mobile Dental Clinic
145. UVA Nurse Practitioner Telemedicine Initiative
146. VA Association of Free Clinics
147. VA Dental Association
148. VA Community Healthcare Association

Virginia Health Care Foundation and Affiliate

Consolidated Statements of Financial Position  
June 30, 2010 and 2009

Assets	2010	2009
<b>Current assets:</b>		
Cash and cash equivalents	\$ 2,463,918	\$ 1,752,150
Investments	6,698,879	6,184,233
Appropriations receivable	4,397,949	4,080,571
Interest receivable	21,863	24,131
Contributions receivable	1,116,317	1,706,825
Contract receivable	97,459	111,708
Prepaid expenses	14,058	11,002
Restricted certificate of deposit	700,000	700,000
<b>Total current assets</b>	<b>15,510,443</b>	<b>14,570,620</b>
<b>Contributions receivable, net of current portion</b>	<b>446,221</b>	<b>534,976</b>
<b>Property and equipment, net</b>	<b>20,379</b>	<b>29,680</b>
<b>Total assets</b>	<b>\$15,977,043</b>	<b>\$15,135,276</b>
<b>Liabilities and Net Assets</b>		
<b>Current liabilities:</b>		
Current portion of long-term debt	\$ 700,000	\$ -
Accounts payable and accrued expenses	42,276	64,313
Accrued rent	57,630	70,955
Grants payable	4,725,126	3,668,764
Deferred Revenue	-	506,021
<b>Total current liabilities</b>	<b>5,525,032</b>	<b>4,310,053</b>
<b>Long-term debt</b>	<b>-</b>	<b>700,000</b>
<b>Total liabilities</b>	<b>5,525,032</b>	<b>5,010,053</b>
<b>Net assets:</b>		
Unrestricted	4,395,216	4,222,321
Temporarily restricted	6,056,795	5,902,902
<b>Total net assets</b>	<b>10,452,011</b>	<b>10,125,223</b>
<b>Total liabilities and net assets</b>	<b>\$15,977,043</b>	<b>\$15,135,276</b>

Virginia Health Care Foundation and Affiliate

Consolidated Statements of Activities  
June 30, 2010 and 2009

	2010			2009		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>Support and revenue:</b>						
Appropriations	\$ -	\$ 3,876,542	\$ 3,876,542	\$ -	\$ 4,080,571	\$ 4,080,571
Contributions	187,656	2,896,595	3,084,251	218,528	2,567,093	2,785,621
Contract revenue	-	424,667	424,667	-	490,047	490,047
VHC membership interest	-	19,445	19,445	-	(71,186)	(71,186)
Investment income	224,227	-	224,227	(247,506)	-	(247,506)
Unrealized net gains (losses) on investments	362,798	-	362,798	(210,729)	-	(210,729)
Other income	103,156	-	103,156	83,664	-	83,664
Net assets released from restriction	7,063,356	(7,063,356)	-	6,403,671	(6,403,671)	-
<b>Total support and revenue</b>	<b>7,941,193</b>	<b>153,893</b>	<b>8,095,086</b>	<b>6,247,628</b>	<b>662,854</b>	<b>6,910,482</b>
<b>Expenditures:</b>						
Program services - grants	7,066,079	-	7,066,079	5,155,489	-	5,155,489
Supporting services:						
Management and general	525,222	-	525,222	590,703	-	590,703
Fundraising	176,997	-	176,997	147,859	-	147,859
<b>Total expenditures</b>	<b>7,768,298</b>	<b>-</b>	<b>7,768,298</b>	<b>5,894,051</b>	<b>-</b>	<b>5,894,051</b>
<b>Change in net assets</b>	<b>172,895</b>	<b>153,893</b>	<b>326,788</b>	<b>353,577</b>	<b>662,854</b>	<b>1,016,431</b>
<b>Net assets, beginning of year</b>	<b>4,222,321</b>	<b>5,902,902</b>	<b>10,125,223</b>	<b>3,868,744</b>	<b>5,240,048</b>	<b>9,108,792</b>
<b>Net assets, end of year</b>	<b>\$ 4,395,216</b>	<b>\$ 6,056,795</b>	<b>\$ 10,452,011</b>	<b>\$ 4,222,321</b>	<b>\$ 5,902,902</b>	<b>\$ 10,125,223</b>

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

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



**VIRGINIA  
HEALTH CARE  
FOUNDATION**

**Consolidated Financial Statements**

**June 30, 2010 and 2009**



# 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, 2010 and 2009, 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 consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated 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, 2010 and 2009, 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, Hunter, Gary & Sheaves, P.C.*

August 10, 2010  
Glen Allen, Virginia

## VIRGINIA HEALTH CARE FOUNDATION AND AFFILIATE

### Consolidated Statements of Financial Position June 30, 2010 and 2009

<u>Assets</u>	<u>2010</u>	<u>2009</u>
Current assets:		
Cash and cash equivalents	\$ 2,463,918	\$ 1,752,150
Investments	6,698,879	6,184,233
Appropriations receivable	4,397,949	4,080,571
Interest receivable	21,863	24,131
Contributions receivable	1,116,317	1,706,825
Grants receivable	97,459	111,708
Prepaid expenses	14,058	11,002
Restricted certificate of deposit	<u>700,000</u>	<u>700,000</u>
Total current assets	15,510,443	14,570,620
Contributions receivable, net of current portion	446,221	534,976
Property and equipment, net	<u>20,379</u>	<u>29,680</u>
Total assets	<u>\$ 15,977,043</u>	<u>\$ 15,135,276</u>

See accompanying notes to consolidated financial statements.

**VIRGINIA HEALTH CARE FOUNDATION AND AFFILIATE**

Consolidated Statements of Financial Position, Continued  
June 30, 2010 and 2009

<u>Liabilities and Net Assets</u>	<u>2010</u>	<u>2009</u>
Current liabilities:		
Current portion of long-term debt	\$ 700,000	\$ -
Accounts payable and accrued expenses	42,276	64,313
Accrued rent	57,630	70,955
Grants payable	4,725,126	3,668,764
Deferred revenue	<u>-</u>	<u>506,021</u>
Total current liabilities	5,525,032	4,310,053
Long-term debt	<u>-</u>	<u>700,000</u>
Total liabilities	<u>5,525,032</u>	<u>5,010,053</u>
Net assets:		
Unrestricted	4,395,216	4,222,321
Temporarily restricted	<u>6,056,795</u>	<u>5,902,902</u>
Total net assets	<u>10,452,011</u>	<u>10,125,223</u>
Total liabilities and net assets	<u>\$ 15,977,043</u>	<u>\$ 15,135,276</u>

See accompanying notes to consolidated financial statements.

**VIRGINIA HEALTH CARE FOUNDATION AND AFFILIATE**

Consolidated Statement of Activities  
Year Ended June 30, 2010

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>Total</u>
Support and revenue:			
Appropriations	\$ -	\$ 3,876,542	\$ 3,876,542
Contributions	187,656	2,896,595	3,084,251
Contract revenue	-	424,667	424,667
VHC membership interest	-	19,445	19,445
Investment income	224,227	-	224,227
Unrealized net gains on investments	362,798	-	362,798
Other income	103,156	-	103,156
Net assets released from restriction	<u>7,063,356</u>	<u>(7,063,356)</u>	<u>-</u>
Total support and revenue	<u>7,941,193</u>	<u>153,893</u>	<u>8,095,086</u>
Expenditures:			
Program services - grants	7,066,079	-	7,066,079
Supporting services:			
Management and general	525,222	-	525,222
Fundraising	<u>176,997</u>	<u>-</u>	<u>176,997</u>
Total expenditures	<u>7,768,298</u>	<u>-</u>	<u>7,768,298</u>
Change in net assets	172,895	153,893	326,788
Net assets, beginning of year	<u>4,222,321</u>	<u>5,902,902</u>	<u>10,125,223</u>
Net assets, end of year	<u>\$ 4,395,216</u>	<u>\$ 6,056,795</u>	<u>\$ 10,452,011</u>

See accompanying notes to consolidated financial statements.

**VIRGINIA HEALTH CARE FOUNDATION AND AFFILIATE**

Consolidated Statement of Activities  
Year Ended June 30, 2009

	Unrestricted	Temporarily Restricted	Total
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 Functional Expenses Year Ended June 30, 2010

	Program Services and Grants	Supporting Services		Total
		Management and General	Fundraising	
Salaries	\$ -	\$ 190,390	\$ 82,143	\$ 272,533
Employee benefits/payroll taxes	-	45,419	20,530	65,949
<b>Total salaries and related expenditures</b>	<b>-</b>	<b>235,809</b>	<b>102,673</b>	<b>338,482</b>
Grants	5,849,024	-	-	5,849,024
RX Partnership	120,000	-	-	120,000
The Pharmacy Connection	283,977	-	-	283,977
Healthy Communities Loan Fund	16,349	-	-	16,349
MAP	250,293	-	-	250,293
Special Initiatives	30,438	-	-	30,438
Child Health Insurance Initiatives	133,770	-	-	133,770
Grantee Technical Assistance	91,746	-	-	91,746
Grantmaking	228,071	-	-	228,071
Dental Opportunities Initiative	60,065	-	-	60,065
Leading for the Long Term	2,346	-	-	2,346
Contractual services	-	119,166	42,283	161,449
Office rent	-	49,281	-	49,281
Investment fees	-	41,469	-	41,469
Telephone and fax	-	5,860	728	6,588
Supplies	-	1,653	275	1,928
Computer software and supplies	-	2,801	472	3,273
Printing and copying	-	7,726	179	7,905
Postage	-	3,812	463	4,275
Travel	-	3,343	1,376	4,719
Meeting/conference costs	-	4,338	120	4,458
Special events	-	22,000	27,618	49,618
Miscellaneous	-	741	-	741
Insurance	-	10,551	-	10,551
Subscriptions, fees and dues	-	4,524	810	5,334
<b>Total expenditures before depreciation and amortization</b>	<b>7,066,079</b>	<b>513,074</b>	<b>176,997</b>	<b>7,756,150</b>
Depreciation and amortization of property and equipment	-	12,148	-	12,148
<b>Total expenditures</b>	<b>\$ 7,066,079</b>	<b>\$ 525,222</b>	<b>\$ 176,997</b>	<b>\$ 7,768,298</b>

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
<b>Total salaries and related expenditures</b>	<b>-</b>	<b>234,601</b>	<b>88,819</b>	<b>323,420</b>
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
<b>Total expenditures before depreciation and amortization</b>	<b>5,155,489</b>	<b>577,987</b>	<b>147,859</b>	<b>5,881,335</b>
Depreciation and amortization of property and equipment	-	12,716	-	12,716
<b>Total expenditures</b>	<b>\$ 5,155,489</b>	<b>\$ 590,703</b>	<b>\$ 147,859</b>	<b>\$ 5,894,051</b>

See accompanying notes to consolidated financial statements.



**VIRGINIA HEALTH CARE FOUNDATION AND AFFILIATE**

Consolidated Statements of Cash Flows  
Years Ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Change in net assets	\$ 326,788	\$ 1,016,431
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	12,148	12,716
Net realized and unrealized (gain) loss on investments	(366,399)	686,077
Change in assets and liabilities:		
Interest receivable	2,268	6,853
Contributions and grants receivable	376,134	(1,136,774)
Prepaid expenses	(3,056)	13,728
Accounts payable and accrued expenses	(35,362)	(4,220)
Grants payable	1,056,362	(301,039)
Deferred revenue	<u>(506,021)</u>	<u>506,021</u>
Net cash provided by operating activities	<u>862,862</u>	<u>799,793</u>
Cash flows from investing activities:		
Purchase of property and equipment	(2,847)	(10,187)
Proceeds from sales of investments	2,271,885	2,367,460
Purchase of investments	<u>(2,420,132)</u>	<u>(2,530,704)</u>
Net cash used in investing activities	<u>(151,094)</u>	<u>(173,431)</u>
Net change in cash and cash equivalents	711,768	626,362
Cash and cash equivalents, beginning of year	<u>1,752,150</u>	<u>1,125,788</u>
Cash and cash equivalents, end of year	<u>\$ 2,463,918</u>	<u>\$ 1,752,150</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, 2010 and 2009 (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 (“GAAP”).

**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, 2010 and 2009, there were no permanently restricted net assets.

**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 and certificates of deposit. 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.

## VIRGINIA HEALTH CARE FOUNDATION AND AFFILIATE

### Notes to Consolidated Financial Statements, Continued

#### 2. Summary of Significant Accounting Policies, Continued:

**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 by a modest amount.

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 \$698,951 as of June 30, 2010 and \$671,902 as of June 30, 2009 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").

**Income Tax Uncertainties:** During 2010, the Foundation adopted Financial Accounting Standards Board ("FASB") guidance related to accounting for uncertainty in income taxes, which clarifies the accounting for income taxes by prescribing the minimum recognition threshold that a tax position is required to meet before being recognized in the Foundation's consolidated financial statements. The guidance also provides criteria on derecognition, classification, interest and penalties, disclosure and transition. The Foundation discloses the expected future tax consequences of uncertain tax positions presuming the taxing authorities' full knowledge of the facts and the Foundation's position and records unrecognized tax benefits or liabilities for known, or anticipated tax issues based on the Foundation's analysis of whether additional taxes would be due to the authority given their full knowledge of the tax position. The Foundation has completed its assessment and determined that there are no tax positions which would require recognition.

## 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. In 2010 the Foundation raised the remaining funds required to recognize the pledge as revenue.

**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 2010 and 2009, the Foundation received professional, marketing, and advertising services at no charge from outside organizations. These services, valued by the donors at approximately \$78,768 in 2010 and \$111,313 in 2009, 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 \$142,136 in 2010 and \$72,030 in 2009 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 meeting a challenge grant. A portion of the reduced grants reflects savings in budgeted personnel costs.

**Use of 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.

## VIRGINIA HEALTH CARE FOUNDATION AND AFFILIATE

### Notes to Consolidated Financial Statements, Continued

#### 2. Summary of Significant Accounting Policies, Continued:

**Subsequent Events:** Management has evaluated subsequent events through August 10, 2010, the date the consolidated financial statements were available to be issued, and has determined there are no subsequent events to be reported in the accompanying consolidated financial statements.

#### 3. Cash and Cash Equivalents:

Cash and cash equivalents are comprised of the following as of June 30, 2010 and 2009:

	2010	2009
Cash on deposit	\$ 865,493	\$ 1,391,867
Certificates of deposit	1,015,746	-
Money market funds	582,679	360,283
	\$ 2,463,918	\$ 1,752,150

#### 4. Investments:

The costs and fair values of investments as of June 30, 2010 and 2009 are summarized as follows:

	2010		2009	
	Cost	Fair value	Cost	Fair value
Money market funds	\$ 551,802	\$ 551,802	\$ 372,218	\$ 372,218
Certificates of deposit	935,000	939,065	-	-
U.S. Treasury bills	273,882	298,249	273,882	299,153
Common stock	2,894,162	2,994,841	2,881,442	2,654,906
Corporate bonds	762,270	792,848	1,293,597	1,313,021
Government obligations	1,031,550	1,122,074	1,475,679	1,544,935
	\$ 6,448,666	\$ 6,698,879	\$ 6,296,818	\$ 6,184,233

## VIRGINIA HEALTH CARE FOUNDATION AND AFFILIATE

### Notes to Consolidated Financial Statements, Continued

#### 4. Investments, Continued:

Investment income and gains and losses for investments are comprised of the following for the years ended June 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Interest income	\$ 220,626	\$ 227,842
Net realized (losses) gains	<u>3,601</u>	<u>(475,348)</u>
	<u>\$ 224,227</u>	<u>\$ (247,506)</u>
Net unrealized (losses) gains	<u>\$ 362,798</u>	<u>\$ (210,729)</u>

#### 5. Fair Value Measurements:

The Foundation adopted for 2009 certain provisions of Financial Accounting Standards Board's guidance on fair value measurements. The FASB guidance 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. The FASB guidance requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. The FASB 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 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.

## VIRGINIA HEALTH CARE FOUNDATION AND AFFILIATE

### Notes to Consolidated Financial Statements, Continued

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

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. The Foundation did not have any Level 3 assets or liabilities at June 30, 2010 and 2009.

Assets and liabilities measured at fair value on a recurring basis at June 30, 2010 include the following:

	Fair Value Using		Asset/Liabilities
	Level 1	Level 2	at Fair Value
Assets:			
Investments:			
Money market funds	\$ 551,802	\$ -	\$ 551,802
Certificates of deposit	-	939,065	939,065
U.S. Treasury bills	298,249	-	298,249
Common stock:			
Consumer discretionary	341,734	-	341,734
Consumer staples	343,907	-	343,907
Energy	302,558	-	302,558
Financials	390,343	-	390,343
Health care	413,659	-	413,659
Industrials	218,407	-	218,407
Information technology	574,110	-	574,110
Materials	200,067	-	200,067
Real estate investment trusts	13,454	-	13,454
Telecommunication services	129,660	-	129,660
Utilities	66,942	-	66,942
Corporate bonds	792,848	-	792,848
Government obligations	1,122,074	-	1,122,074
	\$ 5,759,814	\$ 939,065	\$ 6,698,879

## VIRGINIA HEALTH CARE FOUNDATION AND AFFILIATE

### Notes to Consolidated Financial Statements, Continued

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

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	
Assets:			
Investments:			
Money market funds	\$ 372,218	\$ -	\$ 372,218
U.S. Treasury bills	299,153	-	299,153
Common stock:			
Consumer discretionary	294,751	-	294,751
Consumer staples	374,513	-	374,513
Energy	309,830	-	309,830
Financials	347,007	-	347,007
Health care	282,433	-	282,433
Industrials	232,573	-	232,573
Information technology	506,232	-	506,232
Materials	122,258	-	122,258
Real estate investment trusts	14,657	-	14,657
Telecommunication services	111,051	-	111,051
Utilities	59,601	-	59,601
Corporate bonds	1,313,021	-	1,313,021
Government obligations	1,544,935	-	1,544,935
	\$ 6,184,233	\$ -	\$ 6,184,233

#### 6. Property and Equipment, Net:

Property and equipment, net as of June 30, 2010 and 2009 is as follows:

	2010	2009
Equipment	\$ 103,881	\$ 101,034
Leasehold improvements	2,949	2,949
Software	42,519	42,519
	149,349	146,502
Less accumulated depreciation and amortization	128,970	116,822
Property and equipment, net	\$ 20,379	\$ 29,680



## VIRGINIA HEALTH CARE FOUNDATION AND AFFILIATE

### Notes to Consolidated Financial Statements, Continued

#### 7. Contributions and Grants Receivable:

Contributions and grants receivable are summarized as follows as of June 30, 2010 and 2009:

	2010	2009
Unconditional contributions and grants expected to be collected in:		
Less than one year	\$ 1,213,776	\$ 1,818,533
One year to five years	452,901	554,800
	1,666,677	2,373,333
Less discount	6,680	19,824
Total contributions and grants receivable	\$ 1,659,997	\$ 2,353,509

The future expected cash flows from contributions and grants receivable have been discounted using discount rates ranging from .31% to 2.0%.

#### 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 was 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 to fund the Healthy Communities Loan Fund Program and, in 2010, these funds were also used to support funding for grant writers assisting community health centers applying for HRSA grants. 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, 2010 and 2009. The restricted amounts in the money market account were \$74,990 as of June 30, 2010 and \$106,148 as of June 30, 2009. The loan proceeds are deposited in a CD bearing interest at 1.45% for 2010 and 1.2% for 2009.

## VIRGINIA HEALTH CARE FOUNDATION AND AFFILIATE

### Notes to Consolidated Financial Statements, Continued

#### 8. Long-Term Debt, Continued:

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.

#### 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 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 \$91,844 in 2010 and \$93,604 in 2009. Future minimum lease payments as of June 30, 2010 are:

	<u>Amount</u>
Year ending June 30:	
2011	\$ 107,556
2012	111,175
2013	<u>114,431</u>
Total	<u>\$ 333,162</u>

#### 11. Temporarily Restricted Net Assets:

Temporarily restricted net assets are available for the following periods subsequent to June 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
For periods after the end of the fiscal year	\$ 6,056,795	\$ 5,902,902

The amounts are restricted for program development purposes.

## VIRGINIA HEALTH CARE FOUNDATION AND AFFILIATE

### Notes to Consolidated Financial Statements, Continued

#### **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 \$44,736 for 2010 and \$61,102 for 2009.

#### **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 (\$318,901 less unamortized discount of \$6,253 as of June 30, 2010, and \$301,150 less unamortized discount of \$7,947 as of June 30, 2009) 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 2011 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 2011 budget, the appropriation was included as a receivable as of June 30, 2010 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 2011 fiscal year budget. These appropriations accounted for 48% of support and revenue for 2010 and 59% of support and revenue for 2009.