



CHANGING TIMES
Changing Lives

Challenges. Uncertainties. Upheaval. Possibilities.

A person with dark hair, wearing a white sleeveless top, is seen from behind, sitting in a vast, flat green field that stretches to the horizon. The sky above is a clear, light blue.

These are dynamic times in the world of health care.

While all around us is in flux,
the Virginia Health Care Foundation
remains focused on what matters most –
Virginia's uninsured.

CHANGING TIMES
Changing Lives...

Changing Lives... T A S H I A

“We were hanging in there,
but we were hanging by a thread.”

“I had a high-risk pregnancy, which is terrifying by itself, but even more so when you don’t have health insurance. My husband’s small logging company can’t afford it, and I work for him for no pay.

Thank the Lord I found Ann Walker, who signed me up for FAMIS MOMS. She’s a FAMIS Outreach Worker for the Martinsville Henry County Coalition for Health and Wellness.

Things got really bad. My blood pressure rose out of control, and the doctor was afraid he’d lose me, the baby or both of us. There was an emergency C-section, and Leia was born really early, weighing under 3 pounds. Truly the first thing I said to my husband was, ‘I’m so glad Ann Walker came into our lives.’

If I hadn’t had FAMIS, my little Leia probably wouldn’t be here. And maybe I wouldn’t be either.”



65,000 children have enrolled in the FAMIS programs with the help of VHCF Outreach Workers.



VHCF has helped 242,000 sick, uninsured Virginians obtain **\$1.27 Billion** in free medicines since 1997.

Changing Lives... R O B E R T

"They gave me my health back,
and my hope and future."

"Working two jobs, 80-85 hours a week, wasn't good for my blood pressure, but the real trouble started when one of them ended, taking away my health insurance.

I couldn't afford to see a doctor or fill a prescription. It was horrible to know that a killer disease was inside of me and I couldn't fight it.

Then I found the Center for High Blood Pressure in Richmond.

By helping me with my medicine, and monitoring me regularly, they've taken away the biggest stress in my life. This has enabled me to focus on other things – like adding another job with health benefits.

With hypertension, you don't know how sick you are, until you remember what it was like to feel well. And it feels great."

Changing Lives... L Y D I A

"I hadn't smiled in 20 years."

The headaches were horrible. The humiliation was worse.

"Before I got these dentures, life wasn't very good for me. I hated what I saw in the mirror – no teeth, nothing but gums. I couldn't eat, talk, or smile like a normal person. I just pulled back into myself. I didn't go out. I didn't talk. I didn't smile.

I'd had dentures before – cheap ones that fell apart, hurt all the time, and gave me headaches. So when the Gloucester-Mathews Free Clinic told me I could get new, better fitting dentures, it took me a while to get my nerve up. I'm glad I did.

Now I can enjoy my grandchildren, my work, my friends. **It's easier to do my job, and my grandkids love seeing me smile all the time.** I was so shy, now I laugh and talk. I feel like a new person. My whole life is better."



**VHCF has helped establish or support
40 of Virginia's 76 dental safety net clinics.**



VHCF-funded health professionals have provided
2.4 Million patient visits in the last 20 years.

Changing Lives... J A N I C E

“I wouldn’t be here today
without the health center.”

“When you’re uninsured and have blood in your stool, it’s hard to get help. I’m so lucky my mother told me about Caroline Family Practice, her local community health center.

Bettina, the nurse practitioner there, recognized that I could have something serious. Because I was uninsured, she called in some favors to get me a colonoscopy right away. The results were terrible. I had colon cancer that had metastasized to my liver.

Bettina took it from there. **She got a doctor and hospital to take care of the surgery, so all I had to worry about was staying strong and getting better.** She reassured my family that the center was there for us, and made sure I had the very expensive pain medicine I needed, but couldn’t afford.

My eight-year-old son used to be so afraid I would die while he was in school, that he didn’t want to go to class. That was three years ago. Now, he rests more easily, because he knows I’m getting such great care.”

Changing Lives... D O R A L E E

“I realized I could fight this – that
I had to fight this – and win.”

Doralee was eating herself into an early grave. After a car accident left her oldest daughter a quadriplegic, Doralee began using food as a crutch to cope.

Weighing nearly 300 pounds and dealing with serious diabetes, Doralee could barely muster the energy to do the dishes. A visit to the Rockbridge Area Free clinic was a painful wake-up call. Her future was grim. She needed to change, or her kids would be orphans.

Help from a VHCF-funded counselor there, changed her life. She began walking daily and eating more green vegetables. “I learned how to handle my stress.”

In the last six months, she’s lost more than 60 pounds. Her blood sugar has plummeted from 9.7 to 6.1, and her cholesterol is now too low! Best of all, she’s an active, happy mother, who has become a healthy role model for her kids.



VHCF has awarded \$4.1 Million to provide mental health services to health safety net patients.

VHCF DONORS ... CHANGING LIVES (1992 – 2012)

The Virginia Health Care Foundation extends its warmest thanks to the following partners who have contributed so generously to its work over the past 20 years:

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The list reflects the cumulative value of gifts greater than \$1,000 given to VHCF over the past 20 years. We have taken great care to ensure its accuracy and completeness, and regret any errors or omissions. Please contact Stacie Birchett at 804-828-5804, if any corrections are needed.

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How Much Has Changed in Your Life Since 1992?



The last twenty years have resulted in a metamorphosis of the Virginia Health Care Foundation.

What started as a small “laboratory” to test innovative models for delivering health care to uninsured and medically underserved Virginians has evolved into a multi-faceted organization with far-reaching impact.

This transformation has been **driven by** the many changes in the world of health care and related opportunities. It has been even more driven, however, by the growing need and **plight of Virginia’s uninsured.**

The patients profiled in this report are but a few examples of a pervasive problem. They work, but have no health insurance, and found themselves in **dire circumstances.** Without our help, several wouldn’t even be alive today. These are not extreme examples. They are reflections of the types of uninsured patients **treated in the health care safety net** every day.

With so many lives at stake, the **Virginia Health Care Foundation (VHCF)** has worked strategically and on a wide number of fronts to leverage its assets and **maximize its impact.** This was evident in FY12 and has been throughout VHCF’s 20 year history...

Growing Virginia’s Health Care Safety Net: Job One

The number of Virginia’s health care safety net sites has grown by 550% since VHCF’s inception. What started as 33 free clinics & community health center sites in 1992 has grown to 183 today, with 21 additional sites run by other types of health care safety net organizations.

While VHCF is not responsible for all of these new sites, it has invested substantially in many of them, with grants totaling \$37.7 million. In addition, VHCF’s **Appleseed** initiative has generated \$46.2 million in new federal funds to expand the number and size of community health centers in the past nine years.

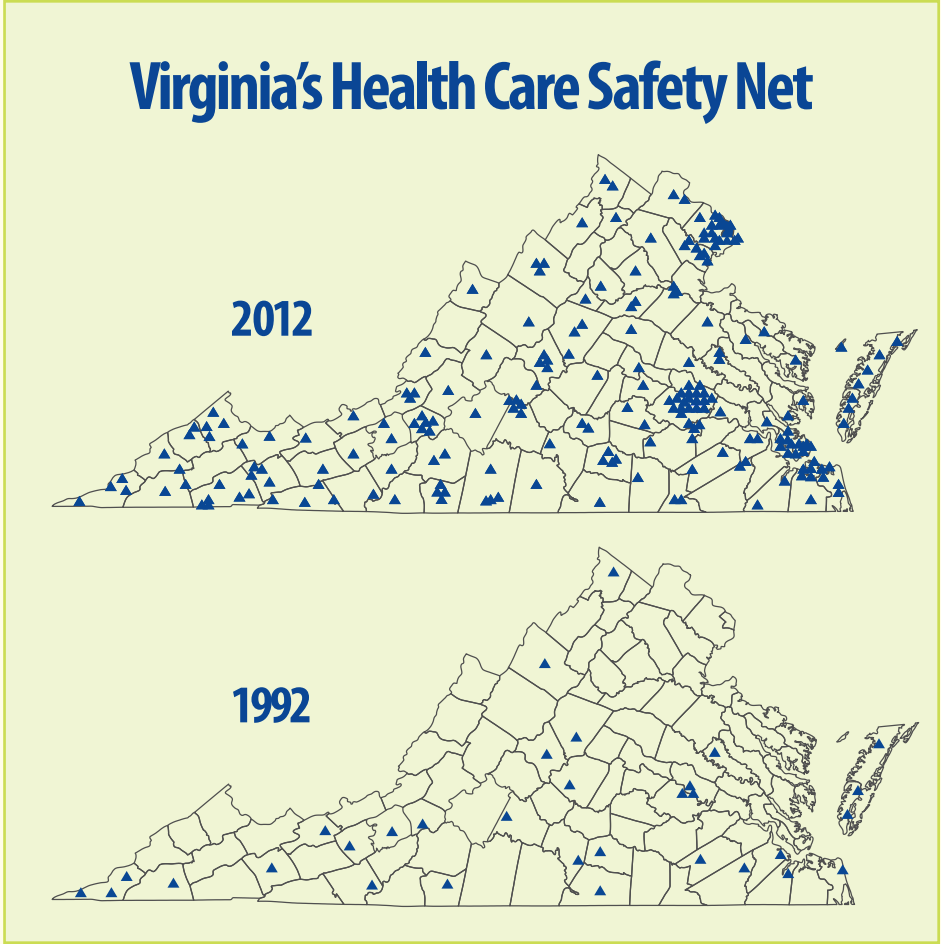
In FY12, VHCF helped underwrite the salaries of 55 providers at health safety net sites, who treated more than 35,000 uninsured Virginians. This was greatly needed, given that last year’s Census showed a jump of 100,000 in the number of uninsured Virginians – a 10% increase.

Longevity of these sites is a priority for VHCF, because we’re building for the long term. To that end, we

practice “venture philanthropy.” 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 a noteworthy sustainability rate among VHCF’s health safety net grantees: 89% continue at or above their prior level of performance for at least three years after “graduating” from VHCF funding.

This requires a great deal more than “front end” scrutiny. VHCF

continually engages grantees and all health safety net organizations with education about best practices and planning for the future. In FY12, for example, VHCF co-convened *Leading Change in the Health Care Safety Net* with the Virginia Association of Free Clinics and the Virginia Community Healthcare Association. This two day seminar was designed to prepare the Commonwealth’s health safety net leaders for future changes stimulated by the Patient Protection and Affordable Care Act (PPACA).



Changing Lives Through Innovation

About 70% of health safety net patients have one or more chronic illnesses. Few things are more important to their treatment than prescription medicines. Unfortunately, most can't afford the medicines they need, even though they have one or more full-time jobs.

To address this problem, VHCF created several innovative programs over the years to maximize the amount of free medicines available to uninsured Virginians via the brandname drug companies' Patient Assistance Programs (PAPs).

The Foundation's flagship for prescription assistance is **The Pharmacy Connection (TPC)**, a special VHCF-developed software which expedites access to the PAPs. In FY12, VHCF marked a fourth

continuous recordbreaking year, when *TPC* generated \$233 million (AWP) in free medicines for 58,332 sick, uninsured Virginians. This represented more than 1.1 million 30-day prescriptions. Several years ago, VHCF made *TPC* available outside of Virginia. Today, it is used in 12 states.

About a quarter of the 156 Virginia hospitals, clinics, health centers, and other organizations which utilize *TPC* participate in **RxRelief Virginia** or the Greater Williamsburg Medication Assistance Program. Both employ Medication Assistance Caseworkers (MACs), whose sole focus is using *TPC* to obtain free medicines for eligible Virginians. In FY12, *RxRelief Virginia* MACs helped 18,726 uninsured Virginians from 66 localities obtain a total of \$82.5 million (AWP) in free medicines, using only \$1.2 million in state funds.

Impact of The Pharmacy Connection (Cumulative figures 1997-2012)

\$1.27 Billion
Value of free medicines
242,744
Number of patients
3,518,222
Prescriptions filled

RxPartnership (RxP) is another innovative method of tapping into the free medicines, which VHCF helped foster and establish nine years ago. *RxP* directs free medicines from participating PAPs to 22 affiliate safety net organizations with licensed pharmacies. The result? Patients can obtain needed medicines the same day the doctor writes the prescription. This differs from the several week wait often associated with the medicines ordered through PAPs.

RxP provided 15,400 patients with \$16.1 million (AWP) in free medicines last year with the help of the following companies: GlaxoSmithKline, Merck, Novartis, Abbott, Alcon, Sanofi-Aventis, and AstraZeneca.

Creating Smiles via Oral Health Partnerships

The uninsured often put off regular dental visits, because they need their limited resources for more immediate needs such as rent or groceries. The blinding pain of a toothache, however, cannot be ignored. When it occurs, it often drives many to their local hospital Emergency Departments, because in 71 localities there is nowhere for uninsured adults to go for dental care.

At VHCF, we have worked diligently since 1998 to establish a dental safety net throughout Virginia. Today, 63 of the state's 134 localities have a dental safety net clinic. In FY12, the number of dental procedures performed by VHCF oral health grantees increased by 62% to 81,448.

The high costs of dental equipment and supplies can make dental clinics expensive to operate, even with volunteer dentists providing the care. To keep costs low and stimulate further growth, VHCF has forged several partnerships with dental industry leaders over the years. For the past six years, *Delta Dental of Virginia*



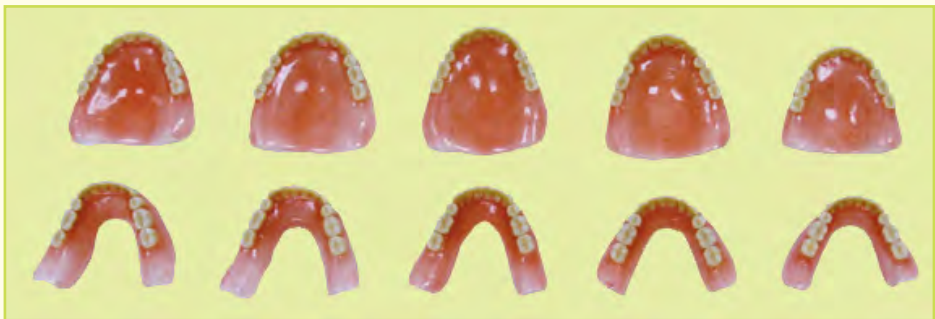
has underwritten the salary of a part-time *Dental Opportunities Champion* at VHCF to engage in a variety of activities to strengthen the dental safety net.

One such example is a special discount program undertaken with *Patterson Dental Company* four years ago, which extends its maximum discount on dental supplies, equipment, practice software, and repairs and maintenance to all dental safety net organizations in Virginia, regardless of their size. Since its inception,

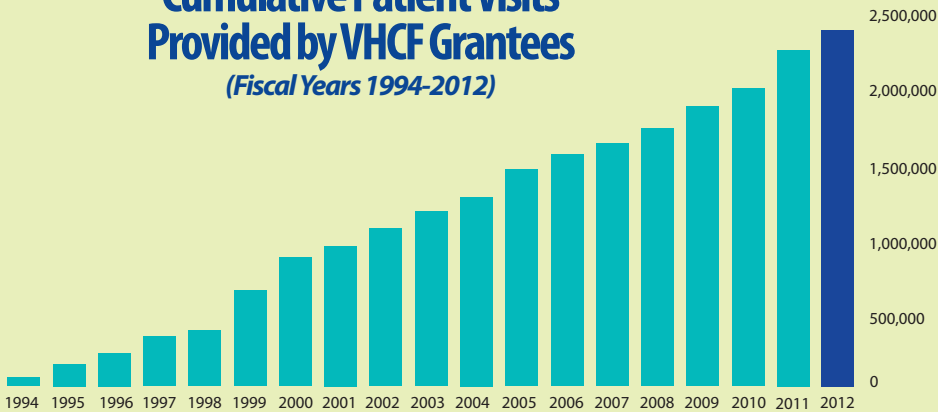
that discount has saved the dental safety net \$895,246 in costs.

This year, we forged an important partnership with *Larell One Step Dentures*™, which is now providing a significant discount for its innovative new dentures to Virginia's dental safety net. With this special partnership and training, VHCF is not only making dentures affordable, but enabling many dental safety net clinics to offer them for the first time.

Larell One Step Denture™ Templates



Cumulative Patient Visits Provided by VHCF Grantees (Fiscal Years 1994-2012)



A New Lease On Life with Mental Health Services

Depression, anxiety, and other basic mental health conditions are among the top diagnoses in Virginia's free clinics. They are debilitating illnesses, which incapacitate their victims and fill them with despair.



Governor Robert McDonnell speaks at VHCF's 2012 Heroes in Health Care celebration.

(Photo: Michael White)

When former Attorney General (now Governor) Bob McDonnell requested proposals for how best to use \$1 million in settlement funds from a multi-state case, VHCF collaborated with the Virginia Community Healthcare Association, the Virginia Association of Free Clinics, and the Virginia Association of Community Services Boards to propose that he turn it into a \$1 million challenge grant to help address this concern.

When VHCF raised the match, there was enough to fund 9 three-year grants throughout the state. All are supporting partnerships between local Community Services Boards and free clinics or community health centers, which integrate the delivery of mental health services with medical care. The behavioral health professionals funded by this initiative are creating "a new lease on life" for many health safety net patients, who are receiving behavioral health treatment for the first time.

The turnaround that many patients experience after a few visits with a counselor and some medicine is remarkable. And, the positive ripple effect extends to their families, and productivity at work.

Health Insurance: The Greatest Safety Net of All

Who can deny the importance of health insurance? It's so valuable that people now steal insurance cards, and patients are often required to show photo identification.

About 86% of eligible children are now enrolled in Virginia's FAMIS health insurance programs; there are still 71,000 who aren't. This is a significant improvement from the situation which spawned VHCF's **Project Connect** outreach

and enrollment program, thirteen years ago. Since then, VHCF has led Virginia's private sector efforts to maximize the number of children enrolled.

Working with the Virginia Department of Medical Assistance Services (DMAS) and other state agencies, VHCF-funded Outreach Workers enrolled more than 7,500 children in the FAMIS programs in FY12 – the second highest number since VHCF started its outreach work in 1999.

In addition to outreach and enrollment, nearly 8,600 health and human services professionals have been trained in the intricacies of the FAMIS programs in person or online via VHCF's **SignUpNow** initiative.

Grants from the Centers for Medicaid and Medicare Services, Anthem Blue Cross and Blue Shield, Amerigroup, and the Danville Regional Foundation, plus annual support from DMAS have underwritten these results.

All of this knowledge and expertise can be put to good use and produce even greater results in 2014, if the Commonwealth decides to expand Medicaid eligibility to the 420,000 currently uninsured adults who are eligible under PPACA.



11:1 Leverage and Two Decades of Dividends

One key to VHCF's growth and success is its constant search for new opportunities which meet the health needs of Virginians, and add value to Virginia. This entrepreneurial approach stems from VHCF's core values. As a public/private partnership, one of the Foundation's guiding principles is to leverage state dollars to maximize the return on the Commonwealth's investment in VHCF.

This has produced a great return on investment over the years. Since its inception, VHCF has leveraged an average of \$11 in cash, health services, and other in-kind contributions for every \$1 expended.

Initiatives developed via VHCF entrepreneurship have resulted in significant human dividends, as well. **SeniorNavigator** has guided elderly Virginians and their caretakers to vital health and aging services over 4.5 million times during the last 12 years, and become a valued public service.

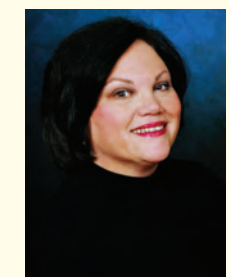
The **Healthy Communities Loan Fund** helped attract 70 physicians and dentists to parts of the state where there weren't nearly enough, during its twelve-year history. Altogether, these providers and VHCF's investments in Virginia's health care safety net have helped more than 600,000 uninsured and medically underserved Virginians over the past twenty years.

The Foundation's good stewardship is also reflected in VHCF's administrative costs. They were a low 8.3% in FY12.

Perhaps most important during these times of high unemployment, VHCF grants underwrote 123 jobs in FY12. At the same time, various VHCF grantees trained 526 health professions students from a wide variety of disciplines and 32 colleges and universities, in an effort to address some of the health work-force challenges of the future.

Ready For The Future

At VHCF, change is not a new challenge. We have accommodated and embraced it during the past two decades, with a nimble approach that has enabled us to harness new opportunities. As we look to the future, it is clear that the speed and nature of changes in health care are accelerating and becoming more complex. In preparation, VHCF's Board of Trustees has charted a thoughtful course for the future with a commitment to engaging in meaningful, value-added initiatives with a laser-like focus on that which matters most – changing lives by helping uninsured and medically underserved Virginians obtain the health care they need.

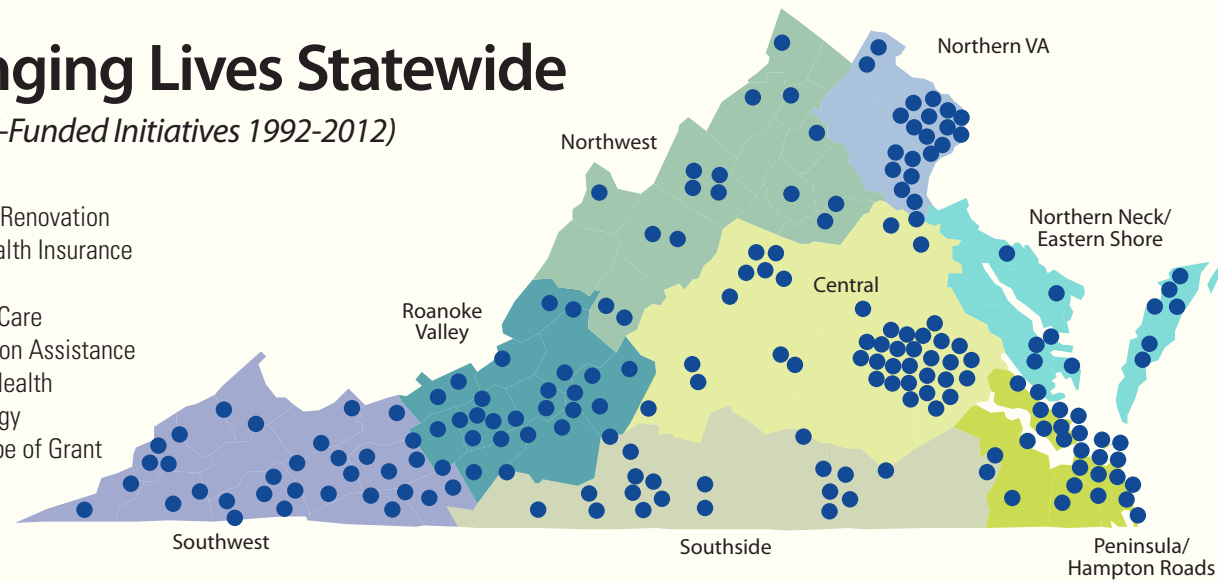


Jane N. Kusiak
Jane Norwood Kusiak
Richmond
(Chairman FY12)

Changing Lives Statewide

(VHCF-Funded Initiatives 1992-2012)

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



Statewide

- Central VA Lions Hearing Aid Bank
- Medical Society of Virginia Foundation
- MCV School of Dentistry Mobile Dental Clinic
- UVA Nurse Practitioner Telemedicine Initiative
- VA Association of Free Clinics
- Virginia Dental Association/Foundation
- VA Community Healthcare Association

Northern Virginia

- Alexandria Community Services Board
- Alexandria Neighborhood Health Services, Inc.
- Arlington Community Services Board
- Arlington Free Clinic
- Fairfax Community Health Care Network
- Fairfax Medical Care for Children Project
- Greater Prince William Area Community Health Center
- Inova Partnership for Healthier Kids
- Inova Pediatric Center
- Jeanie Schmidt Free Clinic
- Loudoun Community Health Center
- Marymount University Physical Therapy at Arlington Free Clinic
- Northern VA Dental Clinic
- Northern VA Family Service
 - a. Loudoun
 - b. Prince William
- Potomac Hospital
- Prince William County Community Services Board
- Prince William Pediatric Primary Care
- Stafford County Public Schools
 - a. In partnership with Stafford County Department of Social Services

Central Virginia

- Access Now
- Blue Ridge Medical Center
- Bon Secours Richmond Health System
 - a. Care-A-Van Mobile Medical Clinic
- Buckingham County Rural Mental Health Initiative
- Capital Area Health Network – Vernon J. Harris Community Health Center
- Center for High Blood Pressure
- Central Virginia Health Care Project
- Central Virginia Health Services, Inc.
 - a. Petersburg Health Care Alliance
- Charlottesville Area Dental Access
- Charlottesville Free Clinic
- Children's Hospital
- CHIP of Greater Richmond
- CrossOver Health Center
- Fan Free Clinic
- Free Clinic of Central Virginia/MedsHelp
- Freedom House – Greater Richmond Homeless Medical Respite
- Goochland Free Clinic and Family Services
- Hayes E. Willis Health Center (Richmond Urban Primary Care Initiative)
- Henrico Area Mental Health & Development Services
- Henrico County Public Schools
- Irvin Gammon Craig Health Center
- Jefferson Area Board for the Aging – Geriatric Assessment/Intervention Team
- Johnson Health Services
- Lloyd F. Moss Free Clinic
- Louisa County Resource Council
- Love of Jesus Clinic
- Rappahannock Area Health District – Caroline Caries Program
- Richmond City Health Department in partnership with Richmond Redevelopment & Housing Authority
- Senior Connections
- Thomas Jefferson CHIP Program
- United Way – Thomas Jefferson Area
- Virginia Commonwealth University's Medical College of Virginia
- Virginia Treatment Center for Children

Northern Neck/Eastern Shore

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

Peninsula/Hampton Roads

- American Red Cross of Southeastern VA – Partners in Dental Care
- Beach Health Clinic
- Catholic Charities of Eastern Virginia
- Central Virginia Health Services, Inc.
 - a. Charles City Regional Health Services
 - b. King William Dawn Community Doctors
- Chesapeake Care Free Clinic
- CHIP/Healthy Families of Chesapeake
- Colonial Behavioral Health
- Community Free Clinic of Newport News
- Consortium for Infant and Child Health
- EVMS Resource Mothers Program
- Hampton Ecumenical Lodgings and Provisions, Inc. (HELP Free Clinic)
- Horizon Health Services – Surry Medical Center
- Jewish Family Services of Tidewater
- Maryview Foundation Healthcare Center
- Olde Towne Medical Center

Southside

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

Southwest

- Bland County Medical Clinic
- Brock Hughes Free Clinic
- Clinch River Health Services
- Cumberland Plateau Health District
- The Health Wagon
- Lenowisco Health District
- Lonesome Pine Office on Youth
- Mendota Community Association Health Clinic
- Mt. Rogers Medication Assistance Program
- Mountain Empire Older Citizens, Inc.
- People, Inc. of Southwest Virginia
- Smyth County Free Clinic
- Southwest VA Community Health Systems, Inc.
 - a. Meadowview Health Clinic
 - b. Southwest Virginia Regional Dental Center
- Twin City Medical Center – Bristol Telemedicine
- Whitetop Community Health Center
- Stone Mountain Health Services
 - a. Clinchco Dental Center
 - b. Konnarock Family Health Center
- Tri-Area Community Health at Laurel Fork
- UVA/Southwest VA Alliance for Telemedicine

Roanoke Valley

- Alleghany Highlands Community Services Board
- Alleghany Highlands Free Clinic
- Bedford Community Health Foundation
 - a. Bedford Children's and Adult Dental Clinic
 - b. Bedford Ride Program
- Bradley Free Clinic
- Carilion Giles Memorial Hospital
- CHIP of Roanoke Valley
- College of Health Sciences' Physician Assistant Program
- Free Clinic Consortium of the New River Valley
- Free Clinic of Franklin County
- Free Clinic of the New River Valley
 - a. Giles Free Clinic
- New Horizons Healthcare
- Mental Health Association of the New River Valley
- Monroe Health Center – Craig County Health Center
- New River Valley Medication Assistance Program
- New River Valley Senior Services MedRide
- Carilion Clinic – Pediatric Dental Program
- Project Access of the Roanoke Valley
- Project Together (Blue Ridge Community Services)
- Radford University
- Rescue Mission of Roanoke
- Roanoke Adolescent Health Partnership
- Southwest Virginia Community Health Systems, Inc. – Center for Family Health
- Tri-Area Community Health
 - a. Tri-Area Community Health Center at Ferrum
 - b. Tri-Area Community Health Center at Floyd

Northwest

- Augusta Regional Dental Clinic
- Augusta Regional Free Clinic
- Blue Ridge Area Health Education Center
- Free Medical Clinic of Northern Shenandoah Valley, Inc.
- Harrisonburg Community Health Center
- Harrisonburg-Rockingham Dental Clinic
- Harrisonburg-Rockingham Free Clinic
- Highland Medical Center
- Orange County Free Clinic
- Piedmont Regional Dental Clinic
- Rappahannock-Rapidan Community Services Board
- Rockbridge Area Community Services
- Rockbridge Area Free Clinic
- Shenandoah County Free Clinic
- St. Luke Community Clinic
- UVA – Greene County School-Based Nursing Clinic

Virginia Health Care Foundation and Affiliate
Consolidated Statements of Financial Position
June 30, 2012 and 2011

Assets	2012	2011
Current assets:		
Cash and cash equivalents	\$ 1,054,480	\$ 1,867,383
Certificates of deposit	525,461	774,883
Investments	7,718,797	7,670,101
Appropriations receivable	5,100,714	4,420,619
Interest receivable	11,671	17,287
Contributions receivable	739,012	1,044,090
Grants receivable	122,307	121,408
Prepaid expenses	16,014	12,904
Total current assets	15,288,456	15,928,675
Contributions receivable, net of current portion	32,438	66,547
Property and equipment, net	18,095	16,692
Total assets	\$15,338,989	\$16,011,914
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 86,140	\$ 59,167
Accrued rent	23,123	41,710
Grants payable	5,223,599	4,991,062
Total current liabilities	5,332,862	5,091,939
Net assets:		
Unrestricted	4,011,657	5,267,311
Temporarily restricted	5,994,470	5,652,664
Total net assets	10,006,127	10,919,975
Total liabilities and net assets	\$15,338,989	\$16,011,914

Virginia Health Care Foundation and Affiliate
Consolidated Statements of Activities
Years Ended June 30, 2012 and 2011

	2012			2011		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and revenue:						
Appropriations	\$ -	\$ 4,080,571	\$ 4,080,571	\$ -	\$ 4,080,571	\$ 4,080,571
Contributions	278,813	918,362	1,197,175	261,936	1,534,236	1,796,172
Contract revenue	-	472,500	472,500	-	470,032	470,032
VHC membership interest	-	(57,570)	(57,570)	-	142,407	142,407
Investment income	341,784	-	341,784	290,464	-	290,464
Unrealized net gains on investments	111,005	-	111,005	744,729	-	744,729
Other income	103,835	-	103,835	99,655	-	99,655
Total support and revenue	835,437	5,413,863	6,249,300	1,396,784	6,227,246	7,624,030
Net assets released from restriction	5,072,057	(5,072,057)	-	6,631,377	(6,631,377)	-
Expenditures:						
Program services - grants	6,526,302	-	6,526,302	6,302,161	-	6,302,161
Supporting services:						
Management and general	455,111	-	455,111	570,004	-	570,004
Fundraising	181,735	-	181,735	283,901	-	283,901
Total expenditures	7,163,148	-	7,163,148	7,156,066	-	7,156,066
Change in net assets	(1,255,654)	341,806	(913,848)	872,095	(404,131)	467,964
Net assets, beginning of year	5,267,311	5,652,664	10,919,975	4,395,216	6,056,795	10,452,011
Net assets, end of year	\$4,011,657	\$5,994,470	\$10,006,127	\$ 5,267,311	\$ 5,652,664	\$ 10,919,975

FY12 audit available in its entirety at www.vhcf.org

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



Consolidated Financial Statements

June 30, 2012 and 2011

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, 2012 and 2011, 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 consolidated 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, 2012 and 2011, 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.



August 9, 2012
Glen Allen, Virginia



**Certified Public
Accountants & Consultants**

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VIRGINIA HEALTH CARE FOUNDATION AND AFFILIATE

Consolidated Statements of Financial Position June 30, 2012 and 2011

<u>Assets</u>	<u>2012</u>	<u>2011</u>
Current assets:		
Cash and cash equivalents	\$ 1,054,480	\$ 1,867,383
Certificates of deposit	525,461	774,883
Investments	7,718,797	7,670,101
Appropriations receivable	5,100,714	4,420,619
Interest receivable	11,671	17,287
Contributions receivable	739,012	1,044,090
Grants receivable	122,307	121,408
Prepaid expenses	<u>16,014</u>	<u>12,904</u>
Total current assets	15,288,456	15,928,675
Contributions receivable, net of current portion	32,438	66,547
Property and equipment, net	<u>18,095</u>	<u>16,692</u>
Total assets	<u>\$ 15,338,989</u>	<u>\$ 16,011,914</u>
 <u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 86,140	\$ 59,167
Accrued rent	23,123	41,710
Grants payable	<u>5,223,599</u>	<u>4,991,062</u>
Total current liabilities	<u>5,332,862</u>	<u>5,091,939</u>
Net assets:		
Unrestricted	4,011,657	5,267,311
Temporarily restricted	<u>5,994,470</u>	<u>5,652,664</u>
Total net assets	<u>10,006,127</u>	<u>10,919,975</u>
Total liabilities and net assets	<u>\$ 15,338,989</u>	<u>\$ 16,011,914</u>

See accompanying notes to consolidated financial statements.

VIRGINIA HEALTH CARE FOUNDATION AND AFFILIATE

Consolidated Statements of Activities Year Ended June 30, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenue:			
Appropriations	\$ -	\$ 4,080,571	\$ 4,080,571
Contributions	278,813	918,362	1,197,175
Contract revenue	-	472,500	472,500
VHC membership interest	-	(57,570)	(57,570)
Investment income	341,784	-	341,784
Unrealized net gain on investments	111,005	-	111,005
Other income	<u>103,835</u>	<u>-</u>	<u>103,835</u>
Total support and revenue	<u>835,437</u>	<u>5,413,863</u>	<u>6,249,300</u>
Net assets released from restriction	<u>5,072,057</u>	<u>(5,072,057)</u>	<u>-</u>
Expenditures:			
Program services - grants	6,526,302	-	6,526,302
Supporting services:			
Management and general	455,111	-	455,111
Fundraising	<u>181,735</u>	<u>-</u>	<u>181,735</u>
Total expenditures	<u>7,163,148</u>	<u>-</u>	<u>7,163,148</u>
Change in net assets	(1,255,654)	341,806	(913,848)
Net assets, beginning of year	<u>5,267,311</u>	<u>5,652,664</u>	<u>10,919,975</u>
Net assets, end of year	<u>\$ 4,011,657</u>	<u>\$ 5,994,470</u>	<u>\$ 10,006,127</u>

See accompanying notes to consolidated financial statements.

VIRGINIA HEALTH CARE FOUNDATION AND AFFILIATE

Consolidated Statements of Activities, Continued Year Ended June 30, 2011

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>Total</u>
Support and revenue:			
Appropriations	\$ -	\$ 4,080,571	\$ 4,080,571
Contributions	261,936	1,534,236	1,796,172
Contract revenue	-	470,032	470,032
VHC membership interest	-	142,407	142,407
Investment income	290,464	-	290,464
Unrealized net gain on investments	744,729	-	744,729
Other income	<u>99,655</u>	<u>-</u>	<u>99,655</u>
Total support and revenue	<u>1,396,784</u>	<u>6,227,246</u>	<u>7,624,030</u>
Net assets released from restriction	<u>6,631,377</u>	<u>(6,631,377)</u>	<u>-</u>
Expenditures:			
Program services - grants	6,302,161	-	6,302,161
Supporting services:			
Management and general	570,004	-	570,004
Fundraising	<u>283,901</u>	<u>-</u>	<u>283,901</u>
Total expenditures	<u>7,156,066</u>	<u>-</u>	<u>7,156,066</u>
Change in net assets	872,095	(404,131)	467,964
Net assets, beginning of year	<u>4,395,216</u>	<u>6,056,795</u>	<u>10,452,011</u>
Net assets, end of year	<u>\$ 5,267,311</u>	<u>\$ 5,652,664</u>	<u>\$ 10,919,975</u>

See accompanying notes to consolidated financial statements.

VIRGINIA HEALTH CARE FOUNDATION AND AFFILIATE

Consolidated Statements of Functional Expenses Year Ended June 30, 2012

	Program Services and Grants	Supporting Services		Total
		Management and General	Fundraising	
Salaries	\$ -	\$ 121,064	\$ 102,438	\$ 223,502
Employee benefits/payroll taxes	-	40,966	29,541	70,507
 Total salaries and related expenditures	 -	 162,030	 131,979	 294,009
Grants	5,049,905	-	-	5,049,905
RX Partnership	115,000	-	-	115,000
The Pharmacy Connection	294,537	-	-	294,537
MAP	249,431	-	-	249,431
Strategic Initiatives	221,162	-	-	221,162
Child Health Insurance Initiatives	195,090	-	-	195,090
Grantee Technical Assistance	61,631	-	-	61,631
Grantmaking	219,746	-	-	219,746
Dental Opportunities Initiative	119,800	-	-	119,800
Contractual services	-	119,859	2,450	122,309
Office rent	-	47,940	-	47,940
Investment fees	-	45,817	-	45,817
Telephone and fax	-	5,898	950	6,848
Supplies	-	1,470	275	1,745
Computer software and supplies	-	1,074	516	1,590
Printing and copying	-	6,885	247	7,132
Postage	-	3,769	833	4,602
Travel	-	3,251	937	4,188
Meeting/conference costs	-	6,167	395	6,562
Special events	-	22,000	40,468	62,468
Miscellaneous	-	831	934	1,765
Insurance	-	11,109	-	11,109
Subscriptions, fees and dues	-	5,082	1,751	6,833
 Total expenditures before depreciation and amortization	 6,526,302	 443,182	 181,735	 7,151,219
 Depreciation and amortization of property and equipment	 -	 11,929	 -	 11,929
 Total expenditures	 <u>\$ 6,526,302</u>	 <u>\$ 455,111</u>	 <u>\$ 181,735</u>	 <u>\$ 7,163,148</u>

See accompanying notes to consolidated financial statements.

VIRGINIA HEALTH CARE FOUNDATION AND AFFILIATE

Consolidated Statements of Functional Expenses, Continued Year Ended June 30, 2011

	Program Services and Grants	Supporting Services		Total
		Management and General	Fundraising	
Salaries	\$ -	\$ 166,000	\$ 112,916	\$ 278,916
Employee benefits/payroll taxes	-	42,279	30,445	72,724
 Total salaries and related expenditures	 -	 208,279	 143,361	 351,640
Grants	4,969,979	-	-	4,969,979
RX Partnership	115,000	-	-	115,000
The Pharmacy Connection	280,457	-	-	280,457
Healthy Communities Loan Fund	12,743	-	-	12,743
MAP	244,896	-	-	244,896
Strategic Initiatives	74,309	-	-	74,309
Child Health Insurance Initiatives	207,613	-	-	207,613
Grantee Technical Assistance	107,692	-	-	107,692
Grantmaking	224,272	-	-	224,272
Dental Opportunities Initiative	64,921	-	-	64,921
Leading for the Long Term	279	-	-	279
Contractual services	-	172,614	9,874	182,488
Office rent	-	51,234	-	51,234
Investment fees	-	43,607	-	43,607
Telephone and fax	-	5,716	656	6,372
Supplies	-	1,881	275	2,156
Computer software and supplies	-	2,408	516	2,924
Printing and copying	-	7,327	405	7,732
Postage	-	5,303	748	6,051
Travel	-	8,272	153	8,425
Meeting costs	-	14,028	185	14,213
Special events	-	22,000	125,856	147,856
Miscellaneous	-	1,002	-	1,002
Insurance	-	10,892	-	10,892
Subscriptions, fees and dues	-	4,078	1,872	5,950
 Total expenditures before depreciation and amortization	 6,302,161	 558,641	 283,901	 7,144,703
 Depreciation and amortization of property and equipment	 -	 11,363	 -	 11,363
 Total expenditures	 <u>\$ 6,302,161</u>	 <u>\$ 570,004</u>	 <u>\$ 283,901</u>	 <u>\$ 7,156,066</u>

See accompanying notes to consolidated financial statements.

VIRGINIA HEALTH CARE FOUNDATION AND AFFILIATE

Consolidated Statements of Cash Flows Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Change in net assets	\$ (913,848)	\$ 467,964
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	11,929	11,363
Interest income on certificates of deposit	(11,031)	(13,547)
Net investment income reinvested	(116,271)	(124,327)
Net realized and unrealized gain on investments	(278,929)	(837,728)
Change in assets and liabilities:		
Interest receivable	5,616	4,576
Contributions and grants receivable	(341,807)	405,282
Prepaid expenses	(3,110)	1,154
Accounts payable and accrued expenses	8,386	971
Grants payable	<u>232,537</u>	<u>265,936</u>
Net cash (used in) provided by operating activities	<u>(1,406,528)</u>	<u>181,644</u>
Cash flows from investing activities:		
Purchase of property and equipment	(13,332)	(7,676)
Proceeds from maturity of certificates of deposit	260,452	254,410
Proceeds from sales of investments	2,834,891	3,565,521
Purchase of investments	<u>(2,488,386)</u>	<u>(3,574,688)</u>
Net cash provided by investing activities	<u>593,625</u>	<u>237,567</u>
Net change in cash and cash equivalents	(812,903)	419,211
Cash and cash equivalents, beginning of year	<u>1,867,383</u>	<u>1,448,172</u>
Cash and cash equivalents, end of year	<u>\$ 1,054,480</u>	<u>\$ 1,867,383</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 (collectively, the "Foundation") (see Note 12) as of and for the fiscal years ended June 30, 2012 and 2011.

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, 2012 and 2011, 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.

VIRGINIA HEALTH CARE FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements, Continued

2. Summary of Significant Accounting Policies, Continued:

Cash Equivalents: Cash equivalents consist of investments in money market funds and a certificate 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 or with original maturities of three months or less to be cash equivalents. Certificates of deposit with maturities exceeding three months are separately classified in the accompanying consolidated financial statements.

Concentrations of Credit Risk: Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash and cash equivalents and contributions 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. 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.

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").

Management has evaluated the effect of guidance surrounding uncertain income tax positions and concluded that the Foundation has no significant financial statement exposure to uncertain income tax positions at June 30, 2012 and 2011. The Foundation's tax returns since 2009 remain open for examination by tax authorities. The Foundation is not currently under audit by any tax jurisdiction.

VIRGINIA HEALTH CARE FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements, Continued

2. Summary of Significant Accounting Policies, Continued:

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 2012 and 2011, the Foundation received professional, marketing, and advertising services at no charge from outside organizations. These services, valued by the donors at approximately \$65,076 in 2012 and \$115,798 in 2011, 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 \$292,843 in 2012 and \$45,339 in 2011 for grants recognized in prior years that will not be paid. In 2012, \$148,052 related to terminated grants as a result of the grantees' inability to fulfill the requirements of the grants; primarily enrollment goals. The remaining \$144,791 related to grantees that did not spend anticipated funding due to the inability to recruit health professionals and/or savings in budgeted personnel costs. All of these funds were reallocated to future grants.

Use of Estimates: The preparation of consolidated 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.

Reclassifications: Certain prior year balances have been reclassified to conform with current year presentation.

Subsequent Events: Management has evaluated subsequent events through August 9, 2012, 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.

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, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Cash on deposit	\$ 874,869	\$ 1,299,234
Certificates of deposit	-	32,139
Money market funds	<u>179,611</u>	<u>536,010</u>
	<u>\$ 1,054,480</u>	<u>\$ 1,867,383</u>

4. Investments:

The costs and fair values of investments as of June 30, 2012 and 2011 are summarized as follows:

	<u>2012</u>		<u>2011</u>	
	<u>Cost</u>	<u>Fair value</u>	<u>Cost</u>	<u>Fair value</u>
Money market funds	\$ 214,590	\$ 214,590	\$ 222,367	\$ 222,367
Certificates of deposit	585,000	590,039	935,000	937,140
U.S. Treasury bills	-	-	198,518	211,720
Common stock	3,328,989	4,357,799	3,022,395	3,911,999
Corporate bonds	2,359,680	2,411,593	1,898,554	1,934,740
Government obligations	<u>124,591</u>	<u>144,776</u>	<u>398,325</u>	<u>452,135</u>
	<u>\$ 6,612,850</u>	<u>\$ 7,718,797</u>	<u>\$ 6,675,159</u>	<u>\$ 7,670,101</u>

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, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Interest income	\$ 173,860	\$ 197,465
Net realized gains	<u>167,924</u>	<u>92,999</u>
	<u>\$ 341,784</u>	<u>\$ 290,464</u>
Net unrealized gains	<u>\$ 111,005</u>	<u>\$ 744,729</u>

5. Fair Value Measurements:

The FASB has issued guidance for measurement and disclosure of fair value and establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. The guidance 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 and most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The levels of the hierarchy are defined as follows:

Level 1	Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.
Level 2	Quoted prices for similar instruments in active and inactive markets; and model driven valuations with significant inputs and drivers derived from observable active markets.
Level 3	Inputs to the valuation methodology are unobservable for the instrument and significant to the fair value measurement. The Foundation did not have any Level 3 assets or liabilities at June 30, 2012 and 2011.

Valuation techniques used should maximize the use of observable inputs and minimize the use of unobservable inputs. The following is a description of the valuation methodologies used for investments carried or disclosed at fair value:

Money market funds: Valued at the cash balance.

Certificates of deposit: Valued at face value and accrued interest.

VIRGINIA HEALTH CARE FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements, Continued

5. Fair Value Measurements, Continued:

U.S. Treasury Bills: Valued at the discount price until maturity.

Common stocks: Valued at the closing price reported on the active market on which the individual securities are traded.

Corporate bonds: Valued at the present value of the bond's cash flow which includes periodic interest payments and the repayment of principal.

Government obligations: Valued at the present value of the bond's cash flow which includes periodic interest payments and the repayment of principal.

Assets and liabilities measured at fair value on a recurring basis at June 30, 2012 include the following:

	Fair Value Using		Asset/Liabilities
	Level 1	Level 2	at Fair Value
Assets:			
Investments:			
Money market funds	\$ 214,590	\$ -	\$ 214,590
Certificates of deposit	-	590,039	590,039
Common stock:			
Closed end mutual funds	75,366	-	75,366
Consumer discretionary	487,377	-	487,377
Consumer staples	595,546	-	595,546
Energy	434,869	-	434,869
Financials	848,767	-	848,767
Health care	342,399	-	342,399
Industrials	397,242	-	397,242
Information technology	831,418	-	831,418
Materials	156,697	-	156,697
Real estate investment trusts	79,764	-	79,764
Telecommunication services	79,459	-	79,459
Utilities	28,895	-	28,895
Corporate bonds	-	2,411,593	2,411,593
Government obligations	-	144,776	144,776
	<u>\$ 4,572,389</u>	<u>\$ 3,146,408</u>	<u>\$ 7,718,797</u>

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, 2011 include the following:

	Fair Value Using		Asset/Liabilities
	Level 1	Level 2	at Fair Value
Assets:			
Investments:			
Money market funds	\$ 222,367	\$ -	\$ 222,367
Certificates of deposit	-	937,140	937,140
U.S. Treasury bills	-	211,720	211,720
Common stock:			
Consumer discretionary	532,319	-	532,319
Consumer staples	336,527	-	336,527
Energy	506,414	-	506,414
Financials	533,261	-	533,261
Health care	429,509	-	429,509
Industrials	505,590	-	505,590
Information technology	677,152	-	677,152
Materials	201,430	-	201,430
Real estate investment trusts	14,746	-	14,746
Telecommunication services	166,845	-	166,845
Utilities	8,206	-	8,206
Corporate bonds	-	1,934,740	1,934,740
Government obligations	-	452,135	452,135
	<u>\$ 4,134,366</u>	<u>\$ 3,535,735</u>	<u>\$ 7,670,101</u>

VIRGINIA HEALTH CARE FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements, Continued

5. Fair Value Measurements, Continued:

The Organization's investments in certificates of deposit, corporate bonds, and government obligations are subject to restrictions on the frequency of redemptions without penalty. At June 30, 2012, the redemption periods and related amounts were as follows:

Year Ended June 30:	Certificates of Deposit	Corporate Bonds	Government Obligations
2013	\$ 487,413	\$ 352,527	\$ -
2014	102,626	501,789	-
2015	-	448,252	-
2016	-	788,279	144,776
2017	-	103,288	-
2021	-	217,458	-
	<u>\$ 590,039</u>	<u>\$ 2,411,593</u>	<u>\$ 144,776</u>

6. Contributions and Grants Receivable:

Contributions and grants receivable are summarized as follows as of June 30, 2012 and 2011:

	2012	2011
Unconditional contributions and grants expected to be collected in:		
Less than one year	\$ 861,319	\$ 1,165,498
One year to five years	32,500	66,667
	<u>893,819</u>	<u>1,232,165</u>
Less discount	62	120
Total contributions and grants receivable	<u>\$ 893,757</u>	<u>\$ 1,232,045</u>

The future expected cash flows from contributions and grants receivable have been discounted using a discount rate of .19%.

VIRGINIA HEALTH CARE FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements, Continued

7. Property and Equipment, Net:

Property and equipment, net as of June 30, 2012 and 2011 is as follows:

	2012	2011
Equipment	\$ 115,161	\$ 111,557
Leasehold improvements	2,949	2,949
Software	42,519	42,519
	160,629	157,025
Less accumulated depreciation and amortization	142,534	140,333
Property and equipment, net	<u>\$ 18,095</u>	<u>\$ 16,692</u>

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 was 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 to December 18, 2010. The loan proceeds were deposited in a CD bearing interest at 1.45% for 2010. The CD matured November 24, 2010 and was used to pay the loan in full to the Robert Wood Johnson Foundation on December 18, 2010.

Per the terms of the agreement, the \$700,000 of loan proceeds was required to 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 was deposited in a money market account to be used to fund the Healthy Communities Loan Fund Program and other initiatives to increase the number of primary care professionals in federally designated Medically Underserved Areas of VA, e.g. to support funding for grantwriters assisting community health centers applying for HRSA grants. The Healthy Communities Loan Fund ceased operations as of January 31, 2011. The remaining funds in the money market account (\$25,967 at June 30, 2012 and \$25,888 at June 30, 2011) are being used to support Virginia's health safety net, which includes continued support for grantwriters.

VIRGINIA HEALTH CARE FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements, Continued

9. 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 \$98,978 in 2012 and \$98,613 in 2011. Future minimum lease payments as of June 30, 2012 are:

	<u>Amount</u>
Year ending June 30:	
2013	\$ 120,832
2014	<u>8,550</u>
Total	<u>\$ 129,382</u>

10. Temporarily Restricted Net Assets:

Temporarily restricted net assets are available for the following periods subsequent to June 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
For periods after the end of the fiscal year	<u>\$ 5,994,470</u>	<u>\$ 5,652,664</u>

The amounts are restricted for program development purposes.

11. 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 \$42,570 for 2012 and \$49,047 for 2011.

VIRGINIA HEALTH CARE FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements, Continued

12. 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 as 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. As of May 24, 2011, the remaining measuring life ended and; as a result, VHC will receive 1.7% of the trust assets. The present value of the percentage interest in the trust (\$83,998 as of June 30, 2012 and \$455,055 as of June 30, 2011) has been recorded as contributions receivable and as temporarily restricted net assets in the accompanying consolidated statements of financial position. VHC received \$338,106 of the trust proceeds in 2012.

13. 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 2013 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 2013 budget, the appropriation was included as a receivable as of June 30, 2012 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 2013 fiscal year budget. These appropriations accounted for 65% of support and revenue for 2012 and 54% of support and revenue for 2011.