

VILLA MARIA OF CORPUS CHRISTI, INC.

Financial Statements

For the Year Ended June 30, 2009

VILLA MARIA OF CORPUS CHRISTI, INC.

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**FLUSCHE, VAN BEVEREN,
KILGORE, PC**

CERTIFIED PUBLIC ACCOUNTANTS
AND ADVISORS

INDEPENDENT AUDITORS' REPORT

Board of Directors
Villa Maria of Corpus Christi, Inc.
Corpus Christi, Texas

We have audited the accompanying statement of financial position of Villa Maria of Corpus Christi, Inc. (a nonprofit organization), as of June 30, 2009, and the related statements of activities, cash flows, and functional expenses for the year then ended. These financial statements are the responsibility of the management of Villa Maria of Corpus Christi, Inc. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Villa Maria of Corpus Christi, Inc. as of June 30, 2009, and the results of its activities and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Flusche, Van Beveren, Kilgore PC

September 14, 2009

VILLA MARIA OF CORPUS CHRISTI, INC.
Statements of Financial Position
As of June 30, 2009

ASSETS

Current assets:	
Cash	\$ 184,334
Accounts receivable	1,090
Total current assets	<u>185,424</u>
Total assets	<u>\$ 185,424</u>

LIABILITIES AND NET ASSETS

Current liabilities:	
Accounts payable and accrued liabilities	\$ 9,161
Security deposits	23,285
Total current liabilities	<u>32,446</u>
Unrestricted net assets	<u>152,978</u>
Total liabilities and net assets	<u>\$ 185,424</u>

See notes to the financial statements.

VILLA MARIA OF CORPUS CHRISTI, INC.
Statement of Activities
For the Year Ended June 30, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>SUPPORT AND REVENUE</u>			
Revenues:			
Rent income	\$ 289,055	\$ -	\$289,055
Interest income	7,613	-	7,613
Donations	<u>4,328</u>	<u>-</u>	<u>4,328</u>
Total revenues	300,996	-	300,996
Net assets released from restrictions	<u>14,775</u>	<u>(14,775)</u>	<u>-</u>
Total revenues and other support	<u>315,771</u>	<u>(14,775)</u>	<u>300,996</u>
<u>EXPENSES</u>			
Functional expenses:			
Program services	298,298	-	298,298
General and administrative expenses	<u>15,848</u>	<u>-</u>	<u>15,848</u>
Total functional expenses	314,146	-	314,146
Transfers in lieu of rent	<u>72,311</u>	<u>-</u>	<u>72,311</u>
Total expenses	<u>386,457</u>	<u>-</u>	<u>386,457</u>
Reduction in net assets	(70,686)	(14,775)	(85,461)
Net assets beginning of year	<u>223,664</u>	<u>14,775</u>	<u>238,439</u>
Net assets end of year	<u>\$ 152,978</u>	<u>\$ -</u>	<u>\$152,978</u>

See notes to the financial statements.

VILLA MARIA OF CORPUS CHRISTI, INC.
Statements of Cash Flows
For the Year Ended June 30, 2009

CASH FLOWS FROM OPERATING ACTIVITIES:

Reduction in net assets	\$ (85,461)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Changes in:	
Accounts receivable	1,055
Accounts payable and accrued liabilities	1,263
Security deposits	1,178
Net cash used by operating activities	<u>(81,965)</u>
Decrease in cash	(81,965)
Cash and cash equivalents at beginning of the year	<u>266,299</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 184,334</u>

See notes to the financial statements.

VILLA MARIA OF CORPUS CHRISTI, INC.
Notes to the Financial Statements
For the Year Ended June 30, 2009

NOTE 1 - ORGANIZATION

Villa Maria of Corpus Christi, Inc. (Villa Maria) is a nonprofit Texas corporation organized solely for the purpose of operating a moderately priced apartment complex for elderly persons located in Corpus Christi, Texas. The buildings and land are owned by the Diocese of Corpus Christi (the Diocese). Villa Maria is responsible for the occupancy, programs, maintenance and repairs for the apartment units.

NOTE 2 - SUMMARY OF SIGIFICANT ACCOUNTING POLICIES

Method of Accounting

The financial statements of Villa Maria have been prepared utilizing the accrual basis of accounting.

Property and Equipment

The facilities of Villa Maria are owned by the Diocese. Consequently, no depreciable assets or related depreciation are reflected in the financial statements and assets acquired during the year are recorded as transfers in lieu of rent to the Diocese.

Accounts Receivable

Accounts receivable are carried at face value and represent amounts due from tenants for rent. Management closely monitors outstanding accounts receivable and utilizes the direct write-off method to charge off any balances that are determined to be uncollectible.

Income Taxes

Villa Maria has qualified as a 501(c)(3) exempt organization under the IRS Federal Tax Code, and is classified as a public charity.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Villa Maria reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of donated assets. When the donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions that are received and for which donor restrictions expire in the same period are recorded as unrestricted support.

VILLA MARIA OF CORPUS CHRISTI, INC.
Notes to the Financial Statements
For the Year Ended June 30, 2009

NOTE 2 - SUMMARY OF SIGIFICANT ACCOUNTING POLICIES (Continued)

Additional Cash Flow Information

For purposes of the statement of cash flows, Villa Maria considers all unrestricted cash and investments with an initial maturity of three months or less to be cash equivalents. No interest or income taxes were paid during the year ended June 30, 2009.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles required management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Security Deposits

Security deposits represent monies received from tenants until termination of the lease agreement. At the termination of a lease, restoration expenses are charged against the deposit, and any remaining deposit is refunded. Forfeited deposits are used to reduce maintenance expense.

Donated Facilities, Materials and Services

The Villa Maria facilities are provided by the Diocese for one dollar per year under an operating lease. The Diocese has not determined a lease value for the donated facilities and no value has been recorded in the financial statements. The buildings were constructed by the Diocese in 1983 at a cost of approximately \$2,400,000.

The contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Donations of facilities, materials and services are reflected as unrestricted net assets unless otherwise specified by the donor. For the year ended June 30, 2009, Villa Maria received immaterial amounts of volunteer services. The contribution of these services has not been recognized in the financial statements.

NOTE 3 - CONCENTRATION ON CREDIT RISK FOR CASH

Villa Maria maintains cash balances with the Diocese of Corpus Christi Deposit and Loan Fund, Inc. totaling \$175,138 as of June 30, 2009. This balance is not covered by insurance (federal or otherwise) or collateralized in any way.