GREATER ROCHESTER HEALTH FOUNDATION, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2008

GREATER ROCHESTER HEALTH FOUNDATION, INC.

INDEX

EfP GROUP
What Counts

Board of Directors
Greater Rochester Health Foundation, Inc.
Rochester, New York

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying statements of financial position of the Greater Rochester Health Foundation, Inc. (a not-for-profit corporation) as of December 31, 2008 and 2007, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States 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 audits provide 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 the Greater Rochester Health Foundation, Inc. as of December 31, 2008 and 2007, and its activities and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule on page 10 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Rochester, New York
July 7, 2009

Eldredge, Fox & Porretti, LLP

ELDREDGE, FOX & PORRETTI, LLP
CERTIFIED PUBLIC ACCOUNTANTS | BUSINESS CONSULTANTS

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GREATER ROCHESTER HEALTH FOUNDATION, INC.
Statements Of Financial Position
December 31, 2008 And 2007

ASSETS

	2008	2007
Current Assets:		
Cash and cash equivalents	$ 12,891,555	$ 30,919,478
Investments	145,897,206	186,163,424
Other current assets	10,328	177,036
Total current assets	158,799,089	217,259,938
Capital Assets:		
Leasehold improvements	190,889	186,602
Furniture and fixtures	210,629	197,449
Office equipment	104,941	97,948
Software	81,941	69,478
Subtotal	588,400	551,477
Less, accumulated depreciation	(269,225)	(136,748)
Capital assets - net	319,175	414,729
Total	$ 159,118,264	$ 217,674,667

LIABILITIES AND NET ASSETS

	2008	2007
Current Liabilities:		
Accounts payable	$ 144,647	$ 171,768
Grants payable	1,989,855	2,200,000
Other current liabilities	37,700	35,808
Total current liabilities	2,172,202	2,407,576
Unrestricted Net Assets	156,946,062	215,267,091
Total	$ 159,118,264	$ 217,674,667

The accompanying notes are an integral part of these financial statements.

GREATER ROCHESTER HEALTH FOUNDATION, INC.
Statements Of Activities
For The Years Ended December 31, 2008 And 2007

	2008	2007
Revenue:		
Interest and dividends	$ 7,030,595	$ 8,738,143
Net realized and unrealized gains (losses) on investments	(53,260,908)	8,498,193
Subtotal	(46,230,313)	17,236,336
Less, investment fees	(932,058)	(849,861)
Total revenue - net	(47,162,371)	16,386,475
Expenses:		
Grant expenses	7,214,448	6,035,686
Program expenses	2,078,533	734,771
General and administrative expenses	1,793,736	1,648,416
Excise taxes	71,941	146,189
Total expenses	11,158,658	8,565,062
(Decrease) Increase in Net Assets	(58,321,029)	7,821,413
Unrestricted Net Assets - Beginning	215,267,091	207,445,678
Unrestricted Net Assets - Ending	$ 156,946,062	$ 215,267,091

The accompanying notes are an integral part of these financial statements.

GREATER ROCHESTER HEALTH FOUNDATION, INC.
Statements Of Cash Flows
For The Years Ended December 31, 2008 And 2007

	2008	2007
Cash Flows From Operating Activities:		
Increase (decrease) in net assets	$ (58,321,029)	$ 7,821,413
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used for) operating activities:		
Net realized and unrealized (gains) losses on investments	53,260,908	(8,498,193)
Depreciation	132,477	107,968
Decrease (increase) in operating assets:		
Other current assets	166,708	(167,045)
Increase (decrease) in operating liabilities:		
Accounts payable	(27,121)	99,613
Grants payable	(210,145)	2,200,000
Other current liabilities	1,892	16,395
Total adjustments	53,324,719	(6,241,262)
Net cash provided by (used for) operating activities	(4,996,310)	1,580,151
Cash Flows From Investing Activities:		
Purchase of capital assets	(36,923)	(102,133)
Purchases of investments	(58,050,231)	(113,747,793)
Proceeds from sale of investments	45,055,541	0
Net cash used for investing activities	(13,031,613)	(113,849,926)
Net Decrease in Cash and Cash Equivalents	(18,027,923)	(112,269,775)
Cash and Cash Equivalents - Beginning	30,919,478	143,189,253
Cash and Cash Equivalents - Ending	$ 12,891,555	$ 30,919,478

Supplemental Disclosure of Cash Flow Information:

Cash paid during the year for:		
Excise taxes	$ 87,572	$ 127,062

The accompanying notes are an integral part of these financial statements.

*Note 1. **Summary of Significant Accounting Policies:***

Nature of the Foundation – In 2006, Preferred Care merged with another New York State not-for-profit plan, MVP Health Plan. In turn, MVP Health Plan contributed $200 million toward the development of a private foundation, the Greater Rochester Health Foundation, Inc. (the Foundation). The Foundation is a not-for-profit private charitable foundation created under section 501(c)(3) of the Internal Revenue Code.

The mission of the Foundation is to improve the health status of all residents in the Greater Rochester community, including people whose unique healthcare needs have not been met because of race, ethnicity or income. The Foundation will be good stewards of this valued community asset and will engage diverse populations and organizations in the fulfillment of their mission.

Basis of Accounting – The Foundation's financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation – Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, "*Financial Statements of Not-for-Profit Organizations*." Under SFAS No. 117, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As of December 31, 2008 and 2007, all of the net assets of the Foundation were unrestricted.

Unrestricted Net Assets – Unrestricted net assets represent net assets that are not subject to donor-imposed stipulations and are generally available for support of the Foundation's activities.

Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents – All highly liquid instruments purchased with an original maturity of three months or less are considered to be cash equivalents.

Investments – In accordance with Statement of Financial Accounting Standard (SFAS) No. 124 "*Accounting for Certain Investments Held by Not-for-Profit Organizations*", the Foundation is required to report investments in equity securities with readily determinable fair values and all debt securities at fair value, with gains and losses reflected in the statement of activities. Investment securities are exposed at various risks, such as interest rate risk, market and credit risk. In addition, estimated fair value of certain alternative investments, such as private equity partnerships, is based on valuations provided by the external investment managers. The Foundation believes the carrying amounts of these financial instruments are a reasonable estimate of fair value. Because alternative investments are not readily marketable, their estimated fair value is subject to uncertainty and therefore may differ from the value that would have been used had a ready market for such investments existed. Due to the risks associated with investment securities and the uncertainty related to changes in the fair market value of investment securities, it is at least reasonably possible that changes in fair market value could affect the net assets of the Foundation.

Note 1. Summary of Significant Accounting Policies (Continued):

In September 2006, the Financial Accounting Standards Board issued SFAS No. 157 "*Fair Value Measurements*" (SFAS 157). This standard defines fair value, establishes a framework for measuring fair value in accounting principles generally accepted in the United States, and expands disclosures about fair value measurements. SFAS 157 is effective for the Foundation beginning January 1, 2008 for financial assets. The fair value of investments is disclosed in Note 3.

Capital Assets – Capital assets are stated at the lower of cost or fair market value at the date of purchase, less accumulated depreciation. Routine maintenance and repairs are charged to operations as they are incurred. Expenditures, which extend the useful life of an asset, in excess of $500 are capitalized. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and the resulting gain or loss, if any, is included in operations. Depreciation expense was $132,477 and $107,968 for the years ended December 31, 2008 and 2007, respectively. Depreciation is computed for book and tax purposes using the straight-line method over the following periods:

Leasehold improvements	5 - 6 Years
Furniture and fixtures	5 Years
Office equipment	3 - 5 Years
Software	3 Years

Income Taxes – The Foundation is a not-for-profit corporation as defined by Section 501(c)(3) of the Internal Revenue Code and is exempt from income taxes. As a private foundation, the Foundation is subject to a 1% or 2% federal excise tax on its net realized investment income, and a 15% excise tax on the required amount not distributed. Management has elected to defer the application of FAS FIN 48, "*Accounting for Uncertainty in Income Taxes*", in accordance with FSP FIN 48-3. The Foundation will continue to follow SFAS 5, "*Accounting for Contingencies*", until it adopts FIN 48. Tax expense in 2008 and 2007 totaled $71,941 and $146,189, respectively.

Grants Payable – A grant is recognized as an expense when it is either paid or when the grant qualifies as a "set-aside" project under Section 4942 of the Internal Revenue Code provided it is approved by the Board of Directors and the grant agreement is properly executed.

Note 2. Concentration of Credit Risk:

The Foundation holds cash and cash equivalents in money market funds. Deposits in these accounts were $14,086,438 and $31,079,449 at December 31, 2008 and 2007, respectively. As of December 31, 2008, these funds were protected by the U.S. Treasury Department's Temporary Guarantee Program for Money Market Funds through September 30, 2009, with possible extensions. At December 31, 2007, these funds were not secured.

*Note 3. **Investments:***

The Foundation has determined the fair value of investments through the application of SFAS No. 157, which places assets into one of three levels. Financial assets valued using level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets valued using level 2 inputs are based primarily on quoted prices for similar assets in active or inactive markets. Financial assets using level 3 inputs are primarily valued using management's analysis about the assumptions market participants would utilize in pricing the asset and are therefore obtain unobservable inputs. Valuation techniques utilized to determine fair value are consistently applied.

Investments at December 31 are stated at fair market value and consist of the following:

	Total 2008	Quoted Prices in Active Markets: Level 1	Significant Other Inputs: Level 2	Significant Nonobservable Inputs: Level 3
Global Asset Allocation Funds	$ 17,399,628	$ 17,399,628	$ 0	$ 0
International Equity Mutual Funds	29,512,960	29,512,960	0	0
Domestic Equity Mutual Funds	50,631,167	50,631,167	0	0
Fixed Income Mutual Funds	44,659,393	44,659,393	0	0
Private Equity Partnerships	3,694,058	0	0	3,694,058
Total	$ 145,897,206	$ 142,203,148	$ 0	$ 3,694,058

	Total 2007	Quoted Prices in Active Markets: Level 1	Significant Other Inputs: Level 2	Significant Nonobservable Inputs: Level 3
Global Asset Allocation Funds	$ 0	$ 0	$ 0	$ 0
International Equity Mutual Funds	44,039,016	44,039,016	0	0
Domestic Equity Mutual Funds	82,903,401	82,903,401	0	0
Fixed Income Mutual Funds	58,603,856	58,603,856	0	0
Private Equity Partnerships	617,151	0	0	617,151
Total	$ 186,163,424	$ 185,546,273	$ 0	$ 617,151

The following is a rollforward of investments in which significant unobservable inputs (Level 3) were used in determining fair value:

Balance as of December 31, 2007	$ 617,151
Contributed capital	3,546,769
Distributions and withdrawals - net	18,662
Realized and unrealized gains (losses) - net	(389,617)
Expenses (includes management fees)	(98,907)
Balance as of December 31, 2008	$ 3,694,058

The fair market value of the level 3 investments is determined by the investment managers within each private equity partnership fund as supported by the funds' audited financial statements. Each of the private equity partnership funds had reported substantially all investments as level 3 inputs.

Note 3. Investments (Continued):

One of the private equity partnerships has communicated to management that final audited financial statements will not be available until the third quarter of 2009. As a result, we have based our audit procedures on the estimated fair market value at December 31, 2008 totaling $413,426. Based on a review of materiality levels, this private equity investment has been deemed as immaterial to the overall financial statements. As such, any potential adjustments to the carrying value of this investment will also be immaterial. These financial statements do not include the impact of any potential adjustments to this particular investment for the year ended December 31, 2008.

Earnings on investments are as follows at December 31:

	2008	2007
Interest and dividends	$ 7,030,595	$ 8,738,143
Realized gain (loss)	$ (5,251,589)	$ 6,401,089
Unrealized gain (loss)	$ (48,009,319)	$ 2,097,104

In January 2009, the Foundation invested $7,500,000 in Certificates of Deposit (CD's) maturing at various intervals through July 2009. These CD's were initiated through a local bank and were placed into the Certificate of Deposit Account Registry Service making them fully insured by the Federal Deposit Insurance Corporation.

Note 4. Grants Payable:

Outstanding grants payable of $1,989,855 and $2,200,000 at December 31, 2008 and 2007, respectively, represent a grant initiative that qualified for Internal Revenue Code Section 4942 set-aside treatment during 2007. As stated in Note 1, "set-aside" projects under Section 4942 of the Internal Revenue Code are expensed in the period in which they were initially "set-aside". These grants will be paid over an extended period of time.

Future cash payments are currently estimated as follows at December 31:

2009	$ 959,240
2010	969,990
2011	60,625
Total	$ 1,989,855

Note 5. Commitments:

Operating Leases:

In September 2006, the Foundation began leasing office space under a noncancelable operating lease. Lease payments increase approximately 3% in September of each year through December 2011.

Future minimum lease payments are currently estimated as follows at December 31:

2009	$ 84,640
2010	87,179
2011	89,795
Total	$ 261,614

Note 5. Commitments (Continued):

Potential Future Grant Commitments:

The Foundation has authorized potential future grant payments totaling approximately $9,000,000. These payments will be disbursed and expensed over the next three years on the condition that the grantees satisfy all requirements as detailed in the grant agreements.

Investments:

During 2007, the Foundation participated in two private equity investments. In 2008, the Foundation began participating in an additional two private equity investments for a total of four investments as of December 31, 2008. The investments require a total capital commitment from the Foundation of $13.25 million. For the years ending December 31, 2008 and 2007, the Foundation funded capital contributions of $3,538,738 and $671,250, respectively. The cumulative capital contribution as of December 31, 2008 totals $4,209,988 with the remaining total commitment of $9.04 million to be funded periodically by the Foundation when capital calls are required through approximately 2013.

Note 6. Contingencies:

In 2006, Preferred Care merged with another New York State not-for-profit plan, MVP Health Plan (MVP). In turn, MVP contributed $200 million toward the development of the Foundation. As part of the Merger agreement, MVP further agreed to make additional capital payments to the Foundation of $26.6 million and related interest income of $5.4 million on January 6, 2012. These payments are subject to MVP's ability to fund the amounts on that date and are subordinated to the demands of other MVP creditors. These payments are also subject to approval of the New York State Department of Insurance. Due to the nature of these contingencies, the Foundation will recognize receipt of these funds in its financial statements on the day they may be received, January 6, 2012.

Note 7. Retirement Plan:

The Foundation has a defined contribution retirement plan, with no eligibility restrictions. The plan provides an employer contribution of 3% of the participant's gross wages plus an additional matching contribution of up to another 3% of the participant's gross wages. Accrued pension costs are funded currently and are calculated as a percentage of each participant's payroll. Pension expense was $65,268 and $59,105 for the years ended December 31, 2008 and 2007, respectively.

Note 8. Reclassifications:

Certain reclassifications have been made to the financial statements for the year ended December 31, 2007. These reclassifications are for comparative purposes only and have no effect on net assets as originally reported.

GREATER ROCHESTER HEALTH FOUNDATION, INC.
Schedules Of General And Administrative Expenses
For The Years Ended December 31, 2008 And 2007

	2008	2007
General and Administrative Expenses:		
Wages	$ 1,071,318	$ 1,020,018
Want ads and placement fees	7,141	0
Temporary help	9,507	3,972
Payroll taxes and employee benefits	212,904	210,163
Professional services	98,080	92,185
Travel expenses	19,893	32,850
Meetings and seminars	19,092	21,904
Forms and supplies	44,912	17,852
Dues and subscriptions	28,192	11,188
Repairs and maintenance	10,583	7,416
Insurance	28,058	28,249
Telephone	20,821	19,812
Occupancy	82,174	68,493
Postage and delivery	8,584	6,346
Depreciation	132,477	107,968
Total general and administrative expenses	$ 1,793,736	$ 1,648,416