

**THE JOANNA FOUNDATION  
CHARLESTON, SOUTH CAROLINA**

**AUDITED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**



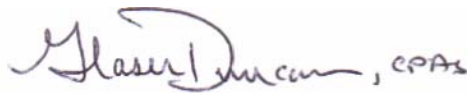
## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees  
The Joanna Foundation  
Charleston, South Carolina

We have audited the accompanying statements of financial position of The Joanna Foundation (a private tax-exempt not-for-profit organization) 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 Organization'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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. 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 Joanna Foundation as of December 31, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.



April 2, 2009

**THE JOANNA FOUNDATION  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2008 AND 2007**

	<b>2008</b>	<b>2007</b>
<b><u>ASSETS</u></b>		
<b><u>Current Assets</u></b>		
Cash and cash equivalents	\$ 589,018	\$ 491,331
Accrued interest	-	422
Prepaid assets	4,822	3,773
Investments	2,479,928	4,014,683
Total Current Assets	3,073,768	4,510,209
 <b><u>Other Assets</u></b>		
Equipment, net	367	1,103
<b>Total Assets</b>	<b>\$ 3,074,135</b>	<b>\$ 4,511,312</b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b><u>Liabilities</u></b>		
Accounts payable	\$ 64	\$ -
Withheld payroll taxes	2,516	-
Total Current Liabilities	2,580	-
 <b><u>Net Assets</u></b>		
Unrestricted	3,071,555	4,511,312
<b>Total Net Assets</b>	3,071,555	4,511,312
<b>Total Liabilities and Net Assets</b>	<b>\$ 3,074,135</b>	<b>\$ 4,511,312</b>

See independent auditors' report and notes to the financial statements.

**THE JOANNA FOUNDATION  
STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

	<b>2008</b>	<b>2007</b>
<b><u>Revenues</u></b>		
Investment return	\$ (1,222,838)	\$ 373,742
Less: investment fees	12,254	17,866
Total Net Revenues	(1,235,092)	355,876
<b><u>Expenses</u></b>		
Program Services:		
Program grants	146,650	183,500
Management and General:		
Taxes and licenses	5,639	4,516
Legal and professional	6,500	13,432
Salaries	35,704	34,523
Federal excise taxes	701	4,274
Office and miscellaneous	993	998
Depreciation	736	736
Memberships	1,495	1,470
Meetings	3,154	4,898
Insurance	1,575	328
Travel	753	1,580
Telephone	765	731
Total Expenses	204,665	250,986
<b>Increase (Decrease) in Unrestricted Net Assets</b>	(1,439,757)	104,890
<b>Net Assets, Beginning of the Year</b>	4,511,312	4,406,422
<b>Net Assets, End of the Year</b>	<b>\$ 3,071,555</b>	<b>\$ 4,511,312</b>

See independent auditors' report and notes to the financial statements.

**THE JOANNA FOUNDATION  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

	<b>2008</b>	<b>2007</b>
<b><u>Cash Flows from Operating Activities:</u></b>		
Increase (decrease) in unrestricted net assets	\$ (1,439,757)	\$ 104,890
Adjustments to reconcile increase in unrestricted net assets to net cash used for operating activities:		
Net realized and unrealized (gains) losses on investments	1,329,906	(135,939)
Depreciation	736	736
(Increase) in operating assets:		
Miscellaneous receivable	422	1,802
Prepaid assets	(1,049)	(3,773)
Increase (decrease) in operating liabilities:		
Accounts payable	64	-
Withheld payroll taxes	2,516	-
Excise tax payable	-	(5,131)
Net Cash Used for Operating Activities	(107,162)	(37,415)
<b><u>Cash Flows from Investing Activities:</u></b>		
Purchase of investments	(554,781)	(1,282,673)
Proceeds from disposition of investments	759,630	1,384,107
Net Cash Provided by Investing Activities	204,849	101,434
<b>Net Increase in Cash and Cash Equivalents</b>	97,687	64,019
Cash and Cash Equivalent Balances, Beginning of Year	491,331	427,312
Cash and Cash Equivalent Balances, End of Year	\$ 589,018	\$ 491,331
<b><u>Supplemental Disclosures</u></b>		
Cash paid for Federal excise taxes	\$ 1,750	\$ 6,800

See independent auditors' report and notes to the financial statements.

**THE JOANNA FOUNDATION  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NATURE OF ACTIVITIES**

**Nature of Activities**

The Joanna Foundation (the “Foundation”) is a private tax-exempt not-for-profit foundation organized in 1945 for charitable, scientific, religious, educational and/or other eleemosynary purposes. Its program consists of donations to other not-for-profit organizations.

**Financial Statement Presentation**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

The Foundation has adopted the provisions of Statements of Financial Accounting Standards (SFAS) No. 117 “*Financial Statements of Not-for-Profit Organizations (as amended)*.” Under SFAS 117, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporary net assets and permanently restricted net assets. There are no restrictions on net assets as of December 31, 2008 and 2007. In addition, the Foundation is required to present a statement of cash flows.

**Contributions**

The Foundation has adopted the provisions of SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. In accordance with SFAS 116, contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor or time restrictions. Under SFAS 116, certain contributions are required to be reported as temporarily restricted net assets, and are then reclassified to unrestricted net assets upon expiration of donor restrictions. There were no restricted contributions for the years ended December 31, 2008 and 2007.

**Investments**

The Foundation follows SFAS No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations (as amended)*. Under SFAS No. 124, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets in the Statements of Activities.

**Fair Values of Financial Instruments**

The following methods and assumptions are used by the Foundation in estimating its fair value disclosures for the financial statements:

Cash and cash equivalents, and short-term investments due in less than one year: the carrying amounts reported in the statement of financial position approximate fair values because of the short-term maturities of those instruments.

**Cash and Cash Equivalents**

For purpose of the statements of cash flows, “Cash and Cash Equivalents” include cash on hand, amounts on deposit with financial institutions and other investments with original maturities of three months or less.

**Income Taxes**

The Foundation was organized as a not-for-profit organization and has received a determination letter from the Internal Revenue Service stating that it is exempt from federal and state income tax under Section 501 (c)(3) of the Internal Revenue Code. The Foundation is subject to an excise tax as described in note 2.

**THE JOANNA FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2008 AND 2007**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NATURE OF ACTIVITIES - CONTINUED**

**Estimates**

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

**Functional Allocation of Expenses**

Directly identifiable expenses are charged to programs and supporting services and have been summarized on a function basis in the Statement of Activities. Accordingly, certain costs have been allocated amount the programs and supporting services benefited. The Foundation has no fundraising expenses.

**Revenue Recognition**

The Foundation recognizes dividend and interest income from various investments in equity securities as earned.

**Equipment**

Equipment, comprising a laptop, is stated at cost, less accumulated depreciation. If donated assets are received they are valued at their fair value at the date of the gift, less accumulated depreciation. Depreciation is computed on a straight line basis over the estimated useful life of the assets. Additionally, the Foundation periodically reviews the carrying value of equipment and will recognized impairments when the expected future operating cash flow derived from such assets is less than their carrying value. Depreciation expense for the years ended December 31, 2008 and 2007 was \$736 and \$736, respectively.

**2. EXCISE TAXES AND MINIMUM DISTRIBUTIONS**

Federal excise taxes – In accordance with the applicable provisions of the Tax Reform Act of 1969 (the “Act”), the Foundation is subject to excise taxes of 2% (or 1% if certain requirements are met) on the net investment income, including realized gains, as defined in the Act. Federal excise taxes were \$701 and \$4,274 for the years ended December 31, 2008 and 2007, respectively.

In addition, the Act requires that certain minimum distributions be made in accordance with a specified formula. The Foundation had distributed \$1,608 and \$7,122 in excess of the required minimum as of December 31, 2008 and 2007, respectively.

**3. INVESTMENTS**

Fair values and cumulative unrealized appreciation at December 31, are summarized as follows:

	<u>2008</u>	
<u>Cost</u>	<u>Fair Market Value</u>	<u>Net Unrealized Depreciation</u>
Common stocks	\$ 1,170,818	\$ 950,850
Mutual funds	1,897,248	(219,968)
	<u>\$ 3,068,066</u>	<u>(368,170)</u>
	<u>\$ 2,479,928</u>	<u>\$ (588,138)</u>

**THE JOANNA FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2008 AND 2007**

**3. INVESTMENTS - CONTINUED**

	<b>2007</b>		
	<b>Cost</b>	<b>Fair Market Value</b>	<b>Net Unrealized Appreciation</b>
Common stocks	\$ 1,210,120	\$ 1,398,375	\$ 188,255
Government bonds and notes	99,919	100,234	315
Mutual funds	2,005,931	2,516,074	510,143
	<u>\$ 3,315,970</u>	<u>\$ 4,014,683</u>	<u>\$ 698,713</u>

The following schedule summarizes the investment return and its classification in the statements of activities:

	<b>Years ended December 31,</b>	
	<b>2008</b>	<b>2007</b>
Interest and dividends	\$ 98,968	\$ 109,115
Capital gain distributions	8,100	128,688
Net unrealized losses	(1,286,851)	(93,769)
Net realized gains (losses)	<u>(43,055)</u>	<u>229,708</u>
Total investment return	<u>\$ (1,222,838)</u>	<u>\$ 373,742</u>

**4. COMMITMENTS**

As of December 31, 2008, the Trustees of the Foundation have tentatively approved pledges and commitments amounting to \$15,000 payable in 2009 and \$10,000 payable in 2010. Such payments are subject to the final approval of the Board of Trustees.

**5. CONCENTRATION**

The Foundation invests in various investment securities, which is the main source of its income. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risks associated with certain investment securities it is at least reasonably possible that changes in values of the investment securities will occur in the near term and that such changes could materially affect the amounts recorded in the statement of financial position.

During 2008, the credit and liquidity crisis in the United States and throughout the global financial system has resulted in substantial volatility in financial markets and the banking systems. These and other economic events have had a significant adverse impact on entities with investments in these financial markets. As a result, continued instability could impact the Foundation during this period of market crisis.