FISA FOUNDATION

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2008 AND 2007

WITH

INDEPENDENT AUDITOR'S REPORT

MAHER DUESSEL

CERTIFIED PUBLIC ACCOUNTANTS

FISA FOUNDATION

YEARS ENDED JUNE 30, 2008 AND 2007

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Independent Auditor's Report

Board of Directors
FISA Foundation

We have audited the accompanying statements of financial position of the FISA Foundation (FISA) as of June 30, 2008 and 2007, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of FISA'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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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 FISA as of June 30, 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.

Maher Duessel

Pittsburgh, Pennsylvania
October 17, 2008

FISA FOUNDATION

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2008 AND 2007

	2008	2007
Assets		
Cash	$ 121,361	$ 166,873
Investments:		
FISA - controlled investments	42,575,251	46,933,152
Prepaid taxes	31,459	30,053
Other assets	2,612	3,590
Furniture, fixtures, and equipment - less allowance for depreciation of $3,947 and $63,296	2,632	1,913
Total Assets	$ 42,733,315	$ 47,135,581
Liabilities and Net Assets		
Liabilities:		
Grants payable	$ 608,908	$ 364,314
Accrued compensation and amounts withheld from compensation	9,202	10,894
Liabilities accrued and assumed on sale of Harmarville Rehabilitation Center	58,981	71,557
Total Liabilities	677,091	446,765
Net Assets:		
Unrestricted:		
Undesignated	42,028,431	46,633,360
Temporarily restricted	27,793	55,456
Total Net Assets	42,056,224	46,688,816
Total Liabilities and Net Assets	$ 42,733,315	$ 47,135,581

See accompanying notes to financial statements.

FISA FOUNDATION

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2008 AND 2007

	2008	2007
Unrestricted Net Assets:		
Revenues, gains, and other support:		
Contributions and other	$ 11,957	$ 5,104
Investment income -		
net of expenses of $204,611 and $193,491	(2,079,283)	6,374,571
Net assets released from restrictions	26,286	270,591
Total revenues, gains, and other support	(2,041,040)	6,650,266
Expenses:		
Program grants	2,199,755	1,741,492
Management and general expenses:		
Salaries, wages, and benefits	237,717	229,179
Office operations	54,205	79,110
Insurance	4,042	7,575
Legal and professional	21,229	20,384
Depreciation	1,316	5,462
Excise tax	29,128	29,049
Other expenses	10,516	18,006
Total management and general expenses	358,153	388,765
Total expenses	2,557,908	2,130,257
Excess (Deficiency) of Revenues, Gains, and Other Support Over Expenses	(4,598,948)	4,520,009
Discontinued operations revenues (expenses):		
Other	(5,981)	(7,001)
Change in Unrestricted Net Assets	(4,604,929)	4,513,008
Temporarily Restricted Net Assets:		
Investment income / loss	(1,377)	7,580
Net assets released from restriction	(26,286)	(70,591)
Change in Temporarily Restricted Net Assets	(27,663)	(63,011)
Permanently Restricted Net Assets:		
Net assets released from restriction	-	(200,000)
Change in Net Assets	(4,632,592)	4,249,997
Net Assets:		
Beginning of year	46,688,816	42,438,819
End of year	$ 42,056,224	$ 46,688,816

See accompanying notes to financial statements.

FISA FOUNDATION

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2008 AND 2007

	2008	2007
Cash Flows From Operating Activities:		
Change in net assets	$ (4,632,592)	$ 4,249,997
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	1,316	5,462
Other	(2,035)	-
Net (appreciation) depreciation of investments	3,041,956	(5,362,460)
Change in:		
Prepaid taxes	(1,406)	(11,409)
Other assets	978	(978)
Accrued compensation	(1,692)	3,013
Grants payable	244,594	(3,890)
Liabilities accrued and assumed on sale	(12,576)	(11,554)
Total adjustments	3,271,135	(5,381,816)
Net cash provided by (used in) operating activities	(1,361,457)	(1,131,819)
Cash Flows From Investing Activities:		
Purchase of fixed assets	-	(1,087)
Purchase of investments	(2,000,462)	(5,950,111)
Proceeds from sale of investments	3,316,407	7,087,684
Net cash provided by (used in) investing activities	1,315,945	1,136,486
Net Increase (Decrease) in Cash	(45,512)	4,667
Cash:		
Beginning of year	166,873	162,206
End of year	$ 121,361	$ 166,873
Supplemental Information:		
Excise tax paid	$ 30,053	$ 40,458

See accompanying notes to financial statements.

1. ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES

Organization

FISA Foundation (FISA) is a private foundation whose principal activity is awarding charitable grants to nonprofit organizations in southwestern Pennsylvania. Its mission is to build a culture of respect and improve the quality of life for three populations: women, girls, and people with disabilities. FISA envisions a community where these three populations reach their full potential, are safe and healthy, and participate fully in community life, thus enriching their own lives and those of others. During its 97-year existence, FISA's mission has remained consistent, but the focus of its activities has continually evolved to meet changing needs.

The organization began in 1911 when alumnae of six girls' schools formed a membership organization that eventually became known as The Federation of Independent School Alumnae (Federation). Their first project was to establish Harmarville Convalescent Home for Women (Home), serving at-risk women and their babies. Forty years later, they re-engineered the Home's focus to become Harmarville Rehabilitation Center (Center), which subsequently became internationally known for its innovative therapies for people with physical disabilities. In 1996, to meet the financial challenges of a changing healthcare market, the Federation and Center boards decided to sell the not-for-profit Center to a for-profit corporation. The proceeds of this sale created the endowment of the current foundation. In 2000, the name of the organization was legally changed to *FISA Foundation*. Because FISA's assets came from the sale of a healthcare institution, in keeping with the legal doctrine of *cy prés*, all of FISA's work is focused in areas related to health and human services.

Besides grantmaking, FISA furthers its mission through a variety of other activities. FISA strives to raise awareness and promote positive systemic change for women, girls, and people with disabilities. The most significant of these activities include:

- Connecting nonprofit organizations with information and resources
- Providing capacity-building and technical support to grantees
- Convening workgroups to address strategic issues and gaps in service
- Serving on community committees and advisory boards
- Commissioning white papers and reports

With its exclusive focus on three underserved and under-funded populations, FISA provides effective community leadership on issues related to women, girls, and people with disabilities.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting. FISA has adopted Statement of Financial Accounting Standards (SFAS) No. 117, *"Financial Statements of Not-for-Profit Organizations."* Under the provisions of SFAS No. 117, net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of FISA and changes therein are reported as follows:

Unrestricted Net Assets

Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets

Net assets whose use is limited by donor-imposed stipulations that either expire with the passage of time or can be fulfilled and removed by actions of FISA pursuant to those stipulations.

Permanently Restricted Net Assets

Net assets whose use is limited by donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by the actions of FISA. During 2007, donors released restrictions totaling $200,000 on FISA's permanently restricted net assets. At June 30, 2008 and 2007, FISA had no permanently restricted net assets.

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, restricted net assets are reclassified as unrestricted net assets and reported in the statements of activities as net assets released from restriction.

Income, including realized and unrealized gains and losses on permanently restricted net assets, is included in temporarily restricted net assets until the donor-imposed restrictions on income are recognized.

Realized and unrealized gains and losses are allocated between temporarily restricted and unrestricted net assets. The allocation to temporarily restricted net assets is based on the sum of the permanently and temporarily restricted net assets as compared to the total net assets at the beginning of the year.

Cash

Cash consists of demand deposits held in financial institutions.

Investments

Investments in equity securities with readily determinable fair values and investments in debt securities are stated at fair value. The cost assigned to investments received by gift is the market value at the date the gift is received. Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included in revenues, gains, and other support.

Furniture, Fixtures, and Equipment

Office furniture, fixtures, and equipment are recorded at cost. Depreciation is provided by the straight-line method over the estimated useful lives of the related assets.

Use of Estimates in the Preparation of Financial Statements

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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Income Taxes

FISA was incorporated in 1913 as a nonprofit corporation. FISA became subject to tax treatment as a private foundation beginning July 1, 2001 as it no longer qualified as a publicly supported organization. As a private foundation, among other requirements, FISA is subject to excise tax on net investment income and must distribute, at a minimum, an amount equal to five percent of the combined fair market value of its investment assets not used in carrying out the charitable purpose of FISA reduced by the excise tax.

Risks and Uncertainties

Financial instruments, which potentially expose the Foundation to concentrations of credit risk, include cash and investments in marketable securities. As a matter of policy, the Foundation maintains cash balances only with financial institutions having a high credit quality. Concentration of credit risk for investments in marketable securities is mitigated by the overall diversification of managed investment portfolios. Investment securities are also exposed to various other risks such as interest rate and market risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in values of investment securities will occur in the near term and that such change could materially affect the amount reported on the statements of financial position.

Recent Accounting Pronouncements

In July 2006, FASB issued Interpretation No. 48 *"Accounting for Uncertainty in Income Taxes: An Interpretation of FASB Statement No. 109"* (FIN 48), which clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements in accordance with FASB Statement No. 109, *"Accounting for Income Taxes."* FIN 48 prescribes a recognition threshold and measurement principles for financial statement disclosure of tax positions taken or expected to be taken on a tax return. FIN 48 is effective for non-public entities for fiscal years beginning after December 15, 2008, based upon a recent decision by FASB to extend the deferral. FISA is assessing the impact that the adoption of FIN 48 will have on its financial position and results of operations.

FASB Statement No. 157, *"Fair Value Measurements,"* defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurement. FASB Statement No. 159, *"The Fair Value Option for Financial Assets and Financial Liabilities,"* permits entities to measure many financial instruments and certain other items at fair value. Currently, these statements are effective for financial statements issued for fiscal years beginning after November 15, 2007 (this would be fiscal year July 1, 2008 to June 30, 2009 for FISA), with the effective dates of FASB Statement No. 157 (and, effectively, the use of FASB Statement No. 159) being delayed until fiscal years beginning after November 15, 2008 for non-financial assets and liabilities, except for the items that are recognized or disclosed at fair value in the financial statements on a reoccurring basis (at least annually). Implementation guidance is still being formulated by FASB and the AICPA, but significant impact to the financial statements of FISA is not currently anticipated. FISA is assessing the impact of the adoption of the FASB Statements 157 and 159 on its financial statements.

On August 6, 2008, the FASB issued FASB Staff Position (FSP) No. FAS 117-1, *"Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds."* This FSP provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). This FSP also requires certain disclosures about FISA's endowment funds (both donor-restricted endowment funds and board-designated endowment funds), whether or not FISA is subject to UPMIFA. The FSP is effective for fiscal years ending after December 15, 2008. FISA is currently assessing the impact of the adoption of FSP No. FAS 117-1 on its financial statements

2. INVESTMENTS

Investments consisted of the following at June 30, 2008 and 2007:

	2008 Fair Value (Carrying Value)	2007 Fair Value (Carrying Value)
Money market accounts	$ 2,858,302	$ 4,454,062
Private equity funds	1,231,009	978,844
Mutual funds	34,328,362	37,048,966
Offshore hedge funds	4,157,578	4,451,280
	$ 42,575,251	$ 46,933,152

It is management's philosophy to invest these assets to obtain long-term growth.

Investment income consisted of the following for the years ended June 30, 2008 and 2007:

	2008	2007
Dividend and interest income	$ 1,165,907	$ 1,213,182
Net appreciation/(depreciation)	(3,040,579)	5,354,880
	(1,874,672)	6,568,062
Less: investment expenses	(204,611)	(193,491)
Investment income	(2,079,283)	6,374,571
Temporarily restricted net assets:		
Net appreciation/(depreciation)	(1,377)	7,580
Investment income, net	$ (2,080,660)	$ 6,382,151

Net realized gains/losses were determined using the specific identification method.

FISA invests in hedge funds to further diversify its investment portfolio through the following funds operated by Hirtle Callaghan: the Total Return Offshore Fund II Limited Fund and the Absolute Return Offshore Fund II Limited Fund. Investments in the hedge funds are speculative and involve risk. Risks arise from changes in the value of these funds and the potential inability to liquidate all or a portion of them in a timely manner. There are numerous factors that may significantly influence the market value of these funds, including interest rate volatility. These factors were considered by FISA prior to making this investment and it was determined the investment would be beneficial to leverage risk in other areas of the investment portfolio.

The hedge funds are reported at market value at June 30, 2008. Market value is calculated as the net asset value of the funds less the fund's liabilities, including accrued fees and expenses. The share reported by FISA is proportionate to the Foundation's relative capital contribution.

In addition, FISA invests in private equity funds that are also speculative and involve risks that would arise from changes in the value of these funds and the potential inability to liquidate all or a portion of them in a timely manner. Fair value of the private equity funds is determined by the fund manager, which generally represents the private equity fund's proportionate share of the net assets of the investee funds as reported. This amount is equal to the sum of capital accounts in the investment entries determined in accordance with United States or substantially similar generally accepted accounting principals.

3. ACCRUED AND ASSUMED LIABILITIES ON THE SALE OF HARMARVILLE REHABILITATION CENTER

At June 30, 2008 and 2007, liabilities accrued and assumed by FISA from the sale of the Center consisting of supplemental pension agreements amounted to $58,981 and $71,557, respectively. The Center entered into supplemental pension agreements for two of its previously retired executives that require monthly payments of approximately $1,515 for the life of the individuals. FISA assumed the obligation to pay these supplemental pensions pursuant to the agreement and has recorded as a liability, the present value of the estimated payments to the individuals using a discount rate of 8.5%.

Under the terms of the agreement of sale, the Center's debt obligations were assumed by FISA. FISA redeemed all of the Center's outstanding debt subsequent to the sale of the Center's assets. However, the Center had previously deposited in an irrevocable escrow account with a bank trustee, U.S. Government obligations in an amount sufficient to pay principal and interest on its 1973 Bonds when due. The 1973 Bonds outstanding amounted to $1,120,000 and $1,524,920 at June 30, 2008 and 2007, respectively. Neither the irrevocable escrow account nor the related debt is reflected in these financial statements.

4. Temporarily Restricted Net Assets

Temporarily restricted net assets are those whose use by FISA is limited by donors. At June 30, 2008 and 2007, temporarily restricted net assets were restricted for the Totten Fund, which is for the benefit of the employees of the Children's Institute. Net assets released from restrictions were released for the cited purposes.

5. Grants Payable

FISA has made unconditional promises to give to other organizations the amounts of $608,908 and $364,314 for fiscal years 2008 and 2007, respectively. These amounts are reflected on the statements of financial position as grants payable. Of the fiscal year 2008 amount, $536,588 will be paid in fiscal year 2009 and $72,320 will be paid in fiscal year 2010.