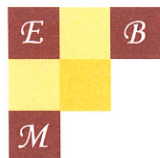


**SAINT MARY VILLA, INC.  
FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT  
YEARS ENDED JUNE 30, 2013 AND 2012**

**SAINT MARY VILLA, INC.  
FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT  
YEARS ENDED JUNE 30, 2013 AND 2012**

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*Edmondson, Betzler & Montgomery, PLLC*  
(Certified Public Accountants)

**INDEPENDENT AUDITORS' REPORT**

To the Board of Trustees of  
Saint Mary Villa, Inc.

**Report on the Financial Statements**

We have audited the accompanying financial statements of Saint Mary Villa, Inc. (a Tennessee not-for-profit corporation, "SMV"), which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Saint Mary Villa, Inc. as of June 30, 2013 and 2012, and the change 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.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2013, on our consideration of SMV's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SMV's internal control over financial reporting and compliance.

*Germann, Butler & Montgomery, PLLC*

September 12, 2013

**SAINT MARY VILLA, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2013 AND 2012**

**ASSETS**

	<b>2013</b>	<b>2012</b>
Current assets:		
Cash and cash equivalents	\$ 148,664	\$ 45,893
Accounts receivable, net of allowance for doubtful accounts of \$5,715 in 2013 and \$4,746 in 2012	47,167	34,250
Pledges receivable	176,902	186,902
Inventory	380	731
Prepaid expense	1,066	789
Total current assets	<u>374,179</u>	<u>268,565</u>
Equipment and leasehold improvements, net	14,811	27,205
Investments	518,066	470,689
Beneficial interest in perpetual trust	<u>2,407,463</u>	<u>2,309,814</u>
Total assets	<u><u>\$ 3,314,519</u></u>	<u><u>\$ 3,076,273</u></u>

**LIABILITIES AND NET ASSETS**

Current liabilities:		
Accounts payable and accrued expenses	<u>\$ 151,669</u>	<u>\$ 161,697</u>
Total liabilities	<u>151,669</u>	<u>161,697</u>
Net assets:		
Unrestricted:		
Unrestricted for operations	44,108	(80,034)
Designated for long-term growth	518,066	470,689
Equity in physical plant	<u>14,811</u>	<u>27,205</u>
Total unrestricted net assets	576,985	417,860
Temporarily restricted	178,402	186,902
Permanently restricted	<u>2,407,463</u>	<u>2,309,814</u>
Total net assets	<u>3,162,850</u>	<u>2,914,576</u>
Total liabilities and net assets	<u><u>\$ 3,314,519</u></u>	<u><u>\$ 3,076,273</u></u>

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

**SAINT MARY VILLA, INC.**  
**STATEMENTS OF ACTIVITIES**  
**YEARS ENDED JUNE 30, 2013 AND 2012**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2013	Total 2012
Revenues, gains and other support:					
Program service fees	\$ 1,281,414	\$ -	\$ -	\$ 1,281,414	\$ 1,425,478
Contributions and other	276,079	1,500	-	277,579	194,381
United Way Services	5,638	176,902	-	182,540	191,216
Distributions from perpetual trust	140,819	-	-	140,819	88,387
Change in value - beneficial interest in perpetual trust	-	-	97,649	97,649	(130,592)
USDA reimbursement	89,159	-	-	89,159	106,317
Net unrealized gains on investments	61,552	-	-	61,552	19,336
Golf tournament	18,205	-	-	18,205	11,175
Investment income, net	9,467	-	-	9,467	9,966
Loss on disposal of assets	(6,029)	-	-	(6,029)	(122,999)
Net assets released from restrictions	186,902	(186,902)	-	-	-
Total revenues, gains and other support	2,063,206	(8,500)	97,649	2,152,355	1,792,665
Expenses:					
Salaries and wages	1,033,659	-	-	1,033,659	1,185,539
Occupancy	260,965	-	-	260,965	266,701
Supplies and general expenses	219,619	-	-	219,619	285,459
Employee benefits	207,882	-	-	207,882	217,393
Payroll taxes	77,000	-	-	77,000	89,402
Purchased services-cleaning	41,045	-	-	41,045	47,520
Professional services	14,210	-	-	14,210	14,915
Depreciation	10,285	-	-	10,285	15,684
Bad debt	9,656	-	-	9,656	31,154
Miscellaneous	8,834	-	-	8,834	12,908
Travel and meetings	7,517	-	-	7,517	2,875
Insurance	6,673	-	-	6,673	7,412
Postage and printing	3,553	-	-	3,553	3,380
Telephone	2,432	-	-	2,432	2,461
Marketing and public relations	751	-	-	751	640
Total expenses	1,904,081	-	-	1,904,081	2,183,443
Revenues, gains and other support over (under) expenses	159,125	(8,500)	97,649	248,274	(390,778)
Net assets, beginning of year	417,860	186,902	2,309,814	2,914,576	3,305,354
Net assets, end of year	\$ 576,985	\$ 178,402	\$ 2,407,463	\$ 3,162,850	\$ 2,914,576

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

**SAINT MARY VILLA, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2013 AND 2012**

	2013	2012
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 248,274	\$ (390,778)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	10,285	15,684
Loss on disposal of assets	6,029	122,999
Unrealized gains on investments	(61,552)	(19,336)
Change in value of beneficial interest in perpetual trust	(97,649)	130,592
(Increase) decrease in accounts receivable	(12,917)	31,990
Decrease in pledges receivable	10,000	37,500
(Increase) decrease in inventory	351	(561)
(Increase) decrease in prepaid expense	(277)	341
Increase (decrease) in accounts payable and accrued expenses	(10,028)	5,173
Net cash provided by (used in) operating activities	<u>92,516</u>	<u>(66,396)</u>
Cash flows from investing activities:		
Purchases of equipment	(3,920)	(7,436)
Purchase of investments	(8,712)	(9,436)
Proceeds from sale of investments	<u>22,887</u>	<u>50,017</u>
Net cash provided by investing activities	<u>10,255</u>	<u>33,145</u>
Net increase (decrease) in cash and cash equivalents	102,771	(33,251)
Cash and cash equivalents, beginning of year	<u>45,893</u>	<u>79,144</u>
Cash and cash equivalents, end of year	<u><u>\$ 148,664</u></u>	<u><u>\$ 45,893</u></u>

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

**SAINT MARY VILLA, INC.  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2013 AND 2012**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies of Saint Mary Villa, Inc. ("SMV") is presented to assist in understanding SMV's financial statements. The financial statements and notes are representations of SMV's management who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Nature of Operations

SMV operates one child care facility for the general public located at 30 White Bridge Road, Nashville, Tennessee. SMV closed its child care facility located at 3112 Nolensville Road, Nashville, Tennessee as of January 31, 2012.

Basis of Presentation

SMV is required to report information regarding its financial position and activities according to three classes of net assets, unrestricted, temporarily restricted and permanently restricted net assets.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. SMV follows the policy of reporting donor-imposed restricted contributions whose restrictions are met in the same year as revenues in the unrestricted net asset class.

Equipment and Leasehold Improvements

Equipment and leasehold improvements are carried at cost. Depreciation is provided using the straight-line method at rates based on estimated useful lives ranging from five to fifteen years, with no estimated salvage value.

Investments

SMV carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities.



**SAINT MARY VILLA, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEARS ENDED JUNE 30, 2013 AND 2012**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Advertising

SMV's advertising is non-direct, and the costs are expensed as incurred. SMV incurred \$751 and \$640 of advertising expense in 2013 and 2012, respectively.

Federal Income Taxes

SMV is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

Use of 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 certain 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.

Prior Year Financial Statements

Certain reclassifications have been made to the prior year financial statements in order to conform to the current year presentation.

Events Occurring After Reporting Date

SMV has evaluated events and transactions that occurred after June 30, 2013 through the date of the issued financial statements. During this period, there were no material recognizable subsequent events that required recognition in our disclosures to the June 30, 2013 financial statements.

**NOTE 2 - CASH AND CASH EQUIVALENTS**

Cash and cash equivalents represent funds on deposit with the Diocese of Nashville. The deposits earned interest of \$755 fiscal year 2013 and \$530 in fiscal year 2012. Cash and cash equivalents during the year may exceed Federal Deposit Insurance Corporation ("FDIC") limits. SMV has not experienced any losses and management believes it is not exposed to any significant credit risk related to cash.

**SAINT MARY VILLA, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEARS ENDED JUNE 30, 2013 AND 2012**

**NOTE 3 - EQUIPMENT AND LEASEHOLD IMPROVEMENTS**

Equipment and leasehold improvements consist of the following:

	2013	2012
Equipment	\$ 171,495	\$ 180,813
Leasehold improvements	<u>450,632</u>	<u>453,507</u>
	622,127	634,320
Less: Accumulated depreciation	<u>(607,316)</u>	<u>(607,115)</u>
	<u>\$ 14,811</u>	<u>\$ 27,205</u>

Depreciation expense for the years ended June 30, 2013 and 2012 amounted to \$10,285 and \$15,684, respectively.

**NOTE 4 - ENDOWMENTS**

SMV's endowments consist of funds established for the purpose of ensuring its future operations. Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Trustees of SMV has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the organization
- (7) The investment policies of the Organization

**SAINT MARY VILLA, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEARS ENDED JUNE 30, 2013 AND 2012**

**NOTE 4 - ENDOWMENTS (CONTINUED)**

Investments and Beneficial Interest in Perpetual Trust

Investments of unrestricted funds are stated at fair value and consist of shares in a fund with the Endowment for the Advancement of Catholic Schools (EACS). The assets are held by a trustee and the trust agreement calls for a distribution of five percent of the fund's fair market value. At June 30, 2013, the fund consists of a mutual fund, cash and short-term investments.

SMV is a 50% beneficiary of the M.J. Smith Trust, a perpetual trust held by a local bank. SMV has no investment or ownership control of the assets in the trust. At June 30, 2013, the trust consisted of 1.8% cash and cash equivalents, 27.6% fixed income securities, 66.7% stocks and other investments and 3.9% tangible assets.

Changes in endowment net assets for the years ended June 30, 2013 and 2012 are as follows:

	Unrestricted	Permanently Restricted	Total
Endowment net assets, June 30, 2011	\$ 491,934	\$ 2,440,406	\$ 2,932,340
Investment return:			
Investment income	9,436	106,245	115,681
Net appreciation (depreciation)	19,336	(148,450)	(129,114)
Distributions	<u>(50,017)</u>	<u>(88,387)</u>	<u>(138,404)</u>
Endowment net assets, June 30, 2012	470,689	2,309,814	2,780,503
Investment return:			
Investment income	8,712	127,311	136,023
Net appreciation	61,552	111,157	172,709
Distributions	<u>(22,887)</u>	<u>(140,819)</u>	<u>(163,706)</u>
Endowment net assets, June 30, 2013	<u>\$ 518,066</u>	<u>\$ 2,407,463</u>	<u>\$ 2,925,529</u>

Return Objectives, Risk Parameter and Spending Policy

Unrestricted funds

This endowment fund, originally funded with \$417,640, is held by a trustee and the trust agreement calls for a distribution of five percent of the fund's fair market value which is available annually for the Organization's use.

Beneficial Interest in Perpetual Trust

This endowment fund is held in perpetual trust and calls for distributions throughout the year which are available for the Organization's use. The distributions totaled \$140,819 and \$88,387 for the years ended June 30, 2013 and 2012, respectively.

**SAINT MARY VILLA, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEARS ENDED JUNE 30, 2013 AND 2012**

**NOTE 5 - FAIR VALUE MEASUREMENTS**

SMV implemented Financial Accounting Standards (FASB) ASC 820, *Fair Value Measurements* in the current year. Among other things, FASB ASC 820 establishes a three-level valuation hierarchy for disclosures of fair value measurements defined as Level 1 – inputs for quoted market prices for identical assets or liabilities in active markets; Level 2 – inputs include quoted market prices for similar assets and liabilities in active markets and inputs that are observable either directly or indirectly and; Level 3 – inputs that are unobservable and significant to the fair value measurement.

Fair values of assets and liabilities measured on a recurring basis at June 30, 2013 and 2012 are as follows:

	Fair Value	In Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2013:				
Cash and money funds	\$ 55,701	\$ 55,701	\$ -	\$ -
Marketable equity securities	2,211,261	2,211,261	-	-
Corporate and international bond funds	383,148	383,148	-	-
Governmental bonds	275,419	275,419	-	-
	<u>\$ 2,925,529</u>	<u>\$ 2,925,529</u>	<u>\$ -</u>	<u>\$ -</u>
June 30, 2012:				
Cash and money funds	\$ 86,353	\$ 86,353	\$ -	\$ -
Marketable equity securities	1,976,948	1,976,948	-	-
Corporate and international bond funds	483,713	483,713	-	-
Governmental bonds	233,489	233,489	-	-
	<u>\$ 2,780,503</u>	<u>\$ 2,780,503</u>	<u>\$ -</u>	<u>\$ -</u>

**SAINT MARY VILLA, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED JUNE 30, 2013 AND 2012**

**NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following purposes or periods:

	2013	2012
United Way Services funding for the next fiscal year	\$ 176,902	\$ 186,902
Grant for specific program to be used in next fiscal year	<u>1,500</u>	<u>-</u>
	<u>\$ 178,402</u>	<u>\$ 186,902</u>

**NOTE 7 - EMPLOYEE BENEFITS**

SMV has a Sec. 125 cafeteria plan. Employees working more than 30 hours a week may elect to participate in medical, dental, and life insurance coverage at a 5% contributory basis. The contribution percentage is prorated for employees working less than 30 hours a week. Disability insurance coverage is available on a noncontributory basis. These employees may obtain dependent coverage for the above services at their own expense. The plan also includes a Dependent Care Assistance Program. With the implementation of the cafeteria plan, the employees' payments for coverage and dependent care are made on a pre-tax basis. Regular and part-time employees working at least 800 hours per year participated in the following Diocese of Nashville pension plans:

Defined Benefit Pension Plan

The noncontributory defined benefit pension plan is funded based on the required contribution each year determined by the Diocesan Lay Retirement Board of Trust and is calculated as a percentage of eligible employees' salaries. The required contribution for 2013 is 5%. Participants vest in all employer contributions to the Plan as follows: after three years of service 20%, increasing 20% for each year of additional service until participants are fully vested after seven years of service.

Lay Employee Retirement Savings Plan

SMV has a defined contribution retirement savings plan as a supplement to the defined benefit pension plan. This plan is funded based on a percentage of eligible employees' salaries as determined by the Diocesan Lay Retirement Board of Trust. SMV matches employee contributions on a dollar for dollar basis to a maximum of 3% of salary, provided an employee contributes 3%. Participants are 100% vested in their contributions and the employers' matching contribution.

Contributions to both retirement plans amounted to \$58,041 in 2013 and \$61,823 in 2012.

**NOTE 8 - U.S. DEPARTMENT OF AGRICULTURE GRANT**

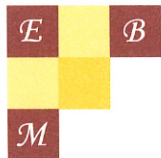
Balance receivable at June 30, 2012	\$ 7,124
Expenditures	89,159
Receipts	(90,326)

**NOTE 9 - SIGNIFICANT TRANSACTIONS WITH OTHER CATHOLIC ENTITIES**

Interest income	\$ 755	\$ 530
Endowment for the Advancement of Catholic Schools investment return	70,264	28,772
Contribution income	-	50,000
Occupancy expense	241,014	242,250
Insurance	5,500	5,500
Retirement plan costs	58,041	61,823

Contribution income	\$ 62,700	\$ 65,100
Postage expense	744	563
Miscellaneous expense	400	738
Amounts due to Catholic Charities	20,085	20,085

Food and beverage expense	\$ 172,229	\$ 241,056
Health insurance claims	9,744	9,591
Computer maintenance	-	709
Amounts due to Mary Queen of Angels	14,858	17,264



*Edmondson, Betzler & Montgomery, PLLC*  
(Certified Public Accountants)

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Board of Trustees of  
Saint Mary Villa, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Saint Mary Villa, Inc. which comprise the statement of financial position as of June 30, 2013, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 12, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Saint Mary Villa Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Saint Mary Villa, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS (CONTINUED)**

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Saint Mary Villa, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Saint Mary Villa Inc.'s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Saint Mary Villa Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Ernest A. Betyler, Jr., CPA*

September 12, 2013