

Return of Organization Exempt From Income Tax

2006

Department of the Treasury
Internal Revenue Service

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)

Open to Public Inspection

The organization may have to use a copy of this return to satisfy state reporting requirements

A For the 2006 calendar year, or tax year beginning and ending

B Check if applicable: Address change, Name change, Initial return, Final return, Amended return, Application pending

C Name of organization
WINDY HILL FOUNDATION, INC
Number and street (or P O box if mail is not delivered to street address) Room/suite
P.O. BOX 1593
City or town, state or country, and ZIP + 4
MIDDLEBURG, VA 20118-1593

D Employer identification number
54-1244012

E Telephone number
(540) 592-3297

F Accounting method Cash Accrual Other (specify)

G Website: N/A

J Organization type (check only one) 501(c) (3) (insert no) 4947(a)(1) or 527

K Check here if the organization is not a 509(a)(3) supporting organization and its gross receipts are normally not more than \$25,000. A return is not required, but if the organization chooses to file a return, be sure to file a complete return

L Gross receipts Add lines 6b, 8b, 9b, and 10b to line 12 **1,265,852.**

H and I are not applicable to section 527 organizations.
H(a) Is this a group return for affiliates? Yes No
H(b) If "Yes," enter number of affiliates **N/A**
H(c) Are all affiliates included? **N/A** Yes No (If "No," attach a list)
H(d) Is this a separate return filed by an organization covered by a group ruling? Yes No
I Group Exemption Number **N/A**
M Check if the organization is not required to attach Sch B (Form 990, 990-EZ, or 990-PF)

Part I Revenue, Expenses, and Changes in Net Assets or Fund Balances											
Revenue	1	Contributions, gifts, grants, and similar amounts received									
	a	Contributions to donor advised funds								1a	
	b	Direct public support (not included on line 1a)								1b	523,561.
	c	Indirect public support (not included on line 1a)								1c	
	d	Government contributions (grants) (not included on line 1a)								1d	369,181.
	e	Total (add lines 1a through 1d) (cash \$ 892,742. noncash \$)								1e	892,742.
	2	Program service revenue including government fees and contracts (from Part VII, line 93)								2	315,010.
	3	Membership dues and assessments								3	
	4	Interest on savings and temporary cash investments								4	7,195.
	5	Dividends and interest from securities								5	
Expenses	6a	Gross rents								6a	
	b	Less rental expenses								6b	
	c	Net rental income or (loss) Subtract line 6b from line 6a								6c	
	7	Other investment income (describe)								7	
	8a	Gross amount from sales of assets other than inventory		(A) Securities		(B) Other		8a			
		Less cost or other basis and sales expenses		8b				8b			
		Gain or (loss) (attach schedule)		8c				8c			
	d	Net gain or (loss) Combine line 8c, columns (A) and (B)								8d	
	9	Special events and activities (attach schedule) If any amount is from gaming, check here <input type="checkbox"/>									
	a	Gross revenue (not including \$ 0. of contributions reported on line 1b)								9a	39,739.
b	Less direct expenses other than fundraising expenses								9b	12,965.	
c	Net income or (loss) from special events Subtract line 9b from line 9a								9c	26,774.	
10a	Gross sales of inventory, less returns and allowances		10a				10a				
	Less cost of goods sold		10b				10b				
	Gross profit or (loss) from sales of inventory (attach schedule) Subtract line 10b from line 10a		10c				10c				
11	Other revenue (from Part VII, line 103)								11	11,166.	
12	Total revenue. Add lines 1e, 2, 3, 4, 5, 6c, 7, 8d, 9c, 10c, and 11								12	1,252,887.	
13	Program services (from line 44, column (B))								13	737,157.	
14	Management and general (from line 44, column (C))								14	50,742.	
15	Fundraising (from line 44, column (D))								15	34,506.	
16	Payments to affiliates (attach schedule)								16		
17	Total expenses. Add lines 16 and 44, column (A)								17	822,405.	
18	Excess or (deficit) for the year Subtract line 17 from line 12								18	430,482.	
19	Net assets or fund balances at beginning of year (from line 73, column (A))								19	3,648,878.	
20	Other changes in net assets or fund balances (attach explanation)								20	<63,025.>	
21	Net assets or fund balances at end of year Combine lines 18, 19, and 20								21	4,016,335.	

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Part II Statement of Functional Expenses

All organizations must complete column (A) Columns (B), (C), and (D) are required for section 501(c)(3) and (4) organizations and section 4947(a)(1) nonexempt charitable trusts but optional for others

Do not include amounts reported on line 6b, 8b, 9b, 10b, or 16 of Part I.	(A) Total	(B) Program services	(C) Management and general	(D) Fundraising
22a Grants paid from donor advised funds (attach schedule) (cash \$ <u>0</u> noncash \$ <u>0</u>) If this amount includes foreign grants, check here <input type="checkbox"/>				
22b Other grants and allocations (attach schedule) (cash \$ <u>220000</u> noncash \$ <u>0</u>) If this amount includes foreign grants, check here <input type="checkbox"/>	220,000.	220,000.	STATEMENT 4	
23 Specific assistance to individuals (attach schedule)				
24 Benefits paid to or for members (attach schedule)				
25a Compensation of current officers, directors, key employees, etc listed in Part V-A	0.	0.	0.	0.
25b Compensation of former officers, directors, key employees, etc listed in Part V-B	0.	0.	0.	0.
25c Compensation and other distributions, not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)				
26 Salaries and wages of employees not included on lines 25a, b, and c	162,602.	138,602.	12,000.	12,000.
27 Pension plan contributions not included on lines 25a, b, and c				
28 Employee benefits not included on lines 25a - 27				
29 Payroll taxes	13,162.	11,298.	932.	932.
30 Professional fundraising fees	21,220.			21,220.
31 Accounting fees	31,056.	4,658.	26,398.	
32 Legal fees	834.	834.		
33 Supplies	2,850.	2,850.		
34 Telephone	3,974.	2,649.	1,325.	
35 Postage and shipping	149.	99.	50.	
36 Occupancy				
37 Equipment rental and maintenance				
38 Printing and publications	3,440.	2,293.	1,147.	
39 Travel				
40 Conferences, conventions, and meetings	82.	82.		
41 Interest	102,551.	102,551.		
42 Depreciation, depletion, etc (attach schedule)	27,472.	27,472.		
43 Other expenses not covered above (itemize)				
a _____	43a			
b _____	43b			
c _____	43c			
d _____	43d			
e _____	43e			
f _____	43f			
g SEE STATEMENT 3	43g	233,013.	223,769.	8,890.
44 Total functional expenses Add lines 22a through 43g (Organizations completing columns (B)-(D), carry these totals to lines 13-15)	822,405.	737,157.	50,742.	34,506.

Joint Costs. Check if you are following SOP 98-2.

Are any joint costs from a combined educational campaign and fundraising solicitation reported in (B) Program services? Yes No
 If "Yes," enter (i) the aggregate amount of these joint costs \$ N/A, (ii) the amount allocated to Program services \$ N/A,
 (iii) the amount allocated to Management and general \$ N/A, and (iv) the amount allocated to Fundraising \$ N/A

Part III Statement of Program Service Accomplishments (See the instructions)

Form 990 is available for public inspection and, for some people, serves as the primary or sole source of information about a particular organization. How the public perceives an organization in such cases may be determined by the information presented on its return. Therefore, please make sure the return is complete and accurate and fully describes, in Part III, the organization's programs and accomplishments.

What is the organization's primary exempt purpose? ► SEE STATEMENT 5	Program Service Expenses (Required for 501(c)(3) and (4) orgs, and 4947(a)(1) trusts, but optional for others)
All organizations must describe their exempt purpose achievements in a clear and concise manner. State the number of clients served, publications issued, etc. Discuss achievements that are not measurable. (Section 501(c)(3) and (4) organizations and 4947(a)(1) nonexempt charitable trusts must also enter the amount of grants and allocations to others.)	
a THE ORGANIZATION PROVIDED SUBSIDIZED HOUSING FOR LOW INCOME FAMILIES.	737,157.
(Grants and allocations \$) If this amount includes foreign grants, check here ► <input type="checkbox"/>	
b	
(Grants and allocations \$) If this amount includes foreign grants, check here ► <input type="checkbox"/>	
c	
(Grants and allocations \$) If this amount includes foreign grants, check here ► <input type="checkbox"/>	
d	
(Grants and allocations \$) If this amount includes foreign grants, check here ► <input type="checkbox"/>	
e Other program services (attach schedule)	737,157.
(Grants and allocations \$) If this amount includes foreign grants, check here ► <input type="checkbox"/>	
f Total of Program Service Expenses (should equal line 44, column (B), Program services) ►	737,157.

Part IV Balance Sheets (See the instructions)

Note: Where required, attached schedules and amounts within the description column should be for end-of-year amounts only.

		(A) Beginning of year	(B) End of year
Assets	45 Cash - non-interest-bearing	71,567.	115,736.
	46 Savings and temporary cash investments		
	47 a Accounts receivable	28,692.	
	b Less: allowance for doubtful accounts		
	48 a Pledges receivable		
	b Less: allowance for doubtful accounts		
	49 Grants receivable		
	50 a Receivables from current and former officers, directors, trustees, and key employees		
	b Receivables from other disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)		
	51 a Other notes and loans receivable		
	b Less: allowance for doubtful accounts		
	52 Inventories for sale or use		
	53 Prepaid expenses and deferred charges	237.	201.
	54 a Investments - publicly-traded securities		
	b Investments - other securities STMT 9	185,000.	189,515.
55 a Investments - land, buildings, and equipment basis			
b Less: accumulated depreciation			
56 Investments - other			
57 a Land, buildings, and equipment: basis	6,165,417.		
b Less: accumulated depreciation	319,444.		
58 Other assets, including program-related investments (describe SEE STATEMENT 6)		530,999.	
59 Total assets (must equal line 74) Add lines 45 through 58	6,378,378.	6,711,116.	
Liabilities	60 Accounts payable and accrued expenses	5,702.	11,372.
	61 Grants payable		
	62 Deferred revenue		
	63 Loans from officers, directors, trustees, and key employees		
	64 a Tax-exempt bond liabilities		
	b Mortgages and other notes payable STMT 7	2,710,681.	2,668,875.
	65 Other liabilities (describe SEE STATEMENT 8)	13,117.	14,534.
66 Total liabilities. Add lines 60 through 65	2,729,500.	2,694,781.	
Net Assets or Fund Balances	Organizations that follow SFAS 117, check here <input type="checkbox"/> and complete lines 67 through 69 and lines 73 and 74.		
	67 Unrestricted		
	68 Temporarily restricted		
	69 Permanently restricted		
	Organizations that do not follow SFAS 117, check here <input checked="" type="checkbox"/> and complete lines 70 through 74.		
	70 Capital stock, trust principal, or current funds	0.	0.
	71 Paid-in or capital surplus, or land, building, and equipment fund	0.	0.
	72 Retained earnings, endowment, accumulated income, or other funds	3,648,878.	4,016,335.
73 Total net assets or fund balances. Add lines 67 through 69 or lines 70 through 72 (Column (A) must equal line 19 and column (B) must equal line 21)	3,648,878.	4,016,335.	
74 Total liabilities and net assets/fund balances. Add lines 66 and 73	6,378,378.	6,711,116.	

Part VI Other Information (continued)		Yes	No
82 a	Did the organization receive donated services or the use of materials, equipment, or facilities at no charge or at substantially less than fair rental value?		X
b	If "Yes," you may indicate the value of these items here. Do not include this amount as revenue in Part I or as an expense in Part II. (See instructions in Part III.)		
	82b N/A		
83 a	Did the organization comply with the public inspection requirements for returns and exemption applications?	X	
b	Did the organization comply with the disclosure requirements relating to quid pro quo contributions?	X	
84 a	Did the organization solicit any contributions or gifts that were not tax deductible?		X
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?		
	N/A		
85	501(c)(4), (5), or (6) organizations a Were substantially all dues nondeductible by members?		
	N/A		
b	Did the organization make only in-house lobbying expenditures of \$2,000 or less?		
	N/A		
	If "Yes" was answered to either 85a or 85b, do not complete 85c through 85h below unless the organization received a waiver for proxy tax owed for the prior year		
c	Dues, assessments, and similar amounts from members		
	85c N/A		
d	Section 162(e) lobbying and political expenditures		
	85d N/A		
e	Aggregate nondeductible amount of section 6033(e)(1)(A) dues notices		
	85e N/A		
f	Taxable amount of lobbying and political expenditures (line 85d less 85e)		
	85f N/A		
g	Does the organization elect to pay the section 6033(e) tax on the amount on line 85f?		
	N/A		
h	If section 6033(e)(1)(A) dues notices were sent, does the organization agree to add the amount on line 85f to its reasonable estimate of dues allocable to nondeductible lobbying and political expenditures for the following tax year?		
	N/A		
86	501(c)(7) organizations Enter: a Initiation fees and capital contributions included on line 12		
	86a N/A		
b	Gross receipts, included on line 12, for public use of club facilities		
	86b N/A		
87	501(c)(12) organizations Enter: a Gross income from members or shareholders		
	87a N/A		
b	Gross income from other sources. (Do not net amounts due or paid to other sources against amounts due or received from them.)		
	87b N/A		
88 a	At any time during the year, did the organization own a 50% or greater interest in a taxable corporation or partnership, or an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? If "Yes," complete Part IX	X	
b	At any time during the year, did the organization, directly or indirectly, own a controlled entity within the meaning of section 512(b)(13)? If "Yes," complete Part XI		X
89 a	501(c)(3) organizations Enter: Amount of tax imposed on the organization during the year under: section 4911 <u>0.</u> , section 4912 <u>0.</u> , section 4955 <u>0.</u>		
b	501(c)(3) and 501(c)(4) organizations. Did the organization engage in any section 4958 excess benefit transaction during the year or did it become aware of an excess benefit transaction from a prior year? If "Yes," attach a statement explaining each transaction		X
c	Enter: Amount of tax imposed on the organization managers or disqualified persons during the year under sections 4912, 4955, and 4958 <u>0.</u>		
d	Enter: Amount of tax on line 89c, above, reimbursed by the organization <u>0.</u>		
e	All organizations At any time during the tax year, was the organization a party to a prohibited tax shelter transaction?		X
f	All organizations. Did the organization acquire a direct or indirect interest in any applicable insurance contract?		X
g	For supporting organizations and sponsoring organizations maintaining donor advised funds Did the supporting organization, or a fund maintained by a sponsoring organization, have excess business holdings at any time during the year?		X
90 a	List the states with which a copy of this return is filed <u>VA</u>		
b	Number of employees employed in the pay period that includes March 12, 2006	90b	3
91 a	The books are in care of <u>PETER NICOLL</u> Telephone no <u>(540) 592-3297</u> Located at <u>P.O. BOX 1593, MIDDLEBURG, VA</u> ZIP + 4 <u>20118-1593</u>		
b	At any time during the calendar year, did the organization have an interest in or a signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account)? If "Yes," enter the name of the foreign country <u>N/A</u>	91b	X
	See the instructions for exceptions and filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.		

Part VI Other Information (continued) Yes No

c At any time during the calendar year, did the organization maintain an office outside of the United States? 91c
 If "Yes," enter the name of the foreign country N/A

92 Section 4947(a)(1) nonexempt charitable trusts filing Form 990 in lieu of Form 1041- Check here
 and enter the amount of tax-exempt interest received or accrued during the tax year 92 N/A

Part VII Analysis of Income-Producing Activities (See the instructions.)

Note: Enter gross amounts unless otherwise indicated.

	Unrelated business income		Excluded by section 512, 513, or 514		(E) Related or exempt function income
	(A) Business code	(B) Amount	(C) Exclu- sion code	(D) Amount	
93 Program service revenue					
a RENTAL INCOME					241,596.
b					
c					
d					
e					
f Medicare/Medicaid payments					
g Fees and contracts from government agencies					73,414.
94 Membership dues and assessments					
95 Interest on savings and temporary cash investments			14	7,195.	
96 Dividends and interest from securities					
97 Net rental income or (loss) from real estate:					
a debt-financed property					
b not debt-financed property					
98 Net rental income or (loss) from personal property					
99 Other investment income					
100 Gain or (loss) from sales of assets other than inventory					
101 Net income or (loss) from special events					26,774.
102 Gross profit or (loss) from sales of inventory					
103 Other revenue:					
a MISCELLANEOUS					18,365.
b NET INCOME (LOSS) FROM					
c WINDY HILL DEVELOPMENT					
d COMPANY, LLC - SEE					
e ATTACHED					<7,199.>
104 Subtotal (add columns (B), (D), and (E))		0.		7,195.	352,950.
105 Total (add line 104, columns (B), (D), and (E))					360,145.

Note: Line 105 plus line 1e, Part I, should equal the amount on line 12, Part I

Part VIII Relationship of Activities to the Accomplishment of Exempt Purposes (See the instructions)

Line No.	Explain how each activity for which income is reported in column (E) of Part VII contributed importantly to the accomplishment of the organization's exempt purposes (other than by providing funds for such purposes)
▼	SEE STATEMENT 12

Part IX Information Regarding Taxable Subsidiaries and Disregarded Entities (See the instructions)

(A) Name, address, and EIN of corporation, partnership, or disregarded entity	(B) Percentage of ownership interest	(C) Nature of activities	(D) Total income	(E) End-of-year assets
SEE STATEMENT 11	%			
	%			
	%			
	%			

Part X Information Regarding Transfers Associated with Personal Benefit Contracts (See the instructions)

(a) Did the organization, during the year, receive any funds, directly or indirectly, to pay premiums on a personal benefit contract? Yes No

(b) Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? Yes No

Note: If "Yes" to (b), file Form 8870 and Form 4720 (see instructions).

Part XI Information Regarding Transfers To and From Controlled Entities. Complete only if the organization is a controlling organization as defined in section 512(b)(13) N/A

106 Did the reporting organization make any transfers to a controlled entity as defined in section 512(b)(13) of the Code? If "Yes," complete the schedule below for each controlled entity.

	(A) Name, address, of each controlled entity	(B) Employer Identification Number	(C) Description of transfer	(D) Amount of transfer	Yes	No
a	----- -----					
b	----- -----					
c	----- -----					
Totals						

107 Did the reporting organization receive any transfers from a controlled entity as defined in section 512(b)(13) of the Code? If "Yes," complete the schedule below for each controlled entity.

	(A) Name, address, of each controlled entity	(B) Employer Identification Number	(C) Description of transfer	(D) Amount of transfer	Yes	No
a	----- -----					
b	----- -----					
c	----- -----					
Totals						

108 Did the organization have a binding written contract in effect on August 17, 2006, covering the interest, rents, royalties, and annuities described in question 107 above?

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Please Sign Here

Signature of officer: *[Signature]* Date: 11/20/07

Type or print name and title: Robert B. Dale, III Treasurer

Paid Preparer's Use Only

Preparer's signature: *[Signature]* Date: 11/20/07

Check if self-employed:

Preparer's SSN or PTIN (See Gen. Inst. X):

Firm's name (or yours if self-employed), address, and ZIP + 4: YOUNT, HYDE & BARBOUR, P.C. CPA'S
P.O. BOX 467
MIDDLEBURG, VA 20118

EIN: _____

Phone no: (540) 687-6381

SCHEDULE A
(Form 990 or 990-EZ)

Organization Exempt Under Section 501(c)(3)

OMB No 1545-0047

(Except Private Foundation) and Section 501(e), 501(f), 501(k),
501(n), or 4947(a)(1) Nonexempt Charitable Trust

2006

Department of the Treasury
Internal Revenue Service

Supplementary Information-(See separate instructions.)
▶ **MUST be completed by the above organizations and attached to their Form 990 or 990-EZ**

Name of the organization **WINDY HILL FOUNDATION, INC** Employer identification number **54 1244012**

Part I Compensation of the Five Highest Paid Employees Other Than Officers, Directors, and Trustees
(See page 2 of the instructions List each one If there are none, enter "None ")

(a) Name and address of each employee paid more than \$50,000	(b) Title and average hours per week devoted to position	(c) Compensation	(d) Contributions to employee benefit plans & deferred compensation	(e) Expense account and other allowances
NONE				
Total number of other employees paid over \$50,000 ▶	0			

Part II-A Compensation of the Five Highest Paid Independent Contractors for Professional Services
(See page 2 of the instructions List each one (whether individuals or firms) If there are none, enter "None ")

(a) Name and address of each independent contractor paid more than \$50,000	(b) Type of service	(c) Compensation
NONE		
Total number of others receiving over \$50,000 for professional services ▶	0	

Part II-B Compensation of the Five Highest Paid Independent Contractors for Other Services
(List each contractor who performed services other than professional services, whether individuals or firms If there are none, enter "None " See page 2 of the instructions)

(a) Name and address of each independent contractor paid more than \$50,000	(b) Type of service	(c) Compensation
NONE		
Total number of other contractors receiving over \$50,000 for other services ▶	0	

Part III Statements About Activities (See page 2 of the instructions)

		Yes	No
1	During the year, has the organization attempted to influence national, state, or local legislation, including any attempt to influence public opinion on a legislative matter or referendum? If "Yes," enter the total expenses paid or incurred in connection with the lobbying activities ▶ \$ _____ \$ _____ (Must equal amounts on line 38, Part VI-A, or line i of Part VI-B) Organizations that made an election under section 501(h) by filing Form 5768 must complete Part VI-A Other organizations checking "Yes" must complete Part VI-B AND attach a statement giving a detailed description of the lobbying activities		X
2	During the year, has the organization, either directly or indirectly, engaged in any of the following acts with any substantial contributors, trustees, directors, officers, creators, key employees, or members of their families, or with any taxable organization with which any such person is affiliated as an officer, director, trustee, majority owner, or principal beneficiary? (If the answer to any question is "Yes," attach a detailed statement explaining the transactions)		
a	Sale, exchange, or leasing of property?	2a	X
b	Lending of money or other extension of credit?	2b	X
c	Furnishing of goods, services, or facilities? SEE STATEMENT 13	2c	X
d	Payment of compensation (or payment or reimbursement of expenses if more than \$1,000)?	2d	X
e	Transfer of any part of its income or assets?	2e	X
3	a Did the organization make grants for scholarships, fellowships, student loans, etc ? (If "Yes," attach an explanation of how the organization determines that recipients qualify to receive payments)	3a	X
	b Did the organization have a section 403(b) annuity plan for its employees?	3b	X
	c Did the organization receive or hold an easement for conservation purposes, including easements to preserve open space, the environment, historic land areas or historic structures? If "Yes," attach a detailed statement	3c	X
	d Did the organization provide credit counseling, debt management, credit repair, or debt negotiation services?	3d	X
4	a Did the organization maintain any donor advised funds? If "Yes," complete lines 4b through 4g If "No," complete lines 4f and 4g	4a	X
	b Did the organization make any taxable distributions under section 4966? N/A	4b	
	c Did the organization make a distribution to a donor, donor advisor, or related person? N/A	4c	
	d Enter the total number of donor advised funds owned at the end of the tax year ▶ N/A		
	e Enter the aggregate value of assets held in all donor advised funds owned at the end of the tax year ▶ N/A		
	f Enter the total number of separate funds or accounts owned at the end of the year (excluding donor advised funds included on line 4d) where donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts ▶ 0.		
	g Enter the aggregate value of assets in all funds or accounts included on line 4f at the end of the tax year ▶ 0.		

Part IV Reason for Non-Private Foundation Status (See pages 4 through 7 of the instructions)

I certify that the organization is not a private foundation because it is (Please check only **ONE** applicable box)

- 5 A church, convention of churches, or association of churches Section 170(b)(1)(A)(i)
- 6 A school Section 170(b)(1)(A)(ii) (Also complete Part V)
- 7 A hospital or a cooperative hospital service organization Section 170(b)(1)(A)(iii)
- 8 A federal, state, or local government or governmental unit Section 170(b)(1)(A)(v)
- 9 A medical research organization operated in conjunction with a hospital Section 170(b)(1)(A)(iii) Enter the hospital's name, city, and state **▶** _____
- 10 An organization operated for the benefit of a college or university owned or operated by a governmental unit Section 170(b)(1)(A)(iv) (Also complete the **Support Schedule** in Part IV-A)
- 11a An organization that normally receives a substantial part of its support from a governmental unit or from the general public Section 170(b)(1)(A)(vi) (Also complete the **Support Schedule** in Part IV-A)
- 11b A community trust Section 170(b)(1)(A)(vi) (Also complete the **Support Schedule** in Part IV-A)
- 12 An organization that normally receives (1) more than 33 1/3% of its support from contributions, membership fees, and gross receipts from activities related to its charitable, etc , functions - subject to certain exceptions, and (2) no more than 33 1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975 See section 509(a)(2) (Also complete the **Support Schedule** in Part IV-A)
- 13 An organization that is not controlled by any disqualified persons (other than foundation managers) and otherwise meets the requirements of section 509(a)(3) Check the box that describes the type of supporting organization
 Type I Type II Type III-Functionally Integrated Type III-Other

Provide the following information about the supported organizations. (See page 7 of the instructions)

(a) Name(s) of supported organization(s)	(b) Employer identification number (EIN)	(c) Type of organization (described in lines 5 through 12 above or IRC section)	(d) Is the supported organization listed in the supporting organization's governing documents?		(e) Amount of support
			Yes	No	
Total					▶

- 14 An organization organized and operated to test for public safety Section 509(a)(4) (See page 7 of the instructions)

Part IV-A Support Schedule (Complete only if you checked a box on line 10, 11, or 12.) **Use cash method of accounting.**
 Note: You may use the worksheet in the instructions for converting from the accrual to the cash method of accounting.

Calendar year (or fiscal year beginning in)	(a) 2005	(b) 2004	(c) 2003	(d) 2002	(e) Total
15 Gifts, grants, and contributions received (Do not include unusual grants. See line 28.)	620,342.	711,643.	810,923.	372,810.	2,515,718.
16 Membership fees received					
17 Gross receipts from admissions, merchandise sold or services performed, or furnishing of facilities in any activity that is related to the organization's charitable, etc., purpose	341,903.	267,210.	219,616.	219,859.	1,048,588.
18 Gross income from interest, dividends, amounts received from payments on securities loans (section 512(a)(5)), rents, royalties, and unrelated business taxable income (less section 511 taxes) from businesses acquired by the organization after June 30, 1975	12.	190.	1,035.	290.	1,527.
19 Net income from unrelated business activities not included in line 18					
20 Tax revenues levied for the organization's benefit and either paid to it or expended on its behalf					
21 The value of services or facilities furnished to the organization by a governmental unit without charge. Do not include the value of services or facilities generally furnished to the public without charge.					
22 Other income. Attach a schedule. Do not include gain or (loss) from sale of capital assets.	33,326.	771.	SEE STATEMENT 14 3,784.	6,029.	43,910.
23 Total of lines 15 through 22	995,583.	979,814.	1,035,358.	598,988.	3,609,743.
24 Line 23 minus line 17	653,680.	712,604.	815,742.	379,129.	2,561,155.
25 Enter 1% of line 23	9,956.	9,798.	10,354.	5,990.	
26 Organizations described on lines 10 or 11: a Enter 2% of amount in column (e), line 24					26a 51,223.
b Prepare a list for your records to show the name of and amount contributed by each person (other than a governmental unit or publicly supported organization) whose total gifts for 2002 through 2005 exceeded the amount shown in line 26a. Do not file this list with your return. Enter the total of all these excess amounts					26b 1,215,330.
c Total support for section 509(a)(1) test. Enter line 24, column (e)					26c 2,561,155.
d Add Amounts from column (e) for lines 18 1,527. 19 22 43,910. 26b 1,215,330.					26d 1,260,767.
e Public support (line 26c minus line 26d total)					26e 1,300,388.
f Public support percentage (line 26e (numerator) divided by line 26c (denominator))					26f 50.7735%
27 Organizations described on line 12 a For amounts included in lines 15, 16, and 17 that were received from a "disqualified person," prepare a list for your records to show the name of, and total amounts received in each year from, each "disqualified person." Do not file this list with your return. Enter the sum of such amounts for each year N/A	(2005)	(2004)	(2003)	(2002)	
b For any amount included in line 17 that was received from each person (other than "disqualified persons"), prepare a list for your records to show the name of, and amount received for each year, that was more than the larger of (1) the amount on line 25 for the year or (2) \$5,000. (Include in the list organizations described in lines 5 through 11b, as well as individuals.) Do not file this list with your return. After computing the difference between the amount received and the larger amount described in (1) or (2), enter the sum of these differences (the excess amounts) for each year N/A	(2005)	(2004)	(2003)	(2002)	
c Add Amounts from column (e) for lines 15 16 17 20 21					27c N/A
d Add Line 27a total and line 27b total					27d N/A
e Public support (line 27c total minus line 27d total)					27e N/A
f Total support for section 509(a)(2) test. Enter amount on line 23, column (e)					27f N/A
g Public support percentage (line 27e (numerator) divided by line 27f (denominator))					27g N/A %
h Investment income percentage (line 18, column (e) (numerator) divided by line 27f (denominator))					27h N/A %

28 Unusual Grants: For an organization described in line 10, 11, or 12 that received any unusual grants during 2002 through 2005, prepare a list for your records to show, for each year, the name of the contributor, the date and amount of the grant, and a brief description of the nature of the grant. Do not file this list with your return. Do not include these grants in line 15.

Part V Private School Questionnaire (See page 9 of the instructions)

N/A

(To be completed ONLY by schools that checked the box on line 6 in Part IV)

		Yes	No
29	Does the organization have a racially nondiscriminatory policy toward students by statement in its charter, bylaws, other governing instrument, or in a resolution of its governing body?		
30	Does the organization include a statement of its racially nondiscriminatory policy toward students in all its brochures, catalogues, and other written communications with the public dealing with student admissions, programs, and scholarships?		
31	Has the organization publicized its racially nondiscriminatory policy through newspaper or broadcast media during the period of solicitation for students, or during the registration period if it has no solicitation program, in a way that makes the policy known to all parts of the general community it serves? If "Yes," please describe, if "No," please explain (If you need more space, attach a separate statement) _____ _____ _____		
32	Does the organization maintain the following		
a	Records indicating the racial composition of the student body, faculty, and administrative staff?	32a	
b	Records documenting that scholarships and other financial assistance are awarded on a racially nondiscriminatory basis?	32b	
c	Copies of all catalogues, brochures, announcements, and other written communications to the public dealing with student admissions, programs, and scholarships?	32c	
d	Copies of all material used by the organization or on its behalf to solicit contributions? If you answered "No" to any of the above, please explain (If you need more space, attach a separate statement) _____ _____	32d	
33	Does the organization discriminate by race in any way with respect to		
a	Students' rights or privileges?	33a	
b	Admissions policies?	33b	
c	Employment of faculty or administrative staff?	33c	
d	Scholarships or other financial assistance?	33d	
e	Educational policies?	33e	
f	Use of facilities?	33f	
g	Athletic programs?	33g	
h	Other extracurricular activities? If you answered "Yes" to any of the above, please explain (If you need more space, attach a separate statement) _____ _____	33h	
34 a	Does the organization receive any financial aid or assistance from a governmental agency?	34a	
b	Has the organization's right to such aid ever been revoked or suspended? If you answered "Yes" to either 34a or b, please explain using an attached statement	34b	
35	Does the organization certify that it has complied with the applicable requirements of sections 4 01 through 4 05 of Rev Proc 75-50, 1975-2 C B 587, covering racial nondiscrimination? If "No," attach an explanation	35	

Part VI-A Lobbying Expenditures by Electing Public Charities (See page 10 of the instructions)

N/A

(To be completed ONLY by an eligible organization that filed Form 5768)

Check **a** if the organization belongs to an affiliated group Check **b** if you checked "a" and "limited control" provisions apply

Limits on Lobbying Expenditures

(The term "expenditures" means amounts paid or incurred)

	(a) Affiliated group totals	(b) To be completed for all electing organizations
	N/A	
36 Total lobbying expenditures to influence public opinion (grassroots lobbying)	36	
37 Total lobbying expenditures to influence a legislative body (direct lobbying)	37	
38 Total lobbying expenditures (add lines 36 and 37)	38	
39 Other exempt purpose expenditures	39	
40 Total exempt purpose expenditures (add lines 38 and 39)	40	
41 Lobbying nontaxable amount Enter the amount from the following table -		
If the amount on line 40 is -		
Not over \$500,000		
Over \$500,000 but not over \$1,000,000		
Over \$1,000,000 but not over \$1,500,000		
Over \$1,500,000 but not over \$17,000,000		
Over \$17,000,000		
The lobbying nontaxable amount is -		
20% of the amount on line 40		
\$100,000 plus 15% of the excess over \$500,000		
\$175,000 plus 10% of the excess over \$1,000,000		
\$225,000 plus 5% of the excess over \$1,500,000		
\$1,000,000		
42 Grassroots nontaxable amount (enter 25% of line 41)	42	
43 Subtract line 42 from line 36 Enter -0- if line 42 is more than line 36	43	
44 Subtract line 41 from line 38 Enter -0- if line 41 is more than line 38	44	

Caution If there is an amount on either line 43 or line 44, you must file Form 4720

4-Year Averaging Period Under Section 501(h)

(Some organizations that made a section 501(h) election do not have to complete all of the five columns below See the instructions for lines 45 through 50 on page 13 of the instructions)

Calendar year (or fiscal year beginning in)	Lobbying Expenditures During 4-Year Averaging Period				N/A (e) Total
	(a) 2006	(b) 2005	(c) 2004	(d) 2003	
45 Lobbying nontaxable amount					0.
46 Lobbying ceiling amount (150% of line 45(e))					0.
47 Total lobbying expenditures					0.
48 Grassroots nontaxable amount					0.
49 Grassroots ceiling amount (150% of line 48(e))					0.
50 Grassroots lobbying expenditures					0.

Part VI-B Lobbying Activity by Nonelecting Public Charities

(For reporting only by organizations that did not complete Part VI-A) (See page 13 of the instructions)

N/A

During the year, did the organization attempt to influence national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of

- a Volunteers
- b Paid staff or management (Include compensation in expenses reported on lines c through h)
- c Media advertisements
- d Mailings to members, legislators, or the public
- e Publications, or published or broadcast statements
- f Grants to other organizations for lobbying purposes
- g Direct contact with legislators, their staffs, government officials, or a legislative body
- h Rallies, demonstrations, seminars, conventions, speeches, lectures, or any other means
- i Total lobbying expenditures (Add lines c through h.)

Yes	No	Amount
		0.

If "Yes" to any of the above, also attach a statement giving a detailed description of the lobbying activities

FORM 990 SPECIAL EVENTS AND ACTIVITIES STATEMENT 1

DESCRIPTION OF EVENT	GROSS RECEIPTS	CONTRIBUT. INCLUDED	GROSS REVENUE	DIRECT EXPENSES	NET INCOME
FASHION SHOW	39,739.		39,739.	12,965.	26,774.
TO FM 990, PART I, LINE 9	39,739.		39,739.	12,965.	26,774.

FORM 990 OTHER CHANGES IN NET ASSETS OR FUND BALANCES STATEMENT 2

DESCRIPTION	AMOUNT
BOOK TO TAX BASIS ADJUSTMENT INCLUDING PRIOR YEAR	<63,025.>
TOTAL TO FORM 990, PART I, LINE 20	<63,025.>

FORM 990 OTHER EXPENSES STATEMENT 3

DESCRIPTION	(A) TOTAL	(B) PROGRAM SERVICES	(C) MANAGEMENT AND GENERAL	(D) FUNDRAISING
MANAGEMENT FEES	20,846.	16,677.	4,169.	
UTILITIES	39,019.	39,019.		
EXTERMINATING	2,120.	2,120.		
TRASH REMOVAL	10,673.	10,673.		
OPERATING EXPENSES	8,303.	8,303.		
REPAIRS & MAINTENANCE	82,473.	82,473.		
INSURANCE	16,754.	14,897.	1,857.	
MISCELLANEOUS	8,843.	5,979.	2,864.	
SNOW REMOVAL	2,104.	2,104.		
PAINT/DECORATING	2,888.	2,888.		
BANK CHARGES	6.	6.		
FAMILY DEVELOPMENT	37,214.	37,214.		
ADVERTISING	1,770.	1,416.		354.
TOTAL TO FM 990, LN 43	233,013.	223,769.	8,890.	354.

FORM 990	CASH GRANTS AND ALLOCATIONS TO OTHERS	STATEMENT	4
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CLASS OF ACTIVITY/DONEE'S NAME AND ADDRESS	AMOUNT
WILLISVILLE PROJECT - PAID TO CONTRACTOR TO PROVIDE INDOOR PLUMBING TO RESIDENTS OF VILLAGE OF WILLISVILLES, LOUDOUN COUNTY, VIRGINIA MIDDLEBURG, VA 20118	220,000.
TOTAL INCLUDED ON FORM 990, PART II, LINE 22B	220,000.

FORM 990	STATEMENT OF ORGANIZATION'S PRIMARY EXEMPT PURPOSE PART III	STATEMENT	5
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EXPLANATION

THE ORGANIZATION PROVIDES SUBSIDIZED HOUSING FOR LOW INCOME FAMILIES.

FORM 990	OTHER ASSETS	STATEMENT	6
DESCRIPTION	AMOUNT		
DUE FROM LEVIS HILL HOUSE, LLC INVESTMENT IN WHF-I, INC.	337,013. 193,986.		
TOTAL TO FORM 990, PART IV, LINE 58, COLUMN B	530,999.		

FORM 990	MORTGAGES PAYABLE	STATEMENT	7
DESCRIPTION	BALANCE DUE		
THE MIDDLEBURG BANK RECD (US GOVT) VIRGINIA WATER PROJECT	1,478,327. 1,179,481. 11,067.		
TOTAL INCLUDED ON FORM 990, PART IV, LINE 64B, COLUMN B	2,668,875.		

FORM 990	OTHER LIABILITIES	STATEMENT	8
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<u>DESCRIPTION</u>	<u>AMOUNT</u>
PREPAID RENTS	1,418.
SECURITY DEPOSITS	12,736.
STATE PAYROLL TAXES	380.
TOTAL TO FORM 990, PART IV, LINE 65, COLUMN B	14,534.

FORM 990	OTHER SECURITIES	STATEMENT	9
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<u>SECURITY DESCRIPTION</u>	<u>COST/FMV</u>	<u>OTHER SECURITIES</u>
MORGAN STANLEY - LIQUID ASSETS	COST	189,515.
TO FORM 990, LINE 54B, COL B		189,515.

FORM 990 PART V-A - LIST OF CURRENT OFFICERS, DIRECTORS, TRUSTEES AND KEY EMPLOYEES STATEMENT 10

NAME AND ADDRESS	TITLE AND AVRG HRS/WK	COMPEN- SATION	EMPLOYEE BEN PLAN CONTRIB	EXPENSE ACCOUNT
THOMAS S. DODSON P.O. BOX 1593 MIDDLEBURG, VA	VICE PRESIDENT 5.00	0.	0.	0.
ROBERT B. DALE, III P.O. BOX 1593 MIDDLEBURG, VA	TREASURER 3.00	0.	0.	0.
JUDY WASHBURN P.O. BOX 1593 MIDDLEBURG, VA	SECRETARY 3.00	0.	0.	0.
MARY JO JACKSON P.O. BOX 1593 MIDDLEBURG, VA	DIRECTOR 1.00	0.	0.	0.
REGGIE DAWSON P.O. BOX 1593 MIDDLEBURG, VA	DIRECTOR 1.00	0.	0.	0.
GEORGE LENGAUER P.O. BOX 1593 MIDDLEBURG, VA	DIRECTOR 1.00	0.	0.	0.
PETER NICOLL P.O. BOX 1593 MIDDLEBURG, VA	BOOKKEEPER 3.00	0.	0.	0.
ANN NORTHRUP P.O. BOX 1593 MIDDLEBURG, VA	DIRECTOR 1.00	0.	0.	0.
JOSEPH L. BOLING P.O. BOX 1593 MIDDLEBURG, VA	PRESIDENT 20.00	0.	0.	0.
TOTALS INCLUDED ON FORM 990, PART V-A		0.	0.	0.

SCHEDULE A

EXPLANATION OF TRANSACTIONS
PART III, LINE 2C

STATEMENT 13

YOUNT, HYDE & BARBOUR, P.C., A CPA FIRM, PREPARES THE ANNUAL TAX RETURNS FOR THE ORGANIZATION. ROBERT B. DALE, III, THE TREASURER OF THE ORGANIZATION, IS A PRINCIPAL IN YOUNT, HYDE & BARBOUR, P.C.

SCHEDULE A	OTHER INCOME			STATEMENT 14
DESCRIPTION	2005 AMOUNT	2004 AMOUNT	2003 AMOUNT	2002 AMOUNT
MISCELLANEOUS	33,326.	771.	3,784.	6,029.
TOTAL TO SCHEDULE A, LINE 22	33,326.	771.	3,784.	6,029.

**WINDY HILL FOUNDATION, INC.
MIDDLEBURG, VIRGINIA
DATA FOR 2006 FORM 990
54-1244012**

PART VII, ANALYSIS OF INCOME-PRODUCING ACTIVITIES, LINE 103B, COLUMN E:

GROSS RECEIPTS OR SALES	624,919	
LESS: COST OF GOODS SOLD	<u>(625,812)</u>	
GROSS PROFIT		(893)
LESS: OTHER DEDUCTIONS:		
ADVERTISING	1,000	
BANK SERVICE CHARGES	20	
INSURANCE	1,025	
LEGAL FEES	4,120	
LICENSES AND FEES	20	
SUPPLIES	<u>121</u>	
TOTAL OTHER DEDUCTIONS		<u>(6,306)</u>
NET INCOME (LOSS)		<u><u>(7,199)</u></u>

**WINDY HILL FOUNDATION, INC.
MIDDLEBURG, VIRGINIA
DATA FOR 2006 FORM 990
54-1244012**

PART IV, BALANCE SHEETS, LINE 57, COLUMN B:

Land, Buildings, & Equipment

	<u>Cost</u>	<u>Replacement Reserve</u>	<u>Ending Acc Res</u>	<u>Net Book Value</u>
Land	106,451			106,451
Buildings	6,053,422	27,472	313,900	5,739,522
Equipment & Furnishings	5,544		5,544	0
	<u>6,165,417</u>	<u>27,472</u>	<u>319,444</u>	<u>5,845,973</u>

Application for Extension of Time To File an Exempt Organization Return

▶ File a separate application for each return.

- If you are filing for an **Automatic 3-Month Extension**, complete only **Part I** and check this box
 - If you are filing for an **Additional (not automatic) 3-Month Extension**, complete only **Part II** (on page 2 of this form).
- Do not complete **Part II** unless you have already been granted an automatic 3-month extension on a previously filed Form 8868.

Part I Automatic 3-Month Extension of Time. Only submit original (no copies needed).

Section 501(c)(3) corporations required to file Form 990-T and requesting an automatic 6-month extension - check this box and complete Part I only

All other corporations (including 1120-C filers), partnerships, REMICs, and trusts must use Form 7004 to request an extension of time to file income tax returns.

Electronic Filing (e-file). Generally, you can electronically file Form 8868 if you want a 3-month automatic extension of time to file one of the returns noted below (6 months for section 501(c)(3) corporations required to file Form 990-T). However, you cannot file Form 8868 electronically if (1) you want the additional (not automatic) 3-month extension or (2) you file Forms 990-BL, 6069, or 8870, group returns, or a composite or consolidated Form 990-T. Instead, you must submit the fully completed and signed page 2 (Part II) of Form 8868. For more details on the electronic filing of this form, visit www.irs.gov/efile and click on e-file for Charities & Nonprofits.

Type or print	Name of Exempt Organization WINDY HILL FOUNDATION, INC	Employer identification number 54-1244012
File by the due date for filing your return. See instructions.	Number, street, and room or suite no. If a P.O. box, see instructions. P O BOX 1593	
	City, town or post office, state, and ZIP code. For a foreign address, see instructions. MIDDLEBURG, VA 20118-1593	

Check type of return to be filed (file a separate application for each return):

- | | | |
|--|--|------------------------------------|
| <input checked="" type="checkbox"/> Form 990 | <input type="checkbox"/> Form 990-T (corporation) | <input type="checkbox"/> Form 4720 |
| <input type="checkbox"/> Form 990-BL | <input type="checkbox"/> Form 990-T (sec 401(a) or 408(a) trust) | <input type="checkbox"/> Form 5227 |
| <input type="checkbox"/> Form 990-EZ | <input type="checkbox"/> Form 990-T (trust other than above) | <input type="checkbox"/> Form 6069 |
| <input type="checkbox"/> Form 990-PF | <input type="checkbox"/> Form 1041-A | <input type="checkbox"/> Form 8870 |

- The books are in the care of ▶ **ROBERT B. DALE, III**
Telephone No. ▶ **(540) 687-6381** FAX No. ▶ _____
- If the organization does not have an office or place of business in the United States, check this box
- If this is for a Group Return, enter the organization's four digit Group Exemption Number (GEN) _____. If this is for the whole group, check this box . If it is for part of the group, check this box and attach a list with the names and EINs of all members the extension will cover.

1 I request an automatic 3-month (6-months for a section 501(c)(3) corporation required to file Form 990-T) extension of time until **AUGUST 15, 2007**, to file the exempt organization return for the organization named above. The extension is for the organization's return for:
▶ calendar year **2006** or
▶ tax year beginning _____, and ending _____.

2 If this tax year is for less than 12 months, check reason: Initial return Final return Change in accounting period

3a If this application is for Form 990-BL, 990-PF, 990-T, 4720, or 6069, enter the tentative tax, less any nonrefundable credits. See instructions.	3a	\$	
b If this application is for Form 990-PF or 990-T, enter any refundable credits and estimated tax payments made. Include any prior year overpayment allowed as a credit.	3b	\$	
c Balance Due. Subtract line 3b from line 3a. Include your payment with this form, or, if required, deposit with FTD coupon or, if required, by using EFTPS (Electronic Federal Tax Payment System). See instructions.	3c	\$	N/A

Caution. If you are going to make an electronic fund withdrawal with this Form 8868, see Form 8453-EO and Form 8879-EO for payment instructions.

YOUNT, HYDE & BARBOUR, P.C., CPA 540-687-6381
P.O. BOX 487, MIDDLEBURG, VA 20118