

**LONGWOOD FOUNDATION, INC.**

**FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2017  
WITH COMPARATIVE TOTALS  
FOR YEAR ENDED SEPTEMBER 30, 2016**

**WITH  
INDEPENDENT AUDITOR'S REPORT**

*Great advice. Great people.*

Independent Auditor's Report

Board of Trustees  
Longwood Foundation, Inc.  
Wilmington, Delaware

We have audited the accompanying financial statements of Longwood Foundation, Inc. (the "Foundation"), which comprise the statement of financial position as of September 30, 2017, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 Longwood Foundation, Inc. as of September 30, 2017, and the changes in its net assets, functional expenses and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matter***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedule of Contributions, Appropriations and Expenditures on pages 18 - 20 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

### ***Report on Summarized Comparative Information***

We have previously audited the Foundation's 2016 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated February 3, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.



---

Certified Public Accountants

March 16, 2018

**LONGWOOD FOUNDATION, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**SEPTEMBER 30, 2017 WITH COMPARATIVE**  
**TOTALS FOR SEPTEMBER 30, 2016**

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 251,968	\$ 1,433,283
Prepaid excise taxes	506,956	835,560
Investment securities - at fair value:		
Stocks (cost \$41,727,751)	51,187,093	7,836,235
Short-term deposits (cost \$1,588,309)	1,588,309	31,646,891
Global equity funds - limited partnerships (cost \$107,098,571)	134,991,344	147,762,869
Mutual fund shares (cost \$394,509,567)	498,956,270	447,297,030
Contributions and other receivables (remainder trusts)	365,540	266,402
<b>TOTAL ASSETS</b>	<u><u>\$ 687,847,480</u></u>	<u><u>\$ 637,078,270</u></u>
 <b>LIABILITIES AND NET ASSETS</b>		
Accounts payable and accrued liabilities	\$ 134,923	\$ 76,904
Unpaid grants	21,046,410	41,239,201
Actuarial pension liability	230,507	688,878
<b>TOTAL LIABILITIES</b>	<u>21,411,840</u>	<u>42,004,983</u>
 Unrestricted	666,218,162	594,854,509
Temporarily restricted	217,478	218,778
<b>TOTAL NET ASSETS</b>	<u>666,435,640</u>	<u>595,073,287</u>
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 687,847,480</u></u>	<u><u>\$ 637,078,270</u></u>

See accompanying notes

**LONGWOOD FOUNDATION, INC.**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**YEAR ENDED SEPTEMBER 30, 2017**  
**WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	2017			2016
	Unrestricted	Temporarily Restricted	Foundation Total	Totals
<b>REVENUES AND OTHER SUPPORT:</b>				
Dividends and interest	\$ 15,389,008	\$ -	\$ 15,389,008	\$ 10,003,471
Annuity income	-	-	-	11,300
Accelerate Delaware event income	8,943	-	8,943	27,071
Total revenues and other support	<u>15,397,951</u>	<u>-</u>	<u>15,397,951</u>	<u>10,041,842</u>
<b>EXPENSES:</b>				
Grants approved (net grants rescinded of \$288,255 during the year ended September 30, 2017)	21,573,231	-	21,573,231	23,095,989
Program expenses	333,624	-	333,624	311,339
Management and general	1,799,645	1,300	1,800,945	1,595,267
Investment expenses	3,867,150	-	3,867,150	3,257,838
Federal excise tax	328,604	-	328,604	131,522
Total expenses	<u>27,902,254</u>	<u>1,300</u>	<u>27,903,554</u>	<u>28,391,955</u>
Change in net assets from operations	<u>(12,504,303)</u>	<u>(1,300)</u>	<u>(12,505,603)</u>	<u>(18,350,113)</u>
Other changes in net assets:				
Net unrealized and realized gains on investments	83,409,585	-	83,409,585	53,593,686
Change in value - pension plan liability	458,371	-	458,371	177,729
Total other changes	<u>83,867,956</u>	<u>-</u>	<u>83,867,956</u>	<u>53,771,415</u>
<b>CHANGE IN NET ASSETS</b>	<u>71,363,653</u>	<u>(1,300)</u>	<u>71,362,353</u>	<u>35,421,302</u>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>594,854,509</u>	<u>218,778</u>	<u>595,073,287</u>	<u>559,651,985</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 666,218,162</u>	<u>\$ 217,478</u>	<u>\$ 666,435,640</u>	<u>\$ 595,073,287</u>

**LONGWOOD FOUNDATION, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED SEPTEMBER 30, 2017**  
**WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	<u>2017</u>	<u>2016</u>
<b>MANAGEMENT AND GENERAL</b>		
Salaries	\$ 751,833	\$ 740,749
Employee benefits	212,619	202,527
Office rent	74,321	63,078
Payroll taxes	42,856	40,194
Insurance	12,044	16,998
Miscellaneous	74,225	61,158
Accounting	25,175	27,783
Supplies and equipment	21,596	19,597
Legal	3,515	4,596
Computer consultant fees	43,474	68,269
Computer equipment	3,123	1,791
Computer services	1,032	1,647
Management consultants	235,132	71,880
Payments into pension plan	300,000	275,000
	<hr/>	<hr/>
<b>TOTAL EXPENSES</b>	<b><u>\$ 1,800,945</u></b>	<b><u>\$ 1,595,267</u></b>

**LONGWOOD FOUNDATION, INC.**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED SEPTEMBER 30, 2017**  
**WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	<u>2017</u>	<u>2016</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Interest and dividends received	\$ 15,389,008	\$ 10,003,471
Cash received from annuity and program	8,943	38,371
Grants paid	(41,766,022)	(29,597,233)
Program expenses	(333,624)	(311,339)
Management and general expenses	(1,842,064)	(1,540,661)
Interest paid	-	-
Investment management fees	(3,867,150)	(3,257,838)
Federal excise and income tax paid	-	(910,000)
Net cash used by operating activities	<u>(32,410,909)</u>	<u>(25,575,229)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from security sales	160,297,689	58,799,465
Cost of security purchases	(129,068,095)	(31,976,229)
Net cash provided by investing activities	<u>31,229,594</u>	<u>26,823,236</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from line of credit	-	-
Repayment of line of credit	-	-
Net cash provided by financing activities	<u>-</u>	<u>-</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	(1,181,315)	1,248,007
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>1,433,283</u>	<u>185,276</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u><u>\$ 251,968</u></u>	<u><u>\$ 1,433,283</u></u>
<b>RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH USED BY OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 71,362,353	\$ 35,421,302
Adjustment to reconcile change in net assets to net cash used by operating activities:		
Net unrealized and realized gains on investments	(83,409,585)	(53,593,686)
(Increase) decrease in:		
Prepaid excise taxes	328,604	(778,478)
Contributions and other receivables (remainder trusts)	(99,138)	(18,157)
Increase (decrease) in:		
Accounts payable and accrued liabilities	58,019	72,763
Unpaid grants	(20,192,791)	(6,501,244)
Actuarial pension liability	(458,371)	(177,729)
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<u><u>\$ (32,410,909)</u></u>	<u><u>\$ (25,575,229)</u></u>

See accompanying notes

**LONGWOOD FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**The Foundation**

Longwood Foundation, Inc. (the “Foundation”) is a nonprofit private foundation operated exclusively for charitable, educational, religious, scientific, literary, and public safety purposes. The Foundation provides grants to other nonprofit organizations, primarily in the 50-mile area surrounding Wilmington, Delaware. The income of the Foundation is primarily investment income derived from previous contributions.

**Income Recognition**

Interest on bonds, notes and short-term deposits is recorded as revenue when earned. Dividends on stocks are recorded as of the date the dividends are paid.

Realized gains or losses on security transactions are determined principally using the cost or adjusted tax basis on the first-in, first-out (FIFO) or specific identification method.

**Investments**

Investments in marketable securities with readily determinable fair values and all investments in debt securities are carried at quoted market values in the statement of financial position. Unrealized gains and losses for the year are included in the statement of activities. Security transactions are recorded as of the date of trade.

**Fair Value Hierarchy**

FASB ASC 820-10 establishes a fair value hierarchy and specifies that a valuation technique used to measure fair value shall maximize the use of observable inputs and minimize the use of unobservable inputs. The objective of a fair value measurement is to determine the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). Accordingly, the fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under FASB ASC 820-10 are described below:

**Level 1** -Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

**Level 2** -Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly;

**Level 3** -Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.



**LONGWOOD FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Taxes**

The Foundation is a tax-exempt private foundation as defined in Internal Revenue Code Section 501(c)(3); accordingly, excise taxes are provided at the applicable rate (2% or 1%) of defined net investment income. Under certain circumstances, the Foundation is also subject to other taxes, among which is a tax on annual distributable income, as defined, not distributed within a specified period or not offset by excess distributions of the five preceding fiscal years. At September 30, 2017, the Foundation had no amount required to be distributed prior to September 30, 2018 in order to avoid punitive taxes. The Foundation had accumulated \$9,320,246 excess qualifying distributions to satisfy future distribution requirements.

**Use of Estimates**

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

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Foundation considers all funds in checking and imprest accounts to be cash or cash equivalents. Highly liquid investment balances held as a part of an investment portfolio are considered to be investments for financial statement purposes.

**Allowance for Uncollectible Promises**

No allowance for uncollectible contributions has been made. Management estimates that all contributions will be collected.

**LONGWOOD FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Capitalization Policy**

The Foundation does not capitalize furniture and equipment. Total value of the furniture and equipment is immaterial to the financial statements.

**Prior Year Information**

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended September 30, 2016, from which the summarized information was derived.

**CONTRIBUTIONS RECEIVABLE**

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted, depending on the existence or nature of any donor restrictions. Contributions that are temporarily restricted are reclassified to unrestricted net assets upon expiration of the donor restrictions.

The Foundation is the beneficiary of five trusts. All are charitable remainder trusts under which the Foundation will receive the assets held in the trust upon the death of the income beneficiaries.

Three of the five income beneficiaries of the trusts are currently being paid from annuities purchased for that purpose. The Foundation recognized \$11,300 of income from two of the trusts during the year ended September 30, 2016. While the Foundation may be entitled to a remainder interest in the other annuities under certain conditions, no amount has been recorded on the financial statements to reflect that remote possibility.

Aside from the annuities, the trusts have cash equivalent balances held in the amount of \$217,478 at September 30, 2017. A share of this balance will be due to the Foundation upon the passing of each of the remaining beneficiaries. This amount has been recorded as a temporarily restricted contribution receivable.

Changes in the value of the trust assets are recognized as contribution income or operating expense in the temporarily restricted fund each year until the trust assets are received. There was a decrease of \$1,300 in the value of the remaining trust assets for the year ended September 30, 2017 due to a payment of administrative fees.

**LONGWOOD FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**INVESTMENTS**

Investments are recorded at fair value. The cost and fair values at September 30, 2017 were:

	Cost	Fair Value	Unrealized Appreciation (Depreciation)
<b>Level 1 Valuation:</b>			
Short-term deposits	\$ 1,588,309	\$ 1,588,309	\$ -
E.I. du Pont Common Stock	2,605,957	9,911,452	7,305,495
AJO Managed Volatility	39,121,794	41,275,641	2,153,847
State Street S&P 500 ETF	67,046,556	105,774,127	38,727,571
Dodge & Cox Intl	34,191,085	44,652,260	10,461,175
T. Rowe Price Global Large Cap	59,130,171	86,731,869	27,601,698
Vanguard Total Bond Fund	26,070,859	25,579,545	(491,314)
Vanguard Admiral Fund	17,462,114	17,289,120	(172,994)
Vanguard Div Growth	33,222,864	44,307,614	11,084,750
Total Level 1	\$ 280,439,709	\$ 377,109,937	\$ 96,670,228
<b>NAV Valuation:</b>			
Winton Futures Fund	\$ 19,579,390	\$ 21,861,260	\$ 2,281,870
IDG China Venture Fund 5	60,000	60,000	-
Sanderson International Value Fund	32,186,743	35,625,250	3,438,507
Discovery Equity Partners	5,300,000	12,175,360	6,875,360
Kiltearn Global Equity Fund	35,052,203	36,913,272	1,861,069
Harvest MLP Income Fund III (See Note Below)	41,111,430	33,124,310	(7,987,120)
Baillie Gifford Long Term Global Growth	29,456,152	47,097,643	17,641,491
Riverstone Global Energy & Power Fund V, LP	4,962,791	5,051,830	89,039
Summit Partners Growth Equity Partners IX-A	424,500	566,504	142,004
Carlyle Partners 6, LP	6,221,605	7,841,750	1,620,145
Carlyle Partners 4, LP	2,704,830	4,102,079	1,397,249
Focused Investor, LP	31,907,065	43,459,502	11,552,437
IDG China Venture Fund 4, LP	3,990,973	5,281,204	1,290,231
IDG China Venture Fund 3, LP	2,672,752	2,796,401	123,649
Meritech Capital Partners V, LP	3,399,574	3,626,283	226,709
Renaissance Alpha Fund	20,500,000	20,500,000	-
Marcus Capital Partners	1,058,113	1,157,441	99,328
Centerbridge Credit Partners Offshore Ltd.	10,978,090	11,894,409	916,319
Commonfund Global Distressed	4,946,722	2,318,974	(2,627,748)
Commonfund Private Equity 8	2,713,216	4,488,312	1,775,096
Commonfund Venture Partners 9	1,996,654	5,018,410	3,021,756
Commonfund International Partners 7	3,261,686	4,652,885	1,391,199
Total investments measured at NAV	\$ 264,484,489	\$ 309,613,079	\$ 45,128,590
 Total Investments at Fair Market Value	 \$ 544,924,198	 \$ 686,723,016	 \$ 141,798,818

**LONGWOOD FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**INVESTMENTS (CONTINUED)**

As required by FASB ASC 820-10, investments are classified within the level of the lowest significant input considered in determining fair value. In evaluating the level at which the Foundation's investments have been classified, management has assessed factors including, but not limited to price transparency, subscription activity, redemption activity and the existence or absence of certain restrictions. All of the Foundation's investments valued using Level 1 inputs are based on unadjusted quoted market prices within active markets.

Note: The Foundation has invested in Harvest MLP Income Fund III through an annuity structure with Lombard International for tax purposes. The Foundation's investment is not believed to be subject to significant additional risk or liquidity restrictions and the valuation is based entirely on the value of the underlying Harvest position.

**COMMITMENTS**

Fair value measurements of investments that are measured at net asset value per share as a practical expedient on a recurring or nonrecurring basis have the following commitments and restrictions or conditions of redemption as of September 30, 2017:

	Fair Value	Outstanding Capital Commitments	Redemption Frequency (If currently eligible)	Redemption Notice Period
Commonfund Global Distressed	\$ 2,318,974	\$ 2,000,000	private equity, non marketable	n/a
Commonfund International Partners 7	4,652,885	1,300,000	private equity, non marketable	n/a
Commonfund Venture Partners 9	5,018,410	200,000	private equity, non marketable	n/a
Commonfund Private Equity 8	4,488,312	2,100,000	private equity, non marketable	n/a
Riverstone Global Energy & Power Fund V, LP	5,051,830	-	private equity, non marketable	n/a
Carlyle Partners 6, LP	7,841,750	800,000	private equity, non marketable	n/a
Carlyle Partners 4, LP	4,102,079	1,700,000	private equity, non marketable	n/a
Meritech Capital Partners V, LP	3,626,283	1,300,000	private equity, non marketable	n/a
IDG China Venture Fund 4, LP	5,281,204	800,000	private equity, non marketable	n/a
IDG China Venture Fund 3, LP	2,796,401	2,200,000	private equity, non marketable	n/a
Centerbridge Credit Partners Offshore, Ltd.	11,894,409	-	private equity, non marketable	n/a
Marcus Capital Fund Partners 2, LP	1,157,441	3,800,000	private equity, non marketable	n/a
Winton Futures Fund	21,861,260	-	private equity, non marketable	n/a
IDG China Venture Fund V	60,000	1,940,000	private equity, non marketable	n/a
Sanderson International Value Fund	35,625,250	-	private equity, non marketable	n/a
Discovery Equity Partners	12,175,360	-	private equity, non marketable	n/a
Kiltearn Global Equity Fund	36,913,272	-	private equity, non marketable	n/a
Harvest MLP Income Fund III	33,124,310	-	annuity structure, non marketable	n/a
Baillie Gifford Long Term Global Growth	47,097,643	-	private equity, non marketable	n/a
Summit Partners Growth Equity Fund IX-A	566,504	2,600,000	private equity, non marketable	n/a
Focused Investor, LP	43,459,502	-	private equity, non marketable	n/a
Brahman Partners IV, LP	20,500,000	-	private equity, non marketable	n/a
Carlyle Asia Partners V	-	5,000,000		
Flagship Pioneering Fund VI	-	2,000,000		
	<u>\$ 309,613,079</u>	<u>\$ 27,740,000</u>		

**LONGWOOD FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**ENDOWMENT MANAGEMENT**

The Foundation's endowment includes only assets that were derived from the original gifts which established the Foundation and the net assets are not considered to be restricted beyond the overall charitable purpose of the Foundation under FASB ASC 958-205.

As a Delaware corporation, the Foundation is subject to the Delaware-enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). In accordance with the standards of prudence prescribed by UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate endowment funds:

1. The duration and preservation of the endowment
2. The Foundation's mission and purpose
3. General economic conditions
4. The possible effect of inflation or deflation
5. The expected total return from income and appreciation of investments
6. The Foundation's other resources
7. The Foundation's investment policies
8. IRS regulations governing required distributions

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding for grants while seeking to maintain the long-term purchasing power of the endowment assets. Under these policies, professional investment managers are utilized and the assets are invested in a manner that is intended to maintain the current level of financial support while assuming a moderate level of investment risk.

The Foundation expects that its endowment funds, over time, to provide an average rate of return of at least 8% annually. Actual rates in any given year may vary from this amount.

**PENSION PLAN**

The Foundation has a noncontributory defined benefit pension plan covering substantially all employees. The benefits are based on years of service and the employees' average compensation during the three consecutive calendar years in which the average was highest. The Entry Age Normal Actuarial Cost Method is used to determine contributions to the plan and the Projected Unit Credit Cost Method is used to determine pension expense.

**LONGWOOD FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**PENSION PLAN (CONTINUED)**

The annual measurement date is September 30 for pension benefits. The following table sets forth the Plan's funded status and non-current liability recognized in the Statement of Financial Position at September 30, 2017:

Projected benefit obligation for services rendered to date	\$ 3,213,087
Plan assets at fair value	<u>2,982,580</u>
Funded status at September 30, 2017	<u><u>\$ (230,507)</u></u>

Amounts recognized in the Statement of Activities and Changes in Net Assets for the year ended September 30, 2017 includes the following components:

Payments from the Foundation into the Plan: \$300,000.

Change in the Plan's Funded Status based on actuarial calculations: \$0.

As allowed under FASB ASC 958-715, the Foundation does not recognize an intermediate measure of pension expense and the entire amount of the change in the Plan's funded status is recognized in the change in net assets for the current year.

The accumulated benefit obligation for the pension plan was \$2,959,058 at September 30, 2017.

The following table sets forth the Plan's net periodic benefit cost for the year ended September 30, 2017:

Service cost	\$ 112,544
Interest cost	134,750
Expected return on plan assets	(165,624)
Net amortization	<u>111,733</u>
Net periodic pension cost	<u><u>\$ 193,403</u></u>

**LONGWOOD FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**PENSION PLAN (CONTINUED)**

Assumptions used in determining the benefits, cost, and funded status of the Plan were as follows:

Weighted-average assumptions used to determine net periodic benefit cost at September 30, 2017:

Discount rate for net periodic benefit cost	4.50%
Rate of increase in compensation levels	4.00%
Expected long-term rate of return on assets	6.50%

Weighted-average assumptions used to determine benefit obligations at September 30, 2017:

Discount rate on benefit obligation	4.50%
Rate of increase in compensation levels	4.00%

The Foundation's expected rate of return on plan assets is determined by the plan assets' historical long-term investment performance, current asset allocation, and estimates of future long-term returns by asset class. The asset class allocations of the Foundation's pension plan at September 30, 2017 were as follows:

Asset Class	Amount	Percentage
Domestic equity mutual funds	\$ 1,255,535	42.1%
International equity funds	595,840	20.0%
Closed end equity mutual funds	549,335	18.4%
International closed end equity funds	513,824	17.2%
Cash	68,046	2.3%
Total	<u>\$ 2,982,580</u>	<u>100.0%</u>

The Foundation's investment strategy is designed to enable the Plan to meet its current annual pension payment obligations, maintain its over-funded status and provide sufficient growth to meet future pension payment obligations. The Foundation's Plan investment asset allocation has been designed to meet this strategy.

All Plan assets are invested in readily marketable debt and equity securities and cash equivalents which are considered to be Level 1 investments under FASB ASC 820-10.

The Foundation does not expect to contribute to the pension plan in fiscal year 2018. No plan assets are expected to be returned to the Foundation during fiscal year 2018.

**LONGWOOD FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**PENSION PLAN (CONTINUED)**

Benefits paid during the year ended September 30, 2017 totaled \$156,424. The following benefit payments are expected to be paid for the years ending September 30:

2018	\$	174,628
2019		174,628
2020		174,628
2021		338,812
2022		338,812
Next 5 years		1,851,728

**LEASE COMMITMENTS**

The Foundation has an office facility lease with a related party, Community Service Building Corporation. The lease expires July 31, 2022. Future minimum lease payments are as follows:

<u>September 30,</u>		
2018	\$	86,846
2019		86,846
2020		86,846
2021		86,846
2022		72,372

Net rent expense for the year ended September 30, 2017 totaled \$74,321. The Foundation sub-rents a portion of its office space. Sub-rental income, which is included in *Office rent* on the Statement of Functional Expenses, for the year ended September 30, 2017 totaled \$10,200. Community Service Building Corporation is related by common board members.

**LINE OF CREDIT GUARANTEE**

Two loans to the Community Education Building were guaranteed by the Foundation. One loan was a fixed loan for \$2,800,000 which matures May 1, 2021 and the other was a line of credit for up to \$7,200,000. These loans are secured by the Foundation's investment accounts.



**LONGWOOD FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**UNPAID GRANTS**

The Board of Trustees approved \$20,436,410 of contributions that were unpaid as of September 30, 2017. Unpaid grants are expected to be paid as follows:

<u>September 30,</u>	
2018	\$ 10,046,410
2019	11,000,000
2020	
2021	-
2022	-
	<u>\$ 21,046,410</u>

**FINANCIAL INSTRUMENTS**

The following methods and assumptions were used by the Foundation to estimate the fair values of financial instruments as disclosed herein:

**Cash Equivalents and Short-term Deposits**

The carrying amount approximates fair value because of the short period to maturity of the instruments.

**Investment Securities**

For all investment securities, the carrying amounts approximate fair value, which is based on quoted market prices. The Foundation's investments are subject to various risks such as interest rate, credit and market risks. The Foundation mitigates its risks by placing its investment assets with several professional investment management firms subject to the Foundation's investment management policy.

**Contributions Receivable**

The fair value of contributions receivable is estimated to be equal to the market value of trust assets and other receivables at September 30, 2017.

**CONCENTRATION OF CREDIT RISK**

The Foundation maintains cash balances at one financial institution. Accounts at this institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. In the normal course of business, the Foundation's balances may exceed this amount. The Foundation considers the possibility of incurring a loss remote.

**LONGWOOD FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**PROGRAM RELATED LOANS**

From time to time, the Foundation will be called upon to support various charitable initiatives which involve charitable loans. The Foundation may count such loans as charitable distributions under certain circumstances which the Foundation believes it has met in every case.

At the time when the loans are made, they are treated in all respects as grants since the possibility and amount of any future economic benefit is uncertain. Although these loans are tracked internally and regular reporting is submitted, no program-related loans appear as assets on the Foundation's statement of financial position at September 30, 2017.

**SUBSEQUENT EVENTS**

The Foundation's management has evaluated events and transactions subsequent to the year end for potential recognition or disclosure in these financial statements. Management has evaluated subsequent events through March 16, 2018, which is the date the financial statements were available to be issued.

**LONGWOOD FOUNDATION, INC.**  
**SUPPLEMENTAL SCHEDULE OF CONTRIBUTIONS,**  
**APPROPRIATIONS AND EXPENDITURES**  
**YEAR ENDED SEPTEMBER 30, 2017**

	Grant Payable at 09/30/16	Amount Approved	Amount Disbursed	Amount Rescinded	Amount Payable at 09/30/17
Longwood Gardens	\$ 33,000,000	\$ -	\$ (22,000,000)	\$ -	\$ 11,000,000
Teach for America	250,000	-	(250,000)	-	-
Leadership Delaware, Inc.	75,000	-	(75,000)	-	-
Jefferson Awards for Public Services	20,000	-	(20,000)	-	-
Kent/Sussex Charter School Project	925,000	-	-	-	925,000
Delaware Shakespeare Festival, Inc.	22,800	-	(22,800)	-	-
Canine Partners for Life	400,000	-	(400,000)	-	-
American Civil Liberties Foundation of Delaware, Inc.	50,000	-	(25,000)	-	25,000
Grand Opera House	565,000	250,000	(715,000)	-	100,000
Delaware Symphony Orchestra	300,000	-	(300,000)	-	-
Delaware Children's Museum	75,000	-	(75,000)	-	-
Delaware Community Foundation - Community Education Building	4,300,000	5,610,000	(1,800,000)	-	8,110,000
St. Anne's Episcopal School	100,000	-	(100,000)	-	-
St. Edmond's Academy	40,000	-	(40,000)	-	-
Connecting Generations, Inc.	100,000	-	(100,000)	-	-
Delaware Center for Justice	75,000	-	(75,000)	-	-
Middletown Odessa Rotary Club Services Foundation	100,000	-	(100,000)	-	-
National Urban Squash and Education Association	100,000	-	(100,000)	-	-
Project New Start, Inc.	41,401	-	(41,401)	-	-
National Development Council	500,000	-	(500,000)	-	-
Delaware Charter School Network	200,000	200,000	(264,325)	(135,675)	-
Wilmington Renaissance Corporation	-	500,000	(500,000)	-	-
First State Innovation	-	150,000	(150,000)	-	-
Center for Effective Philanthropy	-	25,000	(25,000)	-	-
Philanthropy Roundtable	-	25,000	(25,000)	-	-
Fort Miles Historical Association	-	539,250	(539,250)	-	-
Historic Odessa Foundation	-	200,000	(200,000)	-	-
New Castle Historical Society	-	95,490	(95,490)	-	-
Delaware Society for the Preservation of Antiquities	-	47,610	(47,610)	-	-
Friends of Auburn Heights Preserve	-	40,000	(40,000)	-	-
Intercollegiate Studies Institute	-	500,000	(500,000)	-	-
50CAN, Inc.	-	400,000	(400,000)	-	-
Wilmington University	-	100,000	-	(100,000)	-
Gateway Charter School	-	73,566	(27,156)	-	46,410
Brandywine Conservancy and Museum of Art	-	500,000	(500,000)	-	-
Nemours Foundation	-	250,000	(250,000)	-	-
Sussex County Habitat for Humanity	-	400,000	(400,000)	-	-
Interfaith Community Housing of Delaware, Inc.	-	300,000	(300,000)	-	-
Year Up, Inc.	-	400,000	(400,000)	-	-
Gaudenzia, Inc.	-	300,000	(300,000)	-	-
Boys and Girls Clubs of Delaware	-	250,000	(250,000)	-	-
Mental Health Association in Delaware	-	153,537	(153,537)	-	-
Gateway House	-	150,000	(150,000)	-	-
Little Sisters of the Poor	-	150,000	(150,000)	-	-
The Salvation Army	-	150,000	(150,000)	-	-
Total forwarded	\$ 41,239,201	\$ 11,759,453	\$ (32,556,569)	\$ (235,675)	\$ 20,206,410

**LONGWOOD FOUNDATION, INC.**  
**SUPPLEMENTAL SCHEDULE OF CONTRIBUTIONS,**  
**APPROPRIATIONS AND EXPENDITURES (CONTINUED)**  
**YEAR ENDED SEPTEMBER 30, 2017**

	Grants Payable at 09/30/16	Amount Approved	Amount Disbursed	Amount Rescinded	Amount Payable at 09/30/17
<b>FORWARDED:</b>	\$ 41,239,201	\$ 11,759,453	\$ (32,556,569)	\$ (235,675)	\$ 20,206,410
Lori's Hands	-	145,763	(145,763)	-	-
Delaware Breast Cancer Coalition	-	100,000	(100,000)	-	-
YWCA Delaware, Inc.	-	100,000	(100,000)	-	-
American Red Cross - Delmarva Chapter	-	75,000	(75,000)	-	-
Brandywine Counseling, Inc.	-	75,000	(75,000)	-	-
Newark Day Nursery Association, Inc.	-	62,411	(62,411)	-	-
Kims Place, LLC	-	52,580	-	(52,580)	-
Mom's House, Inc. of Wilmington	-	50,000	(50,000)	-	-
Camp Rehoboth	-	45,500	(45,500)	-	-
United Way of Chester County	-	45,000	(45,000)	-	-
DE Statewide Programs Association (for Deaf, Hard of Hearing and	-	40,000	(40,000)	-	-
Veterans Reentry Resources Alliance, Inc.	-	40,000	(40,000)	-	-
United Way of Southern Chester County	-	38,000	(38,000)	-	-
Lake Forest Church Association	-	33,373	(33,373)	-	-
Milford Senior Center, Inc.	-	21,000	(21,000)	-	-
Veterans Awareness Center	-	20,000	(20,000)	-	-
Girls Incorporated of Delaware	-	15,015	(15,015)	-	-
Changing Fates Equine Rescue of Delaware, Inc.	-	100,000	-	-	100,000
Science, Technology and Research Institute of Delaware	-	275,000	(275,000)	-	-
Delaware Founders Initiative, Inc.	-	125,000	-	-	125,000
Forgotten Cats, Inc.	-	105,000	(105,000)	-	-
Historic Red Clay Valley, Inc.	-	50,000	(50,000)	-	-
Rotary Club of Wilmington Delaware	-	50,000	(50,000)	-	-
Fort Delaware Society	-	7,945	(7,945)	-	-
Kennett Friends Meeting	-	7,275	(7,275)	-	-
Lewes Historical Society	-	200,000	(200,000)	-	-
Seaford Historical Society, Inc.	-	200,000	(200,000)	-	-
Delaware Arts Alliance	-	75,000	(75,000)	-	-
Overfalls Maritime Museum Foundation	-	50,200	(50,200)	-	-
Kennett Symphony Orchestra	-	20,000	(20,000)	-	-
Chester County Art Association	-	16,300	(16,300)	-	-
University of Delaware	-	1,500,000	(1,500,000)	-	-
East Side Community Learning Center Foundation	-	400,000	(400,000)	-	-
First State Montessori Academy, Inc.	-	300,000	-	-	300,000
Freire Foundation	-	300,000	(300,000)	-	-
Charter School of Wilmington	-	250,000	-	-	250,000
Delaware Association for the Education of Young Children	-	130,000	(130,000)	-	-
First State Military Academy	-	125,000	(125,000)	-	-
Bayhealth Foundation	-	1,000,000	(1,000,000)	-	-
Healthy Foods for Healthy Kids, Inc.	-	65,000	-	-	65,000
Milford Housing Development Corporation	-	450,000	(450,000)	-	-
National Council on Agricultural Life and Labor Research Fund, Inc.	-	400,000	(400,000)	-	-
Delaware Center for Homeless Veterans	-	350,000	(350,000)	-	-
Delaware Alliance for Nonprofit Advancement	-	300,000	(300,000)	-	-
Modern Maturity Center, Inc.	-	300,000	(300,000)	-	-
Generations Home Care, Inc.	-	200,000	(200,000)	-	-
Harry K Foundation	-	200,000	(200,000)	-	-
The Elizabeth W. Murphey School, Inc.	-	133,000	(133,000)	-	-
Total forwarded	\$ 41,239,201	\$ 20,402,815	\$ (40,307,351)	\$ (288,255)	\$ 21,046,410

See independent auditor's report

**LONGWOOD FOUNDATION, INC.**  
**SUPPLEMENTAL SCHEDULE OF CONTRIBUTIONS,**  
**APPROPRIATIONS AND EXPENDITURES (CONTINUED)**  
**YEAR ENDED SEPTEMBER 30, 2017**

	Grants Payable at 09/30/16	Amount Approved	Amount Disbursed	Amount Rescinded	Amount Payable at 09/30/17
<b>FORWARDED:</b>	\$ 41,239,201	\$ 20,402,815	\$ (40,307,351)	\$ (288,255)	\$ 21,046,410
Read-Aloud Delaware	-	125,000	(125,000)	-	-
Howard J. Weston Community and Senior Center, Inc.	-	100,000	(100,000)	-	-
LaEsperanza, Inc.	-	100,000	(100,000)	-	-
Vision To Learn	-	100,000	(100,000)	-	-
Cancer Support Community Delaware	-	90,000	(90,000)	-	-
4 Youth Productions	-	79,671	(79,671)	-	-
Friends Boarding Home of Western Quarter	-	75,000	(75,000)	-	-
The Home of the Brave Foundation, Inc.	-	50,000	(50,000)	-	-
Challenge Program	-	45,000	(45,000)	-	-
Meals on Wheels Delaware, Inc.	-	44,000	(44,000)	-	-
Luther Foundation of Southern Chester County	-	33,000	(33,000)	-	-
Lutheran Church of Our Saviour	-	15,000	(15,000)	-	-
Operation Homefront, Inc.	-	10,000	(10,000)	-	-
Hagley Museum and Library	-	92,000	(92,000)	-	-
The Conservation Fund	-	500,000	(500,000)	-	-
	<u>\$ 41,239,201</u>	<u>\$ 21,861,486</u>	<u>\$ (41,766,022)</u>	<u>\$ (288,255)</u>	<u>\$ 21,046,410</u>