

LONGWOOD FOUNDATION, INC.

FINANCIAL STATEMENTS

**YEAR ENDED SEPTEMBER 30, 2019
WITH COMPARATIVE TOTALS
FOR YEAR ENDED SEPTEMBER 30, 2018**

**WITH
INDEPENDENT AUDITOR'S REPORT**

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, 2019, 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, 2019, 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.

Emphasis of Matter

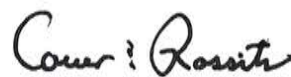
As discussed in the notes to the financial statements, the Foundation. adopted Accounting Standards Update (“ASU”) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter. The changes have been retrospectively applied to prior year information.

Report on Summarized Comparative Information

We have previously audited the Foundation's September 30, 2018 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated February 28, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

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 20-21 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.



Certified Public Accountants

March 5, 2020
Wilmington, Delaware

LONGWOOD FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2019
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2018

ASSETS	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 15,581,697	\$ 900,739
Prepaid excise taxes	147,476	379,847
Investment securities - at fair value:		
Stocks (cost \$43,189,969)	51,653,912	56,448,164
Short-term deposits (cost \$40,905,842)	40,905,842	48,164,481
Limited partnerships (cost \$142,661,488)	169,141,347	175,191,609
Mutual fund shares (cost \$320,617,201)	432,275,693	433,807,742
Contributions and other receivables (remainder trusts)	<u>220,326</u>	<u>229,192</u>
TOTAL ASSETS	<u>\$ 709,926,293</u>	<u>\$ 715,121,774</u>
 LIABILITIES AND NET ASSETS		
Accounts payable and accrued liabilities	\$ 25,520	\$ -
Unpaid grants	85,723,672	88,291,519
Actuarial pension liability	<u>125,492</u>	<u>158,895</u>
TOTAL LIABILITIES	<u>85,874,684</u>	<u>88,450,414</u>
Net assets without donor restrictions	623,836,131	626,454,882
Net assets with donor restrictions	<u>215,478</u>	<u>216,478</u>
TOTAL NET ASSETS	<u>624,051,609</u>	<u>626,671,360</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 709,926,293</u>	<u>\$ 715,121,774</u>

LONGWOOD FOUNDATION, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2019
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2018

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Totals
REVENUES AND OTHER SUPPORT:				
Investment income, net	\$ 10,676,898	\$ -	\$ 10,676,898	\$ 9,628,325
Total revenues and other support	10,676,898	-	10,676,898	9,628,325
EXPENSES:				
Program expenses	16,522,491	-	16,522,491	105,335,373
Management and general	823,935	1,000	824,935	714,655
Total expenses	17,346,426	1,000	17,347,426	106,050,028
Change in net assets from operations	(6,669,528)	(1,000)	(6,670,528)	(96,421,703)
Other changes in net assets:				
Net realized and unrealized gains on investments	4,449,745	-	4,449,745	57,132,920
Federal excise tax	(432,371)	-	(432,371)	(547,109)
Change in value - pension plan liability	33,403	-	33,403	71,612
Total other changes in net assets	4,050,777	-	4,050,777	56,657,423
CHANGE IN NET ASSETS	(2,618,751)	(1,000)	(2,619,751)	(39,764,280)
NET ASSETS AT BEGINNING OF YEAR	626,454,882	216,478	626,671,360	666,435,640
NET ASSETS AT END OF YEAR	<u>\$ 623,836,131</u>	<u>\$ 215,478</u>	<u>\$ 624,051,609</u>	<u>\$ 626,671,360</u>

See accompanying notes

LONGWOOD FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2019
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2018

	2019			2018
	Program Services	Management and General	Total	Total
Grants approved, (net grants rescinded of \$120,000 during the year ended September 30, 2019)	\$ 15,697,556	\$ -	\$ 15,697,556	\$ 104,620,718
Salaries	414,797	414,797	829,594	765,294
Employee benefits	141,064	141,064	282,128	195,698
Office rent	34,923	34,923	69,846	66,814
Payroll taxes	24,741	24,741	49,482	45,635
Insurance	6,214	6,214	12,428	11,880
Dues & Subscriptions	18,075	18,075	36,150	26,128
Telephone	7,310	7,310	14,620	10,646
Conference	6,988	6,989	13,977	18,248
Miscellaneous	6,998	6,997	13,995	6,348
Interest	-	-	-	52,233
Accounting	14,303	14,303	28,606	27,157
Supplies and equipment	7,617	7,617	15,234	16,481
Legal	4,378	4,378	8,756	13,865
Computer consultant fees	26,550	26,550	53,100	81,898
Computer equipment	3,931	3,931	7,862	2,451
Computer services	1,832	1,832	3,664	5,464
Management consultants	26,464	26,464	52,928	53,070
Payments into pension plan	78,750	78,750	157,500	30,000
TOTAL EXPENSES	\$ 16,522,491	\$ 824,935	\$ 17,347,426	\$ 106,050,028

LONGWOOD FOUNDATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2019
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Interest and dividends received	\$ 14,267,374	\$ 12,674,470
Grants paid	(18,265,403)	(37,373,752)
Program expenses	(824,935)	(716,512)
Management and general expenses	(790,549)	(765,463)
Interest paid	-	52,233
Investment management fees	(3,590,476)	(3,046,145)
Federal excise and income tax paid	(200,000)	(420,000)
Net cash used by operating activities	<u>(9,403,989)</u>	<u>(29,595,169)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from security sales	153,184,946	156,440,801
Cost of security purchases	(129,099,999)	(126,196,861)
Net cash provided by investing activities	<u>24,084,947</u>	<u>30,243,940</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from line of credit	-	35,000,000
Repayment of line of credit	-	(35,000,000)
Net cash provided by financing activities	<u>-</u>	<u>-</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	14,680,958	648,771
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>900,739</u>	<u>251,968</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 15,581,697</u></u>	<u><u>\$ 900,739</u></u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH USED BY OPERATING ACTIVITIES		
Change in net assets	\$ (2,619,751)	\$ (39,764,280)
Adjustment to reconcile change in net assets to net cash (used) by operating activities		
Net unrealized and realized gains on investments	(4,449,745)	(57,132,920)
Decrease in assets:		
Prepaid excise taxes	232,371	127,109
Contributions and other receivables (remainder trusts)	8,866	136,348
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	25,520	(134,923)
Unpaid grants	(2,567,847)	67,245,109
Actuarial pension liability	(33,403)	(71,612)
NET CASH USED BY OPERATING ACTIVITIES	<u><u>\$ (9,403,989)</u></u>	<u><u>\$ (29,595,169)</u></u>

LONGWOOD FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

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 declared.

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 and changes in net assets. Security transactions are recorded as of the date of trade. Investments in limited partnerships and private equity investments are valued at the Foundation's capital balance on the last business day of the year.

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, 2019

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, 2019, the Foundation had \$1,633,226 required to be distributed prior to September 30, 2020 in order to avoid punitive taxes.

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 Receivables

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

Functional Expenses

The cost of providing the various programs and activities have been summarized on a functional basis in the statement of activities and changes in net assets. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on personnel costs. The Foundation did not incur fundraising expenses for the year ended September 30, 2019 or 2018.

Capitalization Policy

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

LONGWOOD FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation

Information regarding financial position and activities is reported in accordance to the following net asset classifications:

Net assets without donor restrictions – net assets available for use in general operations and not subject to donor-imposed restrictions.

Net assets with donor restrictions – net assets subject to donor imposed restrictions. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity. Donor imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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, 2018, from which the summarized information was derived.

Change in Accounting Principle

The Foundation has adopted the new accounting guidance required from Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, and has changed its classification of net assets and enhanced its disclosures about net assets, expenses, and liquidity. The change in accounting principle has been applied retrospectively where prior period information is presented. There was no effect on the Foundation's total net assets at September 30, 2018.

Reclassifications

Certain reclassifications have been made to the 2018 financial statement presentation in order to conform to the current year's format. Total net assets and changes in net assets are unchanged due to these reclassifications.

LONGWOOD FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

CONTRIBUTIONS RECEIVABLE

Contributions received are recorded as an increase in net assets without donor restrictions and net assets with donor restrictions, depending on the existence or nature of any donor restrictions. Net assets with donor restrictions are reclassified to net assets without donor restrictions 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.

Two of the income beneficiaries of the trusts are currently being paid from annuities purchased for that purpose. While the Foundation may be entitled to a remainder interest in the annuities under certain conditions, no amount has been recorded in the financial statements to reflect that remote possibility.

Aside from the annuities, the trusts have cash equivalent balances held in the amount of \$215,478 at September 30, 2019. 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 contribution receivable increasing net assets with donor restrictions.

Changes in the value of the trust assets are recognized as contribution income or operating expense in the net assets with donor restrictions each year until the trust assets are received. There was a decrease of \$1,000 in the value of the remaining trust assets for the year ended September 30, 2019 due to a payment for administrative fees.

LIQUIDITY AND AVAILABILITY

As part of the Foundation's liquidity policy, management strives to maintain fixed income and short-term deposits to manage liquidity needs. As of September 30, 2019, the Foundation had \$40,905,842 invested in short-term deposits and fixed income in its investment portfolio.

The Foundation's financial assets available to meet cash needs for general expenditures within one year of September 30, 2019 are as follows:

Cash and cash equivalents	\$ 15,581,697
Investments	693,976,794
	<u>\$ 709,558,491</u>

The Foundation's investment portfolio includes approximately \$694 million of funding that is not subject to donor restrictions and/or board designations for long-term use. The Foundation estimates approximately \$169 million of investments are subject to redemption restrictions and could not be liquidated immediately.

LONGWOOD FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

INVESTMENTS

Investments are recorded at fair value. The cost and fair values at September 30, 2019 were:

	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Level 1 Valuation:			
Short-term deposits	\$ 27,405,342	\$ 27,405,342	\$ -
Northern Trust Prime Obligation	13,500,500	13,500,500	-
E.I. du Pont Common Stock	1,291,335	3,403,055	2,111,720
AJO Managed Volatility	41,775,980	48,116,139	6,340,159
Alteryx Inc.	122,654	134,718	12,064
Baillie Gifford Long Term Global Growth	26,180,856	42,402,329	16,221,473
Baillie Gifford WWD	25,105,873	26,911,363	1,805,490
Focused Investor	40,706,923	50,708,336	10,001,413
Highclere Int. Smaller Company Fund	13,131,988	13,039,192	(92,796)
Kiltearn Global Equity Fund	42,786,504	33,884,290	(8,902,214)
State Street S&P 500 ETF	62,048,053	118,616,474	56,568,421
T. Rowe Price Asia	19,184,994	19,593,204	408,210
T. Rowe Price Global Large Cap	32,178,287	49,101,453	16,923,166
Vanguard Div Growth	33,222,864	51,632,731	18,409,867
Vanguard Total Bond Fund	26,070,859	26,386,321	315,462
Total Level 1	<u>404,713,012</u>	<u>524,835,447</u>	<u>120,122,435</u>
NAV Valuation:			
Accel Growth Fund V	937,500	907,353	(30,147)
Accel Leaders Fund 2	262,500	262,500	-
Accel XIV	181,250	172,440	(8,810)
Carlyle Partners 4, LP	3,714,778	4,728,107	1,013,329
Carlyle Partners 5, LP	459,916	505,391	45,475
Carlyle Partners 6, LP	6,350,076	8,351,864	2,001,788
Carlyle Partners 7, LP	1,233,555	1,048,276	(185,279)
Centerbridge Credit Partners Offshore Ltd.	1,333,631	1,595,625	261,994
Commonfund Global Distressed	4,430,116	1,147,153	(3,282,963)
Commonfund International Partners 7	3,449,171	4,286,249	837,078
Commonfund Private Equity 8	2,446,003	5,030,407	2,584,404
Commonfund Venture Partners 9	776,931	5,430,607	4,653,676
Drive Capital Overdrive Fund I	805,343	783,786	(21,557)
Flagship Pioneering Fund II	650,000	606,356	(43,644)
Flagship Pioneering Fund IV	848,392	1,788,565	940,173
GQG Partners	25,000,000	24,970,428	(29,572)
IDG China Venture Fund 3, LP	3,179,966	4,642,095	1,462,129
IDG China Venture Fund 4, LP	3,298,017	9,622,950	6,324,933
IDG China Venture Fund 5, LP	1,246,412	1,330,182	83,770
Marcus Capital Partners	2,490,368	3,686,315	1,195,947
Meritech Capital Partners V, LP	3,947,276	9,374,409	5,427,133
Meritech Capital Partners VI, LP	1,200,000	1,217,826	17,826
Orbis Global Equity	34,235,430	31,686,398	(2,549,032)
Renaissance Alpha Fund	19,220,105	23,178,394	3,958,289
Riverstone Global Energy & Power Fund V, LP	5,240,949	3,453,603	(1,787,346)
Summit Partners Growth Equity Partners IX-A	2,188,882	2,720,406	531,524
Summit Partners Subordinated Debt V-A	672,553	686,300	13,747
Winton Futures Fund	12,862,368	15,927,362	3,064,994
Total investments measured at NAV	<u>142,661,488</u>	<u>169,141,347</u>	<u>26,479,859</u>
Total Investments at Fair Market Value	<u>\$ 547,374,500</u>	<u>\$ 693,976,794</u>	<u>\$ 146,602,294</u>

LONGWOOD FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

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.

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, 2019:

	Fair Value	Outstanding Capital Commitments	Redemption Frequency (If currently eligible)	Redemption Notice Period
Accel Growth Fund V	\$ 907,353	\$ 2,900,000	private equity, non marketable	n/a
Accel Leaders Fund 2	262,500	1,000,000	private equity, non marketable	n/a
Accel XIV	172,440	1,100,000	private equity, non marketable	n/a
Carlyle Partners 4, LP	4,728,107	-	private equity, non marketable	n/a
Carlyle Partners 5, LP	505,391	4,500,000	private equity, non marketable	n/a
Carlyle Partners 6, LP	8,351,864	-	private equity, non marketable	n/a
Carlyle Partners 7, LP	1,048,276	3,800,000	private equity, non marketable	n/a
Commonfund Global Distressed	1,147,153	2,000,000	private equity, non marketable	n/a
Commonfund International Partners 7	4,286,249	700,000	private equity, non marketable	n/a
Commonfund Private Equity 8	5,030,407	1,100,000	private equity, non marketable	n/a
Commonfund Venture Partners 9	5,430,607	200,000	private equity, non marketable	n/a
Drive Capital Overdrive Fund I	783,786	2,200,000	private equity, non marketable	n/a
Flagship Pioneering Fund II	606,356	4,300,000	private equity, non marketable	n/a
Flagship Pioneering Fund IV	1,788,565	1,100,000	private equity, non marketable	n/a
IDG China Venture Fund 3, LP	4,642,095	500,000	private equity, non marketable	n/a
IDG China Venture Fund 4, LP	9,622,950	400,000	private equity, non marketable	n/a
IDG China Venture Fund 5, LP	1,330,182	700,000	private equity, non marketable	n/a
Marcus Capital Partners	3,686,315	1,800,000	private equity, non marketable	n/a
Meritech Capital Partners V, LP	9,374,409	400,000	private equity, non marketable	n/a
Meritech Capital Partners VI, LP	1,217,826	1,300,000	private equity, non marketable	n/a
Riverstone Global Energy & Power Fund V, LP	3,453,603	-	private equity, non marketable	n/a
Summit Partners Growth Equity Partners IX-A	2,720,406	300,000	private equity, non marketable	n/a
Summit Partners Subordinated Debt V-A	686,300	2,300,000	private equity, non marketable	n/a
Drive III	-	2,000,000	private equity, non marketable	n/a
IDG Breyer Capital	-	4,000,000	private equity, non marketable	n/a
Marcus Partners III	-	4,000,000	private equity, non marketable	n/a
Summit X-A	-	3,000,000	private equity, non marketable	n/a
	<u>\$ 71,783,140</u>	<u>\$ 45,600,000</u>		

LONGWOOD FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

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.

Endowment net assets at September 30, 2019 were as follows:

<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
\$ 693,976,794	\$ -	\$ 693,976,794
<u>\$ 693,976,794</u>	<u>\$ -</u>	<u>\$ 693,976,794</u>

LONGWOOD FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

ENDOWMENT MANAGEMENT (CONTINUED)

Changes in endowment net assets for the year ended September 30, 2019 were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, September 30, 2018	\$ 713,611,996	\$ -	\$ 713,611,996
Investment return, net:	15,126,643	-	15,126,643
Special cash reserve draw	(15,000,000)	-	(15,000,000)
Grant payments	(18,265,403)	-	(18,265,403)
Operating expenses	(1,496,442)	-	(1,496,442)
Endowment net assets, September 30, 2019	<u>\$ 693,976,794</u>	<u>\$ -</u>	<u>\$ 693,976,794</u>

PENSION PLAN

The Foundation sponsored a noncontributory defined benefit pension plan. In September 2018, the Board of Trustees approved an amendment to reflect benefits will no longer accrue under the Plan and new hires on or after September 30, 2018 are no longer eligible to enter the Plan. 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.

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, 2019:

Projected benefit obligation for services rendered to date	\$ 3,008,223
Plan assets at fair value	<u>2,882,731</u>
Funded status at September 30, 2019	<u>\$ (125,492)</u>

LONGWOOD FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

PENSION PLAN (CONTINUED)

Amounts recognized in the statement of activities and changes in net assets for the year ended September 30, 2019 include the following components:

Payments from the Foundation into the Plan: \$157,500.

Change in the Plan's Funded Status based on actuarial calculations: \$124,097.

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 \$3,008,223 at September 30, 2019.

The following table sets forth the Plan's net periodic benefit cost for the year ended September 30, 2019:

Service cost	\$ -
Interest cost	138,210
Expected return on plan assets	(197,328)
Other components	<u>106,986</u>
Net periodic pension cost	<u>\$ 47,868</u>

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, 2019:

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

Weighted-average assumptions used to determine benefit obligations at September 30, 2019:

Discount rate on benefit obligation	4.50%
Rate of increase in compensation levels	N/A

LONGWOOD FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

PENSION PLAN (CONTINUED)

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, 2019 were as follows:

<u>Asset Class</u>	<u>Amount</u>	<u>Percentage</u>
Domestic equity mutual funds	\$ 1,120,654	38.90%
International equity funds	591,908	20.5%
Closed end equity mutual funds	526,413	18.2%
International closed end equity funds	458,525	15.9%
Global equity hedge fund	148,657	5.2%
Cash	36,574	1.3%
Total	<u>\$ 2,882,731</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 2020. No plan assets are expected to be returned to the Foundation during fiscal year 2020.

Benefits paid during the year ended September 30, 2019 totaled \$402,613. The following benefit payments are expected to be paid for the years ending:

<u>September 30,</u>	
2020	\$ 151,000
2021	151,000
2022	285,000
2023	285,000
2024	285,000
Next 5 years	1,530,000

LONGWOOD FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

DEFINED CONTRIBUTION PLAN

The Foundation provides its employees the opportunity to participate in an Employer Matching 403(b) defined contribution plan. Participants who are at least 18 years of age during the plan year and complete 1,000 hours of service are eligible to receive an employer matching contribution equal to 100% of the participants deferred compensation, but no more than 4% of each such participant's compensation for the plan year. Additionally, the Foundation contributes an amount equal to 4% of each participant's compensation for the plan year, regardless of whether or not the participant receives the employer matching contribution. During the year ended September 30, 2019, employer contributions to the plan charged to operations was \$61,715.

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 for the years ending:

<u>September 30,</u>	
2020	\$ 86,846
2021	86,846
2022	<u>72,372</u>
Total	<u>\$ 246,064</u>

Net rent expense for the year ended September 30, 2019 totaled \$69,846. The Foundation sub-rents a portion of its office space. Sub-rental income, which is deducted from *Office rent expense* on the statement of functional expenses, for the year ended September 30, 2019 totaled \$12,000. The Foundation appoints two board members to the Community Service Building Corporation board.

UNPAID GRANTS

The Board of Trustees approved \$85,723,672 of contributions that were unpaid as of September 30, 2019. Unpaid grants are expected to be paid as follows for the years ending:

<u>September 30,</u>	
2020	\$ 11,100,028
2021	11,565,001
2022	10,300,000
2023	10,300,000
2024	10,300,000
Thereafter	<u>32,158,643</u>
	<u>\$ 85,723,672</u>

LONGWOOD FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

LOAN GUARANTEE

The Community Education Building bond issue dated December 7, 2018 in the amount of \$32,000,000 payable over a 20-year period through 2039 was guaranteed by the Foundation. The Foundation has pledged payments to the Community Education Building and those payments will be paid directly to the Bank holding the bonds in an amount designed to satisfy the bond payments.

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, 2019.

CONCENTRATION OF CREDIT RISK

The Foundation maintains cash balances at two financial institutions. Accounts at each 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.

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.

LONGWOOD FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

PROGRAM RELATED LOANS (CONTINUED)

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, 2019.

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 5, 2020, 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, 2019

	Grants Payable at 09/30/18	Amount Approved	Amount Disbursed	Amount Rescinded	Grants Payable at 09/30/19
Longwood Gardens	\$ 40,000,000	\$ -	\$ -	\$ -	\$ 40,000,000
American Civil Liberties Foundation of Delaware, Inc.	25,000	-	-	-	25,000
Community Education Building	46,750,000	-	(3,030,000)	(20,000)	43,700,000
Delaware Community Foundation -					
Blood Bank of Delmarva	339,019	-	-	-	339,019
Delaware Seashore Preservation Foundation	130,000	-	(130,000)	-	-
Delaware Center for the Inland Bays	100,000	-	-	(100,000)	-
Parkview Nursing and Rehabilitation Center	250,000	-	(250,000)	-	-
Albert Einstein Academy	47,500	-	(47,500)	-	-
Festival of Cheer	100,000	-	(100,000)	-	-
Brandywine Conservancy & Museum of Art	250,000	-	(250,000)	-	-
Home of Brave Foundation	150,000	-	(150,000)	-	-
Delaware Center for Homeless Veterans	150,000	-	(150,000)	-	-
The Biggs Museum of American Art	-	250,000	(250,000)	-	-
Rehoboth Art League	-	150,000	(150,000)	-	-
Delaware Photographic Society	-	44,120	(44,120)	-	-
Imperial Dynasty Arts Program	-	40,000	(40,000)	-	-
Jester Artspace, Inc.	-	40,000	(40,000)	-	-
Capital Ringers, Inc.	-	20,234	(20,234)	-	-
Costal Concerts, Inc.	-	18,000	(18,000)	-	-
Wilmington Renaissance Corporation	-	800,000	(800,000)	-	-
Wilmington Leaders Alliance	-	800,000	(800,000)	-	-
Kent County Regional Sports Complex Corporation	-	300,000	(300,000)	-	-
Faithful Friends Animal Society	-	200,000	(200,000)	-	-
Philanthropy Delaware	-	200,000	(200,000)	-	-
Spur Impact	-	200,000	(200,000)	-	-
Sussex Sports Center Foundation	-	150,000	(150,000)	-	-
Cityfest, Inc.	-	100,000	(100,000)	-	-
Greenbank Mill Associates, Inc.	-	50,000	(50,000)	-	-
Friends of Bellevue State Park, Inc.	-	40,000	(40,000)	-	-
Center for Effective Philanthropy	-	25,000	(25,000)	-	-
The Philanthropy Roundtable	-	25,000	(25,000)	-	-
Serviam Girls Academy	-	270,000	(135,347)	-	134,653
Leading Youth Through Endowment	-	235,000	(235,000)	-	-
Delaware CAN (c/o 50CAN)	-	200,000	(200,000)	-	-
Goldey-Beacom College	-	200,000	(200,000)	-	-
Nativity Preparatory School of Wilmington	-	88,000	(73,000)	-	15,000
Rodel Foundation of Delaware	-	75,000	(75,000)	-	-
Williamson College of The Trades	-	72,000	(72,000)	-	-
Delaware Mathematics Coalition	-	70,000	(70,000)	-	-
The Land Conservancy for Southern Chester County	-	200,000	(200,000)	-	-
Beebe Medical Foundation	-	1,250,000	(1,250,000)	-	-
Christiana Care Health System Inc.	-	250,000	(250,000)	-	-
Central Delaware Habitat for Humanity	-	250,000	(250,000)	-	-
Teen Warehouse Inc.	-	800,000	(800,000)	-	-
Prevent Child Abuse Delaware	-	278,426	(278,426)	-	-
Survivors of Abuse in Recovery, Inc.	-	141,659	(141,659)	-	-
UD Hillel	-	100,000	(100,000)	-	-
Neighborhood House, Inc.	-	95,000	(95,000)	-	-
FORWARDED:	\$ 88,291,519	\$ 8,027,439	\$ (11,985,286)	\$ (120,000)	\$ 84,213,672

LONGWOOD FOUNDATION, INC.
SUPPLEMENTAL SCHEDULE OF CONTRIBUTIONS,
APPROPRIATIONS AND EXPENDITURES (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2019

	Grants Payable at 09/30/18	Amount Approved	Amount Disbursed	Amount Rescinded	Grants Payable at 09/30/19
FORWARDED:	\$ 88,291,519	\$ 8,027,439	\$ (11,985,286)	\$ (120,000)	\$ 84,213,672
Best Buddies Delaware	-	80,000	(80,000)	-	-
Veterans Reentry Resources Alliance, Inc.	-	65,000	(65,000)	-	-
United Way of Chester County	-	45,000	(45,000)	-	-
United Way of Southern Chester County	-	38,000	(38,000)	-	-
NABVETS	-	20,000	(20,000)	-	-
Caring Hearts Helping Hands, Inc.	-	14,000	(14,000)	-	-
Harrington Senior Center	-	10,625	(10,625)	-	-
OperaDelaware	-	200,000	(200,000)	-	-
Delaware Arts Alliance Inc	-	75,000	(75,000)	-	-
Chadds Ford Historical Society	-	37,000	(37,000)	-	-
Kennett Symphony Orchestra	-	25,000	(25,000)	-	-
Dewey Artist Collaboration	-	5,500	(5,500)	-	-
Delaware Alliance for Nonprofit Advancement	-	500,000	(500,000)	-	-
National Council on Agricultural Life & Labor Research Fund	-	400,000	(400,000)	-	-
Public Health Management Corporation (PHMC)	-	98,992	(98,992)	-	-
Delaware Technical & Community College	-	250,000	(250,000)	-	-
Zip Code Wilmington	-	150,000	(150,000)	-	-
Jefferson School	-	200,000	(200,000)	-	-
Delaware Maritime Education	-	150,000	(150,000)	-	-
Waterford Institute	-	75,000	(75,000)	-	-
Washington College	-	75,000	(75,000)	-	-
Delaware Nature Society	-	334,000	(334,000)	-	-
Upstream USA	-	500,000	(500,000)	-	-
Poison Control Center at Children's Hospital of Philadelphia	-	60,000	(60,000)	-	-
University of Pennsylvania School of Veterinary Medicine	-	250,000	(250,000)	-	-
Cinnaire	-	300,000	(200,000)	-	100,000
Be Ready Community Development Corporation	-	350,000	(350,000)	-	-
Dover Interfaith Mission for Housing	-	150,000	(150,000)	-	-
Cheer, Inc.	-	400,000	(100,000)	-	300,000
Easterseals Delaware & Maryland's Eastern Shore	-	350,000	(350,000)	-	-
The Challenge Program	-	400,000	(400,000)	-	-
Delaware Community Reinvestment Action Council, Inc.	-	100,000	(100,000)	-	-
Jewish Family Services of Delaware	-	273,000	(273,000)	-	-
Metropolitan Wilmington Urban League	-	135,000	(75,000)	-	60,000
Southern Delaware Therapeutic and Recreational Horseback	-	175,000	(175,000)	-	-
The Capital Good Fund	-	200,000	(200,000)	-	-
Hilltop Lutheran Neighborhood Center	-	100,000	(100,000)	-	-
Limen House, Inc.	-	80,000	(80,000)	-	-
Delmarva Clergy United in Social Action Foundation	-	30,000	(30,000)	-	-
Jefferson Street Center, Inc.	-	50,000	-	-	50,000
Lutheran Church of Our Savior	-	15,000	(15,000)	-	-
Camp Dreamcatcher, Inc.	-	12,000	(12,000)	-	-
K12 Education Landscape	-	1,000,000	-	-	1,000,000
Greenmore Rescue	-	12,000	(12,000)	-	-
	<u>\$ 88,291,519</u>	<u>\$ 15,817,556</u>	<u>\$ (18,265,403)</u>	<u>\$ (120,000)</u>	<u>\$ 85,723,672</u>