

LONGWOOD FOUNDATION, INC.

**FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2016
WITH COMPARATIVE TOTALS
FOR YEAR ENDED SEPTEMBER 30, 2015**

**WITH
REPORT OF CERTIFIED PUBLIC ACCOUNTANTS**

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, 2016, 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, 2016, 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 2015 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated January 15, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.



Certified Public Accountants

February 3, 2017

LONGWOOD FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2016 WITH COMPARATIVE
TOTALS FOR SEPTEMBER 30, 2015

	2016	2015
ASSETS		
Cash and cash equivalents	\$ 1,433,283	\$ 185,276
Prepaid excise taxes	835,560	57,082
Investment securities - at fair value:		
Stocks (cost \$2,738,271)	7,836,235	5,528,243
Short-term deposits (cost \$31,646,891)	31,646,891	44,997,043
Global equity funds - limited partnerships (cost \$128,776,794)	147,762,869	143,304,663
Mutual fund shares (cost \$393,554,868)	447,297,030	413,942,626
Contributions and other receivables (remainder trusts)	266,402	248,245
TOTAL ASSETS	\$ 637,078,270	\$ 608,263,178
 LIABILITIES AND NET ASSETS		
Accounts payable and accrued liabilities	\$ 76,904	\$ 4,141
Unpaid grants	41,239,201	47,740,445
Actuarial pension liability	688,878	866,607
TOTAL LIABILITIES	42,004,983	48,611,193
Unrestricted	594,854,509	559,433,207
Temporarily restricted	218,778	218,778
TOTAL NET ASSETS	595,073,287	559,651,985
TOTAL LIABILITIES AND NET ASSETS	\$ 637,078,270	\$ 608,263,178

See accompanying notes

LONGWOOD FOUNDATION, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED SEPTEMBER 30, 2016
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>2016</u>			<u>2015</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Foundation Total</u>	<u>Totals</u>
REVENUES AND OTHER SUPPORT:				
Dividends and interest	\$ 10,003,471	\$ -	\$ 10,003,471	\$ 11,354,758
Annuity income	11,300	-	11,300	15,329
Accelerate Delaware event income	27,071	-	27,071	-
Total revenues and other support	<u>10,041,842</u>	<u>-</u>	<u>10,041,842</u>	<u>11,370,087</u>
EXPENSES:				
Grants approved (net grants rescinded of \$922,999 during the year ended September 30, 2016)	23,095,989	-	23,095,989	27,167,043
Program expenses	311,339	-	311,339	26,371
Management and general	1,595,267	-	1,595,267	1,418,381
Investment expenses	3,257,838	-	3,257,838	4,427,721
Federal excise tax	131,522	-	131,522	961,686
Total expenses	<u>28,391,955</u>	<u>-</u>	<u>28,391,955</u>	<u>34,001,202</u>
Change in net assets from operations	<u>(18,350,113)</u>	<u>-</u>	<u>(18,350,113)</u>	<u>(22,631,115)</u>
Other changes in net assets:				
Net unrealized and realized gains/(losses) on investments	53,593,686	-	53,593,686	(37,996,383)
Change in value - pension plan liability	177,729	-	177,729	(534,809)
Total other changes	<u>53,771,415</u>	<u>-</u>	<u>53,771,415</u>	<u>(38,531,192)</u>
CHANGE IN NET ASSETS	<u>35,421,302</u>	<u>-</u>	<u>35,421,302</u>	<u>(61,162,307)</u>
NET ASSETS AT BEGINNING OF YEAR	<u>559,433,207</u>	<u>218,778</u>	<u>559,651,985</u>	<u>620,814,292</u>
NET ASSETS AT END OF YEAR	<u>\$ 594,854,509</u>	<u>\$ 218,778</u>	<u>\$ 595,073,287</u>	<u>\$ 559,651,985</u>

See accompanying notes

LONGWOOD FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2016
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2015

	2016	2015
MANAGEMENT AND GENERAL		
Salaries	\$ 740,749	\$ 713,422
Employee benefits	202,527	210,580
Office rent	63,078	65,101
Payroll taxes	40,194	41,633
Insurance	16,998	11,792
Miscellaneous	61,158	73,984
Accounting	27,783	21,991
Supplies and equipment	19,597	41,439
Legal	4,596	28,909
Computer consultant fees	68,269	82,048
Computer equipment	1,791	16,272
Computer services	1,647	1,058
Management consultants	71,880	10,152
Payments into pension plan	275,000	100,000
	\$ 1,595,267	\$ 1,418,381
TOTAL EXPENSES	\$ 1,595,267	\$ 1,418,381

See accompanying notes

LONGWOOD FOUNDATION, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2016
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Interest and dividends received	\$ 10,003,471	\$ 11,354,758
Cash received from annuity and program	38,371	15,329
Grants paid	(29,597,233)	(28,240,571)
Program expenses	(311,339)	(26,371)
Management and general expenses	(1,540,661)	(1,466,180)
Interest paid	-	(1,895)
Investment management fees	(3,257,838)	(4,427,721)
Federal excise and income tax paid	(910,000)	(727,000)
Net cash used by operating activities	(25,575,229)	(23,519,651)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from security sales	58,799,465	209,774,135
Cost of security purchases	(31,976,229)	(186,098,221)
Net cash provided by investing activities	26,823,236	23,675,914
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from line of credit	-	17,000,000
Repayment of line of credit	-	(17,000,000)
Net cash provided by financing activities	-	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,248,007	156,263
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	185,276	29,013
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 1,433,283	\$ 185,276
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH USED BY OPERATING ACTIVITIES:		
Change in net assets	\$ 35,421,302	\$ (61,162,307)
Adjustment to reconcile change in net assets to net cash used by operating activities:		
Net unrealized and realized (gains) losses on investments	(53,593,686)	37,996,383
(Increase) decrease in:		
Prepaid excise taxes	(778,478)	232,767
Contributions and other receivables (remainder trusts)	(18,157)	(27,559)
Increase (decrease) in:		
Accounts payable and accrued liabilities	72,763	(20,216)
Unpaid grants	(6,501,244)	(1,073,528)
Actuarial pension liability	(177,729)	534,809
NET CASH USED BY OPERATING ACTIVITIES	\$ (25,575,229)	\$ (23,519,651)

See accompanying notes

LONGWOOD FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

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, 2016

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Hierarchy (Continued)

The Foundation elected to adopt early the provisions of *FASB Accounting Standards Update ("ASU") 2015-07, Disclosures for Investments in Certain Entities that Calculate Net Asset Value Per Share (Or Its Equivalent)*. ASU 2015-07 allows for the disclosure of investments for which is measured at net asset value per share (or its equivalent) using the practical expedient to not be categorized in the fair value hierarchy.

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, 2016, the Foundation had \$1,661,881 to be distributed prior to September 30, 2017 in order to avoid punitive taxes. The Foundation had accumulated no 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, 2016

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, 2015, 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 has 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 \$218,778 at September 30, 2016. A share of this balance will be due to the Foundation upon the passing of each of the remaining beneficiaries.

Changes in the value of the trust assets are recognized as contribution income in the temporarily restricted fund each year until the trust assets are received. There was no increase or decrease in the value of the remaining trust assets for the year ended September 30, 2016. No change was recognized in value-remainder interest trusts or in temporarily restricted net assets for the year ended September 30, 2016.

LONGWOOD FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

INVESTMENTS

Investments are recorded at fair value. The cost and fair values at September 30, 2016 were:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Level 1 Valuation:			
Short-term deposits	\$ 31,646,891	\$ 31,646,891	\$ -
E.I. du Pont Common Stock	2,605,963	7,478,875	4,872,912
Chemours Company Common Stock	132,308	357,360	225,052
State Street S&P 500 ETF	68,157,035	97,710,978	29,553,943
Dodge & Cox Intl	24,191,085	27,854,046	3,662,961
T. Rowe Price Global Large Cap	59,130,171	71,476,721	12,346,550
Vanguard Total Bond Fund	7,070,859	7,181,471	110,612
Vanguard Ext Dur Fund	5,978,245	6,259,247	281,002
Vanguard Admiral Fund	22,000,000	22,111,276	111,276
Vanguard Div Growth	38,753,793	46,787,138	8,033,345
Total Level 1	<u>\$ 259,666,350</u>	<u>\$ 318,864,003</u>	<u>\$ 59,197,653</u>
NAV Valuation:			
Winton Futures Fund	\$ 24,000,000	\$ 27,288,213	\$ 3,288,213
Angelo Gordon Super Fund International	7,346,973	7,341,066	(5,907)
Sanderson International Value Fund	33,590,412	29,591,439	(3,998,973)
Discovery Equity Partners	7,800,000	12,182,686	4,382,686
Kiltearn Global Equity Fund	30,326,924	30,783,785	456,861
Harvest MLP Income Fund III (See Note Below)	43,553,219	37,163,914	(6,389,305)
Baillie Gifford Long Term Global Growth	29,456,152	35,747,736	6,291,584
Riverstone Global Energy & Power Fund V, LP	5,559,757	5,435,118	(124,639)
Rutabaga Small Cap, LP	18,671,342	19,230,236	558,894
Carlyle Partners 6, LP	3,526,115	4,408,847	882,732
Carlyle Partners 4, LP	2,431,452	2,660,767	229,315
Focused Investor, LP	36,527,683	46,257,706	9,730,023
IDG China Venture Fund 4, LP	3,400,000	4,165,682	765,682
IDG China Venture Fund 3, LP	1,600,000	1,457,917	(142,083)
Meritech Capital Partners V, LP	1,763,244	1,730,453	(32,791)
Brahman Partners IV, LP	20,000,000	19,531,188	(468,812)
Marcus Capital Partners	651,436	650,036	(1,400)
Centerbridge Credit Partners Offshore Ltd.	15,000,000	14,574,221	(425,779)
Commonfund Global Distressed	4,356,297	3,110,805	(1,245,492)
Commonfund Private Equity 8	2,691,852	3,817,651	1,125,799
Commonfund Venture Partners 9	2,099,884	4,748,329	2,648,445
Commonfund International Partners 7	2,697,732	3,801,227	1,103,495
Total investments measured at NAV	<u>\$ 297,050,474</u>	<u>\$ 315,679,022</u>	<u>\$ 18,628,548</u>
Total Investments at Fair Market Value	<u><u>\$ 556,716,824</u></u>	<u><u>\$ 634,543,025</u></u>	<u><u>\$ 77,826,201</u></u>

LONGWOOD FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

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.

The Foundation elected to adopt early the provisions of *FASB Accounting Standards Update ("ASU") 2015-07, Disclosures for Investments in Certain Entities that Calculate Net Asset Value Per Share (Or Its Equivalent)*. ASU 2015-07 allows for the disclosure of investments for which is measured at net asset value per share (or its equivalent) using the practical expedient to not be categorized in the fair value hierarchy.

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, 2016:

	Fair Value	Outstanding Capital Commitments	Redemption Frequency (If currently eligible)	Redemption Notice Period
Commonfund Global Distressed	\$ 3,110,805	\$ 1,954,000	private equity, non marketable	
Commonfund International Partners 7	3,801,227	2,364,000	private equity, non marketable	
Commonfund Venture Partners 9	4,748,329	270,000	venture, non marketable	
Commonfund Private Equity 8	3,817,651	2,760,000	private equity, non marketable	
Riverstone Global Energy & Power Fund V, LP	5,435,118	1,086,942	private equity, non marketable	
Carlyle Partners 6, LP	4,408,847	4,765,703	private equity, non marketable	
Carlyle Partners 4, LP	2,660,767	2,516,057	private equity, non marketable	
Meritech Capital Partners V, LP	1,730,453	3,087,500	venture, non marketable	
IDG China Venture Fund 4, LP	4,165,682	1,600,000	private equity, non marketable	
IDG China Venture Fund 3, LP	1,457,917	3,400,000	private equity, non marketable	
Centerbridge Credit Partners Offshore, Ltd.	14,574,221	10,000,000	private equity, non marketable	
Marcus Capital Fund Partners 2, LP	650,036	4,250,500	private equity, non marketable	
Winton Futures Fund	27,288,213	-	private equity, non marketable	
Angelo Gordon Super Fund International	7,341,066	-	private equity, non marketable	
Sanderson International Value Fund	29,591,439	-	private equity, non marketable	
Discovery Equity Partners	12,182,686	-	private equity, non marketable	
Kiltearn Global Equity Fund	30,783,785	-	private equity, non marketable	
Harvest MLP Income Fund III	37,163,914	-	private equity, non marketable	
Baillie Gifford Long Term Global Growth	35,747,736	-	private equity, non marketable	
Rutabaga Small Cap, LP	19,230,236	-	private equity, non marketable	
Focused Investor, LP	46,257,706	-	private equity, non marketable	
Brahman Partners IV, LP	19,531,188	-	private equity, non marketable	
	<u>\$ 315,679,022</u>	<u>\$ 38,054,702</u>		

LONGWOOD FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

ENDOWMENT MANAGEMENT

The Foundation's endowment includes only assets that were derived from the original gifts which established the Foundation and the nets 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, 2016**

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, 2016:

Projected benefit obligation for services rendered to date	\$ 3,072,650
Plan assets at fair value	<u>2,383,772</u>
Funded status at September 30, 2016	<u>\$ (688,878)</u>

Amounts recognized in the Statement of Activities and Changes in Net Assets for the year ended September 30, 2016 includes the following components:

Payments from the Foundation into the Plan: \$275,000.

Change in the Plan's Funded Status based on actuarial calculations: \$177,729.

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 \$2,673,697 at September 30, 2016.

The following table sets forth the Plan's net periodic benefit cost for the year ended September 30, 2016:

Service cost	\$ 106,255
Interest cost	126,993
Expected return on plan assets	(142,745)
Net amortization	<u>113,043</u>
Net periodic pension cost	<u>\$ 203,546</u>

**LONGWOOD FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

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, 2016:

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, 2016:

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, 2016 were as follows:

<u>Asset Class</u>	<u>Amount</u>	<u>Percentage</u>
Domestic equity mutual fund	\$ 1,666,984	69.9%
Global equity funds	112,792	4.7%
International equity funds	576,753	24.2%
Cash	27,243	1.2%
Total	<u>\$ 2,383,772</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 expects to contribute \$399,000 to the pension plan in fiscal year 2017. No plan assets are expected to be returned to the Foundation during fiscal year 2016.

**LONGWOOD FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

PENSION PLAN (CONTINUED)

Benefits paid during the year ended September 30, 2016 totaled \$156,424. The following benefit payments are expected to be paid for the years ending September 30:

2017	\$	156,424
2018		174,712
2019		174,712
2020		174,712
2021		340,204
Next 5 years		1,815,336

LEASE COMMITMENTS

The Foundation has a year-to-year office facility lease with a related party, Community Service Building Corporation. This lease provides for an annual adjustment based on actual operating expenses and expired July 31, 2012. A new lease agreement was signed and expires July 31, 2017. Future minimum lease payments are as follows:

<u>September 30,</u>		
2017	\$	64,450
2018		-
2019		-
2020		-
2021		-

Net rent expense for the year ended September 30, 2016 totaled \$63,078. 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, 2016 totaled \$27,887. 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 and matured December 31, 2015. These loans are secured by the Foundation's investment accounts.

LONGWOOD FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

UNPAID GRANTS

The Board of Trustees approved \$41,239,201 of contributions that were unpaid as of September 30, 2016. Unpaid grants are expected to be paid as follows:

<u>September 30,</u>	
2017	\$ 19,239,201
2018	11,000,000
2019	11,000,000
2020	-
2021	-
	<u>\$ 41,239,201</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 at September 30, 2016.

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, 2016

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, 2016.

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 February 3, 2017, 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, 2016

	Grant Payable at 09/30/15	Amount Approved	Amount Disbursed	Amount Rescinded	Amount Payable at 09/30/16
Longwood Gardens	\$ 44,000,000	\$ -	\$ (11,000,000)	\$ -	\$ 33,000,000
Delaware Arts Alliance	48,445	-	(48,445)	-	-
Teach for America	500,000	-	(250,000)	-	250,000
Wilmington Montessori School	300,000	-	(300,000)	-	-
Delaware STEM Academy	250,000	-	(250,000)	-	-
Interneighborhood Foundation of Wilmington	120,000	-	(120,000)	-	-
Delaware Society for the Prevention of Cruelty to Animals	600,000	-	-	(600,000)	-
Leadership Delaware, Inc.	75,000	-	-	-	75,000
Jefferson Awards for Public Services	60,000	-	(40,000)	-	20,000
Friends of Historic Riverview Cemetery, Inc.	50,000	-	(50,000)	-	-
OperaDelaware	200,000	-	(200,000)	-	-
Rehoboth Beach Film Society	62,000	-	(62,000)	-	-
Lewes Historical Society	150,000	-	(150,000)	-	-
Serviam Girls Academy, Inc.	250,000	-	(250,000)	-	-
National Veterans Assistance Coalition	150,000	-	(150,000)	-	-
Kent/Sussex Charter School Project	925,000	-	-	-	925,000
Police Athletic League of Delaware	-	400,000	(400,000)	-	-
The Dover Century Club	-	49,000	(49,000)	-	-
Friends of Bellevue State Park, Inc.	-	40,000	(40,000)	-	-
Hagley Museum and Library	-	500,000	(500,000)	-	-
Delaware Theatre Company	-	300,000	(300,000)	-	-
Chester County Historical Society	-	200,000	(200,000)	-	-
Delaware Shakespeare Festival, Inc.	-	95,000	(72,200)	-	22,800
Bootless Stageworks, Inc.	-	22,000	(22,000)	-	-
Capital Ringers	-	9,000	(9,000)	-	-
Delaware Military Academy	-	750,000	(750,000)	-	-
Delaware Community Foundation - The Summer Learning Collaborative	-	400,000	(400,000)	-	-
Cab Calloway School Fund	-	140,448	(140,448)	-	-
Delaware Botanic Gardens	-	750,000	(750,000)	-	-
The Land Conservancy of Southern Chester County	-	300,000	(300,000)	-	-
Nature Conservancy - Delaware Field Office	-	200,000	(200,000)	-	-
La Red Health Center	-	300,000	(300,000)	-	-
Central Delaware Habitat for Humanity	-	295,000	(295,000)	-	-
Mckinsey Social Initiative, Inc.	-	750,000	(750,000)	-	-
United Way of Delaware	-	750,000	(750,000)	-	-
YMCA of Delaware	-	750,000	(750,000)	-	-
Canine Partners for Life	-	400,000	-	-	400,000
Exceptional Care for Children, Inc.	-	400,000	(400,000)	-	-
Limen House, Inc.	-	300,000	(300,000)	-	-
Reading ASSIST Institute	-	300,000	(300,000)	-	-
The Arc of Delaware	-	200,000	(200,000)	-	-
A Better Chance For Our Children, Inc.	-	150,000	(150,000)	-	-
Endless Possibilities In The Community, Inc.	-	100,000	(100,000)	-	-
Delaware HIV Services, Inc.	-	75,000	(75,000)	-	-
United Way of Chester County	-	45,000	(45,000)	-	-
Total forwarded	\$ 47,740,445	\$ 8,970,448	\$ (21,418,093)	\$ (600,000)	\$ 34,692,800

See independent auditor's report

LONGWOOD FOUNDATION, INC.
SUPPLEMENTAL SCHEDULE OF CONTRIBUTIONS,
APPROPRIATIONS AND EXPENDITURES (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2016

FORWARDED:	Grants Payable at 09/30/15	Amount Approved	Amount Disbursed	Amount Rescinded	Amount Payable at 09/30/16
	\$ 47,740,445	\$ 8,970,448	\$ (21,418,093)	\$ (600,000)	\$ 34,692,800
United Way of Southern Chester County	-	38,000	(38,000)	-	-
Kennett After-School Association	-	25,000	(25,000)	-	-
Delaware Grantmakers Association	-	250,000	(250,000)	-	-
American Civil Liberties Foundation of Delaware, Inc.	-	140,000	(90,000)	-	50,000
Lewes Public Library, Inc.	-	100,000	(100,000)	-	-
Delaware Community Foundation - Pete du Pont Freedom Award Foundation	-	100,000	(100,000)	-	-
Grand Opera House	-	1,000,000	(435,000)	-	565,000
Delaware Symphony Orchestra	-	300,000	-	-	300,000
Delaware Center for the Contemporary Arts	-	200,000	(200,000)	-	-
The Cathedral Choir School of Delaware, Inc.	-	100,000	(100,000)	-	-
Delaware Arts Alliance, Inc.	-	75,000	(75,000)	-	-
Delaware Children's Museum	-	75,000	-	-	75,000
Imperial Dynasty Arts Program, Inc.	-	25,000	(25,000)	-	-
Kennett Symphony Orchestra	-	15,000	(15,000)	-	-
Mispillion Art League, Inc.	-	15,000	(15,000)	-	-
Greenbank Mill Associates, Inc.	-	10,000	(10,000)	-	-
Delaware Community Foundation - Community Education Building	-	6,300,000	(2,000,000)	-	4,300,000
Ursuline Academy	-	1,000,000	(1,000,000)	-	-
Great Oaks Foundation	-	500,000	(500,000)	-	-
St. Anne's Episcopal School	-	280,280	(180,280)	-	100,000
East Side Community Learning Center	-	250,000	(250,000)	-	-
Delaware College Scholars, Inc.	-	150,000	(150,000)	-	-
Tecsharp	-	150,000	(150,000)	-	-
Goldey Beacom College	-	100,000	(100,000)	-	-
Tall Oaks Classical School, Inc.	-	100,000	(100,000)	-	-
St. Edmond's Academy	-	80,000	(40,000)	-	40,000
Delaware College of Art and Design	-	50,000	(50,000)	-	-
Habitat for Humanity of New Castle County, Inc.	-	125,000	(125,000)	-	-
Victims Voices Heard, Inc.	-	250,000	(250,000)	-	-
Community Legal Aid Society, Inc.	-	200,000	(200,000)	-	-
Family Counseling Center of St. Paul's	-	200,000	(200,000)	-	-
Paws for People	-	185,650	(185,650)	-	-
Ingleside Homes, Inc.	-	150,000	(150,000)	-	-
Jewish Federation of Delaware	-	150,000	(150,000)	-	-
Newark Senior Center	-	150,000	(150,000)	-	-
Presbyterian Church of the Covenant for EDGE Ministries	-	125,000	(125,000)	-	-
Breaking Barriers	-	100,000	(100,000)	-	-
Connecting Generations, Inc.	-	100,000	-	-	100,000
Delaware Center for Justice	-	100,000	(25,000)	-	75,000
Greater Lewes Community Village	-	100,000	(100,000)	-	-
Middletown Odessa Rotary Club Services Foundation	-	100,000	-	-	100,000
Nanticoke Senior Center	-	100,000	(100,000)	-	-
National Urban Squash and Education Association	-	100,000	-	-	100,000
Preston's Playground	-	100,000	(100,000)	-	-
Total forwarded	\$ 47,740,445	\$ 22,734,378	\$ (29,377,023)	\$ (600,000)	\$ 40,497,800

See independent auditor's report

LONGWOOD FOUNDATION, INC.
SUPPLEMENTAL SCHEDULE OF CONTRIBUTIONS,
APPROPRIATIONS AND EXPENDITURES (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2016

<i>FORWARDED:</i>	<u>Grants Payable at 09/30/15</u>	<u>Amount Approved</u>	<u>Amount Disbursed</u>	<u>Amount Rescinded</u>	<u>Amount Payable at 09/30/16</u>
	\$ 47,740,445	\$ 22,734,378	\$ (29,377,023)	\$ (600,000)	\$ 40,497,800
West Center City Early Learning Center	-	100,000	(100,000)	-	-
Best Buddies Delaware	-	80,000	(80,000)	-	-
Parent Information Center Of Delaware, Inc.	-	70,000	(70,000)	-	-
Project New Start, Inc.	-	68,715	(27,314)	-	41,401
Prestons March For Energy, Inc.	-	65,000	(65,000)	-	-
Be Ready Community Development Corporation	-	50,000	(50,000)	-	-
Family Help, Inc.	-	50,000	(50,000)	-	-
Neighborhood House, Inc.	-	41,650	(41,650)	-	-
Child, Inc.	-	25,000	(25,000)	-	-
Historic East Linden Project, Inc.	-	20,000	(20,000)	-	-
White Clay Learning Center	-	8,000	(8,000)	-	-
Delmarva Clergy United in Social Action, Inc.	-	5,000	(5,000)	-	-
Caring Hearts Helping Hands, Inc.	-	1,245	(1,245)	-	-
National Development Council	-	500,000	-	-	500,000
Delaware Charter School Network	-	200,000	-	-	200,000
Crozer-Chester Foundation	-	-	75,000	(75,000)	-
Delaware STEM Academy	-	-	247,999	(247,999)	-
	<u>\$ 47,740,445</u>	<u>\$ 24,018,988</u>	<u>\$ (29,597,133)</u>	<u>\$ (922,999)</u>	<u>\$ 41,239,201</u>