

THE WOODLANDS FOUNDATION, INC.

AUDITED FINANCIAL STATEMENTS

**YEAR ENDED
DECEMBER 31, 2016**

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Woodlands Foundation, Inc.
Wexford, Pennsylvania

We have audited the accompanying financial statements of The Woodlands Foundation, Inc. (a Pennsylvania non-profit corporation), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, 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 of 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 risk 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 The Woodlands Foundation, Inc. as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

McClintock & Associates, P.C.

Pittsburgh, Pennsylvania
March 24, 2017

The Woodlands Foundation, Inc.

STATEMENT OF FINANCIAL POSITION

	December 31, 2016
ASSETS	
CASH AND CASH EQUIVALENTS	\$ 436,974
CASH EQUIVALENTS, permanently restricted	132,182
MARKETABLE SECURITIES	2,734,690
ACCOUNTS RECEIVABLE	28,576
PLEDGES RECEIVABLE	210,041
PREPAID EXPENSES	7,099
PROPERTY, PLANT AND EQUIPMENT	
Buildings and land improvements	3,370,277
Furniture and equipment	256,279
	<u>3,626,556</u>
Less accumulated depreciation and amortization	<u>(1,491,582)</u>
	2,134,974
Construction in progress	54,461
	<u>2,189,435</u>
Land	689,374
	<u>2,878,809</u>
TOTAL ASSETS	<u>\$ 6,428,371</u>
LIABILITIES AND NET ASSETS	
LIABILITIES	
Accounts payable and accrued expenses	\$ 111,992
Notes payable, net of deferred loan fees (Note J)	464,893
Deferred support	11,653
TOTAL LIABILITIES	<u>588,538</u>
NET ASSETS	
Unrestricted	2,524,026
Unrestricted, board designated	183,703
Temporarily restricted	448,935
Permanently restricted	2,683,169
TOTAL NET ASSETS	<u>5,839,833</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,428,371</u>

See accompanying notes to financial statements.

The Woodlands Foundation, Inc.

STATEMENT OF ACTIVITIES

	Year Ended December 31, 2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE				
Contributions	\$ 118,534	\$ 142,784	\$ 0	\$ 261,318
Grants	236,140	182,871	0	419,011
Special events	354,588	26,480	0	381,068
Facility user fees	799,684	0	0	799,684
Investment return	11,418	0	164,791	176,209
Donated materials, assets and services	68,528	0	0	68,528
Miscellaneous income	16,121	0	0	16,121
Net assets released from restriction	<u>708,131</u>	<u>(532,142)</u>	<u>(175,989)</u>	<u>0</u>
TOTAL SUPPORT AND REVENUE	2,313,144	(180,007)	(11,198)	2,121,939
EXPENSES				
Program services				
Client services	764,621	0	0	764,621
Facility operations	<u>641,420</u>	<u>0</u>	<u>0</u>	<u>641,420</u>
Total Program Services	1,406,041	0	0	1,406,041
Support services				
Management and general	175,805	0	0	175,805
Marketing and fund development	<u>571,967</u>	<u>0</u>	<u>0</u>	<u>571,967</u>
Total Support Services	<u>747,772</u>	<u>0</u>	<u>0</u>	<u>747,772</u>
TOTAL EXPENSES	<u>2,153,813</u>	<u>0</u>	<u>0</u>	<u>2,153,813</u>
INCREASE (DECREASE) IN NET ASSETS	159,331	(180,007)	(11,198)	(31,874)
Net assets at beginning of year	<u>2,548,398</u>	<u>628,942</u>	<u>2,694,367</u>	<u>5,871,707</u>
NET ASSETS AT END OF YEAR	<u>\$ 2,707,729</u>	<u>\$ 448,935</u>	<u>\$ 2,683,169</u>	<u>\$ 5,839,833</u>

See accompanying notes to financial statements.

The Woodlands Foundation, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

	Year Ended December 31, 2016				
	Program Services		Support Services		
	Client Services	Facility Operations	Management and General	Marketing and Fund Development	Totals
Salaries	\$ 547,542	\$ 210,581	\$ 86,033	\$ 252,816	\$ 1,096,972
Special Events - Fund Raising	0	0	0	167,629	167,629
Depreciation	0	137,825	2,281	0	140,106
Utilities	201	116,000	0	0	116,201
Employer Payroll Taxes	40,795	15,702	5,838	19,243	81,578
Audit and Professional Fees	5,448	3,148	16,791	51,194	76,580
Contract Services	36,623	37,293	1,963	301	76,180
Health and Life Insurance	11,571	4,801	12,091	23,351	51,814
Food and Beverage	44,319	55	2,763	752	47,889
Miscellaneous	17,183	17,473	3,621	5,128	43,405
Insurance	920	32,394	3,721	185	37,220
Program Supplies	29,439	668	0	266	30,373
Marketing	56	0	0	28,298	28,354
Workers' Compensation Insurance	12,678	4,858	1,815	5,822	25,172
Interest	0	0	18,797	0	18,797
Building Maintenance and Repair	0	18,115	0	39	18,154
Equipment Repair and Lease	5,872	6,481	1,770	3,623	17,746
Maintenance and Repair	0	16,261	0	0	16,261
Supplies	0	13,258	0	0	13,258
Noncapitalized Furniture Computers and Equipment	2,832	5,536	1,495	1,788	11,651
403b Employer Match	0	0	10,905	0	10,905
Telephone	4,490	825	2,997	1,273	9,585
Printing and Publication	668	100	57	6,831	7,656
Postage	1,170	12	898	2,530	4,610
Office Supplies	999	12	1,843	673	3,527
Bank and Credit Card Fees	1,815	22	126	227	2,190
Grand Total	<u>\$ 764,621</u>	<u>\$ 641,420</u>	<u>\$ 175,805</u>	<u>\$ 571,967</u>	<u>\$ 2,153,813</u>

See accompanying notes to financial statements.

The Woodlands Foundation, Inc.

STATEMENT OF CASH FLOWS

	Year Ended December 31, 2016
CASH FLOWS FROM OPERATING ACTIVITIES	
Decrease in net assets	\$ (31,874)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:	
Depreciation	140,106
Unrealized gain on marketable securities	(124,496)
Donated stock	(2,568)
Amortization of deferred loan fees	669
Decrease in:	
Accounts receivable	3,153
Pledges receivable	161,847
Prepaid expenses	1,705
Increase (decrease) in:	
Accounts payable and accrued expenses	17,007
Deferred support	(12,942)
Total net operating adjustments	<u>184,481</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>152,607</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Acquisition of property, plant and equipment	(63,833)
Acquisition of marketable securities	(536,625)
Proceeds from sale of marketable securities	<u>687,695</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>87,237</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from line of credit	72,000
Payments on line of credit	(247,000)
Proceeds from note payable	500,000
Principal payments on notes payable	(393,322)
Increase in deferred loan fees	<u>(14,605)</u>
NET CASH USED IN FINANCING ACTIVITIES	<u>(82,927)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	156,917
Cash and cash equivalents at beginning of the year	<u>412,239</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 569,156</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:	
Cash paid during the year for interest	<u><u>\$ 18,797</u></u>

See accompanying notes to financial statements.

The Woodlands Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

NOTE A - NATURE OF THE ORGANIZATION

The Woodlands Foundation, Inc. (Organization or WFI) is incorporated under the laws of the Commonwealth of Pennsylvania as a voluntary non-profit corporation. The purpose of the Organization is to develop and maintain The Woodlands, a multi-use program facility for persons with disabilities located in Southwestern Pennsylvania. The Organization promotes and fosters personal and physical development and strengthens community awareness of The Woodlands. WFI funds these activities through contributions, grants, endowment investment income, and through fees charged to the groups who use The Woodlands' facilities.

Management has evaluated subsequent events through March 24, 2017, the date the financial statements were available to be issued and has no material subsequent events to report.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

These statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Accordingly, revenues are recognized when earned and expenses are recognized when incurred, regardless of dates of cash receipts or cash disbursements.

Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. A description of the three net asset categories follows:

1. Unrestricted net assets include gifts which are currently available at the discretion of the Board of Directors for use in the Organization's operations.
2. Temporarily restricted net assets include gifts for which donor-imposed restrictions have not been met and for which the ultimate purpose of the proceeds is not permanently restricted.
3. Permanently restricted net assets include donor-imposed restrictions that resources be maintained permanently, but permit use of a portion of the resources to defray operating costs each year, as more fully described in Note L.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash in the bank and all short-term investments with an original maturity of 90 days or less.

Marketable Securities

Marketable securities as of December 31, 2016, consisted of equity and fixed income securities and are recorded at fair value. These common stocks and mutual funds are sold on a national securities exchange, and are valued at year-end closing prices. All other marketable securities are valued at the closing price reported on the active market. Realized gains or losses are recognized using specific identification and the FIFO methods. Investment income is recognized when earned.

The Woodlands Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable consist primarily of amounts due to the Organization for services rendered. Accounts receivable are recorded at the amounts originally billed, less payments received and are non-interest bearing. The collectability of accounts receivable is evaluated throughout the year based on a combination of factors and balances are written off once management determines collectability is not possible. Therefore, management believes that no allowance for doubtful accounts is needed at December 31, 2016.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost and at the estimated fair value, if donated. Expenditures for renewals and betterments that extend the useful life of the asset are capitalized. Repairs and maintenance items are charged to expense as incurred. Gain or loss on the retirement or disposal of assets is included in operations in the year of disposal. Depreciation expense is computed using the straight-line method based on the estimated useful lives of the assets.

Deferred Loan Fees

Costs relating to obtaining debt are capitalized and amortized over the term of the related debt using the straight-line method. Amortization of deferred loan fees charged to operations was \$669 for the year-ended December 31, 2016. In accordance with ASC 2015-03, *Interest – Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*, these costs are presented (net of accumulated amortization) as a reduction in the carrying value of the related debt liability on the accompanying balance sheet (see Note J).

Donated Materials and Assets

Donations of furniture and equipment and other noncash donations are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset for a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, WFI reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor and depreciation begins. During 2016, the value of donated materials and assets was \$55,635.

Charitable Lead Annuity Trust

Under a charitable lead annuity trust agreement, the donor establishes and funds a trust naming a non-profit organization as lead beneficiary. Under this type of charitable lead trust, the non-profit organization receives a specific dollar amount from the trust. The non-profit organization's interest in the agreement is recorded as contribution revenue and the beneficial interest in the trust is measured as the present value of the estimated future distributions the organization expects to receive over the term of the agreement. In each subsequent year, the recognized revenue is recorded at its net present value with the difference between the cash receipt and that year's discounted receivable balance being recorded as contribution revenue.

Donated Services

The Organization recognizes donated services that creates or enhances non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. These donated services are recorded at their fair value. During 2016, the value of donated services was \$12,893.

The Woodlands Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tax Status

The Internal Revenue Service has determined that the Organization is tax exempt under Section 501(c)(3) of the Internal Revenue Code and is not classified as a private foundation. The Organization must continue to meet certain tests to maintain its status as a publicly supported organization. The Organization believes it fulfills these tests.

Income Taxes

The Financial Accounting Standards Board has issued guidance on accounting for uncertainty in income taxes. Management evaluated the Organization's tax positions and concluded that the Organization had no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. The Organization is generally no longer subject to examination from taxing authorities for years before 2013. The Organization is currently not under any examination.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and support services benefited.

Advertising Costs

The Company incurred \$28,354 in advertising costs for the year ended December 31, 2016. Advertising costs are expensed as incurred.

Financial Instruments

The fair values and carrying amounts of the Organization's financial instruments, primarily current assets and liabilities, are approximately equivalent.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE C - CONCENTRATION OF CREDIT RISK

The Organization maintains accounts with brokerage firms. Balances are insured up to \$500,000 by the Securities Investor Protection Corporation (SIPC) in addition to private insurance offered by the brokerage firms. At December 31, 2016, the Organization's SIPC uninsured balances were \$2,366,873.

The Organization, at times, may have cash deposits that exceed \$250,000 in an individual bank. The Federal Deposit Insurance Corporation (FDIC) insures only the first \$250,000 of funds at member banks.

The Woodlands Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

NOTE D - MARKETABLE SECURITIES

Marketable securities at December 31, 2016, consist of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Common stock	\$ 110,844	\$ 0	\$ 1,538,749	\$ 1,649,593
Mutual funds	47,938	0	666,008	713,946
Fixed income and government securities	<u>24,921</u>	<u>0</u>	<u>346,230</u>	<u>371,151</u>
	<u>\$ 183,703</u>	<u>\$ 0</u>	<u>\$ 2,550,987</u>	<u>\$ 2,734,690</u>

Investment return is reported net of broker fees and other third-party costs associated with the management of the investments. These expenses totaled \$22,305 in 2016.

The composition of the investment return, which includes money market accounts, as reported in the statement of activities for the year ended December 31, 2016, was:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Interest and dividends	\$ 5,103	\$ 0	\$ 67,013	\$ 72,116
Investment income, net of fees	534	0	8,275	8,809
Net unrealized appreciation	<u>5,781</u>	<u>0</u>	<u>89,503</u>	<u>95,284</u>
	<u>\$ 11,418</u>	<u>\$ 0</u>	<u>\$ 164,791</u>	<u>\$ 176,209</u>

The Organization utilizes various instruments that, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investments securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in future financial statements.

The Woodlands Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

NOTE E - FAIR VALUE MEASUREMENTS

Accounting Standard Codification (ASC) Section 820 - *Fair Value Measurements and Disclosures* establishes a framework for measuring fair value and expands disclosures about fair value measurements.

Topic 820 defines fair value as 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. Topic 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities.
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3** Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis and recognized in the accompanying statement of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy.

Equity and fixed income securities: Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual funds: Valued at the net asset value (NAV) of shares held by the Organization at year end.

Charitable lead annuity trust: Valued at the net present value (NPV) of future payments to be received.

The Woodlands Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

NOTE E - FAIR VALUE MEASUREMENTS (CONTINUED)

The following table sets forth by level, within the fair value hierarchy, WFI's assets at fair value as of December 31, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
US Large Cap Growth	\$ 462,772	\$ 0	\$ 0	\$ 462,772
International Equities	510,546	0	0	510,546
Global Fixed Income	343,399	0	0	343,399
US Fixed Income	391,267	0	0	391,267
US Large Cap Value	331,005	0	0	331,005
Short Term Fixed Income	188,516	0	0	188,516
Inflation Linked Secs	53,158	0	0	53,158
US Mid Cap Growth	112,588	0	0	112,588
US Mid Cap Value	95,298	0	0	95,298
International Fixed Income	80,094	0	0	80,094
US Small Cap Value	65,520	0	0	65,520
US Small Cap Growth	60,068	0	0	60,068
Alternatives	28,663	0	0	28,663
US Equities Other	11,796	0	0	11,796
Charitable lead annuity trust	<u>0</u>	<u>0</u>	<u>82,103</u>	<u>82,103</u>
	<u>\$ 2,734,690</u>	<u>\$ 0</u>	<u>\$ 82,103</u>	<u>\$ 2,816,793</u>

The following is a reconciliation of the beginning and ending balance of recurring fair value measurements recognized in the accompanying statement of financial position using significant unobservable (Level 3) inputs:

	<u>Charitable lead annuity trust</u>
Beginning balance	\$ 93,026
Settlement on the account	<u>(10,923)</u>
Ending balance	<u>\$ 82,103</u>

The Woodlands Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

NOTE E - FAIR VALUE MEASUREMENTS (CONTINUED)

The following table presents estimated fair values of the Organization's financial instruments in accordance with Topic 820 at December 31, 2016:

	Carrying Amount	Fair Value
Investments	\$ 2,734,690	\$ 2,734,690
Charitable lead annuity trust	\$ 82,103	\$ 82,103

NOTE F - PERMANENTLY RESTRICTED NET ASSETS

From 1999 through 2016, endowment grants were received totaling \$3,101,000. In 2016, \$175,989 was released from restriction to meet operating costs. See Note L.

The fair value of investments and cash equivalents at December 31, 2016, is sufficient to satisfy donor or statutory restrictions. The Organization held donor-restricted investments and cash equivalents totaling \$2,683,169 at December 31, 2016.

NOTE G - PLEDGES RECEIVABLE

Pledges receivable are recorded at the amount pledged in writing by the donor. The Organization does not record pledges receivable if any unfulfilled conditions coincident to their receipt exist at year-end. Management believes that no allowance is needed at December 31, 2016. Pledges receivable are due to be received through 2027, in the following time frames:

Less than one year	\$ 97,938
One to five years	20,000
More than five years	10,000
Charitable lead annuity trust receivables (Note H)	<u>82,103</u>
	<u>\$ 210,041</u>

NOTE H - CHARITABLE LEAD ANNUITY TRUST

On December 12, 2007, an irrevocable charitable lead annuity trust was established naming WFI as a charitable income beneficiary. The annuity will be paid from the trust income, and to the extent trust income is insufficient, from trust principal until it is exhausted. Under the terms of the trust, \$400,000 is expected to accumulate from the initial investment that is expected to grow at a discounted rate of six and one-half percent (6.5%) over 20 years. The annuity term will terminate 20 years after the December 12, 2007, commencement date. Each year, the \$20,000 annuity payment will be distributed on or about December 12 and in no event later than December 31 of each calendar year. At December 31, 2016, the present value of the charitable lead annuity trust receivable was \$82,103; this amount is included in "Pledges Receivable" (Note G) in the accompanying statement of financial position.

The Woodlands Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

NOTE I - LINE OF CREDIT

WFI has a \$200,000 line of credit that bears interest at 2.00% above the LIBOR advantage rate (.7164% at December 31, 2016) on the unpaid balance. This line is secured by an open-ended mortgage along with all the deposits with the bank. As of December 31, 2016, the outstanding liability was \$0.

NOTE J - NOTE PAYABLE

Note payable as of December 31, 2016, consists of the following:

Note payable to a bank with monthly payments of \$4,836, including interest at 2.99% until July of 2017 when the monthly payment increases to \$5,139 at 4.39%. This note matures on June 10, 2026, and is secured by a mortgage on real property. The balance outstanding as of December 31, 2016, was \$478,828.

The aggregate annual amount of principal payments required on the notes payable for years subsequent to December 31, 2016, and in the aggregate, are as follows:

<u>Years Ending December 31,</u>	<u>Principal Payments</u>	<u>Deferred Loan Fees</u>	<u>Net Amount</u>
2017	\$ 43,135	\$ (1,460)	\$ 41,675
2018	43,146	(1,460)	41,686
2019	45,106	(1,460)	43,646
2020	47,112	(1,460)	45,652
2021	49,295	(1,460)	47,835
Thereafter	<u>251,034</u>	<u>(6,635)</u>	<u>244,399</u>
	<u>\$478,828</u>	<u>\$ (13,935)</u>	<u>\$464,893</u>

NOTE K - LEASE COMMITMENTS

The Organization leases office equipment under the terms of a lease agreement beginning in 2017 which expires in 2021. Total rent expense amounted to \$10,823 for the year ended December 31, 2016.

Future minimum lease payments for the five years subsequent to December 31, 2016, are as follows:

<u>Years Ending December 31,</u>	
2017	\$ 11,700
2018	11,700
2019	11,700
2020	11,700
2021	<u>11,700</u>
	<u>\$ 58,500</u>

The Woodlands Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

NOTE K - LEASE COMMITMENTS (CONTINUED)

The Organization leases space to two unrelated organizations under operating leases with terms expiring in June 2019 and December 2020. Rental income under the terms of the lease for the year ended December 31, 2016, was \$106,200. Future rental income will be approximately \$337,000.

NOTE L - ENDOWMENT FUND

Permanently restricted net assets at December 31, 2016, consist of an endowment fund established in 1999 to provide annual income for general operating costs. Contributions to the endowment fund are subject to donor restrictions that stipulate the original principal of the gift is to be held and invested by the Organization indefinitely and earned income from the fund is to provide annual income for general operating costs. The Organization had adopted investment and spending policies based on the requirements of PA Act 141. As a result of the Organization's interpretation of PA Act 141, and in accordance with donor restrictions, contributions to the endowment fund are classified as permanently restricted net assets. The historic dollar value of those contributions may not be spent.

The donor-restricted endowment fund is invested in marketable securities pursuant to the Organization's investment and spending objectives of subjecting the fund to low investment risk and providing the non-profit with current income. The Organization will expand the endowment fund's investment income for the donor-designated purpose when the need arises.

The purpose of the endowment fund is to provide annual income to apply towards general operating costs including, but not limited to the following: building and grounds maintenance and repair, insurance, janitorial service, utilities, and staff salaries to perform related functions to insure the continued mission of the Organization. The objective is to create an endowment fund sufficient in size to provide annual income to cover a significant portion of all abovementioned annual expenses. The expected growth of the endowment fund (total return minus fees) is 6.5% - 7.5% over the time horizon of 15 years, on an average, annualized basis.

Per the investment and distribution policy, investments of the endowment fund shall maintain a diversified portfolio mix of publically traded equities and mutual funds, publically traded fixed income instruments, and cash equivalent investments. Investment manager(s) should adhere to the investment discipline and make reasonable efforts to control risk and preserve capital.

The investment and distribution policy intends to follow a "total return" policy for management of its long-term endowment assets. This approach defines net investment return as the total change in the overall value of funds, including interest, dividends and (un)realized capital gains, less fees. The investment and distribution policy applies a spending policy for income from permanently restricted endowment funds based on the preceding three years' trailing average fair value at the beginning of the year. In accordance with the donor's restrictions and PA ACT 141, the Organization cannot spend more than 5% -7% of the three years' calculated average fair value.

The Woodlands Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

NOTE L - ENDOWMENT FUND (CONTINUED)

The composition of endowment net assets as of December 31, 2016, is as follows:

	Endowment Net Asset Composition by Type of Fund as of December 31, 2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board-designated endowment funds	\$ 183,703	\$ 0	\$ 0	\$ 183,703
Donor-restricted endowment funds	0	0	2,683,169	2,683,169
	<u>\$ 183,703</u>	<u>\$ 0</u>	<u>\$ 2,683,169</u>	<u>\$ 2,866,872</u>

The composition of the changes in endowment net assets as of December 31, 2016, is as follows:

	Changes in Endowment Net Assets for the Year Ended December 31, 2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, December 31, 2015	\$ 147,071	\$ 0	\$ 2,694,367	\$ 2,841,438
Investment income, net of fees	534	0	8,275	8,809
Net unrealized appreciation	5,781	0	89,503	95,284
Interest and dividends	4,328	0	67,013	71,341
Reclassification	25,989	0	(25,989)	0
Program expenditures	0	0	(150,000)	(150,000)
Endowment net assets, December 31, 2016	<u>\$ 183,703</u>	<u>\$ 0</u>	<u>\$ 2,683,169</u>	<u>\$ 2,866,872</u>

The Woodlands Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

NOTE M - RETIREMENT SAVINGS PLAN

The Organization sponsors a 403(b) retirement plan for all eligible employees as defined by the Plan. The participants may contribute up to 100% of their salary not to exceed certain Internal Revenue Code limits. Effective March 1, 2016 the Organization is required to match 50% of the employee's contribution up to 5% of their salary. For the year ended December 31, 2016, the required Organization contribution charged to operations was \$10,905.

NOTE N - CONTINGENT PLEDGE AND GRANTS

Charitable Remainder Trust Conditional Pledge

The Organization has been named a beneficiary of a partially revocable direction of charitable remainder trust, in the amount of \$100,000. This amount has not been recorded in the Organization's statement of financial position and statement of activities because the pledge may be revoked or amended at any time by the donor during his lifetime. If received, this donation will be permanently restricted.

DCED Conditional Grant

During 2016, a conditional grant of \$217,450 was awarded from the PA Department of Community and Economic Development to be used towards the engineering costs and the construction of an access road to the new property. Since WFI has not yet obtained all other required sources of funds for the project, including matching funds, this grant has not yet been recognized as income as of December 31, 2016. This grant terminates on June 30, 2019.

GEDF Conditional Grant

During 2016, a conditional grant of \$200,000 was awarded from the Redevelopment Authority of Allegheny County, Gaming Economic Development Fund to be used towards the site preparation and infrastructure for construction of a multi-purpose building. Since WFI must first incur actual expenditures and then submit requests for reimbursement this grant has not yet been recognized as income as of December 31, 2016. No expenses have been incurred through 2016. This grant terminates on August 11, 2017.

CDBG Conditional Grant

During 2016, a conditional grant of \$100,000 was awarded from Allegheny County, Community Development Block Grant to be used towards capital and accessibility improvements on the Organization's property. Since WFI must first incur actual expenditures and then submit requests for reimbursement this grant has not yet been recognized as income as of December 31, 2016. No expenses have been incurred through 2016. This grant terminates on June 30, 2017.