

***THE WOODLANDS FOUNDATION, INC.***

**AUDITED FINANCIAL STATEMENTS**

**YEAR ENDED  
DECEMBER 31, 2019**

## 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 nonprofit corporation), which comprise the statement of financial position as of December 31, 2019, 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 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 The Woodlands Foundation, Inc. as of December 31, 2019, 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.



Pittsburgh, Pennsylvania  
May 29, 2020

# ***The Woodlands Foundation, Inc.***

## **STATEMENT OF FINANCIAL POSITION**

<b>ASSETS</b>		<b>December 31, 2019</b>
<b>CASH AND CASH EQUIVALENTS</b>	\$	530,366
<b>CASH EQUIVALENTS</b> , with donor restrictions		224,288
<b>MARKETABLE SECURITIES</b>		2,908,592
<b>ACCOUNTS RECEIVABLE</b>		46,852
<b>PLEDGES RECEIVABLE</b>		108,371
<b>GRANTS RECEIVABLE</b>		274,102
<b>PREPAID EXPENSES</b>		16,639
<b>PROPERTY, PLANT AND EQUIPMENT</b>		
Buildings and land improvements		3,757,782
Furniture and equipment		327,041
		<u>4,084,823</u>
Less accumulated depreciation and amortization		<u>(1,956,925)</u>
		2,127,898
Construction in progress		365,927
		<u>2,493,825</u>
Land		689,374
		<u>3,183,199</u>
<b>PROPERTY, PLANT AND EQUIPMENT, net</b>		<u>3,183,199</u>
<b>TOTAL ASSETS</b>	<b>\$</b>	<b><u>7,292,409</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$	150,796
Notes payable, net of deferred loan fees		605,658
Line of credit		239,573
Deferred support		10,832
<b>TOTAL LIABILITIES</b>		<u>1,006,859</u>
<b>NET ASSETS</b>		
Without donor restrictions		
Undesignated		2,601,712
Designated by the board		228,621
<b>TOTAL NET ASSETS WITHOUT DONOR RESTRICTIONS</b>		<u>2,830,333</u>
With donor restrictions		
Purpose restrictions		550,958
Perpetual in nature		2,904,259
<b>TOTAL NET ASSETS WITH DONOR RESTRICTIONS</b>		<u>3,455,217</u>
<b>TOTAL NET ASSETS</b>		<u>6,285,550</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$</b>	<b><u>7,292,409</u></b>

*See accompanying notes to financial statements.*

# ***The Woodlands Foundation, Inc.***

## **STATEMENT OF ACTIVITIES**

**Year Ended December 31, 2019**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>SUPPORT AND REVENUE</b>			
Contributions	\$ 184,865	\$ 214,820	\$ 399,685
Grants	164,940	748,246	913,186
Special events	566,988	0	566,988
Facility user fees	805,191	0	805,191
Investment return	36,354	465,473	501,827
Donated materials, assets and services	105,760	0	105,760
Net assets released from restriction	1,128,448	(1,128,448)	0
<b>TOTAL SUPPORT AND REVENUE</b>	<b>2,992,546</b>	<b>300,091</b>	<b>3,292,637</b>
<b>EXPENSES</b>			
<b>Program services</b>			
Client services	962,796	0	962,796
Facility operations	783,310	0	783,310
<b>Total Program Services</b>	<b>1,746,106</b>	<b>0</b>	<b>1,746,106</b>
<b>Support services</b>			
Management and general	263,072	0	263,072
Marketing and fund development	595,634	0	595,634
<b>Total Support Services</b>	<b>858,706</b>	<b>0</b>	<b>858,706</b>
<b>TOTAL EXPENSES</b>	<b>2,604,812</b>	<b>0</b>	<b>2,604,812</b>
<b>INCREASE IN NET ASSETS</b>	<b>387,734</b>	<b>300,091</b>	<b>687,825</b>
Net assets at beginning of year	2,442,599	3,155,126	5,597,725
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 2,830,333</b>	<b>\$ 3,455,217</b>	<b>\$ 6,285,550</b>

*See accompanying notes to financial statements.*

# ***The Woodlands Foundation, Inc.***

## **STATEMENT OF FUNCTIONAL EXPENSES**

	<b>Year Ended December 31, 2019</b>				
	<b>Program Services</b>		<b>Support Services</b>		
	<b>Client Services</b>	<b>Facility Operations</b>	<b>Management and General</b>	<b>Marketing and Fund Development</b>	<b>Totals</b>
Salaries	\$ 650,352	\$ 207,303	\$ 124,526	\$ 214,305	\$ 1,196,486
Special Events - Fund Raising	0	0	0	223,428	223,428
Depreciation	0	167,988	3,383	0	171,371
Contract Services	67,945	64,095	1,125	0	133,165
Audit and Professional Fees	8,795	5,691	51,500	57,398	123,384
Utilities	0	114,824	0	0	114,824
Employer Payroll Taxes	48,547	16,011	9,020	16,257	89,835
Health and Life Insurance	17,927	30,018	5,081	23,059	76,085
Food and Beverage	51,447	1,762	1,843	740	55,792
Insurance	0	42,815	4,757	0	47,572
Miscellaneous	25,228	5,470	9,442	17,817	57,957
Equipment Repair and Lease	7,330	25,831	2,163	4,322	39,646
Building Maintenance and Repair	0	34,031	0	0	34,031
Interest	0	0	31,234	0	31,234
Workers' Compensation Insurance	14,658	4,856	2,763	4,938	27,215
Maintenance and Repair	0	26,537	0	0	26,537
Staff Recruitment and Development	13,143	319	10,102	420	23,984
Program Supplies	22,328	0	0	654	22,982
Telephone	10,900	2,661	5,048	3,519	22,128
Noncapitalized Furniture Computers and Equipment	11,950	3,981	557	1,736	18,224
403b Employer Match	8,140	3,549	222	5,483	17,394
Supplies	0	16,048	0	0	16,048
Bank and Credit Card Fees	3,248	36	306	10,044	13,634
Marketing	858	0	0	11,514	12,372
Real Estate Taxes	0	9,484	0	0	9,484
Grand Total	<u>\$ 962,796</u>	<u>\$ 783,310</u>	<u>\$ 263,072</u>	<u>\$ 595,634</u>	<u>\$ 2,604,812</u>

*See accompanying notes to financial statements.*

# ***The Woodlands Foundation, Inc.***

## **STATEMENT OF CASH FLOWS**

	<b>Year Ended December 31, 2019</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Increase in net assets	\$ 687,825
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Loss on disposal of property, plant and equipment	15,000
Depreciation	171,371
Unrealized and realized (gains) losses on marketable securities	(434,897)
Donated stock	(8,893)
Amortization of deferred loan fees	1,311
(Increase) decrease in:	
Accounts receivable	(6,004)
Pledges receivables	4,482
Grants receivable	(274,102)
Prepaid expenses	1,912
Increase (decrease) in:	
Accounts payable and accrued expenses	6,826
Deferred support	2,686
Total net operating adjustments	<u>(520,308)</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>167,517</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Acquisition of property, plant and equipment	(552,055)
Acquisition of marketable securities	(688,532)
Proceeds from sale of marketable securities	924,933
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(315,654)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Proceeds from line of credit	507,573
Payments on line of credit	(474,000)
Proceeds from note payable	300,000
Principal payments on notes payable	(77,355)
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>256,218</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>108,081</b>
Cash and cash equivalents at beginning of the year	<u>646,572</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 754,654</u></b>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>	
Cash paid during the year for interest	<u>\$ 31,234</u>
Cash and cash equivalents	\$ 530,366
Cash equivalents, with donor restrictions	<u>224,288</u>
Total cash and cash equivalents at end of year	<b><u>\$ 754,654</u></b>

*See accompanying notes to financial statements.*

# ***The Woodlands Foundation, Inc.***

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## **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 nonprofit 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 May 29, 2020, the date the financial statements were available to be issued and has no material subsequent events to report, except as reported in Note Q.

### **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 two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. A description of the two net asset categories follows:

1. Net assets without donor restrictions include gifts which are currently available at the discretion of the Board of Directors for use in the Organization's general operations.
2. Net assets with donor restrictions include gifts for which the donor-imposed restrictions are temporary in nature that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity but permit a portion of the net assets to be utilized for operating costs each year (Note L). 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.

#### **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, 2019, consisted of equity and fixed income securities and are recorded at fair value. These common stocks and mutual funds are sold on national securities exchanges 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.***

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## **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, 2019.

#### **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.

In accordance with Accounting Standards Codification (ASC) Topic 360, *Property, Plant and Equipment*, long-lived assets held and used are evaluated for possible impairment whenever events or changes in circumstances indicate that impairment may have occurred. If such events or changes in circumstances are present, and the asset's carrying value exceeds the estimated undiscounted future cash flows expected to be generated by that asset, an impairment loss is recognized to the extent the asset's carrying value exceeds fair value. To date, no such changes in events or changes in circumstances have occurred based on management's review, and no impairment loss has occurred during the year ended December 31, 2019.

#### **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 \$1,311 for the year-ended December 31, 2019. 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).

#### **Revenue and Revenue Recognition**

The Organization has adopted Accounting Standards Update (ASU) No. 2014-09 - Revenue from Contracts with Customers (Topic 606), as amended as management believes the standard improves the usefulness and understandability of the Organization's financial reporting. Analysis of various provisions of this standard resulted in no significant changes in the way the Organization recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions either as restricted for purpose or perpetual in nature depending on the nature of the restrictions. When a restriction expires, purpose restricted net assets are reclassified to net assets without donor restrictions.

Revenue from special events and use of the facilities is recognized when earned.



# ***The Woodlands Foundation, Inc.***

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## **NOTES TO FINANCIAL STATEMENTS**

### **NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **Revenue and Revenue Recognition (continued)**

A portion of the Organization's revenue is derived from a cost-reimbursable state grant, which was conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. The Organization has been awarded two cost-reimbursable grants of \$417,450 of which \$274,102 has been recognized as grant revenue in the statement of activities as grant support revenue at December 31, 2019 because qualifying expenditures have been incurred (Note O). Customers are primarily from the Southwest PA region and none are considered significant.

#### **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 2019, the value of donated materials and assets was \$102,683. The majority of donated materials and assets were recorded in special events – fund raising expenses on the statement of functional expenses.

#### **Charitable Lead Annuity Trust**

Under a charitable lead annuity trust agreement, the donor establishes and funds a trust naming a nonprofit organization as lead beneficiary. Under this type of charitable lead trust, the nonprofit organization receives a specific dollar amount from the trust. The nonprofit 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 create or enhance 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 as support at their estimated fair value at the date of donation. During 2019, the value of donated services was \$3,077. These services were recorded in marketing expenses on the statement of functional expenses.

#### **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.

# ***The Woodlands Foundation, Inc.***

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## **NOTES TO FINANCIAL STATEMENTS**

### **NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **Income Taxes**

The Financial Accounting Standards Board (FASB) 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 2016. 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. Such expenses include, salary and related payroll expenses, depreciation, contract services, professional fees, insurance, and food and beverage. Salary and related payroll expenses are allocated based on historical analyses of where efforts are expended. Depreciation for buildings and other assets allocable to specific programs or buildings are allocated to those buildings or programs. Contract services, professional fees, and food and beverage are allocated based on the service in which the benefit is received. Certain liability insurance expenses are allocated to buildings or programs based upon historical analyses of usage by programs or benefits received by buildings.

#### **Advertising Costs**

The Organization incurred \$12,372 in advertising costs for the year ended December 31, 2019. Advertising costs are expensed as incurred. These expenses are recorded in marketing costs on the statement of functional expenses.

#### **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.

#### **Recent Accounting Pronouncement**

In February 2016, the FASB issued ASU No. 2016-02, *Leases*. This ASU supersedes existing guidance on accounting for leases in ASC Topic 840, *Leases*. The new lease standard requires lessees to recognize the assets and liabilities that arise from leases on the balance sheet. A lessee will recognize on the balance sheet a lease liability (LL), which will be reduced when lease payments are made and a Right-to-Use asset (RUA) representing its right to use the underlying asset for the term of the lease. This RUA will be amortized/depreciated over the term of the lease. While this ASU will have a significant impact on the balance sheet, the impact will be minimal on the income statement. This ASU will be effective for the Organization's year ended December 31, 2021.

# ***The Woodlands Foundation, Inc.***

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## **NOTES TO FINANCIAL STATEMENTS**

### **NOTE C - CONCENTRATION OF CREDIT RISK**

The Organization maintains accounts with a brokerage firm. Balances are insured up to \$500,000 by the Securities Investor Protection Corporation (SIPC) in addition to private insurance offered by the brokerage firm. At December 31, 2019, the Organization's SIPC uninsured balances were \$2,632,877.

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.

Accounts receivable represents amounts due for programming and special events. Pledge receivables represent donations from individuals, other non-profits, corporations and a trust. Grants receivable is comprised of funding from state agencies. All of these noted receivables are unsecured.

### **NOTE D - LIQUIDITY AND AVAILABILITY**

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. Each month a financial package is prepared for the Finance Committee that compares support and revenue and expenses for the current period to year-to-date and prior year-to-date information along with comparisons to the annual budget. This review allows the Organization to determine immediate needs for cash on a monthly basis. Various sources of liquidity available include cash and cash equivalents, accounts receivable, current pledge receivables, board designated funds (quasi-endowment), and a line of credit. The Board has designated a portion of its unrestricted resources for endowment and other purposes. These amounts are identified as designated by the Board in the table below. These funds are invested for long-term appreciation and current income but remain available and may be spent at the discretion of the Board.

As of December 31, 2019, the following table represents the financial assets held by the Organization readily available within one year of the statement of financial position to meet general expenditures:

#### **Financial assets available at December 31, 2019**

Cash and cash equivalents	\$	530,366
Accounts receivable		46,852
Assets limited to use:		
Designated by the Board		228,621
Pledges receivable, current		<u>54,958</u>
Total	\$	<u>860,797</u>

As of December 31, 2019, WFI has a working capital surplus of approximately \$165,000 and average days (based on normal expenditures) cash on hand of 80 days.

WFI maintains a \$300,000 line of credit, as further discussed in Note I. As of December 31, 2019, \$60,427 remained available on the line of credit.

# ***The Woodlands Foundation, Inc.***

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## **NOTES TO FINANCIAL STATEMENTS**

### **NOTE D - LIQUIDITY AND AVAILABILITY (CONTINUED)**

The Organization considers investment income without donor restrictions, appropriated earnings from donor-restricted and board-designated (quasi-endowments), contributions without donor restrictions and contributions with donor restrictions for use in current programs that are ongoing, major and central to its annual operations to be available to meet cash needs for general expenditures. General expenditures include administrative and general expenses, fundraising expenses, and grant commitments expected to be paid within the next year.

### **NOTE E - MARKETABLE SECURITIES**

Marketable securities at December 31, 2019, consist of the following:

	<b><u>Without Donor Restrictions</u></b>	<b><u>With Donor Restrictions</u></b>	<b><u>Total</u></b>
Common stocks	\$ 126,210	\$ 1,600,334	\$ 1,726,544
Mutual Funds	56,731	719,341	776,072
Fixed income and government securities	27,377	347,134	374,511
Alternatives	<u>2,300</u>	<u>29,165</u>	<u>31,465</u>
	<u>\$ 212,618</u>	<u>\$ 2,695,974</u>	<u>\$ 2,908,592</u>

Investment return is reported net of broker fees and other third-party costs associated with the management of the investments. These expenses totaled \$23,552 in 2019.

The composition of the investment return, which includes money market accounts, as reported in the statement of activities for the year ended December 31, 2019, was:

	<b><u>Without Donor Restrictions</u></b>	<b><u>With Donor Restrictions</u></b>	<b><u>Total</u></b>
Interest and dividends	\$ 10,975	\$ 103,458	\$ 114,433
Investment income, net of fees	5,061	72,194	77,255
Net unrealized appreciation	<u>20,318</u>	<u>289,821</u>	<u>310,139</u>
	<u>\$ 36,354</u>	<u>\$ 465,473</u>	<u>\$ 501,827</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.***

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## **NOTES TO FINANCIAL STATEMENTS**

### **NOTE F - FAIR VALUE MEASUREMENTS**

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.

**Common stocks, alternative and fixed income and government 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 F - 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, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common stocks	\$ 1,726,544	\$ 0	\$ 0	\$ 1,726,544
Mutual Funds	776,072	0	0	776,072
Fixed income and government securities	374,511	0	0	374,511
Alternatives	31,465	0	0	31,465
Charitable lead annuity trust	<u>0</u>	<u>0</u>	<u>53,413</u>	<u>53,413</u>
	<u>\$ 2,908,592</u>	<u>\$ 0</u>	<u>\$ 53,413</u>	<u>\$ 2,962,005</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	\$ 62,341
Settlement on the account	<u>(8,928)</u>
Ending balance	<u>\$ 53,413</u>

The following table presents estimated fair values of the Organization's financial instruments in accordance with Topic 820 at December 31, 2019:

	<u>Carrying Amount</u>	<u>Fair Value</u>
Investments	\$ 2,908,592	\$ 2,908,592
Charitable lead annuity trust	\$ 53,413	\$ 53,413

# ***The Woodlands Foundation, Inc.***

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## **NOTES TO FINANCIAL STATEMENTS**

### **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, 2019. Pledges receivable are due to be received through 2027, in the following time frames:

Less than one year	\$	54,958
Charitable lead annuity trust receivables (Note H)		<u>53,413</u>
	\$	<u>108,371</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, 2019, the present value of the charitable lead annuity trust receivable was \$53,413; this amount is included in "Pledges Receivable" (Note G) in the accompanying statement of financial position.

### **NOTE I - LINE OF CREDIT**

WFI has a \$300,000 line of credit that bears interest at 2.00% above the LIBOR advantage rate (1.7543% at December 31, 2019) 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, 2019, the outstanding liability was \$239,573.

# ***The Woodlands Foundation, Inc.***

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## **NOTES TO FINANCIAL STATEMENTS**

### **NOTE J - NOTE PAYABLE**

Note payable as of December 31, 2019, consists of the following:

Note payable to a bank with monthly payments of \$5,139, including interest at 4.39%. This note matures on June 23, 2026 and is secured by a mortgage on real property. The balance outstanding as of December 31, 2019, was \$348,009.

Note payable to a bank with monthly payments of \$5,620, including interest at 4.63%. This note matures on June 7, 2024 and is secured by a mortgage on real property. The balance outstanding as of December 31, 2019, was \$267,727.

The aggregate annual amount of principal payments required on the notes payable for years subsequent to December 31, 2019, and in the aggregate, are as follows:

<b><u>Years Ending December 31,</u></b>	<b><u>Principal Payments</u></b>	<b><u>Deferred Loan Fees</u></b>	<b><u>Net Amount</u></b>
2020	\$ 102,894	\$ (1,460)	\$ 101,434
2021	107,788	(1,460)	106,328
2022	112,834	(1,460)	111,374
2023	118,115	(1,460)	116,655
2024	84,220	(1,460)	82,760
Thereafter	<u>89,885</u>	<u>(2,778)</u>	<u>87,107</u>
	<u>\$ 615,736</u>	<u>\$ (10,078)</u>	<u>\$ 605,658</u>

### **NOTE K - LEASE COMMITMENTS**

The Organization leases office equipment under the terms of a lease agreement which expires in 2021. Total rent expense amounted to \$13,220 for the year ended December 31, 2019.

Future minimum lease payments for the years subsequent to December 31, 2019, are as follows:

<b><u>Years Ending December 31,</u></b>	
2020	\$ 11,700
2021	<u>11,700</u>
	<u>\$ 23,400</u>



# ***The Woodlands Foundation, Inc.***

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## **NOTES TO FINANCIAL STATEMENTS**

### **NOTE L - ENDOWMENT FUND**

Net assets with donor restrictions – perpetual in nature at December 31, 2019, 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 has 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 net assets with donor restrictions – perpetual in nature. The historic dollar value of those contributions may not be spent.

The donor-restricted – perpetual in nature 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 nonprofit 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 publicly traded equities and mutual funds, publicly 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 unrealized capital gains, less fees. The investment and distribution policy applies a spending policy for income from donor - 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, 2019, is as follows:

	<b>Endowment Net Asset Composition by Type of Fund as of December 31, 2019</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment funds	\$ 228,621	\$ 2,904,259	\$ 3,132,880

The composition of the changes in endowment net assets as of December 31, 2019, is as follows:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment net assets, December 31, 2018	\$ 246,579	\$ 2,605,196	\$ 2,851,775
Investment income, net of fees	5,061	72,194	77,255
Net unrealized appreciation	20,318	289,821	310,139
Interest and dividends	7,253	103,458	110,711
Deposit	0	3,000	3,000
Reclassification	(50,590)	50,590	0
Program expenditures	0	(220,000)	(220,000)
Endowment net assets, December 31, 2019	\$ 228,621	\$ 2,904,259	\$ 3,132,880

### **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. The Organization is required to match 50% of the employee's contribution up to 5% of their salary. For the year ended December 31, 2019, the required Organization contribution charged to operations was \$17,394.

# ***The Woodlands Foundation, Inc.***

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## **NOTES TO FINANCIAL STATEMENTS**

### **NOTE N - NET ASSETS WITH RESTRICTIONS**

As of December 31, 2019, net assets with restrictions consists of the following:

Purpose restricted:	
Program services	\$ 462,207
Facilities and capital improvements	<u>88,751</u>
	550,958
Perpetual in nature:	<u>2,904,259</u>
	<u>\$ 3,455,217</u>

### **NOTE O - 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 recorded as net assets with donor restrictions.

#### **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. WFI has incurred required expenditures and has submitted requests for reimbursement. WFI recognized as income and an amount owed on this grant as of December 31, 2019 in the amount of \$74,102. This amount is included in "Grants Receivable" in the accompanying statement of financial position. WFI received these grant funds in early 2020.

#### **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 multipurpose building. WFI has incurred the required expenditures and submitted a request for reimbursement; therefore, the entire grant has been recognized as income as of December 31, 2019. This entire amount is owed and is included in "Grants Receivable" in the accompanying statement of financial position. WFI received the grant funds in early 2020.

# ***The Woodlands Foundation, Inc.***

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## **NOTES TO FINANCIAL STATEMENTS**

### **NOTE P - RENTAL INCOME**

Rental income consists of revenue earned from leasing space to two unrelated organizations under operating leases with terms expiring in December 2021 and December 2024. Approximately \$81,000 of rental income is included in “Facility user fees” in the accompanying statement of activities.

The annual amounts of income expected to be earned over the next five years are as follows:

<b><u>Years Ending December 31,</u></b>	
2020	\$ 115,200
2021	115,200
2022	61,200
2023	61,200
2024	<u>61,200</u>
	<u>\$ 414,000</u>

### **NOTE Q - SUBSEQUENT EVENT**

In March 2020, the President of the United States of America declared the outbreak of the novel coronavirus (COVID-19) a national emergency. In addition, the Commonwealth of Pennsylvania’s Governor, Thomas Wolf, declared a state of emergency in the Commonwealth, requiring all non-essential businesses to close their physical presence. As the virus continues to spread throughout the United States, and more specifically, the state in which the Organization operates, the Organization has had to temporarily close its location, cancel all Spring and Summer programming, furlough or reduce the schedule of regular full-time staff, provide work-from-home opportunities to the remaining workforce, draw down on a line of credit for financial flexibility, defer interest payments for outstanding loans, and applied for and received funding from both the Small Business Administration’s Payroll Protection Program Loan and Economic Injury Disaster Loan under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The Organization received funding of \$259,300 and \$10,000 from the Payroll Protection Program Loan and the Economic Injury Disaster Loan respectively.

As a result of this national emergency, the Organization’s enrollment in programs has ceased which negatively impacts the Organization’s revenue. The Organization expects the economic conditions to be temporary; however, the length of time of the conditions are uncertain. The Organization expects the national emergency to have an adverse impact to the Organization. The impact of the national emergency on the results of operations and financial position of the Organization cannot be reasonably estimated at this time.