

THE WOODLANDS FOUNDATION, INC.

AUDITED FINANCIAL STATEMENTS

**YEAR ENDED
DECEMBER 31, 2017**

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, 2017, 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, 2017, 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
April 25, 2018

The Woodlands Foundation, Inc.

STATEMENT OF FINANCIAL POSITION

	December 31, 2017
ASSETS	
CASH AND CASH EQUIVALENTS	\$ 355,820
CASH EQUIVALENTS, permanently restricted	217,404
MARKETABLE SECURITIES	2,879,464
ACCOUNTS RECEIVABLE	37,194
PLEDGES RECEIVABLE	136,533
PREPAID EXPENSES	20,926
PROPERTY, PLANT AND EQUIPMENT	
Buildings and land improvements	3,523,677
Furniture and equipment	286,106
	<u>3,809,783</u>
Less accumulated depreciation and amortization	<u>(1,640,428)</u>
	2,169,355
Construction in progress	45,742
	<u>2,215,097</u>
Land	689,374
	<u>2,904,471</u>
TOTAL ASSETS	<u>\$ 6,551,812</u>
LIABILITIES AND NET ASSETS	
LIABILITIES	
Accounts payable and accrued expenses	\$ 114,822
Notes payable, net of deferred loan fees (Note J)	423,656
Deferred support	11,849
TOTAL LIABILITIES	<u>550,327</u>
NET ASSETS	
Unrestricted	2,500,132
Unrestricted, board designated	232,142
Temporarily restricted	404,484
Permanently restricted	2,864,727
TOTAL NET ASSETS	<u>6,001,485</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,551,812</u>

See accompanying notes to financial statements.

The Woodlands Foundation, Inc.

STATEMENT OF ACTIVITIES

	Year Ended December 31, 2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE				
Contributions	\$ 153,049	\$ 163,046	\$ 0	\$ 316,095
Grants	178,580	320,815	0	499,395
Special events	401,455	0	0	401,455
Facility user fees	742,379	0	0	742,379
Investment return	27,342	0	353,764	381,106
Donated materials, assets and services	67,071	0	0	67,071
Miscellaneous income	35,985	0	0	35,985
Net assets released from restriction	700,518	(528,312)	(172,206)	0
TOTAL SUPPORT AND REVENUE	2,306,379	(44,451)	181,558	2,443,486
EXPENSES				
Program services				
Client services	880,194	0	0	880,194
Facility operations	679,574	0	0	679,574
Total Program Services	1,559,768	0	0	1,559,768
Support services				
Management and general	208,671	0	0	208,671
Marketing and fund development	513,395	0	0	513,395
Total Support Services	722,066	0	0	722,066
TOTAL EXPENSES	2,281,834	0	0	2,281,834
INCREASE (DECREASE) IN NET ASSETS	24,545	(44,451)	181,558	161,652
Net assets at beginning of year	2,707,729	448,935	2,683,169	5,839,833
NET ASSETS AT END OF YEAR	\$ 2,732,274	\$ 404,484	\$ 2,864,727	\$ 6,001,485

See accompanying notes to financial statements.

The Woodlands Foundation, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2017

	Program Services		Support Services		Totals
	Client Services	Facility Operations	Management and General	Marketing and Fund Development	
Salaries	\$ 611,913	\$ 230,537	\$ 80,722	\$ 217,062	1,140,234
Depreciation	0	146,285	2,561	0	148,846
Special Events - Fund Raising	0	0	0	142,723	142,723
Utilities	0	119,836	0	0	119,836
Audit and Professional Fees	6,788	3,639	38,257	66,018	114,702
Employer Payroll Taxes	47,952	18,386	6,448	17,348	90,134
Contract Services	37,845	43,656	2,043	3,372	86,916
Health and Life Insurance	19,183	6,429	12,614	20,933	59,159
Food and Beverage	45,785	114	5,445	395	51,739
Miscellaneous	20,163	14,542	8,870	7,339	50,915
Program Supplies	39,922	0	0	296	40,218
Insurance	(170)	35,451	3,921	(74)	39,128
Workers' Compensation Insurance	13,247	5,047	1,769	4,749	24,812
Interest	0	0	19,985	0	19,985
Equipment Repair and Lease	7,106	6,804	1,955	3,920	19,785
Building Maintenance and Repair	0	17,133	25	0	17,158
403b Employer Match	0	0	16,755	0	16,755
Printing and Publication	1,683	0	0	14,416	16,099
Noncapitalized Furniture Computers and Equipment	9,597	2,854	1,656	1,130	15,237
Marketing	8,752	0	0	5,761	14,513
Supplies	0	14,453	0	0	14,453
Telephone	6,017	1,416	3,909	2,042	13,384
Maintenance and Repair	0	12,903	0	0	12,903
Postage	1,006	0	660	4,193	5,859
Office Supplies	1,791	47	998	662	3,498
Bank and Credit Card Fees	1,614	42	78	1,110	2,844
Grand Total	<u>\$ 880,194</u>	<u>\$ 679,574</u>	<u>\$ 208,671</u>	<u>\$ 513,395</u>	<u>\$ 2,281,834</u>

See accompanying notes to financial statements.

The Woodlands Foundation, Inc.

STATEMENT OF CASH FLOWS

	Year Ended December 31, 2017
CASH FLOWS FROM OPERATING ACTIVITIES	
Increase in net assets	\$ 161,652
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	148,846
Unrealized and realized gains on marketable securities	(335,033)
Amortization of deferred loan fees	1,290
Increase (decrease) in:	
Accounts receivable	(8,618)
Pledges receivable	73,508
Prepaid expenses	(13,827)
Increase in:	
Accounts payable and accrued expenses	2,830
Deferred support	198
Total net operating adjustments	<u>(130,806)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>30,846</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Acquisition of property, plant and equipment	(174,509)
Acquisition of marketable securities	(782,817)
Proceeds from sale of marketable securities	<u>973,076</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>15,750</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from line of credit	140,000
Payments on line of credit	(140,000)
Principal payments on notes payable	<u>(42,528)</u>
NET CASH USED IN FINANCING ACTIVITIES	<u>(42,528)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,068
Cash and cash equivalents at beginning of the year	<u>569,156</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 573,224</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:	
Cash paid during the year for interest	<u><u>\$ 19,985</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 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 April 25, 2018, 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, 2017, 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, 2017.

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 \$1,290 for the year-ended December 31, 2017. 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 2017, the value of donated materials and assets was \$57,533.

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 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 2017, the value of donated services was \$9,538.

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 2014. 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 \$14,513 in advertising costs for the year ended December 31, 2017. 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.

The Woodlands Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases*. This ASU supersedes existing guidance on accounting for leases in Accounting Standards Codification Topic 840, *Leases*. The standard requires lessees to recognize the assets and liabilities that arise from leases on the balance sheet. A lessee should recognize in the balance sheet a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. This ASU will be effective for the Company's year ended December 31, 2020. The amendments should be applied at the beginning of the earliest period presented using a modified retrospective approach. The Company is currently in the process of assessing the impact of the adoption of this standard on its financial statements.

In August 2016, FASB issued new not-for-profit reporting standards, ASU No. 2016-14, *Not-for-Profit Entities* (Topic 958), which requires a change in financial reporting effecting the statement of financial position, statement of activities, statement of cash flows and footnote disclosures. Significant changes include reporting two classes of net assets instead of three and disclosures concerning liquidity, financial resources available to meet short-term cash needs, underwater endowment funds, if applicable, and methods to allocate costs among program and support functions. The new standard is effective for the year ending December 31, 2018.

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, 2017, the Organization's SIPC uninsured balances were \$2,596,869.

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, 2017, consist of the following:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Common stock	\$ 132,781	\$ 0	\$ 1,638,566	\$ 1,771,347
Mutual Funds	55,137	0	680,415	735,552
Fixed income and government securities	<u>27,928</u>	<u>0</u>	<u>344,637</u>	<u>372,565</u>
	<u>\$ 215,846</u>	<u>\$ 0</u>	<u>\$ 2,663,618</u>	<u>\$ 2,879,464</u>

Investment return is reported net of broker fees and other third-party costs associated with the management of the investments. These expenses totaled \$23,208 in 2017.

The composition of the investment return, which includes money market accounts, as reported in the statement of activities for the year ended December 31, 2017, was:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Interest and dividends	\$ 5,902	\$ 0	\$ 63,773	\$ 69,675
Investment income, net of fees	10,483	0	142,226	152,709
Net unrealized appreciation	<u>10,957</u>	<u>0</u>	<u>147,765</u>	<u>158,722</u>
	<u>\$ 27,342</u>	<u>\$ 0</u>	<u>\$ 353,764</u>	<u>\$ 381,106</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, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
US Large Cap Growth	\$ 491,162	\$ 0	\$ 0	\$ 491,162
US Large Cap Value	258,988	0	0	258,988
US Mid Cap Growth	142,758	0	0	142,758
US Mid Cap Value	53,490	0	0	53,490
US Small Cap Growth	132,819	0	0	132,819
US Small Cap Value	29,992	0	0	29,992
US Equities Other	9,406	0	0	9,406
Canadian Equities	29,853	0	0	29,853
European Equities	302,960	0	0	302,960
Japan Equities	34,725	0	0	34,725
Asia Pac ex Jpn Equities	30,962	0	0	30,962
Intl Small Cap Equities	7,075	0	0	7,075
Israel Equities	7,564	0	0	7,564
EEMEA Equities	86,605	0	0	86,605
Asia Equities	72,585	0	0	72,585
Latin America Equities	54,664	0	0	54,664
Alternatives	25,739	0	0	25,739
US Fixed Income taxable	748,454	0	0	748,454
Short Term Fixed Income	202,463	0	0	202,463
International Fixed Income	157,200	0	0	157,200
Charitable lead annuity trust	0	0	71,890	71,890
	<u>\$ 2,879,464</u>	<u>\$ 0</u>	<u>\$ 71,890</u>	<u>\$ 2,951,354</u>

The Woodlands Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

NOTE E - FAIR VALUE MEASUREMENTS (CONTINUED)

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:

	Charitable lead annuity trust
Beginning balance	\$ 82,103
Settlement on the account	<u>(10,213)</u>
Ending balance	<u>\$ 71,890</u>

The following table presents estimated fair values of the Organization's financial instruments in accordance with Topic 820 at December 31, 2017:

	Carrying Amount	Fair Value
Investments	\$ 2,879,464	\$ 2,879,464
Charitable lead annuity trust	\$ 71,890	\$ 71,890

NOTE F - PERMANENTLY RESTRICTED NET ASSETS

From 1999 through 2017, endowment grants were received totaling \$3,101,000. In 2017, \$172,206 was released from restriction to meet operating costs. See Note L.

The fair value of investments and cash equivalents at December 31, 2017, is sufficient to satisfy donor or statutory restrictions. The Organization held donor-restricted investments and cash equivalents totaling \$2,864,727 at December 31, 2017.

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, 2017. Pledges receivable are due to be received through 2027, in the following time frames:

Less than one year	\$ 39,643
One to five years	20,000
More than five years	5,000
Charitable lead annuity trust receivables (Note H)	<u>71,890</u>
	<u>\$ 136,533</u>

The Woodlands Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

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, 2017, the present value of the charitable lead annuity trust receivable was \$71,890; this amount is included in "Pledges Receivable" (Note G) in the accompanying statement of financial position.

NOTE I - LINE OF CREDIT

WFI has a \$200,000 line of credit that bears interest at 2.00% above the LIBOR advantage rate (1.4925% at December 31, 2017) 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, 2017, the outstanding liability was \$0.

NOTE J - NOTE PAYABLE

Note payable as of December 31, 2017, 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 increased 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, 2017, was \$436,300.

The aggregate annual amount of principal payments required on the notes payable for years subsequent to December 31, 2017, 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>
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
2022	51,535	(1,460)	50,075
Thereafter	<u>200,106</u>	<u>(5,344)</u>	<u>194,762</u>
	<u>\$ 436,300</u>	<u>\$ (12,644)</u>	<u>\$ 423,656</u>

The Woodlands Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

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 \$12,810 for the year ended December 31, 2017.

Future minimum lease payments for the five years subsequent to December 31, 2017, are as follows:

<u>Years Ending December 31,</u>	
2018	\$ 11,700
2019	11,700
2020	11,700
2021	<u>11,700</u>
	<u>\$ 46,800</u>

The Organization leased space to two unrelated organizations under operating leases with terms expiring in June 2019 and December 2020. However, upon giving a required 60-day notice, the December 2020 lease was terminated effective July 30, 2017. Rental income under the terms of the leases for the year ended December 31, 2017, was \$82,200. Future rental income will be approximately \$87,000 through June 30, 2019.

NOTE L - ENDOWMENT FUND

Permanently restricted net assets at December 31, 2017, 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 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 Woodlands Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

NOTE L - ENDOWMENT FUND (CONTINUED)

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 composition of endowment net assets as of December 31, 2017, is as follows:

	Endowment Net Asset Composition by Type of Fund as of December 31, 2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board-designated endowment funds	\$ 232,142	\$ 0	\$ 0	\$ 232,142
Donor-restricted endowment funds	0	0	2,864,727	2,864,727
	<u>\$ 232,142</u>	<u>\$ 0</u>	<u>\$ 2,864,727</u>	<u>\$ 3,096,869</u>

The composition of the changes in endowment net assets as of December 31, 2017, is as follows:

	Changes in Endowment Net Assets for the Year Ended December 31, 2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, December 31, 2016	\$ 183,703	\$ 0	\$ 2,683,169	\$ 2,866,872
Investment income, net of fees	10,546	0	142,226	152,772
Net unrealized appreciation	10,957	0	147,765	158,722
Interest and dividends	4,730	0	63,773	68,503
Reclassification	22,206	0	(22,206)	0
Program expenditures	0	0	(150,000)	(150,000)
Endowment net assets, December 31, 2017	<u>\$ 232,142</u>	<u>\$ 0</u>	<u>\$ 2,864,727</u>	<u>\$ 3,096,869</u>

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, 2017, the required Organization contribution charged to operations was \$16,755.

The Woodlands Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

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, 2017. However, management foresees the grant being utilized during 2018. 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 multipurpose 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, 2017. No expenses were incurred through 2017 and this grant terminated on August 11, 2017. Therefore, no income was recognized for this grant.

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 had not yet been recognized as income as of December 31, 2016. However, during 2017 the Organization incurred \$98,927 of expenses reimbursed by this grant, and therefore recognized income for this amount. The remaining balance of \$1,073 was not earned. This grant terminated on June 30, 2017.