

BRANDYWINE HEALTH FOUNDATION

FINANCIAL STATEMENTS

Years Ended June 30, 2015 and 2014



Certified Public Accountants and Business Consultants

BRANDYWINE HEALTH FOUNDATION

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Independent Auditors' Report

To the Board of Directors
Brandywine Health Foundation
Coatesville, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the Brandywine Health Foundation (a nonprofit organization), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities and cash flows for the years 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditors' 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.

To the Board of Directors
Brandywine Health Foundation
Coatesville, Pennsylvania

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Brandywine Health Foundation as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have issued our report dated November 9, 2015, on our consideration of the Brandywine Health Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Brandywine Health Foundation's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Mailli LLP".

Oaks, Pennsylvania
November 9, 2015

BRANDYWINE HEALTH FOUNDATION

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash	\$ 108,296	\$ 319,111
Investments	26,306,818	26,835,364
Contributions and grants receivable	439,117	624,109
Loans receivable		
Brandywine Health & Housing, LP	1,979,950	1,918,233
BHS Transitional Corporation	-	1,583,782
Property and equipment, less accumulated depreciation of \$19,914 (2015) and \$16,648 (2014)	543,979	8,614
Land held for sale	2,650,000	-
Other assets	<u>33,736</u>	<u>20,505</u>
TOTAL ASSETS	<u>\$ 32,061,896</u>	<u>\$ 31,309,718</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Line of credit	\$ 100,000	\$ -
Grants payable	724,169	695,000
Accounts payable and accrued expenses	<u>112,750</u>	<u>120,061</u>
TOTAL LIABILITIES	<u>936,919</u>	<u>815,061</u>
NET ASSETS		
Unrestricted	29,537,029	28,928,063
Temporarily restricted	1,452,263	1,430,909
Permanently restricted	<u>135,685</u>	<u>135,685</u>
TOTAL NET ASSETS	<u>31,124,977</u>	<u>30,494,657</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 32,061,896</u>	<u>\$ 31,309,718</u>

See accompanying notes.

BRANDYWINE HEALTH FOUNDATION

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2015 AND 2014

	2015			Totals
	Unrestricted	Temporarily Restricted	Permanently Restricted	
SUPPORT AND REVENUE				
Contributions and grants	\$ 515,031	\$ 314,670	\$ -	\$ 829,701
Special events, net	250,968	-	-	250,968
Investment income	435,198	6,529	-	441,727
In-kind contributions	1,325,524	-	-	1,325,524
Net assets released from restrictions	<u>299,845</u>	<u>(299,845)</u>	<u>-</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	<u>2,826,566</u>	<u>21,354</u>	<u>-</u>	<u>2,847,920</u>
EXPENSES				
Program services	1,727,537	-	-	1,727,537
General and administrative	251,483	-	-	251,483
Fund-raising	238,580	-	-	238,580
TOTAL EXPENSES	<u>2,217,600</u>	<u>-</u>	<u>-</u>	<u>2,217,600</u>
CHANGE IN NET ASSETS	608,966	21,354	-	630,320
NET ASSETS AT BEGINNING OF YEAR	<u>28,928,063</u>	<u>1,430,909</u>	<u>135,685</u>	<u>30,494,657</u>
NET ASSETS AT END OF YEAR	<u>\$ 29,537,029</u>	<u>\$ 1,452,263</u>	<u>\$ 135,685</u>	<u>\$ 31,124,977</u>

See accompanying notes.

2014

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
\$ 377,649	\$ 1,599,752	\$ -	\$ 1,977,401
90,519	126,676	-	217,195
4,136,252	30,187	-	4,166,439
-	-	-	-
<u>1,093,383</u>	<u>(1,093,383)</u>	<u>-</u>	<u>-</u>
<u>5,697,803</u>	<u>663,232</u>	<u>-</u>	<u>6,361,035</u>
2,740,483	-	-	2,740,483
200,493	-	-	200,493
214,911	-	-	214,911
<u>3,155,887</u>	<u>-</u>	<u>-</u>	<u>3,155,887</u>
2,541,916	663,232	-	3,205,148
<u>26,386,147</u>	<u>767,677</u>	<u>135,685</u>	<u>27,289,509</u>
<u>\$ 28,928,063</u>	<u>\$ 1,430,909</u>	<u>\$ 135,685</u>	<u>\$ 30,494,657</u>

BRANDYWINE HEALTH FOUNDATION

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 630,320	\$ 3,205,148
Adjustments to reconcile change in net assets to net cash used by operating activities		
Unrealized and realized (gain) loss on investments	63,847	(3,596,533)
Interest and dividends reinvested	(658,726)	(651,829)
Loss on disposal of assets	-	4,972
In-kind property contributions	(1,325,524)	-
Depreciation	3,266	2,389
(Increase) decrease in		
Contributions and grants receivable	184,992	(524,404)
Other assets	(13,231)	1,324
Increase (decrease) in		
Grants payable	29,169	325,293
Accounts payable and accrued expenses	(7,311)	28,061
NET CASH USED BY OPERATING ACTIVITIES	<u>(1,093,198)</u>	<u>(1,205,579)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments, net	1,123,425	1,499,517
Purchases of property and equipment	(188,631)	-
Loan to Brandywine Health & Housing, LP	(61,717)	(59,149)
Loan to BHS Transitional Corporation	(90,694)	(134,013)
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>782,383</u>	<u>1,306,355</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from line of credit	100,000	-
NET INCREASE (DECREASE) IN CASH	(210,815)	100,776
CASH AT BEGINNING OF YEAR	<u>319,111</u>	<u>218,335</u>
CASH AT END OF YEAR	<u>\$ 108,296</u>	<u>\$ 319,111</u>
SUPPLEMENTAL DISCLOSURES		
Noncash investing and financing activities		
Noncash exchange of note receivable for receipt of assets (see Notes B and F for details)	\$ 1,674,476	\$ -

See accompanying notes.

BRANDYWINE HEALTH FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Brandywine Health Foundation (the "Foundation") is a nonprofit corporation classified by the Internal Revenue Service as tax exempt under Section 501(c)(3) and as a nonprivate foundation under Section 501(a)(1) of the Internal Revenue Code of 1986. The Foundation's mission is to improve the health and well-being of people who live and work in the Greater Coatesville Area by fostering community partnerships, by providing capacity building support and by making grants to promote health equity, healthy youth and a healthy community. The Foundation commenced activities in 2001.

Financial Statement Presentation

Accounting standards require the Foundation to report 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.

Unrestricted net assets are available for use by the Foundation at the discretion of the Board of Directors. If the Board specifies a purpose where the original donor has stated none, such funds are classified as Board designated unrestricted net assets.

Temporarily restricted net assets are available for use by the Foundation for the purpose specified by the donor at the time of donation.

Permanently restricted net assets are those that the donor stipulates must be maintained by the Foundation in perpetuity.

Contributions

In accordance with accounting standards, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of donor restrictions.

Investments

Accounting standards require that investments in marketable securities with readily determinable fair value and all investments in debt securities be reported at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets.

All interest and dividend income, as well as gains and losses on investments of temporarily restricted funds, are included in unrestricted funds. All interest and dividend income, as well as gains and losses on investments of permanently restricted funds, are included in temporarily restricted funds for the purposes outlined in the applicable permanently restricted funds.

BRANDYWINE HEALTH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

The Foundation considers all cash and investments with an original maturity of three months or less to be cash and cash equivalents.

Fair Value of Financial Instruments

The fair value of financial instruments has been determined through quoted market values.

Property and Equipment

Property and equipment are stated at cost or, if donated, at the approximate fair value at the date of donation. Depreciation expense for the years ended June 30, 2015 and 2014, was \$3,266 and \$2,389, respectively.

Buildings, furniture and equipment are depreciated using the straight-line method over the estimated useful lives as follows:

	<u>Years</u>
Buildings	39
Building improvements	5-39
Furniture and fixtures	7
Office equipment	5

Accounts Receivable

At June 30, 2015 and 2014, management considers accounts receivable to be fully collectible. The Foundation uses the direct write-off method for bad debt expense, which approximates generally accepted accounting principles.

Income Tax Status

The Foundation is exempt from federal income tax under provisions of Section 501(c)(3) of the Internal Revenue Code. Accordingly, only its unrelated business income, of which there was none in the years ended June 30, 2015 and 2014, would be taxed. The Internal Revenue Service has not classified the Foundation as a private foundation.

BRANDYWINE HEALTH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Foundation believes that it has appropriate support for any tax positions taken and, as such, does not have any uncertain tax positions that are material to the financial statements.

The Foundation's federal Return of Organization Exempt from Income Tax for the fiscal years ended June 30, 2014, 2013 and 2012, is subject to examination by the IRS, generally for three years after the tax returns were filed.

Date of Management's Review

Management has evaluated subsequent events through November 9, 2015, the date which the financial statements were available to be issued.

Reclassifications

Certain immaterial items on the 2014 statements of activities have been restated to conform to the 2015 presentation of the financial statements.

NOTE B - DONATED SERVICES AND CONTRIBUTED PROPERTY

Brandywine Hospital donated services to the Foundation for the 2015 and 2014 Strawberry Festival in the amount of \$12,844 and \$11,381, respectively. These services included general maintenance, coordination of volunteers and food preparation. These amounts have been included as revenues and costs of the Strawberry Festival in the accompanying financial statements.

In addition, the accompanying financial statements do not include the value of services contributed by a substantial number of volunteers who have donated significant amounts of their time in support of the Foundation's activities.

During the fiscal year ended June 30, 2015, BHS Transitional Corporation repaid their outstanding loan to the Foundation by donating land with an appraised fair market value of \$2,650,000. The total loan repayment at the date of contribution to the Foundation was \$1,674,476 (which includes additional borrowing and accrued interest from the Foundation to BHS Transitional Corporation) and the in-kind contribution revenue recognized by the Foundation during the fiscal year ending June 30, 2015 was \$975,524.

During the fiscal year ended June 30, 2015, the Foundation received an in-kind contribution of a consignment shop at an appraised fair market value of \$350,000.

NOTE C - PENSION PLAN

The Foundation sponsors a SIMPLE IRA deferred compensation plan for all eligible employees. Eligible employees may contribute specified amounts of their annual compensation to the plan. The Foundation will make a discretionary matching contribution up to 3% of the amount of the employee's annual salary, or \$12,000, whichever is less. The Foundation made matching contributions of \$10,252 and \$11,604 during the years ended June 30, 2015 and 2014, respectively.

BRANDYWINE HEALTH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE D - CONTRIBUTIONS AND GRANTS RECEIVABLE

At June 30, 2015, contributions and grants receivable included \$439,117 of contributions due in full as follows:

CONTRIBUTIONS DUE IN FULL	
Due within one year	\$ 315,337
Due from one to five years	<u>123,780</u>
	<u>\$ 439,117</u>

NOTE E - CASH

Cash represents a financial instrument that potentially subjects the Foundation to concentrations of credit risk. The Foundation maintains its cash accounts at various high-quality financial institutions. At June 30, 2015, there were no balances exposed to potential credit risk.

NOTE F - BHS TRANSITIONAL CORPORATION

Effective May 31, 2001, Brandywine Health Services, Inc. sold the majority of its assets and liabilities to an unrelated party and changed its name to BHS Transitional Corporation (the "Corporation"). The assets retained by the Corporation were used to repay certain obligations not assumed by the buyer, with the balance donated to the Foundation. During 2007, the Foundation made a loan of \$1,300,000 to the Corporation. In addition, the Foundation lent funds periodically to cover operating expenses of the Corporation. The loan was secured by real estate and was repaid with interest at rates related to LIBOR from the proceeds upon the sale of the real estate. As of June 30, 2015, the balance of the loan was fully repaid with the contribution of land received by the Foundation (Note B). As of June 30, 2014, the balance of the loan was \$1,583,782. Additional borrowings and accrued interest increased the balance of the loan to \$1,674,476. With the donation of real estate and resolution of the loan to the Foundation, the BHS Transitional Corporation filed for dissolution with the Internal Revenue Service and ended activities on June 30, 2015.

BRANDYWINE HEALTH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE G - INVESTMENTS

Investments at fair value consisted of the following at June 30:

	<u>2015</u>	<u>2014</u>
Money markets	\$ 596,595	\$ 976,376
Fixed income funds		
AllianceBernstein Bond Fund Inc.	-	572,754
PIMCO Total Return Fund	-	2,858,991
PL Floating Rate Income Fund	-	554,582
Templeton Global Bond Fund	-	2,033,988
TOTAL FIXED INCOME FUNDS	<u>-</u>	<u>6,020,315</u>
Alternative funds		
Real estate investment trust funds	<u>96,260</u>	<u>-</u>
Equity funds		
iShares MSCI EM Mrkt S/C ETF	265,760	-
SPDR MSCI Acwi Ex-U.S.	271,918	-
SPDR S&P Emerging Asia Pacific ETF	1,283,014	-
Vanguard FTSE Europe ETF	781,361	-
Vanguard Growth ETF	428,200	-
Vanguard Total Stock Market Index Fund	3,791,650	5,917,799
Vanguard Value ETF	406,380	-
Wisdomtree Japan Hedged Equity Fund	466,180	-
Aberdeen Emerging Markets Institutional Fund	-	1,025,935
Aim Intl Growth Fund	-	-
Amg Southern Sun US	-	1,736,088
Cohen & Steers Instl Realty	-	1,647,856
Harbor Fund International	-	2,803,970
Invesco Intl Growth Fund	-	2,357,917
TOTAL EQUITY FUNDS	<u>7,694,463</u>	<u>15,489,565</u>
International mutual funds		
Acadian Emg Mkts Port Instl	483,629	-
Harding Loevner Inter S/C-Iv	269,894	-
Invesco Intl Growth Fd-R5	1,271,820	-
TOTAL INTERNATIONAL MUTUAL FUNDS	<u>2,025,343</u>	<u>-</u>
Hedge funds		
Mill Creek Intl Fund LTD Absolute Return Class	1,219,936	-
Mill Creek Intl Fund LTD Strategic Return Class	766,936	-
TOTAL HEDGE FUNDS	<u>1,986,872</u>	<u>-</u>
Corporate bonds	<u>6,002,621</u>	<u>-</u>
Common stocks		
Consumer discretionary	1,077,820	517,151
Consumer staples	394,268	-
Energy	296,415	367,348
Financials	1,630,955	726,836
Health care	1,094,650	311,529
Industrials	1,421,554	1,255,783
Technology	1,638,730	974,625
Basic material	75,807	195,836
Other	274,465	-
TOTAL COMMON STOCKS	<u>7,904,664</u>	<u>4,349,108</u>
TOTAL INVESTMENTS	<u>\$ 26,306,818</u>	<u>\$ 26,835,364</u>

BRANDYWINE HEALTH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE G - INVESTMENTS (Continued)

Investment income consisted of the following for the year ended June 30:

	<u>2015</u>	<u>2014</u>
Interest	\$ 71,980	\$ 68,162
Dividends	586,746	583,667
Realized gain	3,092,607	1,213,917
Unrealized gain (loss)	(3,156,454)	2,377,644
Investment fees	<u>(153,152)</u>	<u>(76,951)</u>
	<u>\$ 441,727</u>	<u>\$ 4,166,439</u>

NOTE H - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>2015</u>	<u>2014</u>
Land	\$ 275,000	\$ -
Construction in progress	188,631	-
Buildings	75,000	-
Office furniture and equipment	<u>25,262</u>	<u>25,262</u>
	563,893	25,262
Accumulated depreciation	<u>(19,914)</u>	<u>(16,648)</u>
	<u>\$ 543,979</u>	<u>\$ 8,614</u>

NOTE I - RESTRICTIONS ON NET ASSETS

Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

	<u>2015</u>	<u>2014</u>
Campaign for Coatesville Kids	\$ 263,883	\$ 245,049
Emergency medical programs	452,634	516,648
Harry Lewis Jr. Scholarship Fund	423,019	423,679
Youth Mental Health First Aid	190,381	160,000
Scholarships	103,458	77,460
Other	<u>18,888</u>	<u>8,073</u>
	<u>\$ 1,452,263</u>	<u>\$ 1,430,909</u>

BRANDYWINE HEALTH FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

NOTE I - RESTRICTIONS ON NET ASSETS (Continued)

The Foundation released funds from donor restrictions by making expenditures for the following:

	<u>2015</u>	<u>2014</u>
Coatesville Youth Initiative	\$ 50,400	\$ 1,034,986
Emergency medical programs	64,015	32,055
Harry Lewis Jr. Scholarship Fund	4,101	9,432
Youth Mental Health First Aid	107,119	-
Scholarships	15,550	13,700
Other	<u>58,660</u>	<u>3,210</u>
	<u>\$ 299,845</u>	<u>\$ 1,093,383</u>

In the fiscal year ended June 30, 2014, the release of funds to the Coatesville Youth Initiative included a \$550,000 grant from the Campaign for Coatesville Kids to support the Coatesville Youth Initiative as an independent spinoff from the Foundation as of January 1, 2014.

Permanently Restricted Net Assets

Permanently restricted net assets of \$135,685 consist of funds to be held indefinitely. The income from such funds can be used to provide nursing scholarships.

NOTE J - BRANDYWINE HEALTH & HOUSING, LP

In August 2005, the Foundation formed a General Partner entity--the Brandywine Health & Housing Center, Inc.--the Board of Directors of which is made up of one current and one former Foundation board member, the Foundation's President/CEO and two members of the Coatesville area community. The Foundation and the General Partner entered into a limited partnership, Brandywine Health & Housing, LP for the purpose of constructing a health center and housing facility in the 700 block of East Lincoln Highway in Coatesville, Pennsylvania. The Foundation was the sponsor and co-developer of the entire project and guarantees some of the obligations of the General Partner. The Foundation was replaced as the limited partner in June 2007 by PNC Multi-Family Capital. The building's construction was completed on March 24, 2008. All commercial tenants moved in by April 30, 2008. All residential tenants signed leases which began by September 10, 2008.

In connection with this project, the Foundation guaranteed the United States Department of Agriculture's \$3 million loan to Coatesville Health Development Corporation and the \$1.5 million Community Lenders Community Development Corporation loan to Coatesville Health Development Corporation. The amount outstanding on these loans was \$4,102,260 and \$4,172,484 at June 30, 2015 and 2014, respectively.

BRANDYWINE HEALTH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE J - BRANDYWINE HEALTH & HOUSING, LP (Continued)

In addition, in 2007 the Foundation also lent \$800,000 and \$757,460 to Brandywine Health & Housing, LP. The loans have a 30-year term with interest at 1.00% and 4.91%, respectively. The loans are secured by a fourth and fifth mortgage on the residential component of the project, and all payments are deferred until maturity. The balance receivable for the two loans at June 30, 2015 and 2014, is \$1,979,950 and \$1,918,233, respectively.

At June 30, 2015, the assets and liabilities (unaudited) of Brandywine Health & Housing, LP and Coatesville Health Development Corporation, another participant in the project, were as follows:

	<u>Brandywine Health & Housing, LP</u>	<u>Coatesville Health Development Corporation</u>
ASSETS		
Current assets	\$ 53,657	\$ 431,698
Land and buildings	6,051,672	3,633,719
Intangible assets	13,883	36,828
Escrows at PHFA	<u>439,115</u>	<u>-</u>
TOTAL ASSETS	\$ <u>6,558,327</u>	\$ <u>4,102,245</u>
LIABILITIES		
Current liabilities	\$ 582,187	\$ 11,681
Security deposits	14,541	24,551
Loan payable, Brandywine Health Foundation	1,979,950	-
Mortgages and notes payable	<u>2,074,910</u>	<u>4,102,260</u>
TOTAL LIABILITIES	\$ <u>4,651,588</u>	\$ <u>4,138,492</u>

NOTE K - COMMITMENTS

Facility Leases

The Foundation leases office facilities under leases that expire in October 2015 and September 2016. The lease ending in September 2016 has an option to renew the lease for an additional two years.

Effective January 1, 2014, the Foundation subleased some of the office space to the Coatesville Youth Initiative. Rental income of \$5,052 was netted against rent expense for the year ended June 30, 2015.

BRANDYWINE HEALTH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE K - COMMITMENTS (Continued)

The following is a schedule by years of future minimum rentals under the leases:

<u>Year Ending June 30,</u>		
2016	\$	36,232
2017		<u>7,641</u>
	\$	<u><u>43,873</u></u>

Rent expense for the years ended June 30, 2015 and 2014, was \$51,212 and \$41,965, respectively.

Construction Commitments

The Foundation has a commitment under a long-term construction contract of approximately \$314,384 as of June 30, 2015 for expansion of its consignment shop.

NOTE L - SPECIAL EVENTS

Special events consisted of:

	<u>2015</u>			<u>2014</u>		
	<u>Revenues</u>	<u>Costs</u>	<u>Net</u>	<u>Revenues</u>	<u>Costs</u>	<u>Net</u>
Straw berry Festival Garden Party, Festive 5k, and Other Event	\$ 373,209	\$ 243,261	\$ 129,948	\$ 414,299	\$ 311,119	\$ 103,180
	<u>246,618</u>	<u>125,598</u>	<u>121,020</u>	<u>218,153</u>	<u>104,138</u>	<u>114,015</u>
	<u>\$ 619,827</u>	<u>\$ 368,859</u>	<u>\$ 250,968</u>	<u>\$ 632,452</u>	<u>\$ 415,257</u>	<u>\$ 217,195</u>

Additional details of these special community events can be found at www.BrandywineFoundation.org.

BRANDYWINE HEALTH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE M - FUNCTIONAL EXPENSES

Functional expenses consisted of:

	2015			Totals	
	Program Services	General and Administrative	Fund-Raising	2015	2014
Grant distributions	\$ 1,273,328	\$ -	\$ -	\$ 1,273,328	\$ 2,158,303
Salaries and employee benefits	127,974	135,192	155,811	418,977	550,418
Professional fees	10,611	67,024	17,056	94,691	107,235
Bank fees	-	3,904	13,049	16,953	3,366
Depreciation	810	984	1,471	3,265	2,389
Dues and subscriptions	4,938	9,206	650	14,794	8,991
Insurance	4,375	5,349	6,794	16,518	9,266
Office and supplies	10,608	3,674	7,131	21,413	18,331
Printing and reproduction	20,237	2,589	5,304	28,130	22,508
Program costs	237,815	-	-	237,815	198,094
Public relations and communication	9,214	255	1,214	10,683	3,985
Rent	15,842	9,644	13,731	39,217	35,095
Telephone	3,341	2,537	6,177	12,055	14,157
Training	1,242	4,108	2,669	8,019	2,130
Travel, meetings and conferences	7,202	7,017	7,523	21,742	21,619
	<u>\$ 1,727,537</u>	<u>\$ 251,483</u>	<u>\$ 238,580</u>	<u>\$ 2,217,600</u>	<u>\$ 3,155,887</u>

Expenses of special events have been netted with special event revenue on the statements of activities.

Grant distributions in 2014 included a multi-year award to ChesPenn Health Services and a \$550,000 spin-off grant to Coatesville Youth Initiative.

NOTE N - PROMISES TO GIVE

During the year ended June 30, 2014, the Foundation made an unconditional promise to give of \$750,000, with the potential of a maximum three-year grant of \$1,330,000 contingent on ChesPenn Health Services' merger with Chester County Community Dental Center. This contingency requirement was satisfied in July 2014 and an additional promise to give in the amount of \$580,000 was awarded. At June 30, 2015, the unpaid balance of the \$1,330,000 unconditional promise to give was \$644,160.

During the year ended June 30, 2012, the Foundation made an unconditional promise to give of \$600,000 to the new Public Safety Training Facility in South Coatesville due over the subsequent five years. At June 30, 2015, the unpaid balance was \$80,000.

BRANDYWINE HEALTH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE N - PROMISES TO GIVE (Continued)

The following is a schedule of future minimum payments under the promises to give:

Year Ending June 30,	
2016	\$ 550,849
2017	<u>173,320</u>
	<u>\$ 724,169</u>

NOTE O - FAIR VALUE MEASUREMENTS

Accounting standards establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels.

Level 1 inputs are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access. *Level 2* inputs are other than quoted prices that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument. *Level 3* inputs are unobservable inputs based on the Foundation's assumptions used to measure assets and liabilities at fair value. The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Assets of the Foundation for which fair values are determined on a recurring basis are summarized as follows:

	2015			
	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Totals
Money markets	\$ 596,595	\$ -	\$ -	\$ 596,595
Equity funds	7,694,463	-	-	7,694,463
Alternative funds	96,260	-	-	96,260
International mutual funds	2,025,343	-	-	2,025,343
Hedge funds	-	-	1,986,872	1,986,872
Corporate Bonds	6,002,621	-	-	6,002,621
Common stocks	7,904,664	-	-	7,904,664
	<u>\$ 24,319,946</u>	<u>\$ -</u>	<u>\$ 1,986,872</u>	<u>\$ 26,306,818</u>

BRANDYWINE HEALTH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE O - FAIR VALUE MEASUREMENTS (Continued)

	2014			Totals
	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Money markets	\$ 976,376	\$ -	\$ -	\$ 976,376
Fixed income funds	6,020,315	-	-	6,020,315
Alternative funds	15,489,565	-	-	15,489,565
Equity funds	4,349,108	-	-	4,349,108
	<u>\$ 26,835,364</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,835,364</u>

The fair value of the hedge funds (Level 3) is calculated by the net asset value of the underlying assets in the fund.

Level 3 assets were 7.55% of total investment assets at fair value for the year ended June 30, 2015. There were no Level 3 assets at June 30, 2014.

Changes in the Foundation's Level 3 investment assets measured at fair value on a recurring basis are as follows:

	2015	2014
HEDGE FUNDS		
Balance at beginning of year	\$ -	\$ 2,176,668
Purchase of investments	1,950,000	-
Investment income, transfers, disbursements, net	36,872	237,446
Proceeds from sales of investments	-	(2,414,114)
BALANCE AT END OF YEAR	<u>\$ 1,986,872</u>	<u>\$ -</u>

NOTE P - COATESVILLE YOUTH INITIATIVE

In January 2014, the Foundation spun off its Coatesville Youth Initiative program and formed a new nonprofit organization, the Coatesville Youth Initiative (CYI). In 2015, the Foundation paid \$209,593 in grants to CYI. In 2014, the Foundation paid \$687,910 in grants to CYI, including the \$550,000 spin-off grant. The Foundation was also reimbursed for shared expenses in the amount of \$1,317 and paid \$39,691 in costs related to the transition of CYI from the Foundation to a newly formed nonprofit organization. The Foundation also subleased some of its office space to CYI after the spin-off (Note K).

BRANDYWINE HEALTH FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

NOTE Q - LETTER OF CREDIT

The Foundation has a \$348,129 bank letter of credit dated April 16, 2015. The total amount under this agreement bears a 1.0% fee and expires April 16, 2016. The letter is secured by the assets of the Foundation.

NOTE R - LINE OF CREDIT

The Foundation entered into a \$1,000,000 line of credit agreement on February 23, 2015 with a bank. Amounts borrowed under this agreement bear interest at the LIBOR Flex Rate plus 1.50%. The line is secured by the assets of the Foundation. Maximum borrowings under the line of credit was \$100,000 in 2015. The outstanding balance at June 30, 2015, was \$100,000.

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

To the Board of Directors
Brandywine Health Foundation
Coatesville, Pennsylvania

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the Brandywine Health Foundation, which comprise the statement of financial position as of June 30, 2015, and the related statements of activities and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated November 9, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Brandywine Health Foundation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Brandywine Health Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Brandywine Health Foundation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To the Board of Directors
Brandywine Health Foundation
Coatesville, Pennsylvania

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Brandywine Health Foundation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Maullie LLP".

Oaks, Pennsylvania
November 9, 2015