

BRANDYWINE HEALTH FOUNDATION

FINANCIAL STATEMENTS

Years Ended June 30, 2017 and 2016



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, 2017 and 2016, 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, 2017 and 2016, 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 October 23, 2017 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.



Oaks, Pennsylvania
October 23, 2017

BRANDYWINE HEALTH FOUNDATION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash	\$ 508,714	\$ 478,862
Investments	25,338,456	23,704,259
Contributions and grants receivable	79,693	195,611
Loans receivable		
Brandywine Health & Housing, LP	2,111,614	2,044,366
Property and equipment, less accumulated depreciation of \$60,726 (2017) and \$34,308 (2016)	1,176,643	1,202,390
Land held for sale	2,650,000	2,650,000
Other assets	<u>22,415</u>	<u>34,906</u>
TOTAL ASSETS	\$ <u>31,887,535</u>	\$ <u>30,310,394</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Grants payable	\$ 962,009	\$ 515,984
Accounts payable and accrued expenses	144,595	122,325
Mortgage payable	666,957	681,957
Mortgage payable, issuance costs	<u>(20,880)</u>	<u>(21,765)</u>
TOTAL LIABILITIES	<u>1,752,681</u>	<u>1,298,501</u>
NET ASSETS		
Unrestricted	28,681,077	27,560,122
Temporarily restricted	1,318,092	1,316,086
Permanently restricted	<u>135,685</u>	<u>135,685</u>
TOTAL NET ASSETS	<u>30,134,854</u>	<u>29,011,893</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>31,887,535</u>	\$ <u>30,310,394</u>

See accompanying notes.

BRANDYWINE HEALTH FOUNDATION**STATEMENTS OF ACTIVITIES****YEARS ENDED JUNE 30, 2017 AND 2016**

	2017			Totals
	Unrestricted	Temporarily Restricted	Permanently Restricted	
SUPPORT AND REVENUE				
Contributions and grants	\$ 513,677	\$ 172,558	\$ -	\$ 686,235
Special events, net	186,561	-	-	186,561
Investment income (loss)	2,674,974	80,121	-	2,755,095
Net assets released from restrictions	<u>250,673</u>	<u>(250,673)</u>	<u>-</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	<u>3,625,885</u>	<u>2,006</u>	<u>-</u>	<u>3,627,891</u>
EXPENSES				
Program services	2,136,124	-	-	2,136,124
General and administrative	276,182	-	-	276,182
Fund-raising	92,624	-	-	92,624
TOTAL EXPENSES	<u>2,504,930</u>	<u>-</u>	<u>-</u>	<u>2,504,930</u>
CHANGE IN NET ASSETS	1,120,955	2,006	-	1,122,961
NET ASSETS AT BEGINNING OF YEAR	<u>27,560,122</u>	<u>1,316,086</u>	<u>135,685</u>	<u>29,011,893</u>
NET ASSETS AT END OF YEAR	<u>\$ 28,681,077</u>	<u>\$ 1,318,092</u>	<u>\$ 135,685</u>	<u>\$ 30,134,854</u>

See accompanying notes.

2016

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
\$ 278,385	\$ 195,298	\$ -	\$ 473,683
257,819	-	-	257,819
(904,683)	(18,181)	-	(922,864)
<u>313,294</u>	<u>(313,294)</u>	<u>-</u>	<u>-</u>
<u>(55,185)</u>	<u>(136,177)</u>	<u>-</u>	<u>(191,362)</u>
1,600,435	-	-	1,600,435
264,558	-	-	264,558
56,729	-	-	56,729
<u>1,921,722</u>	<u>-</u>	<u>-</u>	<u>1,921,722</u>
(1,976,907)	(136,177)	-	(2,113,084)
<u>29,537,029</u>	<u>1,452,263</u>	<u>135,685</u>	<u>31,124,977</u>
<u>\$ 27,560,122</u>	<u>\$ 1,316,086</u>	<u>\$ 135,685</u>	<u>\$ 29,011,893</u>

BRANDYWINE HEALTH FOUNDATION**STATEMENTS OF CASH FLOWS****YEARS ENDED JUNE 30, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,122,961	\$ (2,113,084)
Adjustments to reconcile change in net assets to net cash used by operating activities		
Unrealized and realized (gain) loss on investments	(2,269,802)	1,445,117
Interest and dividends reinvested	(638,173)	(713,152)
Mortgage issuance costs amortized to interest expense	885	369
Depreciation	26,417	14,394
(Increase) decrease in		
Contributions and grants receivable	115,918	243,506
Other assets	12,491	(1,170)
Increase (decrease) in		
Grants payable	446,025	(208,185)
Accounts payable and accrued expenses	22,270	9,575
NET CASH USED BY OPERATING ACTIVITIES	<u>(1,161,008)</u>	<u>(1,322,630)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments, net	1,273,778	1,870,594
Purchases of property and equipment	(670)	(672,805)
Loan to Brandywine Health & Housing, LP	(67,248)	(64,416)
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>1,205,860</u>	<u>1,133,373</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on line of credit	-	(100,000)
Proceeds from long-term borrowings	-	665,857
Payments on long-term borrowings	(15,000)	(6,034)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>(15,000)</u>	<u>559,823</u>
NET INCREASE IN CASH	29,852	370,566
CASH AT BEGINNING OF YEAR	<u>478,862</u>	<u>108,296</u>
CASH AT END OF YEAR	<u>\$ 508,714</u>	<u>\$ 478,862</u>
SUPPLEMENTAL DISCLOSURES		
Cash paid during the year for interest	\$ 15,946	\$ -

See accompanying notes.

BRANDYWINE HEALTH FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

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, 2017 AND 2016

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.

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, 2017 and 2016, 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.

Debt Issuance Costs

The Foundation has implemented the accounting guidance in Financial Accounting Standards Board Accounting Standards Update (FASB ASU) #2015-03 *Interest – Imputation of Interest*. This guidance, which will be applied retrospectively in the June 30, 2017 financial statements, require debt issuance costs to be reported as a reduction to long-term debt and the amortization of these costs be reported as interest expense. Implementation of the guidance did not affect the net assets balance previously reported for June 30, 2016.

Date of Management's Review

Management has evaluated subsequent events through October 23, 2017, the date which the financial statements were available to be issued.

BRANDYWINE HEALTH FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

NOTE B - DONATED SERVICES AND CONTRIBUTED PROPERTY

Brandywine Hospital donated services and contributed property to the Foundation for the 2017 and 2016 Strawberry Festival in the amount of \$23,796 and \$17,181, respectively. These services included general maintenance and food preparation. These amounts have been included as revenues and costs of the Strawberry Festival in the accompanying financial statements. In 2017 and 2016, there was \$4,000 and \$3,000 in other donated services, respectively.

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. These donated services did not meet the criteria for recognition as contributed services for these two years.

During the fiscal year ended June 30, 2015, the BHS Transitional Corporation made an in-kind contribution of a consignment shop to the Foundation at an appraised fair market value of \$350,000. The Brandywine Consignment Shop, Inc., the not-for-profit Organization that manages the shop on behalf of the Foundation, donated \$88,500 and \$27,482 to the Foundation in 2017 and 2016.

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 \$11,468 and 11,081 during the years ended June 30, 2017 and 2016, respectively.

NOTE D - CONTRIBUTIONS AND GRANTS RECEIVABLE

At June 30, 2017, contributions and grants receivable included \$79,693 of contributions due in full as follows:

CONTRIBUTIONS DUE IN FULL	
Due within one year	\$ 62,750
Due from one to five years	16,943
	<u>79,693</u>
	<u>\$ 79,693</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, 2017, there were no balances exposed to potential credit risk.

BRANDYWINE HEALTH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE F - INVESTMENTS

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

	<u>2017</u>	<u>2016</u>
MONEY MARKETS	\$ 338,554	\$ 905,512
ALTERNATIVE FUNDS		
Real estate investment trust funds	<u>-</u>	<u>109,259</u>
EQUITY FUNDS		
Bernzott US Small Cap Value Fund	912,535	-
Brown Advisory Small Cap Growth Fund	795,503	-
iShares MSCI EM Mrkt S/C ETF	-	226,812
MFS Value Fund	2,810,439	2,408,330
SPDR MSCI Acwi Ex-U.S.	-	501,664
Vanguard Growth ETF	508,160	428,800
Vanguard Total Stock Market Index Fund	1,731,428	1,607,967
Vanguard Value ETF	<u>1,036,089</u>	<u>911,942</u>
TOTAL EQUITY FUNDS	<u>7,794,154</u>	<u>6,085,515</u>
INTERNATIONAL MUTUAL FUNDS		
Acadian Emg Mkts Port Instl	-	-
Harding Loevner Inst Emg M-1	524,069	427,798
Harding Loevner Inter S/C-lv	319,395	262,652
Invesco Intl Growth Fd-R5	1,109,757	1,019,089
iShares MSCI Eurozone ETF	1,029,295	-
iShares MSCI Japan ETF	841,232	-
Matthews Emerging Asia-Ins	524,354	225,402
SPDR MSCI ACWI EX-US ETF	587,499	-
Vanguard FTSE Europe ETF	-	766,391
Wisdomtree Europe Hedged Equity Fund	-	94,491
Wisdomtree Japan Hedged Equity Fund	<u>-</u>	<u>622,303</u>
TOTAL INTERNATIONAL MUTUAL FUNDS	<u>4,935,601</u>	<u>3,418,126</u>
HEDGE FUNDS		
Mill Creek Intl Fund LTD Absolute Return Class	1,567,757	1,455,414
Mill Creek Intl Fund LTD Strategic Return Class	<u>779,954</u>	<u>726,083</u>
TOTAL HEDGE FUNDS	<u>2,347,711</u>	<u>2,181,497</u>
US TREASURY NOTES	<u>49,814</u>	<u>435,722</u>
CORPORATE BONDS	<u>6,354,546</u>	<u>5,952,500</u>
COMMON STOCKS		
Consumer discretionary	585,675	880,453
Consumer staples	213,027	511,778
Energy	108,636	62,696
Financials	402,437	446,796
Health care	594,186	715,241
Industrials	489,341	879,248
Real estate	12,902	-
Technology	876,056	774,674
Telecommunication services	31,087	212,446
Utilities	-	31,687
Basic material	191,999	101,109
Other	<u>12,730</u>	<u>-</u>
TOTAL COMMON STOCKS	<u>3,518,076</u>	<u>4,616,128</u>
TOTAL INVESTMENTS	<u>\$ 25,338,456</u>	<u>\$ 23,704,259</u>

BRANDYWINE HEALTH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE F - INVESTMENTS (Continued)

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

	<u>2017</u>	<u>2016</u>
Interest	\$ 67,248	\$ 64,415
Dividends	570,925	648,737
Realized gain (loss)	339,796	(170,795)
Unrealized gain (loss)	1,930,006	(1,274,322)
Investment fees	<u>(152,880)</u>	<u>(190,899)</u>
	<u>\$ 2,755,095</u>	<u>\$ (922,864)</u>

NOTE G - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>2017</u>	<u>2016</u>
Land	\$ 275,000	\$ 275,000
Building and building improvements	937,107	936,436
Office furniture and equipment	<u>25,262</u>	<u>25,262</u>
	1,237,369	1,236,698
Accumulated depreciation	<u>(60,726)</u>	<u>(34,308)</u>
	<u>\$ 1,176,643</u>	<u>\$ 1,202,390</u>

Depreciation expense for the years ended June 30, 2017 and 2016, was \$26,417 and \$14,394, respectively.

NOTE H - RESTRICTIONS ON NET ASSETS

Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

	<u>2017</u>	<u>2016</u>
Campaign for Coatesville Kids	\$ 61,548	\$ 156,931
Emergency medical programs	418,794	452,634
Harry Lewis Jr. Scholarship Fund	437,173	397,135
Youth Mental Health First Aid	115,230	141,589
Nursing scholarships	151,561	94,622
Greening Coatesville Initiative	50,306	60,550
Other	<u>83,480</u>	<u>12,625</u>
	<u>\$ 1,318,092</u>	<u>\$ 1,316,086</u>

BRANDYWINE HEALTH FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

NOTE H - RESTRICTIONS ON NET ASSETS (Continued)

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

	<u>2017</u>	<u>2016</u>
Campaign for Coatesville Kids	\$ -	\$ 113,830
Emergency medical programs	33,840	-
Harry Lewis Jr. Scholarship Fund	8,755	16,137
Youth Mental Health First Aid	112,551	102,342
Nursing scholarships	23,356	37,362
Other	<u>72,171</u>	<u>43,623</u>
	<u>\$ 250,673</u>	<u>\$ 313,294</u>

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 I - 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 two former Foundation board members, the Foundation's President/CEO and an additional member 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.

Also, in May 2006, the Foundation formed a new non-profit, the Coatesville Health Development Corporation (CHDC), to borrow \$3 million from the United States Department of Agriculture and \$1.5 million from Community Lenders Community Development to finance a portion of the health and housing facility described above. The Foundation guaranteed the loans. The Board of Directors of the CHDC is chaired by one current Foundation board member and four additional members of the Coatesville area community. The amount outstanding on these loans was \$3,956,882 and \$4,032,828 at June 30, 2017 and 2016, respectively.

BRANDYWINE HEALTH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE I - 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, 2017 and 2016, is \$2,111,614 and \$2,044,366, respectively.

At June 30, 2017, 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	\$ 60,394	\$ 549,385
Land and buildings	5,732,506	3,417,651
Intangible assets	10,431	33,712
Escrows at PHFA	<u>383,670</u>	<u>-</u>
TOTAL ASSETS	\$ <u>6,187,001</u>	\$ <u>4,000,748</u>
LIABILITIES		
Current liabilities	\$ 757,951	\$ 17,508
Security deposits	13,952	31,262
Loan payable, Brandywine Health Foundation	2,111,614	-
Mortgages and notes payable	<u>1,936,395</u>	<u>3,956,882</u>
TOTAL LIABILITIES	\$ <u>4,819,912</u>	\$ <u>4,005,652</u>

NOTE J - COMMITMENTS

Facility Leases

The Foundation leases office facilities under leases that expired in October 2016 and September 2016. Both leases were consolidated and renewed through September 2018.

BRANDYWINE HEALTH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE J - COMMITMENTS (Continued)

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

Year Ending June 30,	
2018	\$ 45,016
2019	<u>11,254</u>
	<u>\$ 56,270</u>

Rent expense for the years ended June 30, 2017 and 2016, was \$47,435 and \$50,177, respectively.

NOTE K - SPECIAL EVENTS

Special events consisted of:

	2017			2016		
	<u>Revenues</u>	<u>Costs</u>	<u>Net</u>	<u>Revenues</u>	<u>Costs</u>	<u>Net</u>
Strawberry Festival	\$ 405,244	\$ 285,246	\$ 119,998	\$ 371,945	\$ 232,993	\$ 138,952
Garden Party, Festive 5k, and other event	<u>140,670</u>	<u>74,107</u>	<u>66,563</u>	<u>241,032</u>	<u>122,165</u>	<u>118,867</u>
	<u>\$ 545,914</u>	<u>\$ 359,353</u>	<u>\$ 186,561</u>	<u>\$ 612,977</u>	<u>\$ 355,158</u>	<u>\$ 257,819</u>

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

BRANDYWINE HEALTH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE L - FUNCTIONAL EXPENSES

Functional expenses consisted of:

	2017			Totals	
	Program	General and	Fund-Raising	2017	2016
	Services	Administrative			
Grant distributions	\$ 1,435,609	\$ -	\$ -	\$ 1,435,609	\$ 864,137
Salaries and employee benefits	301,941	151,769	3,779	457,489	460,817
Professional fees	95,750	51,702	4,619	152,071	168,534
Bank fees	3,173	21,802	850	25,825	3,919
Depreciation and amortization	1,373	-	25,044	26,417	14,763
Dues and subscriptions	4,740	7,423	-	12,163	15,138
Interest	-	885	32,069	32,954	18,349
Insurance	10,073	5,607	876	16,556	15,557
Office and supplies	17,787	2,153	9,173	29,113	26,539
Printing and reproduction	22,423	3,420	65	25,908	33,567
Program costs	160,312	-	-	160,312	191,840
Public relations and communication	28,307	33	-	28,340	14,370
Rent	29,616	13,294	184	43,094	43,832
Taxes	-	11,191	15,909	27,100	15,008
Telephone	10,056	2,853	56	12,965	12,918
Training	95	425	-	520	3,350
Travel, meetings and conferences	14,869	3,625	-	18,494	19,084
	<u>\$ 2,136,124</u>	<u>\$ 276,182</u>	<u>\$ 92,624</u>	<u>\$ 2,504,930</u>	<u>\$ 1,921,722</u>

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

NOTE M - 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' (ChesPenn) merger with Chester County Community Dental Center. This contingency requirement was satisfied in July 2014. At June 30, 2016, the unpaid balance of the \$1,330,000 unconditional promise to give was \$247,975. On September 1, 2016, an amended grant agreement was entered into between the Foundation and ChesPenn to award ChesPenn an additional \$870,000 grant over a three year period beginning February 1, 2017 through January 31, 2020. At June 30, 2017, the unpaid balance of the grant payable was \$775,000.

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. The balance was fully paid during June 30, 2017 and the unpaid balance was \$40,000 as of June 30, 2016.

BRANDYWINE HEALTH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE M - PROMISES TO GIVE (Continued)

During the year ended June 30, 2016, the Foundation made an unconditional promise to give of \$30,000 to the Chester County Health Department due over the subsequent two years. At June 30, 2017 and 2016, the unpaid balance was \$10,000 and \$20,000, respectively.

During the year ended June 30, 2016, the Foundation made an unconditional promise to give of \$210,000 to the Child Guidance Resource Centers due over the subsequent two years. At June 30, 2017 and 2016, the unpaid balance was \$75,000 and \$145,000, respectively.

During the year ended June 30, 2016, the Foundation made an unconditional promise to give of \$36,000 to the Coatesville Center for Community Health due over the subsequent two years. At June 30, 2017 and 2016, the unpaid balance was \$12,000 and \$24,000, respectively.

During the year ended June 30, 2016, the Foundation made an unconditional promise to give of \$57,000 to the Family Services of Chester County due over the subsequent two years. At June 30, 2017 and 2016, the unpaid balance was \$20,000 and \$39,000, respectively.

During the year ended June 30, 2017, the Foundation made an unconditional promise to give \$40,000 to the Domestic Violence Center of Chester County due over the subsequent two years. At June 30, 2017, the unpaid balance was \$20,000.

During the year ended June 30, 2017, the Foundation made an unconditional promise to give \$100,000 to the Planned Parenthood Southeastern PA due over the subsequent two years. At June 30, 2017, the unpaid balance was \$50,000.

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

<u>Year Ending</u> <u>June 30,</u>	
2018	\$ 499,009
2019	295,000
2020	<u>168,000</u>
	<u>\$ 962,009</u>

NOTE N - 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.

BRANDYWINE HEALTH FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

NOTE N - FAIR VALUE MEASUREMENTS (Continued)

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:

	2017			Totals
	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Money markets	\$ 338,554	\$ -	\$ -	\$ 338,554
Equity funds	7,794,154	-	-	7,794,154
International mutual funds	4,935,601	-	-	4,935,601
Hedge funds	-	-	2,347,711	2,347,711
US Treasury notes	49,814	-	-	49,814
Corporate bonds	6,354,546	-	-	6,354,546
Common stocks	3,518,076	-	-	3,518,076
	<u>\$ 22,990,745</u>	<u>\$ -</u>	<u>\$ 2,347,711</u>	<u>\$ 25,338,456</u>
	2016			Totals
	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Money markets	\$ 905,512	\$ -	\$ -	\$ 905,512
Equity funds	6,085,515	-	-	6,085,515
Alternative funds	109,259	-	-	109,259
International mutual funds	3,418,126	-	-	3,418,126
Hedge funds	-	-	2,181,497	2,181,497
US Treasury Notes	435,722	-	-	435,722
Corporate bonds	5,952,500	-	-	5,952,500
Common stocks	4,616,128	-	-	4,616,128
	<u>\$ 21,522,762</u>	<u>\$ -</u>	<u>\$ 2,181,497</u>	<u>\$ 23,704,259</u>

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

BRANDYWINE HEALTH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE N - FAIR VALUE MEASUREMENTS (Continued)

Level 3 assets were 9.27% and 9.20% of total investment assets at fair value for the years ended June 30, 2017 and 2016.

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

	<u>2017</u>	<u>2016</u>
HEDGE FUNDS		
Balance at beginning of year	\$ 2,181,497	\$ 1,986,872
Investment income, transfers, disbursements, net	<u>166,214</u>	<u>194,625</u>
BALANCE AT END OF YEAR	<u>\$ 2,347,711</u>	<u>\$ 2,181,497</u>

NOTE O - LETTER OF CREDIT

The Foundation had a \$348,129 bank letter of credit dated April 16, 2015 related to the expansion of the consignment shop. The total amount under this agreement bore a 1.0% fee and expired April 16, 2016. The letter was secured by the assets of the Foundation.

NOTE P - 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 various investment accounts of the Foundation. Maximum borrowings under the line of credit was \$100,000 in 2016. There was no balance outstanding at June 30, 2017 and 2016.

BRANDYWINE HEALTH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE Q - LONG-TERM DEBT

In January 2016, the Foundation entered into a mortgage agreement, secured by the consignment shop building, in the amount of \$688,000. The mortgage will be paid in equal monthly installments of \$3,922, including interest at 4.75% through maturity at January 1, 2041. The outstanding balance at June 30, 2017 and 2016 was \$666,957 and \$681,957, respectively.

Required principal payments under the mortgage are as follows:

<u>Year Ending</u> <u>June 30,</u>	
2018	\$ 15,728
2019	16,491
2020	17,292
2021	18,132
2022	19,012
Thereafter	<u>580,302</u>
	<u>\$ 666,957</u>

Mortgage issuance costs are reported as reductions to mortgage payable. Issuance costs of \$22,134 are being amortized over the life of the corresponding notes. Unamortized costs were \$20,880 and \$21,765 at June 30, 2017 and 2016, respectively. Amortization of debt issuance costs charged to interest expense for the Foundation was \$885 and \$369 for years ended June 30, 2017 and 2016, respectively.

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, 2017, 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 October 23, 2017.

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 "Maillie LLP".

Oaks, Pennsylvania
October 23, 2017