

BRANDYWINE HEALTH FOUNDATION

FINANCIAL STATEMENTS

Years Ended June 30, 2018 and 2017



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, 2018 and 2017, 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, 2018 and 2017, 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 26, 2018 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
November 26, 2018

BRANDYWINE HEALTH FOUNDATION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash	\$ 844,834	\$ 508,714
Investments	26,299,409	25,338,456
Contributions and grants receivable	24,587	79,693
Loans receivable		
Brandywine Health & Housing, LP	2,181,838	2,111,614
Property and equipment, less accumulated depreciation of \$85,324 (2018) and \$60,726 (2017)	1,152,045	1,176,643
Land held for sale	-	2,650,000
Other assets	<u>24,539</u>	<u>22,415</u>
TOTAL ASSETS	<u>\$ 30,527,252</u>	<u>\$ 31,887,535</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Grants payable	\$ 475,509	\$ 962,009
Accounts payable and accrued expenses	86,523	144,595
Mortgage payable	651,230	666,957
Mortgage payable, issuance costs	<u>(19,994)</u>	<u>(20,880)</u>
TOTAL LIABILITIES	<u>1,193,268</u>	<u>1,752,681</u>
NET ASSETS		
Unrestricted	27,834,925	28,681,077
Temporarily restricted	1,363,374	1,318,092
Permanently restricted	<u>135,685</u>	<u>135,685</u>
TOTAL NET ASSETS	<u>29,333,984</u>	<u>30,134,854</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 30,527,252</u>	<u>\$ 31,887,535</u>

See accompanying notes.

BRANDYWINE HEALTH FOUNDATION**STATEMENTS OF ACTIVITIES****YEARS ENDED JUNE 30, 2018 AND 2017**

	2018			Totals
	Unrestricted	Temporarily Restricted	Permanently Restricted	
SUPPORT AND REVENUE				
Contributions and grants	\$ 281,795	\$ 318,733	\$ -	\$ 600,528
Special events, net	182,498	-	-	182,498
Investment income	1,789,805	55,465	-	1,845,270
Net assets released from restrictions	328,916	(328,916)	-	-
TOTAL SUPPORT AND REVENUE	2,583,014	45,282	-	2,628,296
EXPENSES				
Program services	1,146,967	-	-	1,146,967
General and administrative	315,774	-	-	315,774
Fund-raising	246,947	-	-	246,947
TOTAL EXPENSES	1,709,688	-	-	1,709,688
CHANGE IN NET ASSETS FROM OPERATIONS	873,326	45,282	-	918,608
OTHER CHANGES IN NET ASSETS				
Loss on sale of land	(1,719,478)	-	-	(1,719,478)
INCREASE (DECREASE) IN NET ASSETS	(846,152)	45,282	-	(800,870)
NET ASSETS AT BEGINNING OF YEAR	28,681,077	1,318,092	135,685	30,134,854
NET ASSETS AT END OF YEAR	\$ 27,834,925	\$ 1,363,374	\$ 135,685	\$ 29,333,984

See accompanying notes.

2017

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
\$ 513,677	\$ 172,558	\$ -	\$ 686,235
186,561	-	-	186,561
2,674,974	80,121	-	2,755,095
<u>250,673</u>	<u>(250,673)</u>	<u>-</u>	<u>-</u>
<u>3,625,885</u>	<u>2,006</u>	<u>-</u>	<u>3,627,891</u>
2,136,124	-	-	2,136,124
276,182	-	-	276,182
92,624	-	-	92,624
<u>2,504,930</u>	<u>-</u>	<u>-</u>	<u>2,504,930</u>
1,120,955	2,006	-	1,122,961
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1,120,955	2,006	-	1,122,961
<u>27,560,122</u>	<u>1,316,086</u>	<u>135,685</u>	<u>29,011,893</u>
<u>\$ 28,681,077</u>	<u>\$ 1,318,092</u>	<u>\$ 135,685</u>	<u>\$ 30,134,854</u>

BRANDYWINE HEALTH FOUNDATION**STATEMENTS OF CASH FLOWS****YEARS ENDED JUNE 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (800,870)	\$ 1,122,961
Adjustments to reconcile change in net assets to net cash used by operating activities		
Unrealized and realized gain on investments	(1,416,809)	(2,269,802)
Interest and dividends reinvested	(577,137)	(638,173)
Loss on sale of land	1,719,478	-
Mortgage issuance costs amortized to interest expense	885	885
Depreciation	24,600	26,417
(Increase) decrease in		
Contributions and grants receivable	55,106	115,918
Other assets	(2,124)	12,491
Increase (decrease) in		
Grants payable	(486,500)	446,025
Accounts payable and accrued expenses	(58,072)	22,270
NET CASH USED BY OPERATING ACTIVITIES	<u>(1,541,443)</u>	<u>(1,161,008)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments, net	1,032,993	1,273,778
Proceeds from sale of land	930,521	-
Purchases of property and equipment	-	(670)
Loan to Brandywine Health & Housing, LP	(70,224)	(67,248)
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>1,893,290</u>	<u>1,205,860</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on long-term borrowings	(15,727)	(15,000)
NET INCREASE IN CASH	336,120	29,852
CASH AT BEGINNING OF YEAR	<u>508,714</u>	<u>478,862</u>
CASH AT END OF YEAR	<u>\$ 844,834</u>	<u>\$ 508,714</u>
SUPPLEMENTAL DISCLOSURES		
Cash paid during the year for interest	\$ 31,341	\$ 32,954

See accompanying notes.

BRANDYWINE HEALTH FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

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, 2018 AND 2017

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, 2018 and 2017, management considers accounts receivable to be fully collectible. The Foundation uses the direct write-off method for bad debt expense.

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 requires debt issuance costs to be reported as a reduction to long-term debt and the amortization of these costs be reported as interest expense.

BRANDYWINE HEALTH FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

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

New Pronouncement

In August, 2016 the Financial Accounting Standards Board issued Accounting Standards Update 2016-14 "*Not-for-Profit Entities (Topic 958), Presentation of Financial Statements of Not-for-Profit Entities*". In summary, the new rule simplifies and improves how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance and cash flows. The standard is effective for annual financial statements issued for fiscal years beginning after December 15, 2017. The Organization is required to implement the new standard in its annual financial statement for the fiscal year ended June 30, 2019. Although early adoption is permitted, the Organization will implement the new standard for the fiscal year ended June 30, 2019.

Date of Management's Review

Management has evaluated subsequent events through November 26, 2018, the date which the financial statements were available to be issued.

NOTE B - DONATED SERVICES

Brandywine Hospital donated services and contributed property to the Foundation for the 2018 and 2017 Strawberry Festival in the amount of \$17,955 and \$18,645, 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 2018 and 2017, there was \$7,651 and \$9,151 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.

NOTE C - PENSION PLAN

The Foundation sponsors a SIMPLE IRA retirement plan for all eligible employees. Eligible employees may contribute specified amounts of their annual compensation to the plan. The Foundation will make a 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 \$12,791 and 11,468 during the years ended June 30, 2018 and 2017, respectively.

BRANDYWINE HEALTH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE D - CONTRIBUTIONS AND GRANTS RECEIVABLE

At June 30, 2018 and 2017, contributions and grants receivable included \$24,587 and \$79,693, respectively, of contributions due in full as follows:

	<u>2018</u>	<u>2017</u>
CONTRIBUTIONS DUE IN FULL		
Due within one year	\$ 15,217	\$ 62,750
Due from one to five years	<u>9,370</u>	<u>16,943</u>
	<u>\$ 24,587</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, 2018, \$148,791 was exposed to potential credit risk. At June 30, 2017, there were no balances exposed to potential credit risk.

NOTE F - INVESTMENTS

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

	<u>2018</u>	<u>2017</u>
MONEY MARKETS FORWARD	\$ 751,767	\$ 338,554
EQUITY FUNDS		
Bernzott US Small Cap Value Fund	832,852	912,535
Brown Advisory Small Cap Growth Fund	804,481	795,503
Polen Growth Fund	1,253,917	-
MFS Value Fund	1,318,753	2,810,439
T Rowe Price Growth Fund	1,267,092	-
Vanguard Growth ETF	620,962	508,160
Vanguard Total Stock Market Index Fund	1,663,842	1,731,428
Sound Shore Fund	1,305,640	-
Vanguard Value ETF	1,114,096	1,036,089
TOTAL EQUITY FUNDS FORWARD	<u>10,181,635</u>	<u>7,794,154</u>
INTERNATIONAL MUTUAL FUNDS		
Aristotle International Equity Fund	1,101,879	-
Goldman Sachs Open-End Fund	1,096,634	-
Harding Loevner Inst Emg M-1	-	524,069
Harding Loevner Inter S/C-lv	351,598	319,395
Invesco Intl Growth Fd-R5	-	1,109,757
iShares MSCI Eurozone ETF	860,185	1,029,295
iShares MSCI Japan ETF	-	841,232
iShares MSCI Core Closed-End Fund	1,360,742	-
Matthews Emerging Asia-Ins	498,628	524,354
SPDR MSCI ACWI EX-US ETF	-	587,499
T Rowe Price Japan Fund	893,710	-
Touchstone Sands Capital	570,711	-
TOTAL INTERNATIONAL MUTUAL FUNDS FORWARD	<u>\$ 6,734,087</u>	<u>\$ 4,935,601</u>

BRANDYWINE HEALTH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE F - INVESTMENTS (Continued)

TOTAL MONEY MARKETS FORWARDED	\$ 751,767	\$ 338,554
TOTAL EQUITY FUNDS FORWARDED	<u>10,181,635</u>	<u>7,794,154</u>
TOTAL INTERNATIONAL MUTUAL FUNDS FORWARDED	<u>6,734,087</u>	<u>4,935,601</u>
HEDGE FUNDS		
Mill Creek Intl Fund LTD Absolute Return Class	2,404,929	1,567,757
Mill Creek Intl Fund LTD Strategic Return Class	-	779,954
TOTAL HEDGE FUNDS	<u>2,404,929</u>	<u>2,347,711</u>
US TREASURY NOTES	<u>2,462,420</u>	<u>49,814</u>
CORPORATE BONDS	<u>3,764,571</u>	<u>6,354,546</u>
COMMON STOCKS		
Consumer discretionary	-	585,675
Consumer staples	-	213,027
Energy	-	108,636
Financials	-	402,437
Health care	-	594,186
Industrials	-	489,341
Real estate	-	12,902
Technology	-	876,056
Telecommunication services	-	31,087
Basic material	-	191,999
Other	-	12,730
TOTAL COMMON STOCKS	<u>-</u>	<u>3,518,076</u>
TOTAL INVESTMENTS	<u>\$ 26,299,409</u>	<u>\$ 25,338,456</u>

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

	<u>2018</u>	<u>2017</u>
Interest	\$ 70,224	\$ 67,248
Dividends	506,913	570,925
Realized gain	2,360,345	339,796
Unrealized gain (loss)	(943,536)	1,930,006
Investment fees	<u>(148,676)</u>	<u>(152,880)</u>
	<u>\$ 1,845,270</u>	<u>\$ 2,755,095</u>

BRANDYWINE HEALTH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE G - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>2018</u>	<u>2017</u>
Land	\$ 275,000	\$ 275,000
Building and building improvements	937,107	937,107
Office furniture and equipment	25,262	25,262
	<u>1,237,369</u>	<u>1,237,369</u>
Accumulated depreciation	(85,324)	(60,726)
	<u>\$ 1,152,045</u>	<u>\$ 1,176,643</u>

Depreciation expense for the years ended June 30, 2018 and 2017, was \$24,600 and \$26,417, respectively.

NOTE H - RESTRICTIONS ON NET ASSETS

Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

	<u>2018</u>	<u>2017</u>
Campaign for Coatesville Kids	\$ 23,355	\$ 61,548
Emergency medical programs	406,794	418,794
Harry Lewis Jr. Scholarship Fund	463,968	437,173
Youth Mental Health First Aid	57,499	115,230
Nursing scholarships	171,688	151,561
Greening Coatesville Initiative	165,121	50,306
Other	74,949	83,480
	<u>\$ 1,363,374</u>	<u>\$ 1,318,092</u>

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

	<u>2018</u>	<u>2017</u>
Campaign for Coatesville Kids	\$ 29,086	\$ -
Emergency medical programs	12,000	33,840
Harry Lewis Jr. Scholarship Fund	6,463	8,755
Youth Mental Health First Aid	127,731	112,551
Nursing scholarships	21,384	23,356
Greening Coatesville Initiative	96,185	41,244
Other	36,067	30,927
	<u>\$ 328,916</u>	<u>\$ 250,673</u>

BRANDYWINE HEALTH FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

NOTE H - RESTRICTIONS ON NET ASSETS (Continued)

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 \$3,877,440 and \$3,956,882 at June 30, 2018 and 2017, respectively.

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, 2018 and 2017, is \$2,181,838 and \$2,111,614, respectively.

BRANDYWINE HEALTH FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

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

At June 30, 2018, 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	\$ 71,815	\$ 583,499
Land and buildings	5,576,592	3,309,021
Intangible assets	8,705	32,223
Escrows at PHFA	<u>370,452</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 6,027,564</u>	<u>\$ 3,924,743</u>
LIABILITIES		
Current liabilities	\$ 847,513	\$ 16,145
Security deposits	13,935	24,551
Loan payable, Brandywine Health Foundation	2,181,838	-
Mortgages and notes payable	<u>1,859,872</u>	<u>3,877,440</u>
TOTAL LIABILITIES	<u>\$ 4,903,158</u>	<u>\$ 3,918,136</u>

NOTE J - COMMITMENTS

Facility Leases

The Foundation leases office facilities under leases that expire in September 2018. The future minimum rentals under the lease is \$11,817 for the year ended June 30, 2019. The Foundation is currently negotiating the renewal of the office lease.

Rent expense for the years ended June 30, 2018 and 2017, was \$48,189 and \$47,435, respectively.

BRANDYWINE HEALTH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE K - SPECIAL EVENTS

Special events consisted of:

	2018			2017		
	Revenues	Costs	Net	Revenues	Costs	Net
Straw berry Festival	\$ 305,518	\$ 221,150	\$ 84,368	\$ 405,244	\$ 285,246	\$ 119,998
Garden Party and other events	181,115	82,985	98,130	140,670	74,107	66,563
	<u>\$ 486,633</u>	<u>\$ 304,135</u>	<u>\$ 182,498</u>	<u>\$ 545,914</u>	<u>\$ 359,353</u>	<u>\$ 186,561</u>

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

NOTE L - FUNCTIONAL EXPENSES

Functional expenses consisted of:

	2018			Totals	
	Program Services	General and Administrative	Fund-Raising	2018	2017
	Grant distributions	\$ 629,907	\$ -	\$ -	\$ 629,907
Salaries and employee benefits	200,296	219,392	110,723	530,411	457,489
Professional fees	50,144	42,296	32,147	124,587	152,071
Bank fees	-	434	3,517	3,951	25,825
Depreciation and amortization	200	209	24,190	24,599	26,417
Dues and subscriptions	7,028	8,435	485	15,948	12,163
Interest	-	-	32,227	32,227	32,954
Insurance	7,359	7,604	3,967	18,930	16,556
Office and supplies	9,352	8,701	9,073	27,126	29,113
Printing and reproduction	14,187	-	4,579	18,766	25,908
Program costs	178,067	-	-	178,067	160,312
Public relations and communication	14,725	-	791	15,516	28,340
Rent	22,379	11,814	13,406	47,599	43,094
Taxes	-	11,137	2,036	13,173	27,100
Telephone	6,094	3,119	4,665	13,878	12,965
Training	35	300	1,285	1,620	520
Travel, meetings and conferences	7,194	2,333	3,856	13,383	18,494
	<u>\$ 1,146,967</u>	<u>\$ 315,774</u>	<u>\$ 246,947</u>	<u>\$ 1,709,688</u>	<u>\$ 2,504,930</u>

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

BRANDYWINE HEALTH FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

NOTE M - UNCONDITIONAL PROMISES TO GIVE

The Foundation had outstanding unconditional promises to give to organizations at June 30, 2018 and 2017, in the amount of \$475,509 and \$962,009, respectively.

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

Year Ending June 30,	
2019	\$ 307,509
2020	<u>168,000</u>
	<u>\$ 475,509</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.

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:

	2018			
	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Totals
Money markets	\$ 751,767	\$ -	\$ -	\$ 751,767
Equity funds	10,181,635	-	-	10,181,635
International mutual funds	6,734,087	-	-	6,734,087
Hedge funds	-	-	2,404,929	2,404,929
US Treasury notes	2,462,420	-	-	2,462,420
Corporate bonds	<u>3,764,571</u>	<u>-</u>	<u>-</u>	<u>3,764,571</u>
	<u>\$ 23,894,480</u>	<u>\$ -</u>	<u>\$ 2,404,929</u>	<u>\$ 26,299,409</u>

BRANDYWINE HEALTH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE N - FAIR VALUE MEASUREMENTS (Continued)

	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>

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 9.14% and 9.27% of total investment assets at fair value for the years ended June 30, 2018 and 2017.

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

	2018	2017
HEDGE FUNDS		
Balance at beginning of year	\$ 2,347,711	\$ 2,181,497
Investment income, transfers, disbursements, net	57,218	166,214
BALANCE AT END OF YEAR	<u>\$ 2,404,929</u>	<u>\$ 2,347,711</u>

NOTE O - 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, 2018 and 2017 was \$651,230 and \$666,957, respectively.

BRANDYWINE HEALTH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE O - LONG-TERM DEBT (Continued)

Required principal payments under the mortgage are as follows:

<u>Year Ending June 30,</u>	
2019	\$ 16,491
2020	17,292
2021	18,132
2022	19,012
2023	19,935
Thereafter	<u>560,368</u>
	<u>\$ 651,230</u>

Issuance costs of \$22,134 are being amortized over the life of the corresponding notes. Unamortized costs were \$19,994 and \$20,880 at June 30, 2018 and 2017, respectively. Amortization of debt issuance costs charged to interest expense for the Foundation was \$885 for years ended June 30, 2018 and 2017.

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 Fled Rate plus 1.50%. The line is secured by various investment accounts of the Foundation. There were no borrowings or balances outstanding during the fiscal years ended June 30, 2018 and 2017.

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, 2018, 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 September 26, 2018.

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.



Oaks, Pennsylvania
November 26, 2018