

WOODLAWN FOUNDATION, INC. AND AFFILIATES

COMBINED FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

WOODLAWN FOUNDATION, INC. AND AFFILIATES

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Independent Auditors' Report

The Board of Directors
Woodlawn Foundation, Inc. and Affiliates

We have audited the accompanying combined financial statements of Woodlawn Foundation, Inc. and Affiliates (Woodlawn), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related combined statements of activities and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the combined 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 combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Woodlawn as of June 30, 2016 and 2015, 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.

Emphasis of Matter - Change in Accounting Principle

As discussed in Note 1, during the year ended June 30, 2016, Woodlawn elected early adoption of Accounting Standards Update No. 2015-07, *Disclosure for Investments in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent)*. The amendment requires retrospective application. As a result, certain amounts related to investments have been reclassified as of and for the year ended June 30, 2015. Our opinion is not modified with respect to this matter.

Blum, Shapiro & Company, P.C.

Shelton, Connecticut
November 16, 2017

WOODLAWN FOUNDATION, INC. AND AFFILIATES

COMBINED STATEMENTS OF FINANCIAL POSITION JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and cash equivalents	\$ 8,600,296	\$ 6,966,275
Pledges receivable, net	1,633,940	2,513,423
Loans receivable, net	4,891,010	5,032,019
Other assets	212,697	188,854
Investments	<u>25,140,766</u>	<u>33,258,660</u>
Total Assets	\$ <u>40,478,709</u>	\$ <u>47,959,231</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Notes payable	\$ 721,846	\$ 697,346
Line of credit	2,550,000	2,550,000
Liabilities under split-interest agreements	<u>715,097</u>	<u>1,018,247</u>
Total liabilities	<u>3,986,943</u>	<u>4,265,593</u>
Net Assets		
Unrestricted	28,585,374	29,551,009
Temporarily restricted	<u>7,906,392</u>	<u>14,142,629</u>
Total net assets	<u>36,491,766</u>	<u>43,693,638</u>
Total Liabilities and Net Assets	\$ <u>40,478,709</u>	\$ <u>47,959,231</u>

The accompanying notes are an integral part of the combined financial statements

WOODLAWN FOUNDATION, INC. AND AFFILIATES

COMBINED STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue, Support and Other Changes						
Contributions	\$ 14,120,488	\$ 2,828,085	\$ 16,948,573	\$ 9,390,597	\$ 5,594,594	\$ 14,985,191
Interest and dividend income	1,328,541	-	1,328,541	1,734,744	-	1,734,744
Realized and unrealized loss on investments	(6,258,134)	-	(6,258,134)	(1,022,900)	-	(1,022,900)
Change in value of split-interest agreements	-	76,177	76,177	-	(7,449)	(7,449)
Other income	140,708	-	140,708	146,124	-	146,124
Net assets released from restrictions	9,140,499	(9,140,499)	-	3,888,949	(3,888,949)	-
Total revenue, support and other changes	<u>18,472,102</u>	<u>(6,236,237)</u>	<u>12,235,865</u>	<u>14,137,514</u>	<u>1,698,196</u>	<u>15,835,710</u>
Expenses						
Programs:						
Grants	16,983,077	-	16,983,077	13,301,084	-	13,301,084
Program services	1,043,708	-	1,043,708	865,612	-	865,612
Total program expenses	18,026,785	-	18,026,785	14,166,696	-	14,166,696
Management and general	969,079	-	969,079	764,637	-	764,637
Fundraising	441,873	-	441,873	114,747	-	114,747
Total expenses	<u>19,437,737</u>	<u>-</u>	<u>19,437,737</u>	<u>15,046,080</u>	<u>-</u>	<u>15,046,080</u>
Increase (Decrease) in Net Assets	(965,635)	(6,236,237)	(7,201,872)	(908,566)	1,698,196	789,630
Net Assets - Beginning of Year	<u>29,551,009</u>	<u>14,142,629</u>	<u>43,693,638</u>	<u>30,459,575</u>	<u>12,444,433</u>	<u>42,904,008</u>
Net Assets - End of Year	<u>\$ 28,585,374</u>	<u>\$ 7,906,392</u>	<u>\$ 36,491,766</u>	<u>\$ 29,551,009</u>	<u>\$ 14,142,629</u>	<u>\$ 43,693,638</u>

The accompanying notes are an integral part of the combined financial statements

WOODLAWN FOUNDATION, INC. AND AFFILIATES

COMBINED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities		
Increase (decrease) in net assets	\$ (7,201,872)	\$ 789,630
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation	19,960	13,842
Donated securities	(2,812,354)	(727,808)
Realized and unrealized loss on investments	6,258,134	1,022,900
Bad debts	803,143	468,528
Conversion of notes to contributions	68,277	119,424
Change in value of split-interest agreements	(140,829)	(29,699)
Donation of property held for investment	-	360,117
(Increase) decrease in operating assets:		
Pledges receivable, net	535,406	(789,402)
Accrued interest on notes receivable	(467,355)	(481,292)
Other assets	(43,803)	(421,450)
Net cash provided by (used in) operating activities	<u>(2,981,293)</u>	<u>324,790</u>
Cash Flows from Investing Activities		
Purchases of investments	(4,406,206)	(7,873,632)
Proceeds from sales of investments	8,915,999	8,361,285
Repayments of loans receivable	81,021	46,757
Net cash provided by investing activities	<u>4,590,814</u>	<u>534,410</u>
Cash Flows from Financing Activities		
Proceeds from notes payable	24,500	-
Proceeds from line of credit	-	2,550,000
Net cash provided by financing activities	<u>24,500</u>	<u>2,550,000</u>
Net Increase in Cash and Cash Equivalents	1,634,021	3,409,200
Cash and Cash Equivalents - Beginning of Year	<u>6,966,275</u>	<u>3,557,075</u>
Cash and Cash Equivalents - End of Year	<u>\$ 8,600,296</u>	<u>\$ 6,966,275</u>

The accompanying notes are an integral part of the combined financial statements

WOODLAWN FOUNDATION, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION

The Woodlawn Foundation (Woodlawn) is a New York nonstock corporation whose primary purpose is to solicit contributions and to provide grants world-wide to not-for-profit organizations which receive pastoral care from the Catholic Prelature of Opus Dei.

The Rockside Foundation (Rockside) and The Sauganash Foundation (Sauganash) are supporting organizations of Woodlawn and were established exclusively to assist in raising funds to support Woodlawn's mission.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Presentation

The financial statements are presented on a combined basis to include the transactions of Woodlawn and its affiliates, Rockside and Sauganash. All significant intercompany balances and transactions have been eliminated from the combined financial statements. The combined financial statements of Woodlawn and its affiliates have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. Accordingly, the accounts of Woodlawn and its affiliates are reported in the following net asset categories:

Unrestricted Net Assets

Unrestricted net assets represent resources that are not subject to donor-imposed restrictions and may be expended at the discretion of the Board of Directors.

Temporarily Restricted Net Assets

Temporarily restricted net assets represent contributions that are restricted by the donor as to purpose or time of expenditure.

Permanently Restricted Net Assets

Permanently restricted net assets represent resources that have donor-imposed restrictions that require that the principal be maintained in perpetuity but permit Woodlawn to expend the income earned thereon. Woodlawn did not have any permanently restricted net assets as of June 30, 2016 and 2015.

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 in the financial statements. Accordingly, actual results could differ from those estimates. Management has used estimates primarily to value alternative investments and in determining the allowances for loans receivable and uncollectible pledges. It is management's opinion that the estimates applied in the accompanying combined financial statements are reasonable.

Cash and Cash Equivalents

Cash and cash equivalents are defined as bank accounts and highly liquid investments with original maturities of 90 days or less.

WOODLAWN FOUNDATION, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

Loans Receivable, Net

Woodlawn has loans receivable related to advances to not-for-profit organizations to support their missions and other projects as well as other loans to for-profit corporations. Some loans to not-for-profit organizations are forgiven when certain conditions or matching requirements are met as approved by the Board of Directors. Uncollectible account balances are written off when management determines the probability of collection is remote. Management maintains an allowance for uncollectible loans based on a review of specific loans and general historical experience.

Split-Interest Agreements

Woodlawn is a party to the following types of split-interest agreements:

Charitable Gift Annuities

Woodlawn has entered into several charitable gift annuities whereby assets were transferred to Woodlawn and invested. Under the terms of the agreements, contributions are received from donors in exchange for a promise by Woodlawn to pay a fixed amount for a specified period of time to a donor or individuals designated by the donor. Annuity contracts may be established for either one or two lives and provide that fixed payments be made to the annuitants for the remainder of their lives. Upon termination of the annuity contract, any remaining assets revert to the Woodlawn for purposes as specified in the charitable gift annuity contracts. On an annual basis, Woodlawn revalues the liability to make distributions to the designated beneficiaries based on actuarial assumptions.

Charitable Remainder Trust

Woodlawn is the beneficiary of various charitable remainder trusts for which Woodlawn is the trustee. A charitable remainder trust provides for the payment of distributions to the grantor or other designated beneficiaries over the trust's term (usually the designated beneficiary's lifetime). At the end of the trust's term, the remaining assets are available for Woodlawn's use. The trust is carried at the fair value of the underlying investments. The portion of the trust attributable to the present value of the future benefits to be received by Woodlawn is recognized in the combined statements of activities as a temporarily restricted contribution in the period the trust is established. On an annual basis, Woodlawn revalues the liability to make distributions to the designated beneficiaries based on actuarial assumptions. The liability is calculated using discount rates ranging from 4.8% to 10.6% and applicable mortality tables.

Other Assets

Other assets primarily represent certain religious art items purchased from various churches in the New York and Philadelphia area. In addition, leasehold improvements and security deposits on Woodlawn's offices are also included in other assets.

Investment Valuation and Income Recognition

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 4 for a discussion of fair value measurements.

Purchases and sales of securities are recorded on the trade date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Realized and unrealized gains include Woodlawn's gains and losses on investments bought and sold as well as held during the year.

WOODLAWN FOUNDATION, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

Woodlawn's Investment Committee determines the organization's valuation policies and procedures utilizing information provided by investment advisors, asset custodians, fund managers and investment companies.

Realized and unrealized gains and losses on these investments are reported in the combined statements of activities as increases or decreases in unrestricted net assets unless their use is temporarily restricted by explicit donor stipulations.

Contributions

Unconditional contributions are recognized when pledged or received, as applicable, and are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions receivable expected to be collected in more than one year are discounted to their present value. Woodlawn reports contributions of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit their use. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions received whose restrictions are met in the same period are presented with unrestricted net assets. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Income Taxes

Woodlawn and its affiliates are exempt from federal and state income taxes as public charities under Section 501(c)(3) of the Internal Revenue Code.

Changes in Accounting Principle

In May 2015, the Financial Accounting Standards Board issued Accounting Standards Update No. 2015-07, *Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent)*, which removes the requirement to categorize investments measured at net asset value within the fair value hierarchy tables. The standard is effective for years beginning after December 15, 2016, and early adoption is permitted. Woodlawn has elected to early adopt ASU 2015-07 for the year ended June 30, 2016.

Subsequent Events

In preparing these combined financial statements, management has evaluated subsequent events through November 16, 2017, which represents the date the combined financial statements were available to be issued.

NOTE 3 - CONCENTRATIONS OF CREDIT RISK

Woodlawn's financial instruments that are exposed to concentrations of credit risk consist of the following:

Cash and Cash Equivalents

Woodlawn places its cash deposits with high credit-quality institutions. Such deposits exceed federal depository insurance limits at times during the year. However, management believes that Woodlawn's deposits are not subject to significant credit risk.

WOODLAWN FOUNDATION, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

Investments

Woodlawn's investments are comprised of various stocks, bonds, mutual funds and alternative investments consisting of real estate, limited partnerships, a closely held corporation and limited liability companies. The value of the investments is subject to fluctuations due to general market conditions and interest rates.

Loans Receivable

Woodlawn grants loans to various not-for-profit organizations to support their missions and other projects as well as for profit companies. Receivable balances are considered delinquent if no payment has been made and no payment plan has been established. Woodlawn maintains an allowance for potential collection losses based upon a review of specific delinquent accounts, and such losses have been within management's expectations. Specific accounts are written off after normal collection efforts have been exhausted.

NOTE 4 - FAIR VALUE OF FINANCIAL INSTRUMENTS

Generally accepted accounting principles 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. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1

Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that Woodlawn has the ability to access.

Level 2

Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3

Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Because these assets are not readily marketable, their estimated fair value is subject to uncertainty and may differ significantly from the value that would have been used had a market for such items existed.

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. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. As a practical expedient, certain investments are measured at fair value on the basis of net asset value. The fair value of these investments is not included in the fair value hierarchy.

WOODLAWN FOUNDATION, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

Financial Instruments Measured at Fair Value

The following is a description of the valuation methodologies used for financial instruments measured at fair value:

Mutual Funds

Mutual funds are valued at the quoted net asset value of shares reported in the active market in which the mutual funds are traded.

Common and Preferred Stocks, Exchange Traded Funds and U.S. Governmental Securities

These items are valued at the closing price reported in the active market in which the individual securities are traded.

Limited Partnerships, Limited Liability Companies and Hedge Funds

Interests in these investments are valued by external investment managers taking into consideration the fair value of the underlying assets and liabilities, current distribution rates and discounts for redemption and liquidity restrictions.

Closely Held Corporation

The fair value of the closely held corporation held by Woodlawn is based upon an independent appraisal.

Assets Held Under Split-Interest Agreements

Assets held under split-interest agreements are valued at the quoted net asset value of shares reported in the active market in which the underlying mutual funds are traded

Liabilities Under Split-Interest Agreements

Liabilities under split-interest agreements are valued using the present value of the fixed payments be made to the annuitants for the remainder of their lives. The valuations involve assumptions based on the donor's age and life expectancy.

There have been no changes in the methodologies used at June 30, 2016 and 2015.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while Woodlawn believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

WOODLAWN FOUNDATION, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

Fair Value Measurements

The following tables set forth by level, within the fair value hierarchy, Woodlawn's assets and liabilities at fair value as of June 30, 2016 and 2015:

Description	2016	Investments Valued Using Practical Expedient (a)	Fair Value Measurements Using		
			Level 1	Level 2	Level 3
Assets:					
Investments:					
Mutual funds:					
Exchange traded funds	\$ 114,751	\$ -	\$ 114,751	\$ -	\$ -
Equity funds	564,486	-	564,486	-	-
Domestic diversified funds	1,457,601	-	1,457,601	-	-
Domestic growth funds	284,811	-	284,811	-	-
International growth funds	518,724	-	518,724	-	-
International small cap growth funds	141,422	-	141,422	-	-
Absolute return	85,059	-	85,059	-	-
Managed futures	403,066	-	403,066	-	-
Commodities	119,986	-	119,986	-	-
Equity securities:					
Domestic Large Cap	9,096,350	-	9,096,350	-	-
Domestic Mid Cap	2,841,538	-	2,841,538	-	-
Domestic Small Cap	1,797,431	-	1,797,431	-	-
Developed international	3,073,226	-	3,073,226	-	-
Emerging markets	1,138,340	-	1,138,340	-	-
Equity REITS	308,792	-	308,792	-	-
Limited partnerships	1,515,726	1,515,726	-	-	-
Hedge fund	819,619	819,619	-	-	-
Assets held under split- interest agreements	859,838	-	859,838	-	-
Total investments	25,140,766	2,335,345	22,805,421	-	-
Pledges receivable, net	1,633,940	-	-	-	1,633,940
Total Assets at Fair Value	\$ <u>26,774,706</u>	\$ <u>2,335,345</u>	\$ <u>22,805,421</u>	\$ <u>-</u>	\$ <u>1,633,940</u>
Liabilities:					
Liabilities under split-interest agreements					
	\$ <u>715,097</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>715,097</u>

WOODLAWN FOUNDATION, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

Description	2015	Investments Valued Using Practical Expedient (a)	Fair Value Measurements Using		
			Level 1	Level 2	Level 3
Assets:					
Investments:					
Mutual funds:					
Domestic diversified funds	\$ 595,859	\$ -	\$ 595,859	\$ -	\$ -
Domestic growth funds	323,004	-	323,004	-	-
International growth funds	881,314	-	881,314	-	-
International small cap growth funds	175,585	-	175,585	-	-
Absolute return	139,381	-	139,381	-	-
Managed futures	470,780	-	470,780	-	-
Commodities	377,930	-	377,930	-	-
Private equity	70,292	-	70,292	-	-
Equity securities:					
Domestic Large Cap	9,166,260	-	9,166,260	-	-
Domestic Mid Cap	3,379,983	-	3,379,983	-	-
Domestic Small Cap	2,334,615	-	2,334,615	-	-
Developed international	4,361,936	-	4,361,936	-	-
Emerging markets	2,116,902	-	2,116,902	-	-
Equity REITS	359,468	-	359,468	-	-
Limited partnerships	2,900,146	2,900,146	-	-	-
Hedge fund	816,954	816,954	-	-	-
Closely held corporation	2,673,222	-	-	-	2,673,222
Assets held under split- interest agreements	2,115,029	-	2,115,029	-	-
Total investments	33,258,660	3,717,100	26,868,338	-	2,673,222
Pledges receivable, net	2,513,423	-	-	-	2,513,423
Total Assets at Fair Value	\$ <u>35,772,083</u>	\$ <u>3,717,100</u>	<u>26,868,338</u>	\$ <u>-</u>	\$ <u>5,186,645</u>
Liabilities:					
Liabilities under split-interest agreements					
	\$ <u>1,018,247</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>1,018,247</u>

(a) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in these tables are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

There were no transfers between levels of investments during the years ended June 30, 2016 and 2015.

WOODLAWN FOUNDATION, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

Additional information regarding investments that report fair value based on net asset value per share or unit as of June 30, 2016 is as follows:

	<u>Net Asset Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>	<u>Liquidity or Other Restrictions</u>
Hedge fund:					
Abdiel (a)	\$ 819,619	\$ -	Monthly	60 Days	None
Limited partnerships:					
Linx partners (b)	1,514,235	4,443,069	Illiquid	-	-
Select EQT (c)	<u>1,491</u>	-	Illiquid	-	-
	<u>\$ 2,335,345</u>				

The investment strategies of these investments are as follows:

- (a) To generate attractive absolute returns, outperform U.S. equity markets, and minimize the risk of permanent capital impairment.
- (b) To achieve capital appreciation primarily through making investments in equity securities issued by lower middle market companies in the United States and Canada and to develop and implement strategies designed to enhance the operating efficiency, financial management and strategic direction of the businesses.
- (c) To invest in equity related instruments issued by unlisted companies or undertakings in Northern Europe, and the making of loans to such companies with the objective of creating capital growth and realizing capital gain.

Assets Measured at Fair Value Using Significant Unobservable Inputs (Level 3)

The following is a summary of the changes in the balances of pledges receivable measured at fair value using significant unobservable inputs:

Pledges Receivable, Net	<u>2016</u>	<u>2015</u>
Balance - beginning of year	\$ 2,513,423	\$ 1,724,021
New pledges receivable	630,907	1,768,271
Collections on pledges receivable	(1,126,904)	(614,598)
Write-offs	(20,288)	(200,000)
Change in allowance for uncollectible accounts	(344,077)	(130,289)
Change in discount on pledges receivable	<u>(19,121)</u>	<u>(33,982)</u>
Balance - End of Year	<u>\$ 1,633,940</u>	<u>\$ 2,513,423</u>

WOODLAWN FOUNDATION, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

Liabilities Measured at Fair Value Using Significant Unobservable Inputs (Level 3)

The following is a summary of the changes in the balance of liabilities under split-interest agreements measured at fair value using significant unobservable inputs:

Liabilities Under Split-Interest Agreements	2016	2015
Balance - beginning of year	\$ 1,018,247	\$ 1,047,946
Payments to beneficiaries	(48,567)	(39,847)
Expiration of trusts	(189,119)	-
Change in value of liability	(65,464)	10,148
	<hr/>	<hr/>
Balance - End of Year	\$ <u>715,097</u>	\$ <u>1,018,247</u>

NOTE 5 - PLEDGES RECEIVABLE

Pledges receivable consist of the following as of June 30, 2016 and 2015:

	2016	2015
Receivable in less than one year	\$ 1,340,743	\$ 1,847,248
Receivable in one to five years	916,769	976,549
Thereafter	50,000	-
Total pledges receivable	2,307,512	2,823,797
Less discount to net present value	(94,206)	(75,085)
Less allowance for uncollectible pledges	(579,366)	(235,289)
	<hr/>	<hr/>
Pledges Receivable, Net	\$ <u>1,633,940</u>	\$ <u>2,513,423</u>

Pledges receivable that are receivable in more than one year are discounted at 3.50% and 3.25% at June 30, 2016 and 2015, respectively.

NOTE 6 - LOANS RECEIVABLE

Loans receivable consist of the following as of June 30, 2016 and 2015:

	2016	2015
Secured loan receivable, bearing interest at Prime plus 0.5%, with interest payments due annually. The loan principal was due on December 31, 2008, and the terms have been extended until April 30, 2017. Management has determined a reserve of \$8,951,316 necessary as of June 30, 2016.	\$ 11,201,317	\$ 10,856,910
Unsecured loan receivable, bearing interest at 6%, with principal and interest payable on demand when requested by the Board of Directors. This loan is fully reserved for.	5,091,664	5,091,664

WOODLAWN FOUNDATION, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

Unsecured loans receivable, all bearing interest at 6%, with principal and interest due from January 2009 through June 2013. The terms and due dates of all loans are currently being renegotiated. Management has determined a reserve of \$877,617 necessary as of June 30, 2016.	2,788,617	2,673,957
Unsecured loan receivable, bearing interest at 6%, with principal and interest payable on demand when requested by the Board of Directors.	14,840	21,235
Unsecured loan receivable, bearing interest at 6%, with principal and interest payable annually.	-	63,644
Unsecured loan receivable, bearing interest at 4% with principal and interest was due in March 2016 is currently being renegotiated.	224,000	216,263
Unsecured loan receivable, bearing interest at 4% with principal and interest payable demand when requested by the Board of Directors.	-	61,331
Unsecured loan receivable, noninterest bearing with principal payable on demand when requested by the Board of Directors.	150,000	150,000
Secured mortgage receivable, bearing interest at 5% through June 2016 then LIBOR plus 1.75% through July 2021, with payments of interest and principal due monthly of \$1,909.	101,169	118,546
Secured mortgage receivable, bearing interest at 5% with monthly payments of interest only in the amount of \$1,500. The outstanding interest and entire principal balance is due on July 1, 2018.	240,000	240,000
	<u>19,811,607</u>	<u>19,493,550</u>
Less allowance for uncollectible loans	<u>14,920,597</u>	<u>14,461,531</u>
Loans Receivable, Net	<u>\$ 4,891,010</u>	<u>\$ 5,032,019</u>

As of June 30, 2016, loans receivable, net, are expected to be collected as follows:

Within one year	\$ 7,911,584
Within one to five years	11,740,034
Thereafter	159,989
	<u>19,811,607</u>
Less allowance for uncollectible loans	<u>14,920,597</u>
Loans Receivable, Net	<u>\$ 4,891,010</u>

WOODLAWN FOUNDATION, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

The following table presents informative data by class of financing receivable regarding their age and interest accrual status at June 30, 2016:

	<u>Current</u>	<u>Past Due > 90 Days</u>	<u>Total Financing Receivables</u>	<u>Total Financing Receivables on Nonaccrual Status</u>	<u>Financing Receivables Past Due ≥ 90 Days and Still Accruing Interest</u>
Mortgage loans	\$ 341,169	\$ -	\$ 341,169	\$ -	\$ -
Loans for operations - Not-for-profit	374,000	2,803,457	3,177,457	-	2,803,457
Loans for operations - For-profit	<u>11,201,317</u>	<u>5,091,664</u>	<u>16,292,981</u>	<u>5,091,664</u>	<u>-</u>
Total	<u>\$ 11,916,486</u>	<u>\$ 7,895,121</u>	<u>\$ 19,811,607</u>	<u>\$ 5,091,664</u>	<u>\$ 2,803,457</u>

NOTE 7 - NOTES PAYABLE

Notes payable consist of notes to individuals at June 30, 2016 and 2015, respectively, for loans received for unrestricted use ranging from \$1,100 to \$371,000, all of which are noninterest bearing and due on demand. The balance outstanding as of June 30, 2016 and 2015, was \$721,846 and \$697,346, respectively.

NOTE 8 - LINE OF CREDIT

During 2015 Woodlawn entered into an investment line of credit in the amount of \$10,000,000. Interest is payable monthly at LIBOR plus 125 basis points with a floor of 2.00%. Borrowings are due on demand and secured by Woodlawn's investment accounts. In January 2016, the credit limit was reduced to \$5,000,000. The balance outstanding as of June 30, 2016 and 2015, was \$2,550,000.

NOTE 9 - LEASE COMMITMENTS

Woodlawn leases office space with aggregate monthly payments of \$3,970 through June 30, 2016 and increasing to \$4,284 through June 30, 2019 and \$4,498 through June 30, 2022.

Rent expense was \$52,577 and \$51,164 for the years ended June 30, 2016 and 2015, respectively.

WOODLAWN FOUNDATION, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

At June 30, 2016, minimum future rental payments under the operating leases were as follows:

Year Ending June 30,

2017	\$	47,645
2018		51,407
2019		51,407
2020		53,977
2021		53,977
2022		<u>53,977</u>
Total	\$	<u>312,390</u>

NOTE 10 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes as of June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Restricted for capital grant purposes	\$ 5,792,910	\$ 10,135,055
Pledges receivable restricted for capital grant purposes	1,633,940	2,513,423
Split-interest agreements	<u>479,542</u>	<u>1,494,151</u>
Temporarily Restricted Net Assets	\$ <u>7,906,392</u>	\$ <u>14,142,629</u>

NOTE 11 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from restrictions by incurring expenses satisfying the following purpose restrictions for the years ended June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Capital grant funding purposes	\$ 8,098,890	\$ 3,888,949
Expiration of trusts	<u>1,041,609</u>	<u>-</u>
Total Net Assets Released from Restrictions	\$ <u>9,140,499</u>	\$ <u>3,888,949</u>

NOTE 12 - RELATED PARTY TRANSACTIONS

To help ensure the effective use of grants which it awards, Woodlawn frequently arranges to have one or more of its own directors or officers serve on the Boards of Directors of not-for-profit organizations which receive grants from Woodlawn. During the years ended 2016 and 2015, grants of \$10,888,242 and \$7,869,419, respectively, were distributed to organizations that have officers or directors in common with Woodlawn.

WOODLAWN FOUNDATION, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

NOTE 13 - COMMITMENTS AND CONTINGENCIES

As of June 30, 2016 and 2015, Woodlawn has approved capital grants of \$1,035,000 and \$3,331,250, respectively, and operating grants of \$3,302,297 and \$2,550,252, respectively, which are contingent upon the satisfaction by the designated grantees satisfying certain conditions before the grants are funded.