LONGWOOD UNIVERSITY FOUNDATION, INC. AND AFFILIATES

CONSOLIDATED FINANCIAL STATEMENTS

As of and for the Years Ended June 30, 2018 and 2017

And Report of Independent Auditor

Cherry Bekaert LLP
CPAs & Advisors

LONGWOOD UNIVERSITY FOUNDATION, INC. AND AFFILIATES

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Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor

The Board of Directors
Longwood University Foundation, Inc. and Affiliates
Farmville, Virginia

We have audited the accompanying consolidated financial statements of Longwood University Foundation, Inc. and Affiliates (a nonprofit organization), which comprise the consolidated statements of financial position as of June 30, 2018 and 2017, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Longwood University Foundation, Inc. and Affiliates as of June 30, 2018 and 2017, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Notes 1 and 3, as of June 30, 2018 and 2017, the consolidated financial statements include an investment in a limited partnership for which quoted market prices are not readily available. This investment was valued at $64,031,251 (68.6% of net assets) and $55,140,818 (68.5% of net assets) as of June 30, 2018 and 2017, respectively. The value of this investment has been provided by the general partner, who in absence of readily determinable market values, has estimated fair value based on information provided by the fund managers of the underlying investments. Because of the inherent uncertainty of valuation, the estimated value may differ from the value that would have been used had a ready market for this investment existed and the difference could be material. Our opinion is not modified with respect to this matter.

Cherry Bekaert LLP

Lynchburg, Virginia
November 12, 2018

LONGWOOD UNIVERSITY FOUNDATION, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2018 AND 2017

	2018	2017
ASSETS		
Cash and cash equivalents	$ 14,219,746	$ 6,264,961
Prepaid expenses	24,153	24,470
Accounts receivable	42,403	-
Contributions receivable, net	4,480,812	6,931,210
Investments, at fair value	65,428,549	59,112,701
Investment, at cost	1,000,000	1,000,000
Cash value of life insurance policies	115,899	110,604
Note receivable, related party	400,000	-
Longwood Center for the Visual Arts art collection	4,820,044	4,690,369
Depreciable property and equipment, net of accumulated depreciation	134,220	113,393
Land	1,286,854	1,296,854
Stream and wetland construction in-process	-	561,631
Stream and wetland credits	882,499	235,490
Other asset	42,590	7,784
Beneficial interest in perpetual trust	2,247,390	2,232,377
Total Assets	$ 95,125,159	$ 82,581,844
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	$ 282,594	$ 699,534
Amounts payable to third-party beneficiaries	969,774	880,906
Annuities payable	517,693	493,055
Total Liabilities	1,770,061	2,073,495
Net Assets:		
Unrestricted Net Assets:		
Current operations	2,593,394	4,065,196
Funds functioning as endowment	5,954,176	5,383,022
Designated for specific purposes	1,983,410	517,456
Total Unrestricted Net Assets	10,530,980	9,965,674
Temporarily restricted net assets	30,368,502	26,944,131
Permanently restricted net assets	52,455,616	43,598,544
Total Net Assets	93,355,098	80,508,349
Total Liabilities and Net Assets	$ 95,125,159	$ 82,581,844

The accompanying notes to the consolidated financial statements are an integral part of these statements.

LONGWOOD UNIVERSITY FOUNDATION, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2018

	2018			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains (Losses), and Other Support:				
Contributions	$ 385,036	$ 1,344,387	$ 8,773,035	$ 10,502,458
Income from perpetual trust	-	106,000	-	106,000
Investment income	146,747	556,868	-	703,615
Net realized and unrealized gain on investments	1,088,288	3,750,643	7,633	4,846,564
Net unrealized gain on perpetual trust	-	-	15,013	15,013
Other revenue	155,986	2,239,332	61,391	2,456,709
Annuity and unitrust adjustments	-	(16,260)	-	(16,260)
In-kind contribution-affiliated	625,798	-	-	625,798
Net revenues from sale of stream and wetland credits	-	681,452	-	681,452
Net assets released from restrictions	5,238,051	(5,238,051)	-	-
Total Revenues, Gains (Losses), and Other Support	7,639,906	3,424,371	8,857,072	19,921,349
Expenses:				
Program Expenses:				
Institutional support	3,050,531	-	-	3,050,531
Scholarships and grants	2,383,708	-	-	2,383,708
Alumni association	200,699	-	-	200,699
Other	84,128	-	-	84,128
Supporting Expenses:				
Administrative and general	536,531	-	-	536,531
Fundraising	819,003	-	-	819,003
Total Expenses	7,074,600	-	-	7,074,600
Change in net assets before reclassifications	565,306	3,424,371	8,857,072	12,846,749
Reclassifications	-	-	-	-
Change in net assets	565,306	3,424,371	8,857,072	12,846,749
Net assets, beginning of year	9,965,674	26,944,131	43,598,544	80,508,349
Net assets, end of year	$ 10,530,980	$ 30,368,502	$ 52,455,616	$ 93,355,098

LONGWOOD UNIVERSITY FOUNDATION, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2017

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains (Losses), and Other Support:				
Contributions	$ 406,818	$ 3,529,619	$ 5,033,596	$ 8,970,033
Income from perpetual trust	-	79,500	-	79,500
Investment income	101,649	438,825	-	540,474
Net realized and unrealized gain on investments	1,377,754	4,330,698	220	5,708,672
Net unrealized gain on perpetual trust	-	-	94,978	94,978
Other revenue	147,904	780,523	-	928,427
Annuity and unitrust adjustments	-	(26,198)	-	(26,198)
In-kind contribution-affiliated	625,798	-	-	625,798
Net assets released from restrictions	5,201,287	(5,199,653)	(1,634)	-
Total Revenues, Gains (Losses), and Other Support	7,861,210	3,933,314	5,127,160	16,921,684
Expenses:				
Program Expenses:				
Institutional support	2,287,443	-	-	2,287,443
Scholarships and grants	1,749,517	-	-	1,749,517
Alumni association	254,860	-	-	254,860
Other	126,403	-	-	126,403
Supporting Expenses:				
Administrative and general	457,544	-	-	457,544
Fundraising	899,903	-	-	899,903
Total Expenses	5,775,670	-	-	5,775,670
Change in net assets before reclassifications	2,085,540	3,933,314	5,127,160	11,146,014
Reclassifications	(16,179)	-	16,179	-
Change in net assets	2,069,361	3,933,314	5,143,339	11,146,014
Net assets, beginning of year	7,896,313	23,010,817	38,455,205	69,362,335
Net assets, end of year	$ 9,965,674	$ 26,944,131	$ 43,598,544	$ 80,508,349

LONGWOOD UNIVERSITY FOUNDATION, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
Cash flows from operating activities:		
Change in net assets	$ 12,846,749	$ 11,146,014
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	33,171	54,370
Gain on disposition of property and equipment	(1,240)	(154,796)
Gain on sale of stream credits	(681,452)	-
Net realized and unrealized gain on investments	(4,846,564)	(5,708,672)
Permanently restricted contributions	(8,773,035)	(5,033,596)
Net unrealized gain on perpetual trust	(15,013)	(94,978)
Gifts-in-kind, art collection	(129,675)	(114,030)
Gift-in-kind, land	-	(10,000)
Changes in operating assets and liabilities:		
Prepaid expenses	317	(9,756)
Accounts receivable	(42,403)	-
Contributions receivable	2,450,398	(4,030,849)
Cash value of life insurance policies	(5,295)	(72)
Other asset	(34,806)	(7,784)
Accounts payable	(416,940)	626,991
Amounts payable to third-party beneficiaries	88,868	114,600
Annuities payable	24,638	(28,323)
Net cash provided by (used in) operating activities	497,718	(3,250,881)
Cash flows from investing activities:		
Net purchases of investments	(1,469,284)	(1,212,883)
Purchase of property and equipment	(51,876)	-
Proceeds from sale of property and equipment	9,118	1,081,445
Advance to related party	(400,000)	-
Construction of wetland	(377,045)	(561,631)
Proceeds from sale of stream credits	973,119	-
Net cash used in investing activities	(1,315,968)	(693,069)
Cash flows from financing activities:		
Permanently restricted contributions	8,773,035	5,033,596
Net cash provided by financing activities	8,773,035	5,033,596
Net increase in cash and cash equivalents	7,954,785	1,089,646
Cash and cash equivalents, beginning of year	6,264,961	5,175,315
Cash and cash equivalents, end of year	$ 14,219,746	$ 6,264,961

Note 1—Summary of significant accounting policies

Nature of Foundation Activities – The Foundation is a non-profit organization that exists for the sole purpose of accepting gifts and distributing funds to support the activities and operations of Longwood University (the "University") in Farmville, Virginia.

Principles of Consolidation – The consolidated financial statements include the accounts of the Longwood University Foundation, Inc.; Duvahl Ridgeway Hull and Andrew W. Hull Charitable Foundation (the "Hull Foundation"); Longwood University Alumni Association; and LUF Weyanoke, Inc.

The Longwood University Foundation, Inc. and Affiliates (the "Foundation") receives 85% of the Hull Foundation's net income. The assets of the Hull Foundation include two charitable remainder trusts and other investments. Fifteen percent of the Hull Foundation net assets are payable to unrelated third parties and have been recorded in the consolidated statements of financial position as amounts payable to third-party beneficiaries.

A former organization, the Hull Springs Farm Foundation, was established in 2008 as a supporting organization to the Foundation and, prior to March 2013, owned and operated the Hull Springs Farm located in Virginia within the Chesapeake Bay watershed. The property is used by Longwood University and other universities for educational purposes and research. On March 25, 2013, the Hull Springs Farm Foundation was dissolved and all of its assets were distributed to the Longwood University Foundation, Inc. (see Note 16).

Basis of Presentation – The accompanying consolidated financial statements present information regarding the Foundation's financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. The three classes are differentiated based on the existence or absence of donor-imposed restrictions, as described below:

- *Unrestricted net assets* are free of donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors or may otherwise be limited by contractual agreements with outside parties. Expenses, revenues, gains, and losses that are not temporarily or permanently restricted by donors are included in this classification. Any deficiency in the fair value of assets associated with individual donor-restricted endowment funds that fall below the level of the contribution is included as a reduction in unrestricted net assets.

- *Temporarily restricted net assets* are limited in use by donor-imposed stipulations that expire by the passage of time or that can be fulfilled by action of the Foundation pursuant to those stipulations.

- *Permanently restricted net assets* are amounts required by donors to be held in perpetuity; however, the income on these assets is available to meet various restricted and other operating needs. These net assets primarily include permanent endowment funds and funds held in trust by others.

Cash and Cash Equivalents – Cash and cash equivalents consist of demand deposits and all highly liquid investments with original maturities of three months or less when purchased, except those amounts held by the Foundation's investment manager as a part of a long-term strategy.

Investments, at fair value – Investments with readily determinable fair values are reported at market value based upon quoted market prices. Donated investments are recorded at fair value as of the date received. Certain investments in limited partnership interests are reported at estimated fair value and valued using the net asset value for the units obtained by the investment administrator. Investment income and realized and unrealized gains (losses) are included in the consolidated statements of activities in the appropriate net asset class.

Note 1—Summary of significant accounting policies (continued)

Investment, at cost – The Foundation uses the cost method of accounting for its investment in a limited liability company in which it has a minority equity interest and no significant influence over the entity's operations. The fair value of this cost method investment is not estimated as it is not practicable to estimate the fair value. This investment is reviewed annually for impairment that is other-than-temporary. As of June 30, 2018, there was no indication of other-than-temporary impairment of this investment.

Longwood Center for the Visual Arts Art Collection – The Longwood Center for the Visual Arts art collection is stated at cost, except those items received as a gift which are stated at appraised value on the date of the gift and are not depreciated.

Property and Equipment – Property and equipment are stated at cost at the date of acquisition or at fair value at the date of gift, less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of 40 years for buildings and 5 years for vehicles and property and equipment. Betterments and major renewals which appreciably extend the useful lives of the properties are capitalized, while repairs and maintenance are charged to expense in the year incurred. When assets are retired or otherwise disposed of, the cost and accumulated depreciation are eliminated from the accounts, and any gain or loss is reflected in net income. Generally, it is the Foundation's policy to capitalize property and equipment that have an acquisition cost of greater than $5,000.

Land – Land is stated at cost at the date of acquisition or at fair value at the date of gift. Depreciation is not recognized on land.

Irrevocable Split-Interest Agreements – The Foundation is a participant in various split-interest agreements, for which it serves as trustee. A split-interest agreement is created when a donor contributes assets to the Foundation or places them in a trust for the benefit of the Foundation, but the Foundation is not the sole beneficiary of the assets' economic value. Generally, assets held under these agreements are recorded at fair value and are included in investments. Liabilities are recorded for any portion of the assets held for donors or other beneficiaries equal to the present value of the expected future payments to be made and are included in liabilities amounts payable to third-party beneficiaries. The liabilities are adjusted annually for changes in the value of the assets, accretion of the discount, and other changes in the estimates of future benefits. Contribution revenues are recognized at the dates the agreements are established for the difference between the assets and the liabilities. The discount rate used to determine the present value of the liability is based upon life expectancy tables and approximates the United States Treasury rate. Split-interest agreements where the Foundation is not the trustee are included in either contributions receivable or funds held in perpetual trusts. The increase in value of assets held under split-interest agreements for the years ended June 30, 2018 and 2017, was $301,544 and $478,395, respectively, and are included in net realized and unrealized gain on investments in the consolidated statements of activities. The split-interest agreement amounts at June 30, 2018 and 2017, were $766,707 and $722,508, respectively, and are included as amounts payable to third-party beneficiaries in the consolidated statements of financial position.

Note 1—Summary of significant accounting policies (continued)

Contributions – Contributions, including unconditional promises to give, are recognized as unrestricted, temporarily restricted, or permanently restricted revenues, depending on the existence and/or nature of any donor restrictions, in the period received.

Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate. The discount rate was 5% for the years ended December 31, 2018 and 2017. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Contributions received with donor-imposed time or purpose restrictions are classified as revenues in the temporarily restricted net assets class until such time as the restricted purpose or passage of time specified by the donor has been met.

Contributed Services of an Affiliate – As further discussed below and in Note 12, contributed services from personnel of an affiliate are recognized if those services directly benefit the Foundation. The services are measured at the cost recognized by the affiliate for the personnel providing those services.

Gifts-in-Kind – Material gifts-in-kind items received by the Foundation are recorded as income along with a corresponding charge to expense or capitalized cost. During the years ended June 30, 2018 and 2017, $156,555 and $138,540, respectively, were received as gifts-in-kind.

Income Taxes – The Foundation has received a favorable determination letter from the Internal Revenue Service stating that it is exempt under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3).

Management has evaluated the effect of the guidance provided in the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) on Accounting for Uncertainty in Income Taxes. Management believes that the Foundation continues to satisfy the requirements of a tax-exempt organization at June 30, 2018 and 2017. Management has evaluated all tax positions that could have a significant effect on the consolidated financial statements and determined that the Foundation had no uncertain income tax positions at June 30, 2018 and 2017.

Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Fair Value – The Foundation follows the Fair Value Measurements topic of the FASB ASC, which defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction value hierarchy which requires an entity to maximize the use of observable inputs when measuring fair value.

Note 1—Summary of significant accounting policies (continued)

The standard describes three levels of inputs that may be used to measure fair value:

Level 1 – Inputs to the valuation methodology are quoted prices available in active markets for identical investments as of the reporting date;

Level 2 – Inputs to the valuation methodology are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value can be determined through the use of models or other valuation methodologies; and

Level 3 – Inputs to the valuation methodology are unobservable inputs in situations where there is little or no market activity for the asset or liability and the reporting entity makes estimates and assumptions related to the pricing of the asset or liability including assumptions regarding risk.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The carrying amounts reflected in the consolidated statements of financial position for cash and cash equivalents approximate the respective fair values due to the short maturities of those instruments and any differences being immaterial.

The carrying value of investments, other than the limited partnership interest described below, approximate fair value as amounts were derived from quoted prices in active markets, net asset value of investments held, a mid-market quotation from a broker, or a bid quotation, and are considered Level 1 within the valuation hierarchy.

The carrying value of the beneficial interest in perpetual trust is measured using the fair value of the trust's assets. For fair value measurement, the Foundation considers its interest in the trust as a single asset class. Since the Foundation will never receive the trust's underlying assets, and since there is no active market for the trust, the beneficial interest in perpetual trust is considered Level 3 within the valuation hierarchy.

The Foundation is a limited partner in The Richmond Fund, LP (the "Fund"), an investment limited partnership. The Fund's investment portfolio includes domestic equity, international equity, private equity, credit, real estate, and real assets, as well as other asset classes. The Fund's investments in these asset classes are made primarily through participation in other investment funds. Based on the terms of the partnership agreement, for fair value measurement the Foundation views its investment in the Fund as a single asset class. The Foundation has estimated the fair value of the investment in the Fund on the basis of the Net Asset Value ("NAV") per share of the Fund (or its equivalent), as a practical expedient, because a) the underlying investment manager's calculation of the NAV is fair value based, and b) the NAV has been calculated as of the Foundation's fiscal year end date. The Foundation believes that the stated value of the investment in the Fund is a reasonable estimate of fair value as of June 30, 2018 and 2017. As further discussed in Note 4, the Foundation's investment in the Fund is not included in the fair value hierarchy.

The Foundation's planned giving liabilities, which include gift annuities and irrevocable trust liabilities, are computed and measured at fair value based on discounted future cash flows. Inputs used in computing the liability include a discount rate equal to the current risk-free rate, the estimated return on the invested assets, the duration of the agreement, the life expectancy of the donors and their beneficiaries, and the contractual payment obligation under the agreement. Planned giving liabilities are considered Level 3 within the valuation hierarchy because some of the factors used in valuation include factors not easily observable in similar instruments in an active market.

Note 1—Summary of significant accounting policies (continued)

Upcoming Accounting Pronouncements – In August 2016, the FASB issued Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities*, which simplifies certain aspects of reporting required by not-for-profit organizations and increases disclosures with a goal to improve the usefulness of not-for-profit financial statements to various stakeholders, including management, directors, lenders, and donors.

Key changes include the following:

- Replaces the existing three classes of net assets (unrestricted, temporarily restricted, and permanently restricted) with two new classes of net assets (net assets without donor restrictions and net assets with donor restrictions).
- Changes the net asset classification of the underwater amounts of donor-restricted endowment funds to be shown as a component of net assets with donor restrictions and requires additional disclosures for underwater endowment funds.
- Requires all not-for-profit entities to provide expenses by both nature and function.
- Requires expansive disclosures, both qualitative and quantitative, of information about liquidity and the availability of resources.

This ASU is effective for annual reporting periods beginning after December 15, 2017. The ASU requires the provisions to be applied on a retrospective transaction approach and early adoption is permitted. The Foundation is currently evaluating the impact of adopting ASU 2016-14.

Subsequent Events – Management of the Foundation has evaluated subsequent events through November 12, 2018, which is the date the consolidated financial statements were available to be issued. No events requiring disclosure have occurred through this date.

Note 2—Contributions receivable

Contributions receivable consists of the following at June 30:

	2018	2017
Cash pledges expected to be collected in:		
Less than one year	$ 1,804,516	$ 1,004,858
One to five years	1,294,624	4,446,192
Thereafter	4,033,793	4,906,398
Total	7,132,933	10,357,448
Less discount to present value	2,652,121	3,426,238
Total	$ 4,480,812	$ 6,931,210

Note 2—Contributions receivable (continued)

The use of funds from contributions receivable have been restricted by donors for future use as follows:

	2018	2017
Temporarily restricted	$ 965,331	$ 2,518,592
Permanently restricted	3,515,481	4,412,618
	$ 4,480,812	$ 6,931,210

At June 30, 2018 and 2017, the Foundation had received bequests and other intentions to give of $9,630,432 and $9,314,432, respectively. These intentions to give are conditional and, therefore, are not recognized as assets. If they are received, they will generally be restricted for specific purposes as stipulated by the donors.

The Foundation considers contributions receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

Note 3—Investments

Investments and the beneficial interest in perpetual trust portfolio are comprised of the following at June 30:

	2018		2017	
	Cost	Fair Market Value	Cost	Fair Market Value
Cash and cash equivalents	$ 14,219,746	$ 14,219,746	$ 6,264,961	$ 6,264,961
Investments:				
Government bonds, corporate obligations, and fixed income securities	162,269	163,237	2,819,306	2,808,915
Corporate stocks and mutual funds	770,710	1,234,061	783,057	1,162,968
Limited partnership	45,492,596	64,031,251	41,945,909	55,140,818
Total Investments	46,425,575	65,428,549	45,548,272	59,112,701
Beneficial interest in perpetual trust	1,986,751	2,247,390	1,993,014	2,232,377
Total	$ 62,632,072	$ 81,895,685	$ 53,806,247	$ 67,610,039

Cash and cash equivalents includes operating cash of $14,114,448 and $5,981,657 as of June 30, 2018 and 2017, respectively.

Investment fees netted against the related investment income or net realized and unrealized gain (loss) on investments for the years ended June 30, 2018 and 2017, were $748,375 and $574,288, respectively.

Note 3—Investments (continued)

In April 2010, the Foundation became a partner in the Fund managed by Spider Management Company, LLC, a Virginia limited liability company and wholly-owned subsidiary of the University of Richmond. The Fund is only available to tax-exempt organizations described in Section 501(c) of the Internal Revenue Code to which contributions may be made that are deductible under Code Section 170 and are "accredited investors" within the meaning set forth in Rule 501(a) of Regulation D under the Securities Act of 1933, as amended.

The Fund's investment objective is to provide steady gains during market upswings through a diverse array of public/private and domestic/international investments, while preserving capital during market downturns. The Fund is invested as if it is part of the endowment of the University of Richmond, and the time weighted returns for the Fund and the University of Richmond are blended on a quarterly basis. The assets of the Fund, when combined with the University of Richmond's endowment assets on a pro forma basis, will be invested in accordance with the University of Richmond's Investment Policy Statement.

At June 30, 2018, the Fund consisted of 32 partners and the Foundation's interest in the Fund represents 3% of the total partnership capital. The Fund is audited on a semi-annual basis on June 30 and December 31.

During the year ended June 30, 2017, the Foundation invested in the Hotel Weyanoke LLC ("Hotel Weyanoke") through a wholly-owned subsidiary, LUF Weyanoke, Inc. The Foundation's investment of $1,000,000 represents a 7.68% membership interest in Hotel Weyanoke which has been accounted for under the cost method. The Foundation is not the managing member and is required to maintain its investment in the Hotel Weyanoke for a period of seven years after which it may exercise its put option to sell its membership at a fair value determined by a qualified and licensed individual selected by the Foundation and the managing member. There is no requirement for additional capital or equity investments beyond the $1,000,000 contribution.

Note 4—Fair value measurements of assets and liabilities

See "Fair Value" in Note 1 above for discussions of the methodologies and assumptions used to determine the fair value of the Foundation's investments.

The following table summarizes the valuation of the Foundation's financial assets and liabilities measured at fair value on a recurring basis as of June 30, 2018, based on the level of input utilized to measure fair value:

	As of June 30, 2018			
	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value
Cash and cash equivalents	$ 14,219,746	$ -	$ -	$ 14,219,746
Investments:				
Domestic equity funds	461,042	-	-	461,042
International equity funds	63,074	-	-	63,074
Fixed income funds	163,237	-	-	163,237
Domestic stocks	665,556	-	-	665,556
International stocks	44,389	-	-	44,389
Limited partnership measured at NAV (1)	-	-	-	64,031,251
Total investments	1,397,298	-	-	65,428,549
Beneficial interest in perpetual trust	-	-	2,247,390	2,247,390
Total	$ 15,617,044	$ -	$ 2,247,390	$ 81,895,685
Planned giving liabilities	$ -	$ -	$ 517,693	$ 517,693

Note 4—Fair value measurements of assets and liabilities (continued)

The following table summarizes the valuation of the Foundation's financial assets and liabilities measured at fair value on a recurring basis as of June 30, 2017, based on the level of input utilized to measure fair value:

	As of June 30, 2017			
	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value
Cash and cash equivalents	$ 6,264,961	$ -	$ -	$ 6,264,961
Investments:				
Domestic equity funds	459,670	-	-	459,670
International equity funds	62,138	-	-	62,138
Fixed income funds	1,256,736	-	-	1,256,736
Domestic stocks	633,650	-	-	633,650
International stocks	7,510	-	-	7,510
Corporate obligations	1,552,179	-	-	1,552,179
Limited partnership measured at NAV(1)	-	-	-	55,140,818
Total investments	3,971,883	-	-	59,112,701
Beneficial interest in perpetual trust	-	-	2,232,377	2,232,377
Total	$ 10,236,844	$ -	$ 2,232,377	$ 67,610,039
Planned giving liabilities	$ -	$ -	$ 493,055	$ 493,055

(1) In accordance with FASB ASC 820-10, certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts of these investments presented in these tables are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statements of financial position.

Note 4—Fair value measurements of assets and liabilities (continued)

The table below sets forth a summary of changes in the fair value of the Foundation's Level 3 assets for the years ended June 30:

	Beneficial Interest in Perpetual Trust	
	2018	**2017**
Beginning fair value	$ 2,232,377	$ 2,137,399
Investment income	106,000	79,500
Net realized and unrealized gain (loss) on investments	15,013	94,978
Withdrawals	(106,000)	(79,500)
Ending fair value	$ 2,247,390	$ 2,232,377
The amount of total losses for the period included in changes in net assets attributable to the changes in unrealized gains (losses) relating to assets held at the end of the reporting period.	$ 15,013	$ 94,978

The table below sets forth a summary of changes in the fair value of the Foundation's Level 3 liabilities for the years ended June 30:

	Planned Giving Liabilities	
	2018	**2017**
Beginning fair value	$ 493,055	$ 521,378
Payments to beneficiaries	(56,976)	(54,521)
Actuarial adjustments	16,260	26,198
New annuity obligation	65,354	-
Ending fair value	$ 517,693	$ 493,055

For investments in entities that calculate NAV, or its equivalent, whose fair value is not readily determinable, the following table provides information about the relative liquidity of these investments. The fair values of these investments have been estimated using NAV per share of the investments, unless otherwise noted. Management is not aware of any factors that would impact NAV as of June 30, 2018 and 2017.

The following table sets forth a summary of the Foundation's assets valued at NAV per share, or its equivalent, as of June 30, 2018:

	Fair Value	Unfunded Commitments	Redemption Frequency (If Applicable)	Redemption Notice Period
Limited partnership [(a)]	$ 64,031,251	$ -	Quarterly	60 days

Note 4—Fair value measurements of assets and liabilities (continued)

The following table sets forth a summary of the Foundation's assets valued at NAV per share, or its equivalent, as of June 30, 2017:

	Fair Value	Unfunded Commitments	Redemption Frequency (If Applicable)	Redemption Notice Period
Limited partnership [(a)]	$ 55,140,818	$ -	Quarterly	60 days

[(a)] The limited partnership's investment objectives seek to produce absolute and consistent risk-adjusted returns through its investments in credit, global equities, real estate, and real assets, as well as other asset classes.

Note 5—Property and equipment

The following is a summary of depreciable property and equipment at June 30:

	2018	2017
Buildings	$ 85,000	$ 85,000
Property and equipment	34,763	34,763
Vehicles	187,247	176,802
	307,010	296,565
Less accumulated depreciation	172,790	183,172
Depreciable property and equipment, net	$ 134,220	$ 113,393

Depreciation expense was $33,171 and $54,370 for the years ended June 30, 2018 and 2017, respectively.

Note 6—Beneficial interest in perpetual trust

The Foundation is the beneficiary of the annual income earned from the Nelly Ward Nance Trust (the "Nance Trust") held by Wells Fargo Bank, N.A. The assets of the Nance Trust are neither in the possession nor under the control of the Foundation.

At June 30, 2018 and 2017, the fair market value of the Nance Trust was $2,247,390 and $2,232,377, respectively, which is recorded in the consolidated statements of financial position. Income and unrealized gains on the Nance Trust for the year ended June 30, 2018, were $106,000 and $15,013, respectively; and $79,500 and $94,978, respectively, for the year ended June 30, 2017.

Note 7—Temporarily restricted net assets

The amounts included as temporarily restricted net assets as of June 30 consisted of the following:

	2018	2017
Longwood Center for the Visual Arts	$ 5,801,497	$ 5,634,125
Scholarships and awards	8,248,924	7,126,462
Academic support	7,851,736	7,134,501
Class gift projects	654,888	619,238
Athletics	272,427	269,880
Hardy House	163,095	151,739
Other capital projects	6,615,339	5,406,144
Other purpose restrictions	415,022	250,080
Time restrictions	345,574	351,962
	$ 30,368,502	$ 26,944,131

Note 8—Permanently restricted net assets

The following original endowment gifts are classified as permanently restricted net assets at June 30 and relate to the following purposes:

	2018	2017
Scholarships and awards	$ 37,727,996	$ 30,619,424
Professorships	1,100,772	1,100,772
Longwood Center for the Visual Arts	1,203,213	1,192,474
Ames Hull Springs Farm	2,470,664	2,470,664
Library	57,533	57,433
Other endowment gifts	9,895,438	8,157,777
	$ 52,455,616	$ 43,598,544

Note 9—Net assets released from restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by the occurrence of other events specified by donors. Net assets released for expenditure during the years ended June 30, 2018 and 2017, totaled $5,238,051 and $5,201,287, respectively.

Note 10—Endowment

The Foundation has adopted the provisions of the Presentation of Financial Statements for Not-for-Profit Entities Topic of the FASB ASC, which provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") and also requires disclosures about endowment funds, both donor-restricted endowment funds and board-designated endowment funds.

The Foundation's endowment consists of approximately 400 individual funds established for a variety of purposes including both donor-restricted endowment funds and funds designated by the Foundation's Board of Directors (the "Board") to function as endowments. Net assets associated with endowment funds, including funds designated by the Board as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law – The Board of the Foundation has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulation to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowments funds:

1. The duration and preservation of the fund
2. The purposes of the Foundation and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Foundation
7. The investment policies of the Foundation

Endowment net assets consist of the following at June 30, 2018:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 13,986,010	$ 52,455,616	$ 66,441,626
Board-designated endowment funds	5,954,176	-	-	5,954,176
Total endowed net assets	$ 5,954,176	$ 13,986,010	$ 52,455,616	$ 72,395,802

Note 10—Endowment (continued)

Changes in endowment net assets for the year ended June 30, 2018, are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, July 1, 2017	$ 5,383,022	$ 12,237,131	$ 43,598,544	$ 61,218,697
Investment return:				
Investment income	96,149	510,408	-	606,557
Net realized and unrealized gain	725,033	3,742,622	7,633	4,475,288
Total Investment Return	821,182	4,253,030	7,633	5,081,845
Contributions	920	-	8,773,035	8,773,955
Appropriation of endowment assets for expenditure	(185,178)	(1,850,060)	-	(2,035,238)
Net unrealized gain on perpetual trust	-	-	15,013	15,013
Other revenue	2,751	7,570	61,391	71,712
Annuity and unitrust adjustments	-	(16,260)	-	(16,260)
Administrative fees	(67,404)	(676,471)	-	(743,875)
Reclassifications	(1,117)	31,070	-	29,953
Endowment net assets, June 30, 2018	$ 5,954,176	$ 13,986,010	$ 52,455,616	$ 72,395,802

Endowment net assets consist of the following at June 30, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 12,237,131	$ 43,598,544	$ 55,835,675
Board-designated endowment funds	5,383,022	-	-	5,383,022
Total endowed net assets	$ 5,383,022	$ 12,237,131	$ 43,598,544	$ 61,218,697

Note 10—Endowment (continued)

Changes in endowment net assets for the year ended June 30, 2017, are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, July 1, 2016	$ 4,772,874	$ 8,573,752	$ 38,455,205	$ 51,801,831
Investment return:				
Investment income	70,867	404,470	-	475,337
Net realized and unrealized gain	824,450	4,529,087	220	5,353,757
Total Investment Return	895,317	4,933,557	220	5,829,094
Contributions	17,135	1,138,630	5,033,596	6,189,361
Appropriation of endowment assets for expenditure	(234,270)	(1,657,235)	(1,634)	(1,893,139)
Net unrealized gain on perpetual trust	-	-	94,978	94,978
Other revenue	-	5,800	-	5,800
Annuity and unitrust adjustments	-	(26,198)	-	(26,198)
Administrative fees	(68,034)	(731,175)	-	(799,209)
Reclassifications	-	-	16,179	16,179
Endowment net assets, June 30, 2017	$ 5,383,022	$ 12,237,131	$ 43,598,544	$ 61,218,697

Funds With Deficiencies – From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. There were no such deficiencies as of June 30, 2018 and 2017.

Return Objectives and Risk Parameters – The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period, as well as Board-designated funds. Funds classified as growing toward endowment include in their pledge agreement that if the pledge is not paid within five years, the Foundation, at its discretion, could convert the fund to an operating fund. As of June 30, 2018, no funds have ever been converted to an operating fund. In all respects, these funds are treated as endowment funds, including charging an administrative fee and allocating monthly earnings. The only difference is that these funds growing toward endowment have no annual appropriation. Under this policy, as approved by the Board, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of a benchmark composed of 25% Russell 3000, 15% T-Bills X 2, 15% Cambridge Associates (60% Buyout & 40% Venture), 20% MSCI-World Ex-US Index, 5% Cash (3 Mo. T-Bill), 5% Merrill Lynch HY Master II, 5% Russell NCREIF Real Estate Index, and 10% CPI + 6%. The Foundation expects its endowment funds, over the long term, to provide an average annual real total return sufficient to cover annual expenses and distributions of the Foundation. Actual returns in any given year may vary from this amount.

Note 10—Endowment (continued)

Strategies Employed for Achieving Objectives – To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The primary objective is to provide a strategic mix of asset classes which produces the highest expected investment return within a prudent risk framework.

Spending Policy and How the Investment Objectives Relate to Spending Policy – The Foundation has a policy of appropriating for distribution each year 4.00% of its endowment funds' average fair value using the prior 12 quarters, commencing with the first quarter of the preceding fiscal year in which the distribution is planned. The Foundation has a policy of appropriating approximately 1.44% of the endowment funds based on the fair value of the funds on March 31 of the fiscal year to cover administrative costs of the Foundation and President's Office. For the years ended June 30, 2018 and 2017, only 1.03% and 1.30% of the endowment funds, respectively, were appropriated as the annual fee. In establishing these policies, the Foundation considered the expected return on its endowment. Accordingly, the Foundation expects the current spending policy to allow its endowment to maintain its purchasing power by growing at a rate equal to planned payouts. Additional real growth will be provided through new gifts and any excess investment return.

Note 11—Operating leases

In November 1998, the Foundation entered into an operating lease agreement for certain real estate for a term of six years. The Foundation leased the real estate to Longwood University for the same lease term. At June 30, 2004, an option to purchase the property for $555,000 was exercised by the Foundation. The Foundation continues to lease the property to Longwood University on a month-to-month basis, with $20,000 of rental income recognized in each of the years ended June 30, 2018 and 2017.

Note 12—Related parties

The Foundation received contribution revenue from Board members in the amount of $216,200 and $114,957 for the years ended June 30, 2018 and 2017, respectively. The amount of contributions receivable due from the Board members totaled $72,377 and $55,100 at June 30, 2018 and 2017, respectively.

In conjunction with its mission to support the activities and operations of Longwood University, the Foundation has entered into various lease arrangements for nominal amounts with the University. Total net book value of assets leased (including the property disclosed in Note 11) to the University was $1,352,726 and $1,364,851 at June 30, 2018 and 2017, respectively, including land in the consolidated statements of financial position. During the year ended June 30, 2017, the Foundation sold the Longwood Center for Visual Arts building to Longwood University for $1,081,445 recognizing a gain of $154,796 included in other revenue within the consolidated statement of activities.

For each of the years ended June 30, 2018 and 2017, the Foundation recognized $625,798 of in-kind contributions and fundraising expense for services provided from University personnel that directly benefited the Foundation.

On April 27, 2018, the Foundation issued a note receivable in the amount of $400,000 to the Hotel Weyanoke. The note bears annual interest of 6% and is due in full on April 26, 2019. No principal payments were made by June 30, 2018.

Note 13—Concentrations of credit risk

The Foundation maintains its cash, cash equivalents, and investment balances in multiple financial institutions. The Federal Deposit Insurance Corporation covers $250,000 for substantially all depository accounts. The Foundation from time to time may have amounts on deposit in excess of the insured limits. The Foundation has not experienced significant losses in such accounts and does not believe it is exposed to any significant risk.

Related credit risk is mitigated by the high credit quality of this financial institution. The carrying amounts of cash, cash equivalents, and investments approximate fair value. As of June 30, 2018 and 2017, the Foundation maintained 93% and 88%, respectively, of its investment portfolio with one financial institution.

During the year ended June 30, 2018, contributions collected from five donors represented approximately 47% of the Foundation's total contributions and as of June 30, 2018, five donors represented approximately 80% of contributions receivable. During the year ended June 30, 2017, contributions from five donors represented approximately 23% of the Foundation's total contributions and as of June 30, 2017, five donors represented approximately 87% of contributions receivable.

Note 14—Retirement plan

The Foundation has a Section 403(b) retirement plan which covers substantially all full-time employees. The Foundation contributed 10.40% of the employees' salary totaling $9,143 and $9,449 in the years ended June 30, 2018 and 2017, respectively.

Note 15—Risk management

The Foundation is exposed to various risks of loss related to torts, theft of assets, and errors and omissions. Additionally, the Foundation's affairs are conducted in part by the employees of Longwood University and exposure to loss resulting from this arrangement are managed by the University through a combination of methods, including participation in various risk pools administered by the Commonwealth of Virginia, purchase of commercial insurance, and self-retention of certain risks which are included in the operations of the University and not associated with the Foundation. Further details on the University's risk management program are disclosed in the financial report of the University.

Note 16—Hull Springs Farm

The Foundation owns the Hull Springs Farm (the "Farm") located in Virginia within the Chesapeake Bay watershed and is used by the University and other universities for educational purposes and research. Since 2011, the Foundation has been working towards restoration, protecting, and preserving the Farm's wetlands through a wetland mitigation bank program administered by the Virginia Department of Environmental Quality. As a result of the establishment of the Farm's wetland mitigation bank, the bank has created economic "credits" which are based on the ecological value associated with the wetlands. These credits can be sold to developers or other third parties whose projects may impact various ecosystems.

In September 2012, the Virginia Department of Environmental Quality released a total of 2,276 stream credits and 7 wetland credits to the Farm's wetland mitigation bank. During the year ended June 30, 2014, the Foundation entered into a contract to sell 2,276 stream credits for $1,008,268 to the Virginia Department of Transportation. The amount was collected in full during the year ended June 30, 2015.

Note 16—Hull Springs Farm (continued)

During the years ended June 30, 2015 through June 30, 2018, the Foundation expended $1,174,166 towards the construction of new wetlands at the Farm in anticipation of generating future credits. As of June 30, 2018, the construction is complete and accordingly the Foundation has capitalized these expenditures in the accompanying consolidated statement of financial position.

During the year ended June 30, 2018, the Foundation entered into a contract to sell 2,466 stream credits and 1.84 wetland credits for a total of $973,119 resulting in net revenues on sale of credits of $681,452. The net revenues on sale of credits is included in the accompanying consolidated statement of activities.

Note 17—Commitments

As of June 30, 2018 and 2017, the Foundation has a standby letter of credit agreement with a local bank in the amount of $700,000. This letter of credit, which is set to expire on August 24, 2019, was issued in favor of the Virginia Department of Environmental Quality as required in connection with the Farm wetland mitigation bank program (see Note 16).

Note 18—Deferred compensation plan

Effective December 12, 2013, the Foundation entered into a deferred compensation agreement with the President of Longwood University, which provides $10,000 deferred compensation, $25,000 retention bonus, and related investment earnings equal to 5% of the year end account balance to be credited to a deferred compensation account. The retention bonus will be paid annually during the President's continued employment through May 31, 2018, upon which the full bonus will vest. The total amount credited to the deferred compensation account, including earnings, for the years ended June 30, 2018 and 2017, was $44,670 and $42,543, respectively. The total amount payable under the deferred compensation agreement as of June 30, 2018 and 2017, was $203,068 and $158,398, respectively, and is included in amounts payable to third-party beneficiaries in the consolidated statements of financial position.