



Longwood University Foundation, Inc. and Affiliates

Consolidated Financial Report

December 31, 2023

Longwood University Foundation, Inc. and Affiliates

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Independent Auditor's Report

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

Opinion

We have audited the accompanying consolidated financial statements of Longwood University Foundation, Inc. and Affiliates, (the "Foundation") (a Virginia nonprofit organization), which comprise the consolidated statements of financial position as of December 31, 2023 and 2022, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Christiansburg, Virginia
May 14, 2024



Financial Statements



Longwood University Foundation, Inc. and Affiliates

Consolidated Statements of Financial Position

December 31, 2023 and 2022

| | <u>2023</u> | <u>2022</u> |
|--|-----------------------|-----------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 3,093,082 | \$ 6,076,582 |
| Prepaid expenses | 538,225 | 452,678 |
| Contributions receivable, net | 2,309,478 | 2,938,379 |
| Investments, at fair value | 96,138,369 | 89,466,860 |
| Investment, at cost | 77,335 | 1,000,000 |
| Cash value of life insurance policies | 142,541 | 137,927 |
| Note receivable, related party | - | 265,000 |
| Longwood Center for the Visual Arts art collection | 4,848,165 | 4,848,165 |
| Depreciable property and equipment, net of accumulated depreciation | 54,185 | 56,310 |
| Land | 1,286,854 | 1,286,854 |
| Stream and wetland credits | 201,939 | 261,603 |
| Beneficial interest in perpetual trust | 2,368,413 | 2,199,443 |
| Other receivables | 56,056 | 33,111 |
| | <u>\$ 111,114,642</u> | <u>\$ 109,022,912</u> |
| LIABILITIES AND NET ASSETS | | |
| LIABILITIES | | |
| Accounts payable | \$ 241,139 | \$ 222,406 |
| Amounts payable to third-party beneficiaries | 772,770 | 847,252 |
| Annuities payable | 257,451 | 269,993 |
| | <u>1,271,360</u> | <u>1,339,651</u> |
| NET ASSETS | | |
| Without donor restrictions | 8,574,623 | 8,767,777 |
| With donor restrictions | 101,268,659 | 98,915,484 |
| | <u>109,843,282</u> | <u>107,683,261</u> |
| Total net assets | <u>\$ 111,114,642</u> | <u>\$ 109,022,912</u> |
| Total liabilities and net assets | <u>\$ 111,114,642</u> | <u>\$ 109,022,912</u> |

Longwood University Foundation, Inc. and Affiliates

Consolidated Statement of Activities

Year Ended December 31, 2023

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|----------------------------------|-------------------------------|-----------------------|
| REVENUES, GAINS, AND OTHER SUPPORT | | | |
| Contributions | \$ - | \$ 2,283,092 | \$ 2,283,092 |
| Income from perpetual trust | - | 112,000 | 112,000 |
| Investment income | 46,258 | 1,296,848 | 1,343,106 |
| Net realized and unrealized gain (loss) on investments | - | 4,700,067 | 4,700,067 |
| Loss on investment held at cost | (839,755) | - | (839,755) |
| Net unrealized gain on perpetual trust | - | 101,129 | 101,129 |
| Other revenue | - | 152,809 | 152,809 |
| Annuity and unitrust adjustments | - | (17,542) | (17,542) |
| In-kind contribution-affiliate | 445,933 | - | 445,933 |
| Net revenues from sale of stream and wetland credits | - | 879,087 | 879,087 |
| Net assets released from restrictions | 7,154,315 | (7,154,315) | - |
| | <u>6,806,751</u> | <u>2,353,175</u> | <u>9,159,926</u> |
| Total revenues, gains, and other support | | | |
| EXPENSES | | | |
| Program expenses | | | |
| Institutional support | 2,828,115 | - | 2,828,115 |
| Scholarships and grants | 2,712,688 | - | 2,712,688 |
| Alumni association | 122,262 | - | 122,262 |
| Other | 59,858 | - | 59,858 |
| Supporting expenses | | | |
| Administrative and general | 814,051 | - | 814,051 |
| Fundraising | 462,931 | - | 462,931 |
| | <u>6,999,905</u> | <u>-</u> | <u>6,999,905</u> |
| Total expenses | | | |
| Change in net assets | (193,154) | 2,353,175 | 2,160,021 |
| NET ASSETS, beginning | <u>8,767,777</u> | <u>98,915,484</u> | <u>107,683,261</u> |
| NET ASSETS, ending | <u>\$ 8,574,623</u> | <u>\$ 101,268,659</u> | <u>\$ 109,843,282</u> |

Longwood University Foundation, Inc. and Affiliates

Consolidated Statement of Activities

Year Ended December 31, 2022

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|----------------------------------|-------------------------------|-----------------------|
| REVENUES, GAINS, AND OTHER SUPPORT | | | |
| Contributions | \$ - | \$ 5,683,951 | \$ 5,683,951 |
| Income from perpetual trust | - | 124,000 | 124,000 |
| Investment income | 10,464 | 1,133,855 | 1,144,319 |
| Net realized and unrealized loss on investments | - | (10,012,750) | (10,012,750) |
| Loss on investment held at cost | - | - | - |
| Net unrealized loss on perpetual trust | - | (613,678) | (613,678) |
| Other revenue | 4,143 | 239,618 | 243,761 |
| Annuity and unitrust adjustments | - | 55,778 | 55,778 |
| In-kind contribution-affiliate | 617,042 | - | 617,042 |
| Net revenues from sale of stream and wetland credits | - | 1,002,820 | 1,002,820 |
| Net assets released from restrictions | 5,743,348 | (5,743,348) | - |
| | <u>6,374,997</u> | <u>(8,129,754)</u> | <u>(1,754,757)</u> |
| Total revenues, gains, and other support | | | |
| EXPENSES | | | |
| Program expenses | | | |
| Institutional support | 2,818,344 | - | 2,818,344 |
| Scholarships and grants | 2,293,203 | - | 2,293,203 |
| Alumni association | 130,203 | - | 130,203 |
| Other | (85,993) | - | (85,993) |
| Supporting expenses | | | |
| Administrative and general | 812,948 | - | 812,948 |
| Fundraising | 625,082 | - | 625,082 |
| | <u>6,593,787</u> | <u>-</u> | <u>6,593,787</u> |
| Total expenses | | | |
| Change in net assets | (218,790) | (8,129,754) | (8,348,544) |
| NET ASSETS, beginning | <u>8,986,567</u> | <u>107,045,238</u> | <u>116,031,805</u> |
| NET ASSETS, ending | <u>\$ 8,767,777</u> | <u>\$ 98,915,484</u> | <u>\$ 107,683,261</u> |

Longwood University Foundation, Inc. and Affiliates

Consolidated Statements of Cash Flows

Years Ended December 31, 2023 and 2022

| | <u>2023</u> | <u>2022</u> |
|---|---------------------|---------------------|
| OPERATING ACTIVITIES | | |
| Change in net assets | \$ 2,160,021 | \$ (8,348,544) |
| Adjustments to reconcile change in net assets to net cash used in operating activities: | | |
| Depreciation | 2,125 | 2,125 |
| Gain on sale of stream credits | (879,087) | (1,002,820) |
| Net realized and unrealized (gain) loss on investments | (4,700,067) | 10,012,750 |
| Loss on investment held at cost | 839,755 | - |
| Contributions restricted for endowment | (1,287,777) | (3,058,578) |
| Net unrealized (gain) loss on perpetual trust | (101,129) | 613,678 |
| Additions to perpetual trusts | (67,841) | (31,800) |
| Changes in operating assets and liabilities: | | |
| Prepaid expenses | (85,547) | (50,322) |
| Contributions receivable | 628,901 | (144,650) |
| Cash value of life insurance policies | (4,614) | (4,608) |
| Other receivables | (22,945) | 20,760 |
| Accounts payable | 18,733 | (67,805) |
| Amounts payable to third-party beneficiaries | (74,482) | (115,780) |
| Annuities payable | 17,544 | (55,778) |
| | <u>(3,556,410)</u> | <u>(2,231,372)</u> |
| Net cash used in operating activities | | |
| INVESTING ACTIVITIES | | |
| Net sales of investments | (1,973,303) | (46,946) |
| Proceeds from sale of Hotel Weyanoke | 84,771 | - |
| Collections on note receivable, related party | 265,000 | 100,000 |
| Capitalized costs from wetland construction | - | (87,276) |
| Proceeds from sale of stream credits | 938,751 | 1,193,517 |
| | <u>(684,781)</u> | <u>1,159,295</u> |
| Net cash provided by (used in) investing activities | | |
| FINANCING ACTIVITIES | | |
| Contributions restricted for endowment | 1,287,777 | 3,058,578 |
| Payments of annuity obligations | (30,086) | (33,475) |
| | <u>1,257,691</u> | <u>3,025,103</u> |
| Net cash provided by financing activities | | |
| Net increase (decrease) in cash and cash equivalents | (2,983,500) | 1,953,026 |
| CASH AND CASH EQUIVALENTS | | |
| Beginning | 6,076,582 | 4,123,556 |
| Ending | <u>\$ 3,093,082</u> | <u>\$ 6,076,582</u> |

Longwood University Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements

December 31, 2023

Note 1 – Summary of Significant Accounting Policies

Nature of Foundation Activities

Longwood University Foundation, Inc. and Affiliates (the “Foundation”) is a nonprofit 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 Foundation receives 85% of the Hull Foundation’s net income. The assets of the Hull Foundation include one charitable remainder trust 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 15).

Basis of Presentation

The accompanying consolidated financial statements present information regarding the Foundation’s financial position and activities based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported in two classes as follows:

- Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions. These 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. Revenues, gains, and losses that are not net assets with donor restrictions are included in this classification. Expenses are reported as decreases in this classification.
- Net assets with donor restrictions are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or that can be fulfilled by action of the Foundation pursuant to those stipulations. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates the resources be maintained in perpetuity. All donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions.

Longwood University Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements

December 31, 2023

Cash and Cash Equivalents

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

Investments, at Fair Value

Investments with readily determinable fair values are reported at fair 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 statement of activities in the appropriate net asset class.

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 gifts, 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 the 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 that appreciably extend the useful lives of the properties are capitalized, whereas 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 the 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 liability 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 approximates the U.S. Treasury rate for the applicable period. Split-interest agreements where the Foundation is not the trustee are included in either contributions receivable or funds held in perpetual trusts. Obligations under split-interest agreements at December 31,

Longwood University Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements

December 31, 2023

2023 and 2022 were \$772,770 and \$754,126, respectively, and are included as amounts payable to third-party beneficiaries in the consolidated statements of financial position.

Contributions

Contributions, including unconditional promises to give or contributions receivable, are recognized as contributions without donor restrictions or contributions with donor restrictions depending on the existence and/or nature of any donor restrictions when the donor's commitment is received. Unconditional promises to give without donor restrictions are recognized as revenues with donor restrictions unless the donor explicitly stipulates its use to support current period activities.

Conditional promises to give are not recognized until they become unconditional, i.e., 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 5.00% for each of the years ended December 31, 2023 and 2022. 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 net assets with donor restrictions class until such time as the restricted purpose or passage of time specified by the donor has been met.

In-Kind Contributions – Affiliate

As further discussed below and in Note 11, contributed services from personnel of an affiliate are recognized if those services directly benefit the Foundation. These 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.

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 December 31, 2023 and 2022. 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 December 31, 2023 and 2022.

Expense Allocation

Expenses that can be directly identifiable to a program are charged to program services. Joint expenses, which relate to more than one program, are charged to program services on the basis of the average market value of the endowed fund balances over a period of time. General and administrative expenses represent those expenses not directly identifiable to any specific program but for the overall support and direction of the Foundation.

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Notes to Consolidated Financial Statements

December 31, 2023

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

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 statement 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 interests in limited partnerships described in Note 4, 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 a 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 a 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)

Longwood University Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements

December 31, 2023

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 December 31, 2023 and 2022. As further discussed in Note 5, 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.

Subsequent Events

Management of the Foundation has evaluated subsequent events through May 14, 2024, the date the consolidated financial statements were available to be issued. No events requiring disclosure have occurred through this date.

Note 2 – Financial Assets and Liquidity Resources

As part of the Foundation's liquidity management, it invests cash in excess of amounts required for operations in money markets, certificates of deposit, bonds, and equity securities in accordance with the Foundation's investment policy. To help manage the liquidity needs, the Foundation has board-designated endowment funds. Although the Foundation does not intend to spend from these funds, other than amounts appropriated for general expenditure as part of its annual budget and appropriation, amounts from its board-designated endowment funds could be made available by action of the Board of Directors, if necessary.

The financial assets available within one year of the statement of financial position date to meet cash needs for general operating expenditures are as follows:

| | 2023 | 2022 |
|--|----------------------------|----------------------------|
| Cash and cash equivalents | \$ 3,093,082 | \$ 6,076,582 |
| Less Mitigation Bank escrow | (563,982) | (474,755) |
| Illiquid cash in investments | (14,809) | (20,858) |
| Redemption in transit | 6,000,000 | 2,500,000 |
| Net contributions receivable due within one year | 492,974 | 449,869 |
| | <u>\$ 9,007,265</u> | <u>\$ 8,530,838</u> |

Note 3 – Contributions Receivable

| | 2023 | 2022 |
|---|----------------------------|----------------------------|
| Cash pledges expected to be collected in: | | |
| Less than one year | \$ 492,974 | \$ 449,869 |
| One to five years | 547,053 | 1,025,833 |
| Thereafter | 2,924,633 | 3,219,710 |
| | <u>3,964,660</u> | <u>4,695,412</u> |
| Less discount to present value | (1,655,182) | (1,757,033) |
| | <u>\$ 2,309,478</u> | <u>\$ 2,938,379</u> |

Longwood University Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements

December 31, 2023

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

Contributions receivable consisted of the following:

| | 2023 | 2022 |
|---|---------------------|---------------------|
| With donor restrictions – time and purpose restrictions | \$ 742,613 | \$ 939,770 |
| With donor restrictions – held in perpetuity | 1,566,865 | 1,998,609 |
| | \$ 2,309,478 | \$ 2,938,379 |

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

At December 31, 2023 and 2022, the Foundation had received bequests and other intentions to give of \$11,120,772, and \$10,964,923, 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.

Note 4 – Investments

Investments and the beneficial interest in perpetual trust portfolio were comprised of the following as of December 31, 2023:

| | Cost | Fair Market Value |
|--|----------------------|--------------------------|
| Cash and cash equivalents | \$ 3,093,082 | \$ 3,093,082 |
| Investments: | | |
| Government bonds, corporate obligations, and fixed income securities | 2,345,395 | 2,335,499 |
| Redemption in transit | 6,000,000 | 6,000,000 |
| Corporate stocks and mutual funds | 12,837,631 | 14,355,829 |
| Limited partnerships | 50,251,292 | 73,447,041 |
| Total investments | 71,434,318 | 96,138,369 |
| Beneficial interest in perpetual trust | 2,232,204 | 2,368,413 |
| Total | \$ 76,759,604 | \$ 101,599,864 |

Investments and the beneficial interest in perpetual trust portfolio were comprised of the following as of December 31, 2022:

| | Cost | Fair Market Value |
|--|----------------------|--------------------------|
| Cash and cash equivalents | \$ 6,076,582 | \$ 6,076,582 |
| Investments: | | |
| Government bonds, corporate obligations, and fixed income securities | 157,445 | 148,010 |
| Redemption in transit | 2,500,000 | 2,500,000 |
| Corporate stocks and mutual funds | 13,486,819 | 12,787,153 |
| Limited partnerships | 50,083,466 | 74,031,697 |
| Total investments | 66,227,730 | 89,466,860 |
| Beneficial interest in perpetual trust | 2,358,161 | 2,199,443 |
| Total | \$ 74,662,473 | \$ 97,742,885 |

Longwood University Foundation, Inc. and Affiliates

Notes to Consolidated Financial Statements

December 31, 2023

Cash and cash equivalents include operating cash of \$1,999,993 and \$3,790,652 as of December 31, 2023 and 2022, respectively.

Investment fees netted against the related investment income or net realized and unrealized gain (loss) on investments for the years ended December 31, 2023 and 2022 were \$711,674 and \$662,661, respectively.

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 timeweighted 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 December 31, 2023, the Fund consisted of 29 partners and the Foundation’s interest in the Fund represented 2.51% of the total partnership capital. At December 31, 2022, the Fund consisted of 29 partners and the Foundation’s interest in the Fund represented 2.72% of the total partnership capital. The Fund is audited on a semi-annual basis on June 30 and December 31.

In March 2022, the Foundation entered into a third-party partnership. The purpose of the partnership’s business is to realize long-term capital appreciation from lead or control investments primarily in established small and medium-sized private niche manufacturing and industrial service companies that are doing business primarily in the United States. The Foundation’s interest in the fund represented 1.67% of the total partnership capital at December 31, 2023 and 2022, respectively. The fund is audited on an annual basis at December 31. The Foundation’s unfunded commitment at December 31, 2023 was \$2,208,244.

In December 2022, the Foundation entered into another third-party partnership. The purpose of the partnership’s business is to acquire, invest in, hold for investment, manage, own, lease, operate, maintain, finance, refinance, mortgage, encumber, improve, develop, rent, dispose of and otherwise deal with improved and unimproved real property (including direct and indirect interests therein). As December 31, 2023, the Foundation’s interest in the fund represented 13.00% of the total partnership capital. The Foundation’s unfunded commitment at December 31, 2023 was \$2,080,168.

Note 5 – Fair Value Measurements of Assets and Liabilities

See “Fair Value” in Note 1 above for a discussion of the methodologies and assumptions used to determine the fair value of the Foundation’s investments.

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The following tables summarize the valuation of the Foundation's financial assets and liabilities measured at fair value on a recurring basis, based on the level of input utilized to measure fair value at December 31, 2023:

| | Quoted Prices in Active Markets for Identical Assets (Level 1) | | | Significant Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Fair Value |
|---|---|-------------|---------------------|--|--|------------|
| Investments: | | | | | | |
| Domestic equity funds | \$ 8,294,554 | \$ - | \$ - | \$ 8,294,554 | | |
| International equity funds | 4,114,234 | - | - | 4,114,234 | | |
| Domestic stocks | 1,666,867 | - | - | 1,666,867 | | |
| Real estate funds | 11,045 | - | - | 11,045 | | |
| Marketable alternatives | 233,047 | - | - | 233,047 | | |
| Fixed income funds | 2,335,499 | - | - | 2,335,499 | | |
| International stocks | 36,082 | - | - | 36,082 | | |
| Redemption in transit | 6,000,000 | - | - | 6,000,000 | | |
| Limited partnerships measured at NAV | - | - | - | 73,447,041 | | |
| Total investments | 22,691,328 | - | - | 96,138,369 | | |
| Beneficial interest in perpetual trust | - | - | 2,368,413 | 2,368,413 | | |
| | \$ 22,691,328 | \$ - | \$ 2,368,413 | \$ 98,506,782 | | |
| Amounts payable to third-party beneficiaries | \$ - | \$ - | \$ 772,770 | \$ 772,770 | | |
| Annuities payable | - | - | 257,451 | 257,451 | | |
| | \$ - | \$ - | \$ 1,030,221 | \$ 1,030,221 | | |

* 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 the 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.

The following tables summarize the valuation of the Foundation's financial assets and liabilities measured at fair value on a recurring basis, based on the level of input utilized to measure fair value at December 31, 2022:

| | Quoted Prices in Active Markets for Identical Assets (Level 1) | | | Significant Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Fair Value |
|----------------------------|---|------|------|--|--|------------|
| Investments: | | | | | | |
| Domestic equity funds | \$ 7,215,933 | \$ - | \$ - | \$ 7,215,933 | | |
| International equity funds | 3,425,837 | - | - | 3,425,837 | | |
| Domestic stocks | 979,754 | - | - | 979,754 | | |
| Real estate funds | 933,672 | - | - | 933,672 | | |
| Marketable alternatives | 204,731 | - | - | 204,731 | | |
| Fixed income funds | 148,010 | - | - | 148,010 | | |
| International stocks | 27,226 | - | - | 27,226 | | |

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| | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Observable Inputs (Leve 2) | Significant Unobservable Inputs (Level 3) | Fair Value |
|---|---|---|--|----------------------|
| Redemption in transit | 2,500,000 | - | - | 2,500,000 |
| Limited partnerships measured at NAV | - | - | - | 74,031,697 |
| Total investments | 15,435,163 | - | - | 89,466,860 |
| Beneficial interest in perpetual trust | - | - | 2,199,443 | 2,199,443 |
| | \$ 15,435,163 | \$ - | \$ 2,199,443 | \$ 91,666,303 |
| Amounts payable to third-party beneficiaries | \$ - | \$ - | \$ 754,126 | \$ 754,126 |
| Annuities payable | - | - | 269,993 | 269,993 |
| | \$ - | \$ - | \$ 1,024,119 | \$ 1,024,119 |

The table below sets forth a summary of changes in the fair value of the Foundation's Level 3 assets for the years ended December 31, 2023 and 2022:

| | Beneficial Interest in Perpetual Trust |
|---|--|
| Balance at December 31, 2021 | \$ 2,781,321 |
| Investment income | 124,000 |
| Net realized and unrealized gain in investments | (613,678) |
| Withdrawals | (160,409) |
| Other income | 68,209 |
| Balance at December 31, 2022 | 2,199,443 |
| Investment income | 112,000 |
| Net realized and unrealized gain in investments | 101,129 |
| Withdrawals | (112,000) |
| Other income | 67,841 |
| Balance at December 31, 2023 | \$ 2,368,413 |

The table below sets forth a summary of changes in the fair value of the Foundation's Level 3 liabilities for the years ended December 31, 2023 and 2022:

| | Planned Giving Liabilities |
|--|-------------------------------|
| Balance at December 31, 2021 | \$ 1,229,152 |
| Payments to beneficiaries | (33,475) |
| Actuarial adjustments | (55,778) |
| Change in amounts payable to third-party beneficiaries | (115,780) |
| Balance at December 31, 2022 | 1,024,119 |
| Payments to beneficiaries | (30,086) |
| Actuarial adjustments | 17,544 |
| Change in amounts payable to third-party beneficiaries | 18,644 |
| Balance at December 31, 2023 | \$ 1,030,221 |

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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 December 31, 2023.

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

| | <u>Fair Value</u> | <u>Unfunded Commitments</u> | <u>Redemption Frequency (If Applicable)</u> | <u>Redemption Notice Period</u> |
|----------------------|-------------------|-----------------------------|---|--------------------------------------|
| | | | | 30 days up to 5% and 60 days between |
| Limited partnership* | \$ 68,331,696 | \$ - | Quarterly | 5-10% |
| Limited partnership* | \$ 3,449,496 | \$ 2,208,244 | N/A | N/A |
| Limited partnership* | \$ 1,665,850 | \$ 2,080,168 | N/A | N/A |

* The limited partnerships 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 6 – Property and Equipment

The following is a summary of depreciable property and equipment:

| | <u>2023</u> | <u>2022</u> |
|---|------------------|------------------|
| Buildings | \$ 85,000 | \$ 85,000 |
| Less accumulated depreciation | (30,815) | (28,690) |
| Depreciable property and equipment, net | <u>\$ 54,185</u> | <u>\$ 56,310</u> |

Note 7 – Beneficial Interest in Perpetual Trust

The Foundation is the beneficiary of the annual income earned from a trust held by Wells Fargo Bank, N.A. The assets of the trust are neither in the possession nor under the control of the Foundation.

At December 31, 2023 and 2022, the fair market value of the trusts was \$2,368,413 and \$2,199,443, respectively, which is recorded on the consolidated statements of financial position. Income and realized and unrealized gains on the trusts for the year ended December 31, 2023 were \$112,000 and \$101,129, respectively. Income and realized and unrealized losses on the trusts for the year ended December 31, 2022 were \$124,000 and \$613,678, respectively.

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Note 8 – Net Assets without Donor Restrictions

Net assets without donor restrictions included the following:

| | <u>2023</u> | <u>2022</u> |
|----------------------------------|---------------------|---------------------|
| Designated for: | | |
| Current operations | \$ 633,457 | \$ 844,515 |
| Funds functioning as endowment | 6,170,525 | 6,564,737 |
| Designated for specific purposes | 1,770,641 | 1,358,525 |
| | <u>\$ 8,574,623</u> | <u>\$ 8,767,777</u> |

Note 9 – Net Assets with Donor Restrictions

Net assets with donor restrictions were available for the following purposes:

| | <u>2023</u> | <u>2022</u> |
|--|-----------------------|----------------------|
| Restricted by specific purposes or time: | | |
| Longwood Center for the Visual Arts | \$ 6,040,525 | \$ 6,234,989 |
| Scholarships and awards | 17,546,458 | 16,713,080 |
| Academic support | 8,638,784 | 8,784,350 |
| Class gift projects | 1,121,018 | 1,077,764 |
| Athletics | 1,390,978 | 1,363,913 |
| Hardy House | 192,806 | 191,088 |
| Other capital projects | 574,245 | 314,245 |
| Other purpose restrictions | 331,838 | 353,573 |
| Time restrictions | 1,091,503 | 823,138 |
| | <u>36,928,155</u> | <u>35,856,140</u> |
| Restricted in perpetuity, the income from which is expendable for: | | |
| Scholarships and awards | 46,787,081 | 45,705,559 |
| Professorships | 1,102,985 | 1,102,623 |
| Longwood Center for the Visual Arts | 2,797,467 | 2,797,467 |
| Ames Hull Springs Farm | 2,382,642 | 2,382,642 |
| Library | 99,908 | 100,410 |
| Other endowment gifts | 11,170,421 | 10,970,643 |
| | <u>64,340,504</u> | <u>63,059,344</u> |
| | <u>\$ 101,268,659</u> | <u>\$ 98,915,484</u> |

Note 10 – Endowment

The Foundation has adopted the provisions of FASB ASC, Presentation of Financial Statements for Not-for-Profit Entities, 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.

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The Foundation's endowment consists of approximately 570 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 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 stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions (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 is classified as net assets with donor restrictions 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 endowment funds:

- The duration and preservation of the fund
- The purposes of the Foundation and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

Changes in endowment net assets for the years ended December 31, 2023 and 2022 were as follows:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---------------------------------------|------------------------------------|----------------|
| Endowment net assets – December 31, 2021 | \$ 7,052,339 | \$ 97,927,249 | \$ 104,979,588 |
| Investment return: | | | |
| Investment income | - | 1,109,916 | 1,109,916 |
| Net realized and unrealized loss | (672,250) | (9,848,549) | (10,520,799) |
| Total investment return | (672,250) | (8,738,633) | (9,410,883) |
| Contributions | - | 3,058,578 | 3,058,578 |
| Appropriations of endowment assets for expenditure | - | (2,314,897) | (2,314,897) |
| Net unrealized loss on perpetual trust | - | (51,045) | (51,045) |
| Other revenue | - | 17,899 | 17,899 |
| Annuity and unitrust adjustments | - | 17,492 | 17,492 |
| Administrative fees | - | (1,315,462) | (1,315,462) |
| Other changes – transfers and reclassifications | 184,648 | 111,693 | 296,341 |
| Endowment net assets – December 31, 2022 | 6,564,737 | 88,712,874 | 95,277,612 |
| Investment return: | | | |
| Investment income | - | 1,246,498 | 1,246,498 |
| Net realized and unrealized gain (loss) | (394,212) | 4,400,016 | 4,005,804 |
| Total investment return | (394,212) | 5,646,514 | 5,252,302 |

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| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|-------------------------------|----------------------------|----------------------|
| Contributions | - | 1,287,777 | 1,287,777 |
| Appropriations of endowment assets for expenditure | - | (3,148,169) | (3,148,169) |
| Net unrealized loss on perpetual trust | - | (75,245) | (75,245) |
| Other revenue | - | - | - |
| Annuity and unitrust adjustments | - | (9,196) | (9,196) |
| Administrative fees | - | (1,244,304) | (1,244,304) |
| Other changes – transfers and reclassifications | - | (49,699) | (49,699) |
| Endowment net assets – December 31, 2023 | <u>\$ 6,170,525</u> | <u>\$ 91,120,552</u> | <u>\$ 97,291,077</u> |

Funds with Deficiencies (“Underwater” Funds)

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, due to market fluctuations or other draws on the endowment. As of December 31, 2023, 12 funds with a fair value of \$1,621,307 and an original gift value of \$1,780,245 were underwater by \$158,938. As of December 31, 2022, 25 funds with a fair value of \$2,308,774 and an original gift value of \$2,421,049 were underwater by \$112,275.

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 December 31, 2023, 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 75% MSCI ACWII and 25% US AGG. 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.

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. Newly endowed gifts mature in 8 quarters. Distributions will be calculated by multiplying the Spend Rate (4%) by

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the 8 quarter average of market values of the new endowed gift. After the first year of distribution, the calculation of distributions are based on a 12 quarter average of market values, along with all other gifts. The Foundation has a policy of appropriating an administrative fee which varies based on dollar value of each individual endowed fund and approximates a blended rate of 1.40% on the fair value of the funds on September 30 of the fiscal year to cover administrative costs of the Foundation. 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 – Related Parties

The Foundation received contribution revenue from Board members of \$49,790 and \$60,402 for the years ended December 31, 2023 and 2022, respectively. The amount of contributions receivable due from the Board members totaled \$62,681 and \$275,981 at December 31, 2023 and 2022, 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 to the University was \$1,341,039 and \$1,343,164 at December 31, 2023 and 2022, respectively, including land on the consolidated statements of financial position.

For the years ended December 31, 2023 and 2022, the Foundation recognized \$445,933 and \$617,042, respectively, of in-kind contributions and fundraising expense for services provided from University personnel that directly benefited the Foundation.

Note 12 – Concentrations of Credit Risk

The Foundation maintains its cash, cash equivalents, and investment balances in multiple financial institutions. The Federal Deposit Insurance Corporation (FDIC) 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 the financial institutions.

The carrying amounts of cash, cash equivalents, and investments approximate fair value. As of December 31, 2023 and 2022, respectively, the Foundation maintained 69% and 78% of its investment portfolio with one financial manager.

During the years ended December 31, 2023 and 2022, respectively, contributions collected from five donors represented approximately 43% and 50% of the Foundation's total contributions and as of December 31, 2023 and 2022, respectively, five donors represented approximately 81% and 77% of contributions receivable.

Note 13 – Retirement Plan

The Foundation has a Section 403(b) retirement plan which covers substantially all full-time employees. As of January 1, 2022, the Foundation changed its contribution rate from 10.4% of employee salary and bonus to a maximum 7.0% match of employee contributions that vests immediately. For the years ended December 31, 2023 and 2022, the Foundation contributed \$31,421 and \$27,927, respectively.

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Note 14 – 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 15 – Hull Springs Farm

The Foundation owns the Hull Springs Farm (the "Farm") located in Virginia within the Chesapeake Bay watershed, which is used by the University and other universities for educational purposes and research. Since 2011, the Foundation has been working towards restoring, protecting, and preserving the Farm's wetlands through a wetland mitigation bank program administered by the Virginia Department of Environmental Quality (DEQ). 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.

As of December 31, 2023, the Foundation has expended and capitalized to date \$1,261,442 towards the construction of wetlands at the Farm for generating credits already sold and for sale in the future.

During the year ended December 31, 2023, the Foundation sold 3.93 wetland credits for a total of \$938,751 resulting in net revenues on sale of credits of \$879,087. During the year ended December 31, 2022, the Foundation sold 6.4 wetland credits for a total of \$1,193,518 resulting in net revenues on sale of credits of \$1,002,820. The net revenues on sale of credits is included in the accompanying consolidated statements of activities.

Note 16 – Hotel Weyanoke

On December 13, 2016, the Foundation invested in the Hotel Weyanoke LLC ("Hotel Weyanoke") through a wholly owned subsidiary, LUF Weyanoke, Inc. The Foundation's investment of \$1 million represented approximately 7.68% minority membership interest in the Hotel Weyanoke, which had been accounted for under the cost method. At December 31, 2022, the investment balance, at cost was \$1 million.

On April 27, 2018, the Foundation received a note receivable in the amount of \$400,000 from the Hotel Weyanoke. In 2019, an additional \$15,000 was added to the note receivable. At December 31, 2022, the note receivable balance was \$265,000. In 2023, the note receivable and accumulated interest were paid in full.

In 2023, the Foundation was notified by the managing member that the Hotel Weyanoke had been sold to an unrelated third party. As a result of that sale, the Foundation received \$84,771 and \$77,335 in 2023 and 2024, respectively, representing the Foundation's membership share of net sale proceeds. As no additional proceeds are expected to be received, the Foundation recognized a realized loss on its investment in the Hotel Weyanoke of \$837,894 for the year ended December 31, 2023. The remaining investment balance at December 31, 2023 of \$77,335 reflects the amount of net sale proceeds received in 2024. Receipts of additional proceeds, if any, will be recorded as income in the period received.

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Note 17 – Deferred Compensation Plan

Beginning on December 12, 2013, the Foundation has had the option to contribute to a deferred compensation plan for 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 was paid annually during the President's continued employment through May 31, 2018, upon which the full bonus vested. The total amount credited to the deferred compensation account, including earnings, for the years ended December 31, 2023 and 2022 was \$-0-. The total amount payable due to the University under the deferred compensation agreement at December 31, 2023 and 2022 was \$-0- and \$93,126, respectively, and is included in amounts payable to third-party beneficiaries in the consolidated statements of financial position.