LONGWOOD UNIVERSITY FOUNDATION, INC. AND AFFILIATES

CONSOLIDATED FINANCIAL REPORT

For the Period July 1, 2020 – December 31, 2020

BROWNEDWARDS
certified public accountants

LONGWOOD UNIVERSITY FOUNDATION, INC.
AND AFFILIATES

CONSOLIDATED FINANCIAL REPORT

FOR THE PERIOD JULY 1, 2020 – DECEMBER 31, 2020

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INDEPENDENT AUDITOR'S REPORT

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 statement of financial position as of December 31, 2020, and the related consolidated statements of activities and cash flows for the six-month period then ended, and the related notes to 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 (GAAP); 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 audit. We conducted our audit 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.

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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 December 31, 2020, and the change in their net assets and cash flows for the six-month period then ended in accordance with GAAP.

Emphasis of Matter

As described in Notes 1 and 5, as of December 31, 2020, 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 $75,807,188 (74.8% of net assets) as of December 31, 2020. The value of this investment was provided by the general partner who, in absence of readily determinable market values, 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.

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

CERTIFIED PUBLIC ACCOUNTANTS

Blacksburg, Virginia
June 14, 2021

LONGWOOD UNIVERSITY FOUNDATION, INC. AND AFFILIATES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
December 31, 2020

ASSETS	
Cash and cash equivalents	$ 2,432,057
Prepaid expenses	35,141
Accounts receivable	4,341
Redemption receivable from investment manager	6,000,000
Contributions receivable, net	3,183,525
Investments, at fair value	80,680,743
Investment, at cost	1,000,000
Cash value of life insurance policies	128,743
Note receivable, related party	415,000
Longwood Center for the Visual Arts art collection	4,848,165
Depreciable property and equipment, net of accumulated depreciation	109,918
Land	1,286,854
Stream and wetland credits	463,966
Beneficial interest in perpetual trust	2,592,033
Grants receivable	59,400
Due from Longwood Trust	51,008
Total assets	$ 103,290,894
LIABILITIES AND NET ASSETS	
LIABILITIES	
Accounts payable	$ 448,186
Amounts payable to third-party beneficiaries	910,074
Annuities payable	492,197
Note payable, Paycheck Protection Program	59,400
Total liabilities	1,909,857
NET ASSETS	
Without donor restrictions	5,144,015
With donor restrictions	96,237,022
Total net assets	101,381,037
Total liabilities and net assets	$ 103,290,894

The Notes to Consolidated Financial Statements are an integral part of this statement.

LONGWOOD UNIVERSITY FOUNDATION, INC. AND AFFILIATES

CONSOLIDATED STATEMENT OF ACTIVITIES
Period July 1, 2020 through December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Contributions	$ 22,560	$ 1,904,227	$ 1,926,787
Income from perpetual trust	-	143,302	143,302
Investment income	29,391	401,949	431,340
Net realized and unrealized gain on investments	1,077,335	16,108,387	17,185,722
Net unrealized gain on perpetual trust	-	229,115	229,115
Other revenue	30,623	92,561	123,184
Annuity and unitrust adjustments	-	294	294
In-kind contribution-affiliate	364,720	-	364,720
Net revenues from sale of stream and wetland credits	-	37,500	37,500
Net assets released from restrictions	2,479,155	(2,479,155)	-
Total revenues, gains, and other support	4,003,784	16,438,180	20,441,964
EXPENSES			
Program expenses			
Institutional support	462,350	-	462,350
Scholarships and grants	992,821	-	992,821
Alumni association	7,127	-	7,127
Other	191,811	-	191,811
Supporting expenses			
Administrative and general	379,032	-	379,032
Fundraising	386,854	-	386,854
Total expenses	2,419,995	-	2,419,995
Change in net assets	1,583,789	16,438,180	18,021,969
NET ASSETS, beginning of period	3,560,226	79,798,842	83,359,068
NET ASSETS, end of period	$ 5,144,015	$ 96,237,022	$ 101,381,037

The Notes to Consolidated Financial Statements are an integral part of this statement.

LONGWOOD UNIVERSITY FOUNDATION, INC. AND AFFILIATES

CONSOLIDATED STATEMENT OF CASH FLOWS
Period Ended December 31, 2020

OPERATING ACTIVITIES	
Change in net assets	$ 18,021,969
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	19,766
Gain on sale of stream credits	(37,500)
Net realized and unrealized gain on investments	(17,185,722)
Contributions restricted for endowment	(1,276,619)
Net unrealized gain on perpetual trust	(229,115)
Additions to perpetual trusts	(94,302)
Gifts-in-kind, art collection	(427)
Changes in operating assets and liabilities:	
Prepaid expenses	(27,689)
Redemption receivable from investment manager	(6,000,000)
Accounts receivable	55,299
Contributions receivable	(376,701)
Cash value of life insurance policies	(2,340)
Grants receivable	(798)
Due from Longwood Trust	(6,803)
Accounts payable	(90,139)
Amounts payable to third-party beneficiaries	166,739
Annuities payable	(294)
Net cash used in operating activities	(7,064,676)
INVESTING ACTIVITIES	
Net sales of investments	2,767,892
Proceeds from sale of stream credits	62,251
Net cash provided by investing activities	2,830,143
FINANCING ACTIVITIES	
Contributions restricted for endowment	1,276,619
Payments of annuity obligations	(22,994)
Net cash provided by financing activities	1,253,625
Net decrease in cash and cash equivalents	(2,980,908)
CASH AND CASH EQUIVALENTS	
Beginning	5,412,965
Ending	$ 2,432,057

The Notes to Consolidated Financial Statements are an integral part of this statement.

Note 1. Summary of Significant Accounting Policies

Nature of Foundation activities

Longwood University Foundation, Inc. and Affiliates (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 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 statement 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 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.

(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

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 manager 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.

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. It is not practicable to estimate the fair value. This investment is reviewed annually for impairment that is other-than-temporary. As of December 31, 2020, 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 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.

Note 1. Summary of Significant Accounting Policies (Continued)

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. 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 agreement amounts at December 31, 2020 were $816,948, and are included as amounts payable to third-party beneficiaries in the consolidated statement 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 2.50% for the period ended December 31, 2020. 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 12, 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.

(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

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, 2020. 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, 2020.

Expense allocation

Expenses that can be directly identifiable to a program are charged to program services. Joint expenses, which related to more than one program, are charged to program services on the basis of periodic time and expense studies. General and administrative expenses represent those expenses not directly identifiable to any specific program but for the overall support and direction of the Foundation.

Estimates

The preparation of financial statements in conformity 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.

(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

Fair value (Continued)

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 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 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) 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, 2020. 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 June 14, 2021 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 a quasi-endowment. Although the Foundation does not intend to spend from its quasi-endowment other than amounts appropriated for general expenditure as part of its annual budget and appropriation, amounts from its quasi-endowment 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:

Cash and cash equivalents	$	2,432,057
Accounts receivable		4,341
Redemption receivable from investment manager, for operations		3,000,000
Net contributions receivable due within one year		608,153
	$	6,044,551

Note 3. Contributions Receivable

Contributions receivable consisted of the following:

Cash pledges expected to be collected in:		
Less than one year	$	608,153
One to five years		1,110,416
Thereafter		3,672,328
		5,390,897
Less: discount to present value		2,207,372
	$	3,183,525

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

With donor restrictions – time and purpose restrictions	$	735,922
With donor restrictions – held in perpetuity		2,447,603
	$	3,183,525

At December 31, 2020, the Foundation had received bequests and other intentions to give of $9,049,760. 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 4. Investments

Investments and the beneficial interest in perpetual trust portfolio were comprised of the following:

	Cost	Fair Market Value
Cash and cash equivalents	$ 2,432,057	$ 2,432,057
Investments		
Government bonds, corporate obligations, and fixed income securities	306,752	322,297
Corporate stocks and mutual funds	3,354,569	4,551,258
Limited partnership	50,100,442	75,807,188
Total investments	53,761,763	80,680,743
Beneficial interest in perpetual trust	2,208,997	2,592,033
Total	$ 58,402,817	$ 85,704,833

Cash and cash equivalents includes operating cash of $2,088,404 as of December 31, 2020.

Investment fees netted against the related investment income or net realized and unrealized gain (loss) on investments for the six months ended December 31, 2020 were $761,876.

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 December 31, 2020, the Fund consisted of 27 partners and the Foundation's interest in the Fund represented 3.04% of the total partnership capital. The Fund is audited on a semi-annual basis on June 30 and December 31.

(Continued)

Note 4. Investments (Continued)

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 million 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 million contribution.

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.

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:

	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	$ 2,492,950	$ -	$ -	$ 2,492,950
International equity funds	1,020,867	-	-	1,020,867
Fixed income funds	322,297	-	-	322,297
Domestic stocks	1,002,275	-	-	1,002,275
International stocks	35,166	-	-	35,166
Limited partnership measured at NAV*	-	-	-	75,807,188
Total investments	4,873,555	-	-	80,680,743
Beneficial interest in perpetual trust	-	-	2,592,033	2,592,033
	$ 4,873,555	$ -	$ 2,592,033	$ 83,272,776
Amounts payable to third-party beneficiaries	$ -	$ -	$ 816,948	$ 816,948
Annuities payable	-	-	492,197	492,197
	$ -	$ -	$ 1,309,145	$ 1,309,145

* 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 statement of financial position.

Note 5. 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 are as follows:

	Beneficial Interest in Perpetual Trust
Beginning fair value	$ 2,268,616
Investment income	143,302
Net realized and unrealized gain on investments	229,115
Withdrawals	(49,000)
Ending fair value	$ 2,592,033

The table below sets forth a summary of changes in the fair value of the Foundation's Level 3 liabilities are as follows:

	Planned Giving Liabilities
Beginning fair value	$ 1,165,694
Payments to beneficiaries	(22,994)
Actuarial adjustments	(294)
Change in amounts payable to third-party beneficiaries	166,739
Ending fair value	$ 1,309,145

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, 2020.

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

	Fair Value	Unfunded Commitments	Redemption Frequency (If Applicable)	Redemption Notice Period
Limited partnership*	$ 75,807,188	$ -	Quarterly	60 days

* 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 6. Property and Equipment

The following is a summary of depreciable property and equipment:

Buildings	$ 85,000
Vehicles	192,709
	277,709
Less: accumulated depreciation	167,791
Depreciable property and equipment, net	$ 109,918

Note 7. Beneficial Interest in Perpetual Trust

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

At December 31, 2020, the fair market value of the trusts was $2,592,033, which is recorded on the consolidated statement of financial position. Income and unrealized gains on the trusts for the six months ended December 31, 2020 were $143,302 and $229,115, respectively.

Note 8. Net Assets without Donor Restrictions

Net assets without donor restrictions included the following:

Designated for:	
Current operations	$ 998,563
Funds functioning as endowment	3,469,923
Designated for specific purposes	675,529
	$ 5,144,015

Note 9. Net Assets with Donor Restrictions

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

Restricted by specific purposes or time:	
Longwood Center for the Visual Arts	$ 6,109,460
Scholarships and awards	16,645,683
Academic support	10,348,156
Class gift projects	1,090,815
Athletics	88,455
Hardy House	199,535
Other capital projects	423,301
Time restrictions	1,188,606
	36,094,011

(Continued)

Note 9. Net Assets with Donor Restrictions (Continued)

Restricted in perpetuity, the income from which is expendable for:	
Scholarships and awards	$ 41,382,320
Professorships	1,100,772
Longwood Center for the Visual Arts	2,800,217
Ames Hull Springs Farm	2,382,642
Library	77,733
Other endowment gifts	12,399,327
	60,143,011
	$ 96,237,022

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.

The Foundation's endowment consists of approximately 500 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

Note 10. Endowment (Continued)

Interpretation of relevant law (Continued)

- 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 six months ended December 31, 2020 were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets – July 1, 2020	$ 1,387,849	$ 71,318,196	$ 72,706,045
Investment return:			
Investment income	29,268	493,643	522,911
Net realized and unrealized gain	1,077,424	16,145,255	17,222,679
Total investment return	1,106,692	16,638,898	17,745,590
Contributions	-	1,276,619	1,276,619
Appropriations of endowment assets for expenditure	-	(813,477)	(813,477)
Net unrealized gain on perpetual trust	-	570	570
Other revenue		71,386	71,386
Annuity and unitrust adjustments	-	1,878	1,878
Other changes – transfer from (to) other funds	975,382	(1,458,717)	(483,335)
Endowment net assets – December 31, 2020	$ 3,469,923	$ 87,035,353	$ 90,505,276

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, 2020, a fund with a fair value of $8,462 and an original gift value of $11,705 was underwater by $3,243.

Note 10. Endowment (Continued)

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, 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% Consumer Price Index (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.

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 1.46% 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 a portion of the President's Office. 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

The Foundation leases the property to Longwood University on a month-to-month basis, with $8,628 of rental income recognized in the six months ended December 31, 2020.

Note 12. Related Parties

The Foundation received contribution revenue from Board members of $26,997 for the six months ended December 31, 2020. The amount of contributions receivable due from the Board members totaled $78,282 at December 31, 2020.

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 $1,371,854 at December 31, 2020, including land on the consolidated statement of financial position.

For the six months ended December 31, 2020, the Foundation recognized $364,720 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. In 2019, an additional $15,000 was added to the note receivable. The note bears annual interest at 8%, payable monthly, with principal payments due as follows:

April 26, 2021	$ 50,000
April 26, 2022	50,000
April 26, 2023	150,000
April 26, 2024	Remaining unpaid principal, accrued interest, and all other fees, costs, and sums owed on the loan

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 (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 this financial institution.

The carrying amounts of cash, cash equivalents, and investments approximate fair value. As of December 31, 2020, the Foundation maintained 90% of its investment portfolio with one financial institution.

During the six months ended December 31, 2020, contributions collected from five donors represented approximately 34% of the Foundation's total contributions and as of December 31, 2020, five donors represented approximately 78% 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 $16,880 in the six months ended December 31, 2020.

(Continued)

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, 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.

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 was complete, and accordingly, the Foundation has capitalized these expenditures on the accompanying consolidated statement of financial position.

During the six months ended December 31, 2020, the Foundation sold one wetland credit for a total of $62,251 resulting in net revenues on sale of credits of $37,500. The net revenues on sale of credits is included in the accompanying consolidated statement of activities.

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 six months ended December 31, 2020 was $-0-. The total amount payable under the deferred compensation agreement as of December 31, 2020 was $93,126 and is included in amounts payable to third-party beneficiaries in the consolidated statement of financial position.

Note 18. Change in Accounting Period

Effective July 1, 2020 the Foundation has changed its year end from June 30 to December 31 in order to align its reporting period more accurately with its operations.

(Continued)

Note 19. COVID-19

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

In an effort to mitigate the potential impact the Foundation may experience as a result of the COVID-19 outbreak, and in order to ensure its continued ability to pay employees, the Foundation applied for and received $59,400 in loan assistance through the Paycheck Protection Program (PPP) administered by the United States Small Business Administration (SBA) as part of the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"). PPP loan funds must be used to maintain compensation costs and employee headcount and other qualifying expenses (mortgage interest, rent, and utilities) incurred between March 1 and December 31, 2020. The amount received is recognized in the consolidated statement of financial position as notes payable at December 31, 2020. In January 2021, the Foundation was notified that the loan had been forgiven by the SBA.

The Foundation is not able to estimate the effects of the COVID-19 outbreak on its financial condition, liquidity, or results of operations for fiscal year 2021 given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread.