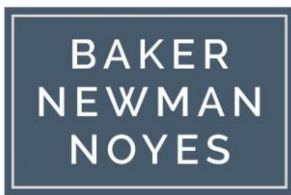


The Havenwood-Heritage Heights Trust Fund

Financial Statements

*Years Ended December 31, 2022 and 2021
With Independent Auditors' Report*



INDEPENDENT AUDITORS' REPORT

Board of Trustees
The Havenwood-Heritage Heights Trust Fund

Opinion

We have audited the financial statements of The Havenwood-Heritage Heights Trust Fund (the Trust Fund), which comprise the statements of financial position as of December 31, 2022 and 2021, the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Trust Fund as of December 31, 2022 and 2021, and the results of its operations 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 (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Trust Fund and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 Financial Statements

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

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

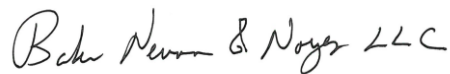
Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' 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 GAAS 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 financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 Trust Fund'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Trust Fund'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.



Manchester, New Hampshire
April 10, 2023

THE HAVENWOOD-HERITAGE HEIGHTS TRUST FUND

STATEMENTS OF FINANCIAL POSITION

December 31, 2022 and 2021

ASSETS

| | <u>2022</u> | <u>2021</u> |
|--|---------------------|---------------------|
| Cash and cash equivalents | \$ 79,125 | \$ 102,703 |
| Interest receivable | 56,510 | 53,820 |
| Investments, pooled | 25,542,956 | 28,865,542 |
| Investments, charitable gift annuities | 566,261 | 747,767 |
| Beneficial interest in trust | <u>295,275</u> | <u>372,439</u> |
| Total assets | <u>\$26,540,127</u> | <u>\$30,142,271</u> |

LIABILITIES AND NET ASSETS

| | | |
|--|---------------------|---------------------|
| Charitable gift annuities liability | \$ 123,486 | 144,466 |
| Accounts payable | 23,466 | 25,808 |
| Due to affiliate | <u>148,967</u> | <u>147,684</u> |
| Total liabilities | 295,919 | 317,958 |
| Net assets: | | |
| Without donor restrictions (undesignated) | 8,126,761 | 9,029,317 |
| With donor restrictions: | | |
| Restricted for resident support | 16,237,900 | 18,645,051 |
| Restricted for charitable gift annuity program | 443,472 | 603,996 |
| Restricted for specific purposes | 182,572 | 215,282 |
| Restricted in perpetuity for resident support | 1,171,107 | 1,248,271 |
| Restricted in perpetuity for specific purposes | <u>82,396</u> | <u>82,396</u> |
| | <u>18,117,447</u> | <u>20,794,996</u> |
| Total net assets | <u>26,244,208</u> | <u>29,824,313</u> |
| Total liabilities and net assets | <u>\$26,540,127</u> | <u>\$30,142,271</u> |

See accompanying notes.

THE HAVENWOOD-HERITAGE HEIGHTS TRUST FUND

STATEMENT OF ACTIVITIES

Year Ended December 31, 2022

| | | With Donor Restrictions | | | | | |
|---|----------------------------------|--|--|---|--|---|---------------------|
| | Without Donor Restrictions | Restricted for Resident Support | Restricted for Charitable Gift Annuities | Restricted for Specific Purposes | Restricted in Perpetuity for Resident Support | Restricted in Perpetuity for Specific Purposes | Total |
| Support and revenue: | | | | | | | |
| Contributions and bequests | \$ — | \$ 12,798 | \$ — | \$ — | \$ — | \$ — | \$ 12,798 |
| Net investment loss | (867,167) | (1,871,425) | (131,532) | (28,735) | — | — | (2,898,859) |
| Change in value of beneficial interest in trust | — | — | — | — | (77,164) | — | (77,164) |
| Change in value of gift annuity agreements | — | — | (28,992) | — | — | — | (28,992) |
| Release of net assets: | | | | | | | |
| Satisfaction of income restrictions | <u>485,488</u> | <u>(482,533)</u> | <u>—</u> | <u>(2,955)</u> | <u>—</u> | <u>—</u> | <u>—</u> |
| Total support and revenue | (381,679) | (2,341,160) | (160,524) | (31,690) | (77,164) | — | (2,992,217) |
| Expenses: | | | | | | | |
| Contributions to the Community | 2,955 | — | — | — | — | — | 2,955 |
| Support of residents and Community | 482,533 | — | — | — | — | — | 482,533 |
| Distributions to annuitants | 3,128 | — | — | — | — | — | 3,128 |
| Administrative support | 31,004 | 65,991 | — | 1,020 | — | — | 98,015 |
| Interest | <u>1,257</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>1,257</u> |
| Total expenses | <u>520,877</u> | <u>65,991</u> | <u>—</u> | <u>1,020</u> | <u>—</u> | <u>—</u> | <u>587,888</u> |
| Deficiency of support and revenue over expenses | (902,556) | (2,407,151) | (160,524) | (32,710) | (77,164) | — | (3,580,105) |
| Net assets, beginning of year | <u>9,029,317</u> | <u>18,645,051</u> | <u>603,996</u> | <u>215,282</u> | <u>1,248,271</u> | <u>82,396</u> | <u>29,824,313</u> |
| Net assets, end of year | <u>\$8,126,761</u> | <u>\$16,237,900</u> | <u>\$ 443,472</u> | <u>\$182,572</u> | <u>\$1,171,107</u> | <u>\$82,396</u> | <u>\$26,244,208</u> |

See accompanying notes.

THE HAVENWOOD-HERITAGE HEIGHTS TRUST FUND

STATEMENT OF ACTIVITIES

Year Ended December 31, 2021

| | | With Donor Restrictions | | | | | |
|---|----------------------------------|--|--|---|--|---|---------------------|
| | Without Donor Restrictions | Restricted for Resident Support | Restricted for Charitable Gift Annuities | Restricted for Specific Purposes | Restricted in Perpetuity for Resident Support | Restricted in Perpetuity for Specific Purposes | Total |
| Support and revenue: | | | | | | | |
| Contributions and bequests | \$ — | \$ 13,862 | \$ — | \$ — | \$ — | \$ — | \$ 13,862 |
| Net investment return | 1,426,623 | 3,149,515 | 93,434 | 48,046 | — | — | 4,717,618 |
| Change in value of beneficial interest in trust | — | — | — | — | 13,165 | — | 13,165 |
| Change in value of gift annuity agreements | — | — | (28,543) | — | — | — | (28,543) |
| Release of net assets: | | | | | | | |
| Satisfaction of income restrictions | <u>525,730</u> | <u>(517,046)</u> | <u>—</u> | <u>(8,684)</u> | <u>—</u> | <u>—</u> | <u>—</u> |
| Total support and revenue | 1,952,353 | 2,646,331 | 64,891 | 39,362 | 13,165 | — | 4,716,102 |
| Expenses: | | | | | | | |
| Contributions to the Community | 8,684 | — | — | — | — | — | 8,684 |
| Support of residents and Community | 517,046 | — | — | — | — | — | 517,046 |
| Distributions to annuitants | 5,160 | — | — | — | — | — | 5,160 |
| Administrative support | 29,489 | 64,309 | — | 996 | — | — | 94,794 |
| Interest | <u>9,065</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>9,065</u> |
| Total expenses | <u>569,444</u> | <u>64,309</u> | <u>—</u> | <u>996</u> | <u>—</u> | <u>—</u> | <u>634,749</u> |
| Excess of support and revenue over expenses | 1,382,909 | 2,582,022 | 64,891 | 38,366 | 13,165 | — | 4,081,353 |
| Net assets, beginning of year | <u>7,646,408</u> | <u>16,063,029</u> | <u>539,105</u> | <u>176,916</u> | <u>1,235,106</u> | <u>82,396</u> | <u>25,742,960</u> |
| Net assets, end of year | <u>\$9,029,317</u> | <u>\$18,645,051</u> | <u>\$ 603,996</u> | <u>\$215,282</u> | <u>\$1,248,271</u> | <u>\$82,396</u> | <u>\$29,824,313</u> |

THE HAVENWOOD-HERITAGE HEIGHTS TRUST FUND

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2022 and 2021

| | <u>2022</u> | <u>2021</u> |
|---|------------------|--------------------|
| Cash flows from operating activities: | | |
| (Deficiency) excess of support and revenue over expenses | \$ (3,580,105) | \$ 4,081,353 |
| Adjustments to reconcile (deficiency) excess of support and revenue over expenses to net cash used by operating activities: | | |
| Net realized and unrealized losses (gains) on investments | 3,383,493 | (4,193,790) |
| Change in beneficial interest in trust | 77,164 | (13,165) |
| Change in value of charitable gift annuities | (20,980) | (14,772) |
| Changes in operating assets and liabilities: | | |
| Interest receivable | (2,690) | 10,854 |
| Due to affiliate | 1,283 | (147,307) |
| Accounts payable | <u>(2,342)</u> | <u>(22,689)</u> |
| Net cash used by operating activities | (144,177) | (299,516) |
| Cash flows from investing activities: | | |
| Purchases of investments | (3,250,123) | (4,148,475) |
| Proceeds from sale of investments | <u>3,370,722</u> | <u>6,073,123</u> |
| Net cash provided by investing activities | 120,599 | 1,924,648 |
| Cash flows from financing activities: | | |
| Payments on line of credit | <u>—</u> | <u>(1,783,078)</u> |
| Net cash used by financing activities | <u>—</u> | <u>(1,783,078)</u> |
| Decrease in cash and cash equivalents | (23,578) | (157,946) |
| Cash and cash equivalents at beginning of year | <u>102,703</u> | <u>260,649</u> |
| Cash and cash equivalents at end of year | \$ <u>79,125</u> | \$ <u>102,703</u> |
| Supplemental disclosure of cash flow information: | | |
| Interest paid | \$ <u>1,257</u> | \$ <u>9,065</u> |

See accompanying notes.

THE HAVENWOOD-HERITAGE HEIGHTS TRUST FUND

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2022 and 2021

1. **Description of Organization and Summary of Accounting Policies**

Organization

The Havenwood-Heritage Heights Trust Fund (the Trust Fund) was established on August 16, 1982 for the purpose of meeting the minimum needs of residents of the United Church of Christ Retirement Community, Inc. (the Community) and for general support of the Community. Requests for funds from the Trust Fund are made by the Board of Trustees of the Community (the Community Board) and payment is made at the discretion of the Trustees of the Trust Fund.

The Trustees of the Trust Fund elect their own members and may include members of the Community Board or others designated by the Community. A majority of the Board must be independent of the Community.

Community Interest in Fund Net Assets

The Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958 requires that a specified beneficiary recognize its rights to assets held by a recipient organization as an asset unless the donor has explicitly granted the recipient organization variance power. Management of the Community and the Trust Fund has determined that the Trust Fund has not been granted such variance power. Therefore, the Community's interest in the net assets of the Trust Fund has been recognized in the Community's financial statements.

Basis of Accounting and Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting.

Cash and Cash Equivalents

The Trust Fund considers all highly liquid, short-term investments with an original maturity of three months or less to be cash equivalents. The Trust Fund maintains its cash in a bank deposit account which, at times, may exceed federal depository insurance limits. The Trust Fund has not experienced any losses in such account and believes it is not exposed to any significant risk on this account.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates, by their nature, are based on judgment and available information. The most significant area which is affected by the use of estimates includes the charitable gift annuity liability. Actual results could differ from these estimates.

THE HAVENWOOD-HERITAGE HEIGHTS TRUST FUND

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2022 and 2021

1. Description of Organization and Summary of Accounting Policies (Continued)

Concentration of Credit Risk

Financial instruments which subject the Trust Fund to credit risk consist of cash and cash equivalents and investments. The risk with respect to cash equivalents is minimized by the Trust Fund's policy of investing in financial instruments with short-term maturities issued by highly rated financial institutions. The Trust Fund's investment portfolio consists of diversified investment funds, which are subject to market, interest rate, and credit risks, among others. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in value will occur in the short-term and that such changes could be material. See Notes 3, 4 and 8 for additional information related to investments.

Investments

Investments are stated at fair value in the statements of financial position. See Note 8 for further discussion regarding fair value.

Gains and losses on securities are determined on a specific identification method. Net investment return consists of realized and unrealized gains and losses on investments and interest and dividends, less investment expenses and is included in total support and revenue without donor restriction unless restricted by donor or law. In addition, investment returns from donor restricted net assets are classified as donor restricted until appropriated for expenditure.

With the exception of investments for its charitable gift annuity program, the Trust Fund utilizes a pooled investment fund basis for managing its investments.

Donor-Restricted Gifts

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. The gifts are reported as donor restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as contributions within net assets without donor restrictions in the statement of activities.

Functional Expense Allocation

The costs of providing program services and other activities have been summarized on a functional basis in Note 10. Accordingly, costs have been allocated among program services and supporting services.

THE HAVENWOOD-HERITAGE HEIGHTS TRUST FUND

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2022 and 2021

1. Description of Organization and Summary of Accounting Policies (Continued)

Income Taxes

The Internal Revenue Service determined that the Trust Fund is a publicly-supported charity under Internal Revenue Code Section 501(c)(3) and, therefore, not subject to federal income taxes or federal excise taxes imposed upon private foundations.

Tax-exempt organizations could be required to record an obligation for income taxes as the result of a tax position they have historically taken on various tax exposure items including unrelated business income or tax status. In accordance with accounting principles generally accepted in the United States of America, assets and liabilities are established for uncertain tax positions taken or positions expected to be taken in income tax returns when such positions are judged to not meet the "more-likely-than-not" threshold, based upon the technical merits of the position. Estimated interest and penalties, if applicable, related to uncertain tax positions are included as a component of income tax expense.

Management has evaluated the Trust Fund's tax positions taken on its filed tax returns and concluded that the Trust Fund has maintained its tax-exempt status, does not have any significant unrelated business income and has taken no uncertain tax positions that require adjustment to the financial statements.

Subsequent Events

Events occurring after the statement of financial position date are evaluated by management to determine whether such events should be recognized or disclosed in the financial statements. Management has evaluated subsequent events through April 10, 2023 which is the date the financial statements were available to be issued.

2. Classification of Net Assets

In accordance with the *Uniform Prudent Management of Institutional Funds Act* (UPMIFA), net assets are classified and reported based on the existence or absence of donor-imposed restrictions. Contributions are reported as net assets with donor restrictions depending upon specific language in the gift instrument. In accordance with UPMIFA, the Trust Fund considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

THE HAVENWOOD-HERITAGE HEIGHTS TRUST FUND

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2022 and 2021

2. Classification of Net Assets (Continued)

The following provides a description of the net asset classifications represented in the Trust Fund's assets:

- Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Trust Fund. These net assets may be used at the discretion of the Trust Fund's management and the Board of Directors.
- Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Trust Fund or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Investment and Spending Policies

The Trust Fund has adopted an investment policy that will allow for the annual withdrawal of income as needed for resident and community support and still increase the purchasing power of the Trust Fund prior to additions and without undue risk. The long-term objective of this policy is to generate a total return net of fees which is at least 5% in excess of inflation rate, as measured by the Consumer Price Index, over rolling ten-year periods. Total return is defined as dividend or interest income, plus realized and unrealized capital appreciation or depreciation at fair market value. The trustee approved annual spending rate should not exceed 5.5% of the three-year moving market value average. The approved spending rate for 2022 and 2021 was 5%. In 2022 and 2021, it was determined that the full rate of 5% for which the Trust was authorized to spend was not needed and the actual spending rate was approximately 3.1% and 2.9%, respectively.

In addition to the annual spending policy release, the Trustees of the Trust Fund approved an additional resident support contribution of \$350,000 to the Community for 2022 and 2021 to assist the Community in funding a portion of the 2022 and 2021 budget shortfalls created by Medicaid residents.

In recognition of the prudence required of fiduciaries, reasonable diversification is sought where possible. Asset allocation parameters have been developed based on investment objectives, liquidity needs, and time horizon for intended use.

Endowment Net Asset Composition by Type of Fund

The Trust Fund does not have any board-designated or unrestricted endowments at December 31, 2022 and 2021. The major categories of endowment funds at December 31 are as follows:

| | <u>With Donor Restriction</u> | | |
|--|-------------------------------|------------------|---------------------|
| | <u>Purpose</u> | <u>Perpetual</u> | |
| | <u>Restriction</u> | <u>in Nature</u> | <u>Total</u> |
| <u>2022</u> | | | |
| Original donor restricted gift amount and amounts required to be maintained in perpetuity by donor | \$ 5,907,570 | \$958,228 | \$ 6,865,798 |
| Accumulated investment gains | <u>10,956,374</u> | <u>—</u> | <u>10,956,374</u> |
| Total endowment net assets | <u>\$16,863,944</u> | <u>\$958,228</u> | <u>\$17,822,172</u> |

THE HAVENWOOD-HERITAGE HEIGHTS TRUST FUND

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2022 and 2021

2. Classification of Net Assets (Continued)

| | <u>With Donor Restriction</u> | <u>Perpetual</u> | <u>Total</u> |
|--|-------------------------------|------------------|---------------------|
| | <u>Purpose</u> | <u>in Nature</u> | |
| | <u>Restriction</u> | | |
| <u>2021</u> | | | |
| Original donor restricted gift amount and amounts required to be maintained in perpetuity by donor | \$ 5,894,772 | \$958,228 | \$ 6,853,000 |
| Accumulated investment gains | <u>13,569,557</u> | <u>—</u> | <u>13,569,557</u> |
| Total endowment net assets | <u>\$19,464,329</u> | <u>\$958,228</u> | <u>\$20,422,557</u> |

Changes in Endowment Net Assets

The Trust Fund had the following endowment-related activities during the years ended December 31:

| | <u>Purpose</u> | <u>Perpetual</u> | <u>Total</u> |
|--|---------------------|------------------|---------------------|
| | <u>Restriction</u> | <u>in Nature</u> | |
| <u>2022</u> | | | |
| Net endowment assets, December 31, 2021 | \$19,464,329 | \$958,228 | \$20,422,557 |
| Investment loss, net | (2,031,692) | — | (2,031,692) |
| Change in value of gift annuity agreements | (28,992) | — | (28,992) |
| Contributions and bequests | 12,798 | — | 12,798 |
| Appropriated for expenditure | <u>(552,499)</u> | <u>—</u> | <u>(552,499)</u> |
| Net endowment assets, December 31, 2022 | <u>\$16,863,944</u> | <u>\$958,228</u> | <u>\$17,822,172</u> |

| | | | |
|--|---------------------|------------------|---------------------|
| <u>2021</u> | | | |
| Net endowment assets, December 31, 2020 | \$16,779,050 | \$958,228 | \$17,737,278 |
| Investment return, net | 3,290,995 | — | 3,290,995 |
| Change in value of gift annuity agreements | (28,543) | — | (28,543) |
| Contributions and bequests | 13,862 | — | 13,862 |
| Appropriated for expenditure | <u>(591,035)</u> | <u>—</u> | <u>(591,035)</u> |
| Net endowment assets, December 31, 2021 | <u>\$19,464,329</u> | <u>\$958,228</u> | <u>\$20,422,557</u> |

The beneficial interest in trust totaling \$295,275 and \$372,439 at December 31, 2022 and 2021, respectively, is considered an endowment by the Trust Fund, but is not legally subject to UPMIFA because the Trust Fund does not have the ability to control investments and spending policy of this trust. See Note 5.

Funds With Deficiencies

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Trust Fund has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At December 31, 2022 and 2021, the Trust Fund had no underwater endowments.

THE HAVENWOOD-HERITAGE HEIGHTS TRUST FUND

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2022 and 2021

3. Pooled Investments

Pooled investments consist of the following at December 31:

| | 2022 | | 2021 | |
|--|---------------------|---------------------|---------------------|---------------------|
| | <u>Cost</u> | <u>Fair Value</u> | <u>Cost</u> | <u>Fair Value</u> |
| Cash equivalents and certificates of deposit | \$ 178,478 | \$ 176,637 | \$ 1,092,865 | \$ 1,101,130 |
| Common equity securities | 9,062,201 | 16,379,911 | 7,758,855 | 17,648,172 |
| Fixed income mutual funds | 2,604,623 | 2,091,824 | 2,382,503 | 2,444,536 |
| International equities and mutual funds | 1,921,080 | 2,288,884 | 1,984,281 | 2,586,445 |
| Corporate bonds | 2,710,021 | 2,616,400 | 2,816,553 | 3,069,625 |
| Government and agency bonds | <u>2,132,606</u> | <u>1,989,300</u> | <u>1,852,034</u> | <u>2,015,634</u> |
| | <u>\$18,609,009</u> | <u>\$25,542,956</u> | <u>\$17,887,091</u> | <u>\$28,865,542</u> |

The schedule of corporate and government and agency bond maturities at face value is as follows at December 31, 2022:

| | |
|------------------|--------------------|
| Less than 1 year | \$ 600,000 |
| 1 to 5 years | 2,200,000 |
| 5 to 10 years | 1,100,000 |
| 10 to 15 years | 300,000 |
| Over 15 years | <u>650,000</u> |
| | <u>\$4,850,000</u> |

4. Split Interest Agreements

The Community established a charitable gift annuity program in 1987 whereby donors may transfer assets to the Trust Fund in exchange for the right to receive an annuity during the donors' lifetime and/or the lifetime of a specified beneficiary. These split interest agreements with donors consist primarily of charitable gift annuities and irrevocable charitable remainder trusts for which the Trust Fund serves as trustee. Assets are invested and payments are made to donors and/or other beneficiaries in accordance with the respective agreements.

When a donor contributes assets for a split interest agreement, the difference between the amount contributed and the present value of future annuity payments is recognized as donor restricted income at the date of the agreement. The present value of future annuity payments is recognized as a liability. The present value is determined using published life expectancy tables and the applicable federal rate published monthly in Internal Revenue Service Rulings.

The annuity liability is revalued annually based upon the recalculated present value that uses the current age of the annuitants to determine current life expectancies and the original discount rate for each annuity contract. Distributions paid and income earned on annuity investments are recorded as changes in the liability and increases or decreases in net assets with donor restrictions in the statement of activities. The annuity liability was \$123,486 and \$144,466 at December 31, 2022 and 2021, respectively. Distributions paid on the split interest agreements totaled \$49,973 and \$43,316 for the years ended December 31, 2022 and 2021, respectively.

THE HAVENWOOD-HERITAGE HEIGHTS TRUST FUND

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2022 and 2021

4. Split Interest Agreements (Continued)

Upon the death of the annuitant, the funds are transferred to the pooled investments of the Trust Fund and/or directly to the Community under the restrictions specified by the donor.

Investments for the charitable gift annuity program consist of the following at December 31:

| | <u>2022</u> | | <u>2021</u> | |
|-----------------------------------|------------------|-------------------|------------------|-------------------|
| | <u>Cost</u> | <u>Fair Value</u> | <u>Cost</u> | <u>Fair Value</u> |
| Cash and cash equivalents | \$ 7,686 | \$ 7,686 | \$ 12,651 | \$ 12,651 |
| Fixed income mutual funds | 118,871 | 102,185 | 132,297 | 132,606 |
| International equity mutual funds | 96,121 | 97,946 | 155,205 | 180,731 |
| Domestic equity mutual funds | <u>320,970</u> | <u>358,444</u> | <u>229,718</u> | <u>421,779</u> |
| | <u>\$543,648</u> | <u>\$566,261</u> | <u>\$529,871</u> | <u>\$747,767</u> |

Subsequent to year end, upon the death of an annuitant, there was a final payout totaling approximately \$489,000. As specified by the donor, 50% of the payout was distributed to the Trust Fund's resident endowment fund and 50% of the payout was distributed to the Community's general fund.

5. Beneficial Interest in Trust

The Trust Fund is an irrevocable beneficiary of a charitable remainder trust held by a bank as trustee. These resources are neither in the possession of, nor under the control of the Trust Fund. The terms of the trust provide for income of the trust to be distributed to the current beneficiary and upon termination of the trust, the principal is to be distributed to the Trust Fund. At December 31, 2022 and 2021, the Trust Fund has recorded its beneficial interest in trust of \$295,275 and \$372,439, respectively.

6. Line of Credit

At December 31, 2021, the Trust Fund had a \$2,500,000 demand line of credit with a financial institution. These funds were for the purpose of supporting the construction to expand housing units by the Community. Advances under the line were based upon a formula based upon certain percentages of specified investment balances. Borrowings under the line of credit bore interest equal to the one month LIBOR rate plus 1.0% and were collateralized by the Trust Fund's unrestricted investments. At December 31, 2021, there were no amounts outstanding under this agreement. During 2022, the line of credit was terminated.

THE HAVENWOOD-HERITAGE HEIGHTS TRUST FUND

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2022 and 2021

7. **Related-Party Transactions**

The Trust Fund has no employees. It reimburses the Community for financial, administrative and fund development services. The amounts paid to the Community for these services were \$75,000 in 2022 and 2021.

At December 31, 2022 and 2021, the Trust Fund owed the Community \$148,967 and \$147,684, respectively, for resident support related matters.

8. **Fair Value Measurements**

Fair value is the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability. The fair value should be calculated based on assumptions that market participants would use in pricing the asset or liability, not on assumptions specific to the entity. In addition, the fair value of liabilities should include consideration of nonperformance risk including the Trust Fund's own credit risk.

The fair value hierarchy for valuation inputs prioritizes the inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market. Each fair value measurement is reported in one of the three levels which is determined by the lowest level input that is significant to the fair value measurement in its entirety. These levels are:

- Level 1 – inputs are based upon unadjusted quoted prices for identical instruments traded in active markets.
- Level 2 – inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 – inputs are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

For the fiscal years ended December 31, 2022 and 2021, the application of valuation techniques applied to similar assets has been consistent. The following describes the valuation methodologies used to measure different financial assets at fair value:

Investments

The fair value of investments in cash equivalents, equity securities and mutual funds are based upon quoted prices in active markets for identical assets and are reflected as Level 1.

The fair value of investments in corporate, municipal, and government and agency bonds and certificates of deposit are based upon quoted prices in not active markets for identical and similar instruments and are reflected as Level 2.

THE HAVENWOOD-HERITAGE HEIGHTS TRUST FUND

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2022 and 2021

8. Fair Value Measurements (Continued)

The valuation of beneficial interest in trust is based on information from the trustee which is based on the fair market value of the underlying assets consisting of investments with quoted prices in active markets or inactive markets for identical or similar investments. The beneficial interest in trust is reflected as Level 2.

Assets Measured at Fair Value on a Recurring Basis

The following table presents the Trust Fund's assets measured at fair value on a recurring basis at December 31:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|--|---------------------|--------------------|----------------|---------------------|
| <u>2022</u> | | | | |
| Cash equivalents and certificates of deposit | \$ 36,163 | \$ 148,160 | \$ — | \$ 184,323 |
| Common equity securities: | | | | |
| Consumer nondurables | 1,932,931 | — | — | 1,932,931 |
| Consumer services | 977,863 | — | — | 977,863 |
| Business products and services | 3,222,230 | — | — | 3,222,230 |
| Capital goods | 3,013,701 | — | — | 3,013,701 |
| Industrial/electronics | 1,940,919 | — | — | 1,940,919 |
| Energy | 631,698 | — | — | 631,698 |
| Basic industries | 465,257 | — | — | 465,257 |
| Transportation | 324,715 | — | — | 324,715 |
| Financial | 854,875 | — | — | 854,875 |
| Utilities | 345,120 | — | — | 345,120 |
| Other assets | 453,701 | — | — | 453,701 |
| Energy | 997,015 | — | — | 997,015 |
| Financials | 911,245 | — | — | 911,245 |
| Information technology | 308,641 | — | — | 308,641 |
| Fixed income mutual funds | 2,194,009 | — | — | 2,194,009 |
| International equities and mutual funds | 2,386,830 | — | — | 2,386,830 |
| Domestic equity mutual funds: | | | | |
| Small cap | 29,612 | — | — | 29,612 |
| Mid cap | 43,464 | — | — | 43,464 |
| Large cap | 40,290 | — | — | 40,290 |
| Blend | 245,078 | — | — | 245,078 |
| Corporate bonds | — | 2,616,400 | — | 2,616,400 |
| Government and agency bonds | — | 1,989,300 | — | 1,989,300 |
| Beneficial interest in trust | <u>—</u> | <u>295,275</u> | <u>—</u> | <u>295,275</u> |
| | <u>\$21,355,357</u> | <u>\$5,049,135</u> | <u>\$ —</u> | <u>\$26,404,492</u> |

Assets detailed above include:

| | |
|--|---------------------|
| Investments, pooled | \$25,542,956 |
| Investments, charitable gift annuities | 566,261 |
| Beneficial interest in trust | <u>295,275</u> |
| | <u>\$26,404,492</u> |

THE HAVENWOOD-HERITAGE HEIGHTS TRUST FUND

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2022 and 2021

8. Fair Value Measurements (Continued)

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|---|---------------------|--------------------|----------------|---------------------|
| <u>2021</u> | | | | |
| Cash equivalents and certificates of deposit | \$ 955,516 | \$ 158,265 | \$ — | \$ 1,113,781 |
| Common equity securities: | | | | |
| Consumer nondurables | 2,121,047 | — | — | 2,121,047 |
| Consumer services | 1,058,171 | — | — | 1,058,171 |
| Business products and services | 4,205,526 | — | — | 4,205,526 |
| Capital goods | 2,485,747 | — | — | 2,485,747 |
| Industrial/electronics | 2,334,447 | — | — | 2,334,447 |
| Energy | 512,457 | — | — | 512,457 |
| Basic industries | 569,498 | — | — | 569,498 |
| Transportation | 192,780 | — | — | 192,780 |
| Financial | 947,882 | — | — | 947,882 |
| Utilities | 303,750 | — | — | 303,750 |
| Other assets | 738,450 | — | — | 738,450 |
| Energy | 723,353 | — | — | 723,353 |
| Financials | 762,450 | — | — | 762,450 |
| Industrials | 344,969 | — | — | 344,969 |
| Information technology | 347,645 | — | — | 347,645 |
| Fixed income mutual funds | 2,577,142 | — | — | 2,577,142 |
| International equities and mutual funds | 2,767,176 | — | — | 2,767,176 |
| Domestic equity mutual funds: | | | | |
| Small cap | 38,273 | — | — | 38,273 |
| Mid cap | 57,765 | — | — | 57,765 |
| Large cap | 56,980 | — | — | 56,980 |
| Blend | 268,761 | — | — | 268,761 |
| Corporate bonds | — | 3,069,625 | — | 3,069,625 |
| Government and agency bonds | — | 2,015,634 | — | 2,015,634 |
| Beneficial interest in trust | <u>—</u> | <u>372,439</u> | <u>—</u> | <u>372,439</u> |
| | <u>\$24,369,785</u> | <u>\$5,615,963</u> | <u>\$ —</u> | <u>\$29,985,748</u> |
| Assets detailed above include: | | | | |
| Investments, pooled | | | | \$28,865,542 |
| Investments, charitable gift annuities | | | | 747,767 |
| Beneficial interest in trust | | | | <u>372,439</u> |
| | | | | <u>\$29,985,748</u> |

THE HAVENWOOD-HERITAGE HEIGHTS TRUST FUND

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2022 and 2021

9. Liquidity and Availability

Financial assets available for general expenditure within one year of the statement of financial position date, consist of the following at December 31, 2022:

Financial assets at year end:

| | |
|---------------------------|-------------------|
| Cash and cash equivalents | \$ 79,125 |
| Interest receivable | 56,510 |
| Investments, pooled | <u>25,542,956</u> |
| | 25,678,591 |

Less amounts not available to be used within one year:

Net assets with donor restrictions:

| | |
|--|-------------------|
| Restricted for resident support | 16,237,900 |
| Restricted for specific purposes | 182,572 |
| Restricted in perpetuity for resident support | 1,171,107 |
| Less beneficial interest in perpetual trust | (295,275) |
| Restricted in perpetuity for specific purposes | <u>82,396</u> |
| | <u>17,378,700</u> |

Financial assets available to meet general expenditures within one year

\$ 8,299,891

As part of the Trust Fund's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. Net assets with donor restrictions for resident support of \$16,237,900 at December 31, 2022 are subject to an annual spending rate of 5.5% as described in Note 2. Although the Trust Fund does not intend to spend from this endowment (other than amounts appropriated per the Board of Director's annual spending rate approval), these amounts could be made available if necessary.

10. Functional Expenses

The Trust Fund provides support to the Community. Expenses related to providing these services consist of the following for the years ended December 31:

| | Program (Community) | Administrative | Total |
|------------------------------------|------------------------|------------------|------------------|
| <u>2022</u> | | | |
| Contributions to the Community | \$ 2,955 | \$ — | \$ 2,955 |
| Support of residents and Community | 482,533 | — | 482,533 |
| Distributions to annuitants | — | 3,128 | 3,128 |
| Administrative support | — | 98,015 | 98,015 |
| Interest | <u>1,257</u> | <u>—</u> | <u>1,257</u> |
| | <u>\$486,745</u> | <u>\$101,143</u> | <u>\$587,888</u> |

THE HAVENWOOD-HERITAGE HEIGHTS TRUST FUND

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2022 and 2021

10. Functional Expenses (Continued)

| | Program (Community) | Administrative | Total |
|------------------------------------|------------------------|------------------|------------------|
| <u>2021</u> | | | |
| Contributions to the Community | \$ 8,684 | \$ — | \$ 8,684 |
| Support of residents and Community | 517,046 | — | 517,046 |
| Distributions to annuitants | — | 5,160 | 5,160 |
| Administrative support | — | 94,794 | 94,794 |
| Interest | <u>9,065</u> | <u>—</u> | <u>9,065</u> |
| | <u>\$534,795</u> | <u>\$ 99,954</u> | <u>\$634,749</u> |

The Trust Fund did not incur any significant fundraising costs during 2022 and 2021. The categories of expenses above were recorded to the program or supporting function to which the expenses directly related. Interest from the line of credit is allocated to program because the proceeds were used to fund construction at the Community, as discussed in Note 6.