

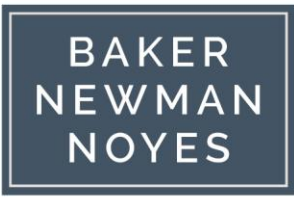
The Havenwood-Heritage Heights Trust Fund

Financial Statements

*For the Years Ended December 31, 2025 and 2024
With Independent Auditors' Report*

Baker Newman & Noyes LLC
MAINE | MASSACHUSETTS | NEW HAMPSHIRE
800.244.7444 | www.bnn CPA.com





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, 2025 and 2024, 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, 2025 and 2024, 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 (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.

Baker Newman & Noyes LLC

Manchester, New Hampshire
April 13, 2026

THE HAVENWOOD-HERITAGE HEIGHTS TRUST FUND

STATEMENTS OF FINANCIAL POSITION

December 31, 2025 and 2024

ASSETS

	<u>2025</u>	<u>2024</u>
Cash and cash equivalents	\$ 523,001	\$ 111,230
Interest receivable	28,087	28,728
Investments, pooled	28,851,821	23,860,140
Investments, charitable gift annuities	85	75
Note receivable from the Community	8,500,000	7,899,807
Beneficial interest in trust	<u>320,750</u>	<u>313,415</u>
Total assets	<u>\$38,223,744</u>	<u>\$32,213,395</u>

LIABILITIES AND NET ASSETS

Accounts payable	\$ 27,536	\$ 24,587
Due to the Community	<u>126,274</u>	<u>124,145</u>
Total liabilities	153,810	148,732
Net assets:		
Without donor restrictions (undesignated)	12,699,512	10,326,615
With donor restrictions:		
Restricted for resident support	23,791,044	20,222,185
Restricted for charitable gift annuity program	85	75
Restricted for specific purposes	300,315	244,145
Restricted in perpetuity for resident support	1,196,582	1,189,247
Restricted in perpetuity for specific purposes	<u>82,396</u>	<u>82,396</u>
	<u>25,370,422</u>	<u>21,738,048</u>
Total net assets	<u>38,069,934</u>	<u>32,064,663</u>
Total liabilities and net assets	<u>\$38,223,744</u>	<u>\$32,213,395</u>

See accompanying notes.

THE HAVENWOOD-HERITAGE HEIGHTS TRUST FUND

STATEMENT OF ACTIVITIES

Year Ended December 31, 2025

	With Donor Restrictions						<u>Total</u>
	<u>Without Donor Restrictions</u>	<u>Restricted for Resident Support</u>	<u>Restricted for Charitable Gift Annuities</u>	<u>Restricted for Specific Purposes</u>	<u>Restricted in Perpetuity for Resident Support</u>	<u>Restricted in Perpetuity for Specific Purposes</u>	
Support and revenue:							
Contributions and bequests	\$ —	\$ 4,587	\$ —	\$ —	\$ —	\$ —	\$ 4,587
Net investment return	2,408,418	4,036,199	10	62,389	—	—	6,507,016
Change in value of beneficial interest in trust	—	—	—	—	7,335	—	7,335
Release of net assets:							
Satisfaction of income restrictions	<u>410,247</u>	<u>(405,068)</u>	<u>—</u>	<u>(5,179)</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total support and revenue	<u>2,818,665</u>	<u>3,635,718</u>	<u>10</u>	<u>57,210</u>	<u>7,335</u>	<u>—</u>	<u>6,518,938</u>
Expenses:							
Contributions to the Community	5,179	—	—	—	—	—	5,179
Support of residents and the Community	405,068	—	—	—	—	—	405,068
Distributions to annuitants	1,800	—	—	—	—	—	1,800
Administrative support	<u>33,721</u>	<u>66,859</u>	<u>—</u>	<u>1,040</u>	<u>—</u>	<u>—</u>	<u>101,620</u>
Total expenses	<u>445,768</u>	<u>66,859</u>	<u>—</u>	<u>1,040</u>	<u>—</u>	<u>—</u>	<u>513,667</u>
Excess of support and revenue over expenses	2,372,897	3,568,859	10	56,170	7,335	—	6,005,271
Net assets, beginning of year	<u>10,326,615</u>	<u>20,222,185</u>	<u>75</u>	<u>244,145</u>	<u>1,189,247</u>	<u>82,396</u>	<u>32,064,663</u>
Net assets, end of year	<u>\$12,699,512</u>	<u>\$23,791,044</u>	<u>\$ 85</u>	<u>\$300,315</u>	<u>\$1,196,582</u>	<u>\$82,396</u>	<u>\$38,069,934</u>

See accompanying notes.

THE HAVENWOOD-HERITAGE HEIGHTS TRUST FUND

STATEMENT OF ACTIVITIES

Year Ended December 31, 2024

	With Donor Restrictions						<u>Total</u>
	<u>Without Donor Restrictions</u>	<u>Restricted for Resident Support</u>	<u>Restricted for Charitable Gift Annuities</u>	<u>Restricted for Specific Purposes</u>	<u>Restricted in Perpetuity for Resident Support</u>	<u>Restricted in Perpetuity for Specific Purposes</u>	
Support and revenue:							
Contributions and bequests	\$ 2,000	\$ 6,526	\$ –	\$ –	\$ –	\$ –	\$ 8,526
Net investment return	1,019,013	1,939,996	52	30,136	–	–	2,989,197
Change in value of beneficial interest in trust	–	–	–	–	1,008	–	1,008
Release of net assets:							
Satisfaction of income restrictions	<u>415,537</u>	<u>(409,737)</u>	<u>–</u>	<u>(5,800)</u>	<u>–</u>	<u>–</u>	<u>–</u>
Total support and revenue	<u>1,436,550</u>	<u>1,536,785</u>	<u>52</u>	<u>24,336</u>	<u>1,008</u>	<u>–</u>	<u>2,998,731</u>
Expenses:							
Contributions to the Community	5,800	–	–	–	–	–	5,800
Support of residents and the Community	409,737	–	–	–	–	–	409,737
Distributions to annuitants	1,800	–	–	–	–	–	1,800
Administrative support	<u>29,612</u>	<u>61,299</u>	<u>–</u>	<u>954</u>	<u>–</u>	<u>–</u>	<u>91,865</u>
Total expenses	<u>446,949</u>	<u>61,299</u>	<u>–</u>	<u>954</u>	<u>–</u>	<u>–</u>	<u>509,202</u>
Excess of support and revenue over expenses	989,601	1,475,486	52	23,382	1,008	–	2,489,529
Net assets, beginning of year	<u>9,337,014</u>	<u>18,746,699</u>	<u>23</u>	<u>220,763</u>	<u>1,188,239</u>	<u>82,396</u>	<u>29,575,134</u>
Net assets, end of year	<u>\$10,326,615</u>	<u>\$20,222,185</u>	<u>\$ 75</u>	<u>\$244,145</u>	<u>\$1,189,247</u>	<u>\$82,396</u>	<u>\$32,064,663</u>

See accompanying notes.

THE HAVENWOOD-HERITAGE HEIGHTS TRUST FUND

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities:		
Excess of support and revenue over expenses	\$ 6,005,271	\$ 2,489,529
Adjustments to reconcile excess of support and revenue over expenses to net cash provided by operating activities:		
Net realized and unrealized gains on investments	(5,691,159)	(2,444,257)
Change in beneficial interest in trust	(7,335)	(1,008)
Changes in operating assets and liabilities:		
Interest receivable	641	28,878
Due to the Community	2,129	1,596
Accounts payable	<u>2,949</u>	<u>(1,932)</u>
Net cash provided by operating activities	312,496	72,806
Cash flows from investing activities:		
Purchases of investments	(7,601,194)	(11,267,299)
Proceeds from sale of investments	8,300,662	19,169,492
Advances on note receivable from the Community	<u>(600,193)</u>	<u>(7,899,807)</u>
Net cash provided by investing activities	<u>99,275</u>	<u>2,386</u>
Increase in cash and cash equivalents	411,771	75,192
Cash and cash equivalents at beginning of year	<u>111,230</u>	<u>36,038</u>
Cash and cash equivalents at end of year	\$ <u><u>523,001</u></u>	\$ <u><u>111,230</u></u>

See accompanying notes.

THE HAVENWOOD-HERITAGE HEIGHTS TRUST FUND

NOTES TO FINANCIAL STATEMENTS

December 31, 2025 and 2024

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. Actual results could differ from these estimates.

THE HAVENWOOD-HERITAGE HEIGHTS TRUST FUND

NOTES TO FINANCIAL STATEMENTS

December 31, 2025 and 2024

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, note receivable from the Community, 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 6 for additional information related to investments.

Investments

Investments are stated at fair value in the statements of financial position. See Note 6 for further discussion regarding fair value.

Gains and losses on securities are determined on a specific identification method. Net investment return/loss 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.

Split Interest Agreements

The Community established a charitable gift annuity program under which donors transferred assets to the Trust Fund in exchange for annuity payments for the lives of designated beneficiaries. At inception, the difference between the contributed assets and the present value of future annuity payments was recognized as donor-restricted net assets. Annuity liabilities were remeasured annually based on updated life expectancy assumptions and the original discount rates. All annuity obligations were fully satisfied during 2023, and no annuity liabilities remained as of December 31, 2025 or 2024. Investments held for the charitable gift annuity program consisted of cash and cash equivalents of \$85 and \$75 at December 31, 2025 and 2024, respectively.

Note Receivable

Note receivable from the Community is stated at the net amount that the Trust Fund expects to collect. In accordance with ASC Topic 326, *Financial Instruments – Credit Losses*, the Trust Fund makes ongoing estimates relating to the collectibility of the note receivable and records an allowance for estimated losses expected. No allowance was deemed necessary by the Trust Fund at December 31, 2025 or 2024. See Note 5 for additional information related to the note receivable.

THE HAVENWOOD-HERITAGE HEIGHTS TRUST FUND

NOTES TO FINANCIAL STATEMENTS

December 31, 2025 and 2024

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

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 8. Accordingly, costs have been allocated among program services and administrative services.

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 13, 2026 which is the date the financial statements were available to be issued.

THE HAVENWOOD-HERITAGE HEIGHTS TRUST FUND

NOTES TO FINANCIAL STATEMENTS

December 31, 2025 and 2024

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 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 Trustees.
- 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 2025 and 2024 was 5%. In 2025 and 2024, 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 1.8% and 2.0%, respectively. The approved spending rate for 2026 is 5%.

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 2025 and 2024 to assist the Community in funding a portion of the 2025 and 2024 budget shortfalls created by Medicaid residents.

THE HAVENWOOD-HERITAGE HEIGHTS TRUST FUND

NOTES TO FINANCIAL STATEMENTS

December 31, 2025 and 2024

2. Classification of Net Assets (Continued)

Endowment Net Asset Composition by Type of Fund

The Trust Fund does not have any board-designated or unrestricted endowments at December 31, 2025 and 2024. 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>2025</u>			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ 5,932,107	\$958,228	\$ 6,890,335
Accumulated investment gains	<u>18,159,337</u>	—	<u>18,159,337</u>
Total endowment net assets	<u>\$24,091,444</u>	<u>\$958,228</u>	<u>\$25,049,672</u>
<u>2024</u>			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ 5,927,520	\$958,228	\$ 6,885,748
Accumulated investment gains	<u>14,538,885</u>	—	<u>14,538,885</u>
Total endowment net assets	<u>\$20,466,405</u>	<u>\$958,228</u>	<u>\$21,424,633</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>Restriction</u>	<u>in Nature</u>	
			<u>Total</u>
<u>2025</u>			
Net endowment assets, December 31, 2024	\$20,466,405	\$958,228	\$21,424,633
Investment return, net	4,098,598	—	4,098,598
Contributions and bequests	4,587	—	4,587
Appropriated for expenditure	<u>(478,146)</u>	—	<u>(478,146)</u>
Net endowment assets, December 31, 2025	<u>\$24,091,444</u>	<u>\$958,228</u>	<u>\$25,049,672</u>
<u>2024</u>			
Net endowment assets, December 31, 2023	\$18,967,485	\$958,228	\$19,925,713
Investment return, net	1,970,184	—	1,970,184
Contributions and bequests	6,526	—	6,526
Appropriated for expenditure	<u>(477,790)</u>	—	<u>(477,790)</u>
Net endowment assets, December 31, 2024	<u>\$20,466,405</u>	<u>\$958,228</u>	<u>\$21,424,633</u>

THE HAVENWOOD-HERITAGE HEIGHTS TRUST FUND

NOTES TO FINANCIAL STATEMENTS

December 31, 2025 and 2024

2. Classification of Net Assets (Continued)

The beneficial interest in trust totaling \$320,750 and \$313,415 at December 31, 2025 and 2024, 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 4.

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, 2025 and 2024, the Trust Fund had no underwater endowments.

3. Pooled Investments

Pooled investments consist of the following at December 31:

	2025		2024	
	Cost	Fair Value	Cost	Fair Value
Cash and cash equivalents	\$ 104,117	\$ 104,117	\$ 677,050	\$ 677,050
Common equity securities	9,664,744	23,383,152	8,528,577	19,071,209
Fixed income mutual funds	1,373,079	1,373,246	-	-
International mutual funds	1,540,691	2,064,034	1,232,187	1,316,087
Corporate bonds	609,109	617,088	807,519	809,044
Government and agency bonds	<u>1,304,006</u>	<u>1,310,184</u>	<u>1,995,540</u>	<u>1,986,750</u>
	<u>\$14,595,746</u>	<u>\$28,851,821</u>	<u>\$13,240,873</u>	<u>\$23,860,140</u>

The schedule of corporate and government and agency bond maturities at face value is as follows at December 31, 2025:

Less than 1 year	\$ 450,000
1 to 5 years	900,000
5 to 10 years	150,000
10 to 15 years	200,000
Over 15 years	<u>200,000</u>
	<u>\$1,900,000</u>

THE HAVENWOOD-HERITAGE HEIGHTS TRUST FUND

NOTES TO FINANCIAL STATEMENTS

December 31, 2025 and 2024

4. **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, 2025 and 2024, the Trust Fund has recorded its beneficial interest in trust of \$320,750 and \$313,415, respectively.

5. **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 2025 and 2024.

At December 31, 2025 and 2024, the Trust Fund owed the Community \$126,274 and \$124,145, respectively, for resident support related matters.

On January 30, 2024, the Trust Fund entered into a guaranty agreement with Citizens Bank, N.A. (Citizens) to guaranty various loans and revenue bond issuances between Citizens and the Community. The original aggregate principal amount of the guaranty totaled \$48,386,000. On April 23, 2024, the Community refinanced its existing bond issuances with Citizens totaling \$27,600,584. As of December 31, 2025 and 2024, the Community had outstanding principal balances associated with the guarantee agreement totaling \$26,718,098 and \$27,293,451, respectively. Under the guaranty agreement, the Trust Fund is permitted to use the income earned on its assets in the normal course of its operations, provided that, no portion of the principal balance of assets defined as \$20,819,676 shall be used without prior written consent of Citizens.

On February 8, 2024, the Trust Fund entered into a construction loan agreement with the Community to provide for a construction loan in an amount up to \$8,500,000. The Community has used the loan proceeds for the redevelopment of the south end of the Community's campus. The loan agreement provides for an eighteen month draw period. Interest payments are due annually beginning December 31, 2024. The loan agreement calls for interest expense through December 31, 2024 at a rate of 3.00%. Beginning January 1, 2025 and continuing annually until the maturity date, interest is charged at the higher of: (1) 3.00% or (2) the average yield on the fixed income portion of the Trust Fund's investment portfolio over the fourth quarter of the prior year, reset on January 1 of each year, and fixed for such year. The interest rate was 4.35% and 3.00% at December 31, 2025 and 2024, respectively. The entire principal balance, together with all interest and other charges accrued thereon, shall be due and payable on February 8, 2029. The construction loan is subordinate to the Community's debt with Citizens. As of December 31, 2025 and 2024, the Community had drawn \$8,500,000 and \$7,899,807, respectively, under the construction loan agreement reflected as a note receivable from the Community in the accompanying statements of financial position. The Trust recognized and received approximately \$368,000 and \$87,000 in interest income recorded in net investment return on the statement of activities for the year ended December 31, 2025 and 2024, respectively.

THE HAVENWOOD-HERITAGE HEIGHTS TRUST FUND

NOTES TO FINANCIAL STATEMENTS

December 31, 2025 and 2024

6. 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, 2025 and 2024, 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 and government and agency bonds are based upon quoted prices in not active markets for identical and similar instruments and are reflected as Level 2.

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.

THE HAVENWOOD-HERITAGE HEIGHTS TRUST FUND

NOTES TO FINANCIAL STATEMENTS

December 31, 2025 and 2024

6. Fair Value Measurements (Continued)

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>2025</u>				
Cash and cash equivalents	\$ 104,202	\$ —	\$ —	\$ 104,202
Common equity securities:				
Basic materials	1,573,686	—	—	1,573,686
Communication services	1,622,400	—	—	1,622,400
Consumer cyclical	1,412,519	—	—	1,412,519
Consumer defensive	790,921	—	—	790,921
Consumer staples	379,209	—	—	379,209
Energy	1,024,865	—	—	1,024,865
Financial services	3,309,239	—	—	3,309,239
Healthcare	3,189,596	—	—	3,189,596
Industrials	3,229,321	—	—	3,229,321
Real estate	330,906	—	—	330,906
Technology	6,153,859	—	—	6,153,859
Utilities	366,631	—	—	366,631
Fixed income mutual funds	1,373,246	—	—	1,373,246
International mutual funds	2,064,034	—	—	2,064,034
Corporate bonds	—	617,088	—	617,088
Government and agency bonds	—	1,310,184	—	1,310,184
Beneficial interest in trust	—	320,750	—	320,750
	<u>\$26,924,634</u>	<u>\$2,248,022</u>	<u>\$ —</u>	<u>\$29,172,656</u>
Assets detailed above include:				
Investments, pooled				\$28,851,821
Investments, charitable gift annuities				85
Beneficial interest in trust				<u>320,750</u>
				<u>\$29,172,656</u>

THE HAVENWOOD-HERITAGE HEIGHTS TRUST FUND

NOTES TO FINANCIAL STATEMENTS

December 31, 2025 and 2024

6. Fair Value Measurements (Continued)

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>2024</u>				
Cash and cash equivalents	\$ 677,125	\$ —	\$ —	\$ 677,125
Common equity securities:				
Basic materials	874,188	—	—	874,188
Communication services	945,405	—	—	945,405
Consumer cyclical	1,363,366	—	—	1,363,366
Consumer defensive	861,596	—	—	861,596
Energy	1,511,577	—	—	1,511,577
Financial services	3,017,300	—	—	3,017,300
Healthcare	2,653,620	—	—	2,653,620
Industrials	2,666,021	—	—	2,666,021
Technology	4,959,346	—	—	4,959,346
Utilities	218,790	—	—	218,790
International mutual funds	1,316,087	—	—	1,316,087
Corporate bonds	—	809,044	—	809,044
Government and agency bonds	—	1,986,750	—	1,986,750
Beneficial interest in trust	<u>—</u>	<u>313,415</u>	<u>—</u>	<u>313,415</u>
	<u>\$21,064,421</u>	<u>\$3,109,209</u>	<u>\$ —</u>	<u>\$24,173,630</u>

Assets detailed above include:

Investments, pooled	\$23,860,140
Investments, charitable gift annuities	75
Beneficial interest in trust	<u>313,415</u>
	<u>\$24,173,630</u>

7. 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, 2025:

Financial assets at year end:

Cash and cash equivalents	\$ 523,001
Interest receivable	28,087
Investments, pooled	<u>28,851,821</u>
	29,402,909

THE HAVENWOOD-HERITAGE HEIGHTS TRUST FUND

NOTES TO FINANCIAL STATEMENTS

December 31, 2025 and 2024

7. Liquidity and Availability (Continued)

Less amounts not available to be used within one year:

Net assets with donor restrictions:		
Restricted for resident support		\$23,791,044
Restricted for specific purposes		300,315
Restricted in perpetuity for resident support		1,196,582
Less beneficial interest in perpetual trust		(320,750)
Restricted in perpetuity for specific purposes		<u>82,396</u>
		<u>25,049,587</u>

Financial assets available to meet general expenditures within one year	<u>\$ 4,353,322</u>
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Additionally, amounts received as contractually defined for repayment of the note receivable from the Community will be available for general expenditure.

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 \$23,791,044 at December 31, 2025 are subject to an annual spending rate which was approved at a rate of 5.0% for 2026 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 Trustee's annual spending rate approval) and certain amounts to be used are subject to obtaining written consent from the bank as described in Note 5, these amounts could be made available if necessary.

8. 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>2025</u>			
Contributions to the Community	\$ 5,179	\$ –	\$ 5,179
Support of residents and the Community	405,068	–	405,068
Distributions to annuitants	–	1,800	1,800
Administrative support	<u>–</u>	<u>101,620</u>	<u>101,620</u>
	<u>\$410,247</u>	<u>\$103,420</u>	<u>\$513,667</u>
<u>2024</u>			
Contributions to the Community	\$ 5,800	\$ –	\$ 5,800
Support of residents and the Community	409,737	–	409,737
Distributions to annuitants	–	1,800	1,800
Administrative support	<u>–</u>	<u>91,865</u>	<u>91,865</u>
	<u>\$415,537</u>	<u>\$93,665</u>	<u>\$509,202</u>

THE HAVENWOOD-HERITAGE HEIGHTS TRUST FUND

NOTES TO FINANCIAL STATEMENTS

December 31, 2025 and 2024

8. Functional Expenses (Continued)

The Trust Fund did not incur any significant fundraising costs during 2025 and 2024. The categories of expenses above were recorded to the program or supporting function to which the expenses directly related.