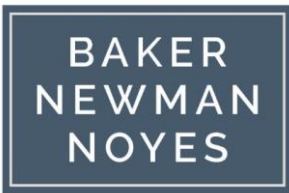


The Havenwood-Heritage Heights Trust Fund

Audited Financial Statements

*Years Ended December 31, 2020 and 2019
With Independent Auditors' Report*



INDEPENDENT AUDITORS' REPORT

Board of Trustees
The Havenwood-Heritage Heights Trust Fund

We have audited the accompanying financial statements of The Havenwood-Heritage Heights Trust Fund, which comprise the statements of financial position as of December 31, 2020 and 2019, the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Havenwood-Heritage Heights Trust Fund as of December 31, 2020 and 2019, 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.

Baker Newman & Noyes LLC

Manchester, New Hampshire
April 12, 2021

THE HAVENWOOD-HERITAGE HEIGHTS TRUST FUND

STATEMENTS OF FINANCIAL POSITION

December 31, 2020 and 2019

ASSETS

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 260,649	\$ 229,337
Interest receivable	64,674	70,391
Investments, pooled	26,646,518	24,057,303
Investments, charitable gift annuities	697,649	662,932
Beneficial interest in trust	<u>359,274</u>	<u>339,286</u>
Total assets	<u>\$28,028,764</u>	<u>\$25,359,249</u>

LIABILITIES AND NET ASSETS

Line of credit	\$ 1,783,078	\$ 1,883,078
Charitable gift annuities liability	159,238	191,542
Accounts payable	48,497	22,908
Due to affiliate	<u>294,991</u>	<u>136,228</u>
Total liabilities	2,285,804	2,233,756
Net assets:		
Without donor restrictions (undesignated)	7,646,408	6,691,767
With donor restrictions:		
Restricted for resident support	16,063,029	14,517,408
Restricted for charitable gift annuity program	539,105	472,084
Restricted for specific purposes	176,916	146,720
Restricted in perpetuity for resident support	1,235,106	1,215,118
Restricted in perpetuity for specific purposes	<u>82,396</u>	<u>82,396</u>
	<u>18,096,552</u>	<u>16,433,726</u>
Total net assets	<u>25,742,960</u>	<u>23,125,493</u>
Total liabilities and net assets	<u>\$28,028,764</u>	<u>\$25,359,249</u>

See accompanying notes.

THE HAVENWOOD-HERITAGE HEIGHTS TRUST FUND

STATEMENT OF ACTIVITIES

Year Ended December 31, 2020

		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	\$ –	\$ 4,240	\$ –	\$ –	\$ –	\$ –	\$ 4,240
Net investment return	1,023,323	2,266,981	83,771	35,003	–	–	3,409,078
Change in value of beneficial interest in trust	–	–	–	–	19,988	–	19,988
Change in value of gift annuity agreements	–	–	(11,835)	–	–	–	(11,835)
Release of net assets:							
Satisfaction of annuity restrictions	4,915	–	(4,915)	–	–	–	–
Satisfaction of income restrictions	<u>663,416</u>	<u>(659,608)</u>	<u>–</u>	<u>(3,808)</u>	<u>–</u>	<u>–</u>	<u>–</u>
Total support and revenue	<u>1,691,654</u>	<u>1,611,613</u>	<u>67,021</u>	<u>31,195</u>	<u>19,988</u>	<u>–</u>	<u>3,421,471</u>
Expenses:							
Contributions to the Community	8,723	–	–	–	–	–	8,723
Support of residents and Community	659,608	–	–	–	–	–	659,608
Distributions to annuitants	6,600	–	–	–	–	–	6,600
Administrative support	29,227	65,992	–	999	–	–	96,218
Interest	<u>32,855</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>32,855</u>
Total expenses	<u>737,013</u>	<u>65,992</u>	<u>–</u>	<u>999</u>	<u>–</u>	<u>–</u>	<u>804,004</u>
Excess of support and revenue over expenses	954,641	1,545,621	67,021	30,196	19,988	–	2,617,467
Net assets, beginning of year	<u>6,691,767</u>	<u>14,517,408</u>	<u>472,084</u>	<u>146,720</u>	<u>1,215,118</u>	<u>82,396</u>	<u>23,125,493</u>
Net assets, end 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>

See accompanying notes.

THE HAVENWOOD-HERITAGE HEIGHTS TRUST FUND

STATEMENT OF ACTIVITIES

Year Ended December 31, 2019

		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	\$ —	\$ 12,558	\$ 15,355	\$ —	\$ —	\$ —	\$ 27,913
Net investment return	1,357,744	3,145,054	119,648	46,507	—	—	4,668,953
Change in value of beneficial interest in trust	—	—	—	—	34,548	—	34,548
Change in value of gift annuity agreements	—	—	6,741	—	—	—	6,741
Release of net assets:							
Satisfaction of income restrictions	<u>422,600</u>	<u>(420,849)</u>	<u>—</u>	<u>(1,751)</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total support and revenue	1,780,344	2,736,763	141,744	44,756	34,548	—	4,738,155
Expenses:							
Contributions to the Community	1,751	—	—	—	—	—	1,751
Support of residents and Community	420,849	—	—	—	—	—	420,849
Distributions to annuitants	25,758	—	—	—	—	—	25,758
Administrative support	30,114	69,747	—	1,031	—	—	100,892
Interest	<u>68,047</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>68,047</u>
Total expenses	<u>546,519</u>	<u>69,747</u>	<u>—</u>	<u>1,031</u>	<u>—</u>	<u>—</u>	<u>617,297</u>
Excess of support and revenue over expenses	1,233,825	2,667,016	141,744	43,725	34,548	—	4,120,858
Net assets, beginning of year	<u>5,457,942</u>	<u>11,850,392</u>	<u>330,340</u>	<u>102,995</u>	<u>1,180,570</u>	<u>82,396</u>	<u>19,004,635</u>
Net assets, end of year	<u>\$6,691,767</u>	<u>\$14,517,408</u>	<u>\$ 472,084</u>	<u>\$146,720</u>	<u>\$1,215,118</u>	<u>\$82,396</u>	<u>\$23,125,493</u>

See accompanying notes.

THE HAVENWOOD-HERITAGE HEIGHTS TRUST FUND

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Excess of support and revenue over expenses	\$ 2,617,467	\$ 4,120,858
Adjustments to reconcile excess of support and revenue over expenses to net cash used by operating activities:		
Net realized and unrealized gains on investments	(2,954,081)	(4,205,460)
Change in beneficial interest in trust	(19,988)	(34,548)
Change in value of charitable gift annuities	(32,304)	(25,959)
Changes in operating assets and liabilities:		
Decrease in interest receivable	5,717	2,790
Increase in due to affiliate	158,763	13,214
Increase in accounts payable	<u>25,589</u>	<u>2,813</u>
Net cash used by operating activities	(198,837)	(126,292)
Cash flows from investing activities:		
Purchases of investments	(2,216,494)	(2,442,079)
Proceeds from sale of investments	<u>2,546,643</u>	<u>2,615,363</u>
Net cash provided by investing activities	330,149	173,284
Cash flows from financing activities:		
Payments on line of credit	<u>(100,000)</u>	<u>(100,000)</u>
Net cash used by financing activities	<u>(100,000)</u>	<u>(100,000)</u>
Increase (decrease) in cash and cash equivalents	31,312	(53,008)
Cash and cash equivalents at beginning of year	<u>229,337</u>	<u>282,345</u>
Cash and cash equivalents at end of year	\$ <u>260,649</u>	\$ <u>229,337</u>
Supplemental disclosure of cash flow information:		
Interest paid	\$ <u>32,855</u>	\$ <u>68,047</u>

See accompanying notes.

THE HAVENWOOD-HERITAGE HEIGHTS TRUST FUND

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2020 and 2019

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, 2020 and 2019

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.

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.

THE HAVENWOOD-HERITAGE HEIGHTS TRUST FUND

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2020 and 2019

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

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.

Risks and Uncertainties

On March 11, 2020, the World Health Organization declared the outbreak of coronavirus (COVID-19) a pandemic. The COVID-19 outbreak could negatively impact, for some period of time, the overall economy, investment returns, as well as certain business segments. As a result, the Trust Fund's operations could be negatively affected for some period of time. At the date of these financial statements, management is unable to quantify the potential effects of this pandemic on future operations

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 12, 2021 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, 2020 and 2019

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 2020 and 2019 was 5%. In 2020 and 2019, 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 4.7% and 3.1%, 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 2020 and 2019 to assist the Community in funding a portion of the 2020 and 2019 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, 2020 and 2019. 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>2020</u>			
Original donor restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ 5,880,910	\$958,228	\$ 6,839,138
Accumulated investment gains	<u>10,898,140</u>	<u>—</u>	<u>10,898,140</u>
Total endowment net assets	<u>\$16,779,050</u>	<u>\$958,228</u>	<u>\$17,737,278</u>

THE HAVENWOOD-HERITAGE HEIGHTS TRUST FUND

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2020 and 2019

2. Classification of Net Assets (Continued)

	<u>With Donor Restriction</u>		
	<u>Purpose</u>	<u>Perpetual</u>	
	<u>Restriction</u>	<u>in Nature</u>	<u>Total</u>
<u>2019</u>			
Original donor restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ 5,876,670	\$958,228	\$ 6,834,898
Accumulated investment gains	<u>9,259,542</u>	<u>—</u>	<u>9,259,542</u>
Total endowment net assets	<u>\$15,136,212</u>	<u>\$958,228</u>	<u>\$16,094,440</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>Restriction</u>	<u>in Nature</u>	<u>Total</u>
<u>2020</u>			
Net endowment assets, December 31, 2019	\$15,136,212	\$958,228	\$16,094,440
Investment return, net	2,385,755	—	2,385,755
Change in value of gift annuity agreements	(11,835)	—	(11,835)
Contributions and bequests	4,240	—	4,240
Appropriated for expenditure	<u>(735,322)</u>	<u>—</u>	<u>(735,322)</u>
Net endowment assets, December 31, 2020	<u>\$16,779,050</u>	<u>\$958,228</u>	<u>\$17,737,278</u>
<u>2019</u>			
Net endowment assets, December 31, 2018	\$12,283,727	\$958,228	\$13,241,955
Investment return, net	3,311,209	—	3,311,209
Change in value of gift annuity agreements	6,741	—	6,741
Contributions and bequests	27,913	—	27,913
Appropriated for expenditure	<u>(493,378)</u>	<u>—</u>	<u>(493,378)</u>
Net endowment assets, December 31, 2019	<u>\$15,136,212</u>	<u>\$958,228</u>	<u>\$16,094,440</u>

The beneficial interest in trust totaling \$359,274 and \$339,286 at December 31, 2020 and 2019, 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.

THE HAVENWOOD-HERITAGE HEIGHTS TRUST FUND

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2020 and 2019

2. Classification of Net Assets (Continued)

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, 2020 and 2019, the Trust Fund had no underwater endowments.

3. Pooled Investments

Pooled investments consist of the following at December 31:

	2020		2019	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Cash equivalents and certificates of deposit	\$ 279,936	\$ 294,455	\$ 337,332	\$ 346,359
Common equity securities	7,601,354	16,132,567	6,742,581	13,704,307
Fixed income mutual funds	1,158,624	1,270,438	948,882	1,009,867
International equities and mutual funds	2,346,447	2,600,108	2,238,590	2,518,572
Corporate bonds	3,722,240	4,160,742	3,928,366	4,197,088
Municipal bonds	—	—	204,448	234,075
Government and agency bonds	<u>1,907,114</u>	<u>2,188,208</u>	<u>1,908,335</u>	<u>2,047,035</u>
	<u>\$17,015,715</u>	<u>\$26,646,518</u>	<u>\$16,308,534</u>	<u>\$24,057,303</u>

The schedule of corporate and government and agency bond maturities at face value is as follows at December 31, 2020:

Less than 1 year	\$ 700,000
1 to 5 years	1,950,000
5 to 10 years	2,200,000
10 to 15 years	—
Over 15 years	<u>748,000</u>
	<u>\$5,598,000</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.

THE HAVENWOOD-HERITAGE HEIGHTS TRUST FUND

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2020 and 2019

4. Split Interest Agreements (Continued)

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 \$159,238 and \$191,542 at December 31, 2020 and 2019, respectively. Distributions paid on the split interest agreements totaled \$44,140 and \$28,864 for the years ended December 31, 2020 and 2019, respectively.

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>2020</u>		<u>2019</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 7,380	\$ 7,456	\$ 7,810	\$ 7,810
Fixed income mutual funds	139,187	145,620	111,857	114,816
International equity mutual funds	133,960	160,147	133,728	142,871
Domestic equity mutual funds	<u>252,573</u>	<u>384,426</u>	<u>279,276</u>	<u>397,435</u>
	<u>\$533,100</u>	<u>\$697,649</u>	<u>\$532,671</u>	<u>\$662,932</u>

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, 2020 and 2019, the Trust Fund has recorded its beneficial interest in trust of \$359,274 and \$339,286, respectively.

THE HAVENWOOD-HERITAGE HEIGHTS TRUST FUND

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2020 and 2019

6. Line of Credit

The Trust Fund has entered into a demand line of credit with a financial institution. The amount available under the line of credit was reduced from \$4,500,000 to \$2,500,000 in May 2020. At December 31, 2020 and 2019, \$1,783,078 and \$1,883,078, respectively, was outstanding under this agreement. These funds were for the purpose of supporting the construction to expand housing units by the Community. Advances under the line are based upon a formula based upon certain percentages of specified investment balances. Borrowings under the line of credit bear interest equal to the one month LIBOR rate plus 1.0% (1.14% at December 31, 2020), and are collateralized by the Trust Fund's unrestricted investments. In the event LIBOR is discontinued while the agreement remains in place, a replacement rate will be assigned, as determined by the bank. The line of credit is subject to renewal on June 30 of each year.

The loan agreement places certain restrictions on the Trust related to incurring additional indebtedness, making certain loans or advances, selling or disposing of assets, and mergers, consolidations or acquisitions, among other restrictions.

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 2020 and 2019.

At December 31, 2020 and 2019, the Trust Fund owed the Community \$294,991 and \$136,228, 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.

THE HAVENWOOD-HERITAGE HEIGHTS TRUST FUND

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2020 and 2019

8. Fair Value Measurements (Continued)

- 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, 2020 and 2019, 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 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

Years Ended December 31, 2020 and 2019

8. 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>2020</u>				
Cash equivalents and certificates of deposit	\$ 142,884	\$ 159,027	\$ –	\$ 301,911
Common equity securities:				
Consumer nondurables	1,840,546	–	–	1,840,546
Consumer services	695,220	–	–	695,220
Business products and services	4,263,797	–	–	4,263,797
Capital goods	2,520,040	–	–	2,520,040
Industrial/electronics	2,465,704	–	–	2,465,704
Energy	391,737	–	–	391,737
Basic industries	587,678	–	–	587,678
Transportation	186,440	–	–	186,440
Financial	1,134,755	–	–	1,134,755
Utilities	376,000	–	–	376,000
Other assets	534,244	–	–	534,244
Energy	143,964	–	–	143,964
Financials	591,268	–	–	591,268
Industrials	155,804	–	–	155,804
Information technology	245,370	–	–	245,370
Fixed income mutual funds	1,416,058	–	–	1,416,058
International equities and mutual funds	2,760,255	–	–	2,760,255
Domestic equity mutual funds:				
Small cap	40,536	–	–	40,536
Mid cap	53,531	–	–	53,531
Large cap	51,545	–	–	51,545
Blend	238,814	–	–	238,814
Corporate bonds	–	4,160,742	–	4,160,742
Government and agency bonds	–	2,188,208	–	2,188,208
Beneficial interest in trust	–	359,274	–	359,274
	<u>\$20,836,190</u>	<u>\$6,867,251</u>	<u>\$ –</u>	<u>\$27,703,441</u>
Assets detailed above include:				
Investments, pooled				\$26,646,518
Investments, charitable gift annuities				697,649
Beneficial interest in trust				<u>359,274</u>
				<u>\$27,703,441</u>

THE HAVENWOOD-HERITAGE HEIGHTS TRUST FUND

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2020 and 2019

8. Fair Value Measurements (Continued)

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>2019</u>				
Cash equivalents and certificates of deposit	\$ 195,142	\$ 159,027	\$ —	\$ 354,169
Common equity securities:				
Consumer nondurables	1,731,158	—	—	1,731,158
Consumer services	601,105	—	—	601,105
Business products and services	3,558,152	—	—	3,558,152
Capital goods	1,977,951	—	—	1,977,951
Industrial/electronics	1,959,222	—	—	1,959,222
Energy	540,492	—	—	540,492
Basic industries	479,760	—	—	479,760
Transportation	161,940	—	—	161,940
Financial	1,545,041	—	—	1,545,041
Utilities	318,400	—	—	318,400
Other assets	497,783	—	—	497,783
Industrials	106,946	—	—	106,946
Information technology	226,357	—	—	226,357
Fixed income mutual funds	1,124,683	—	—	1,124,683
International equities and mutual funds	2,661,443	—	—	2,661,443
Domestic equity mutual funds:				
Small cap	21,511	—	—	21,511
Mid cap	30,164	—	—	30,164
Large cap	62,170	—	—	62,170
Blend	283,590	—	—	283,590
Corporate bonds	—	4,197,088	—	4,197,088
Government and agency bonds	—	2,047,035	—	2,047,035
Municipal bonds	—	234,075	—	234,075
Beneficial interest in trust	<u>—</u>	<u>339,286</u>	<u>—</u>	<u>339,286</u>
	<u>\$18,083,010</u>	<u>\$6,976,511</u>	<u>\$ —</u>	<u>\$25,059,521</u>
Assets detailed above include:				
Investments, pooled				\$24,057,303
Investments, charitable gift annuities				662,932
Beneficial interest in trust				<u>339,286</u>
				<u>\$25,059,521</u>

THE HAVENWOOD-HERITAGE HEIGHTS TRUST FUND

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2020 and 2019

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, 2020:

Financial assets at year end:

Cash and cash equivalents	\$ 260,649
Investments, pooled	26,646,518
Investments, charitable gift annuities	<u>697,649</u>
	27,604,816

Less amounts not available to be used within one year:

Net assets with donor restrictions	(17,737,278)
Charitable gift annuities	(697,649)
Amounts pledged on line of credit	<u>(1,783,078)</u>
	<u>(20,218,005)</u>

Financial assets available to meet general expenditures within one year

\$ 7,386,811

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 \$16,063,029 at December 31, 2020 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. The Trust Fund also has borrowings available under its line of credit as discussed in Note 6.

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>2020</u>			
Contributions to the Community	\$ 8,723	\$ —	\$ 8,723
Support of residents and Community	659,608	—	659,608
Distributions to annuitants	—	6,600	6,600
Administrative support	—	96,218	96,218
Interest	<u>32,855</u>	<u>—</u>	<u>32,855</u>
	<u>\$701,186</u>	<u>\$102,818</u>	<u>\$804,004</u>

THE HAVENWOOD-HERITAGE HEIGHTS TRUST FUND

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2020 and 2019

10. Functional Expenses (Continued)

	<u>Program (Community)</u>	<u>Administrative</u>	<u>Total</u>
<u>2019</u>			
Contributions to the Community	\$ 1,751	\$ –	\$ 1,751
Support of residents and Community	420,849	–	420,849
Distributions to annuitants	–	25,758	25,758
Administrative support	–	100,892	100,892
Interest	<u>68,047</u>	<u>–</u>	<u>68,047</u>
	<u>\$490,647</u>	<u>\$126,650</u>	<u>\$617,297</u>

The Trust Fund did not incur any significant fundraising costs during 2020 and 2019. The categories of expenses above were recorded to the program or supporting function to which the expenses directly related. Interest is allocated to program because the proceeds were used to fund construction at the Community, as discussed in Note 6.