THORNWELL

FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2019 and 2018

And Report of Independent Auditor

Cherry Bekaert LLP
CPAs & Advisors

THORNWELL

TABLE OF CONTENTS

Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor

To the Board of Trustees
Thornwell
Clinton, South Carolina

We have audited the accompanying financial statements of Thornwell, which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses, 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.

Auditor's 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 of 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 auditor's 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 Thornwell'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 Thornwell'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 Thornwell as of December 31, 2019 and 2018, and the results of its activities and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 14 of the financial statements, in March 2020, the World Health Organization classified an outbreak of the novel strain of coronavirus (COVID-19) a global pandemic. Given the uncertainty of the situation, the duration of any business and economic disruption and related financial impact cannot be reasonably estimated at this time. Management's evaluation of the events and conditions are also described in Note 14. Our opinion is not modified in respect to this matter.

Cherry Bekaert LLP

Greenville, South Carolina
July 9, 2020

THORNWELL

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2019 AND 2018

	2019	2018
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 1,692,801	$ 661,752
Accounts receivable, net	248,131	213,809
Current portion pledges receivable	659,488	904,248
Prepaid expenses	86,157	83,583
Other current assets	37,892	31,666
Total Current Assets	2,724,469	1,895,058
Property, Plant, and Equipment, Net	11,463,918	6,440,113
Other Assets:		
Investments, at fair value	35,681,164	35,140,077
Trust fund assets, at fair value	6,616,788	5,861,690
Real estate held for investment	2,949,606	3,274,540
Net pledges receivable, less current portion	346,711	612,533
Other	71,995	73,671
Total Other Assets	45,666,264	44,962,511
Total Assets	$ 59,854,651	$ 53,297,682
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	$ 308,216	$ 99,104
Accrued payroll, payroll taxes, and employee benefits	312,971	176,232
Accrued expenses	86,857	94,112
Deferred revenue	41,848	-
Line of credit	-	314,692
Total Current Liabilities	749,892	684,140
Total Liabilities	749,892	684,140
Net Assets:		
Without donor restrictions	37,029,481	32,664,216
With donor restrictions	22,075,278	19,949,326
Total Net Assets	59,104,759	52,613,542
Total Liabilities and Net Assets	$ 59,854,651	$ 53,297,682

THORNWELL

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support:			
Contributions and gifts	$ 5,982,392	$ 432,172	$ 6,414,564
Fees for services	1,713,912	-	1,713,912
Grants	982,513	-	982,513
Investment return, net	4,033,749	2,075,589	6,109,338
Change in fair value of restricted trusts	-	755,098	755,098
Other support	430,879	-	430,879
Net assets released from restrictions:			
Satisfaction of program restrictions	1,136,907	(1,136,907)	-
Total Revenues and Other Support	14,280,352	2,125,952	16,406,304
Expenses:			
Program services	8,259,707	-	8,259,707
Supporting services:			
Administration and general	787,225	-	787,225
Fundraising	868,155	-	868,155
Total Expenses	9,915,087	-	9,915,087
Change in net assets	4,365,265	2,125,952	6,491,217
Net assets, beginning of year	32,664,216	19,949,326	52,613,542
Net assets, end of year	$ 37,029,481	$ 22,075,278	$ 59,104,759

The accompanying notes to the financial statements are an integral part of these statements.

THORNWELL

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support:			
Contributions and gifts	$ 5,484,329	$ 1,010,965	$ 6,495,294
Fees for services	1,970,171	-	1,970,171
Grants	952,248	-	952,248
Investment return, net	(1,088,802)	(676,875)	(1,765,677)
Change in fair value of trusts	-	(568,930)	(568,930)
Other support	341,475	-	341,475
Net assets released from restrictions:			
Satisfaction of program restrictions	696,896	(696,896)	-
Total Revenues and Other Support	8,356,317	(931,736)	7,424,581
Expenses:			
Program services	7,896,688	-	7,896,688
Supporting services:			
Administration and general	751,678	-	751,678
Fundraising	901,551	-	901,551
Total Expenses	9,549,917	-	9,549,917
Change in net assets	(1,193,600)	(931,736)	(2,125,336)
Net assets, beginning of year	33,857,816	20,881,062	54,738,878
Net assets, end of year	$ 32,664,216	$ 19,949,326	$ 52,613,542

THORNWELL

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2019

		Supporting Services			
	Program Services	Administration and General	Fundraising	Total Supporting Services	Total
Salaries and wages	$ 4,105,218	$ 497,493	$ 448,282	$ 945,775	$ 5,050,993
Payroll taxes	294,406	23,792	32,463	56,255	350,661
Employee related expenses	622,674	38,070	46,373	84,443	707,117
Retirement	144,084	37,301	22,789	60,090	204,174
Total Salary and Benefits	5,166,382	596,656	549,907	1,146,563	6,312,945
Utilities	345,428	20,483	25,131	45,614	391,042
Insurance	277,306	15,272	15,272	30,544	307,850
Travel, entertainment, and lodging	167,492	10,920	26,532	37,452	204,944
Contractual services	515,942	58,432	26,815	85,247	601,189
Children's clothing and activities	98,681	-	56	56	98,737
Postage	6,603	404	48,890	49,294	55,897
Painting, cleaning, and maintenance contracts	97,260	4,471	6,774	11,245	108,505
Other	159,414	6,709	4,053	10,762	170,176
Food	263,192	6,286	18,411	24,697	287,889
Supplies	213,418	8,238	8,611	16,849	230,267
Printing	16,962	689	71,215	71,904	88,866
Technology	80,749	19,879	34,963	54,842	135,591
Repairs and maintenance	120,272	5,625	5,625	11,250	131,522
Total Expenses Before Depreciation	7,529,101	754,064	842,255	1,596,319	9,125,420
Depreciation	659,692	29,221	21,960	51,181	710,873
Interest	70,914	3,940	3,940	7,880	78,794
Total Expenses	$ 8,259,707	$ 787,225	$ 868,155	$ 1,655,380	$ 9,915,087

THORNWELL

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2018

	Program Services	Supporting Services: Administration and General	Supporting Services: Fundraising	Supporting Services: Total Supporting Services	Total
Salaries and wages	$ 3,994,091	$ 476,323	$ 463,548	$ 939,871	$ 4,933,962
Payroll taxes	288,015	24,129	33,954	58,083	346,098
Employee related expenses	656,256	37,812	52,258	90,070	746,326
Retirement	151,413	39,793	27,515	67,308	218,721
Total Salary and Benefits	5,089,775	578,057	577,275	1,155,332	6,245,107
Utilities	339,245	19,751	21,871	41,622	380,867
Insurance	235,703	12,965	12,965	25,930	261,633
Travel, entertainment, and lodging	142,893	8,300	31,464	39,764	182,657
Contractual services	425,797	52,353	37,531	89,884	515,681
Children's clothing and activities	121,719	-	1,950	1,950	123,669
Postage	7,534	424	55,993	56,417	63,951
Painting, cleaning, and maintenance contracts	122,539	6,264	6,264	12,528	135,067
Other	182,158	6,323	3,519	9,842	192,000
Food	245,574	3,248	20,981	24,229	269,803
Supplies	162,679	10,090	9,438	19,528	182,207
Printing	35,318	2,090	72,308	74,398	109,716
Technology	77,822	22,149	28,327	50,476	128,298
Repairs and maintenance	87,976	3,588	3,588	7,176	95,152
Total Expenses Before Depreciation	7,276,732	725,602	883,474	1,609,076	8,885,808
Depreciation	619,956	26,076	18,077	44,153	664,109
Total Expenses	$ 7,896,688	$ 751,678	$ 901,551	$ 1,653,229	$ 9,549,917

The accompanying notes to the financial statements are an integral part of these statements.

THORNWELL
STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	$ 6,491,217	$ (2,125,336)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Net realized and unrealized losses (gains) on investments and real estate held for investment	(4,619,217)	2,988,944
Change in fair value of restricted trusts	(755,098)	568,930
Depreciation	710,873	664,109
Change in assets and liabilities:		
Accounts receivable	(34,322)	(213,059)
Prepaid expenses and other assets	(7,124)	3,713
Pledges receivable	510,582	(857,351)
Accounts payable	209,112	52,310
Accrued payroll, payroll taxes, and employee benefits	136,739	(46,693)
Accrued expenses	(7,255)	788
Deferred revenue	41,848	-
Net cash from operating activities	2,677,355	1,036,355
Cash flows from investing activities:		
Net sale (purchases) of investments and real estate held for investment	4,403,064	(782,487)
Purchases of property, plant, and equipment	(5,734,678)	(1,359,482)
Net cash from investing activities	(1,331,614)	(2,141,969)
Cash flows from financing activities:		
Proceeds from (payments on) line of credit, net	(314,692)	314,692
Net cash from financing activities	(314,692)	314,692
Net change in cash and cash equivalents	1,031,049	(790,922)
Cash and cash equivalents, beginning of year	661,752	1,452,674
Cash and cash equivalents, end of year	$ 1,692,801	$ 661,752
Supplemental noncash disclosure of cash flow information:		
Interest paid	$ 78,794	$ 604

The accompanying notes to the financial statements are an integral part of these statements.

Note 1—Organization and nature of operations

Located in Clinton, South Carolina, Thornwell is maintained and operated for the support, maintenance, and education of children and their families.

Note 2—Summary of significant accounting policies

General – The financial statements of Thornwell have been prepared on the accrual basis and in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

Revenue Recognition – Contributions received and unconditional promises to give are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the year in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return, are not included as support until the conditions are substantially met. Thornwell provides an allowance for uncollectible pledges based on information obtained from advisors, peer organizations, and other factors. Collections of pledges written off or fully reserved in prior years are recorded as contributions in the year received. Thornwell may receive, in some years, large bequests or proceeds from grantor trusts that are significant in relation to the total revenue. The timing of these gifts, as well as the frequency, is not predictable.

Fees from services are recorded as revenue as the services are performed based on agreed-upon rates. The performance obligation of delivering care to children and their families is simultaneously received and consumed by the families; therefore, the revenue is recognized ratably over the period of performance. Fees received in advance of services to be rendered are recorded as deferred revenue.

A portion of Thornwell's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when Thornwell has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the statements of financial position. Thornwell received cost-reimbursable grants of zero that have not been recognized at December 31, 2019 and 2018 because qualifying expenditures have not yet been incurred, with an advance payment of $41,848 and zero recognized in the statements of financial position as deferred revenue at December 31, 2019 and 2018, respectively.

Classification of Net Assets – Net assets have been grouped into the following two classes:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed stipulations and include all revenues, expenses, and losses that are not changes in net assets with donor restrictions. Net assets without donor restrictions include Thornwell's operating and plant accounts.

Net Assets With Donor Restrictions – Net assets that include gifts, grants, income, gains, and pledges for which donor imposed restrictions have not been met and allocated earnings and changes in fair value on endowed investments not yet appropriated by the Board of Trustees as well as gifts and trusts which require that the corpus be invested in perpetuity in accordance with donor restrictions and gains which have been donor-stipulated to be permanently invested.

Note 2—Summary of significant accounting policies (continued)

Use of Estimates – The preparation of financial statements in conformity with U.S. GAAP 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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents – Cash and cash equivalents consist of cash held in checking and money market accounts and certificates of deposit with maturities of less than 90 days. Those instruments are used to temporarily invest endowment funds until appropriate investments are identified. As of December 31, 2019 and 2018, $129,357 and $90,674, respectively, was included in cash and cash equivalents that was designated by the Board of Trustees to be invested in the board-designated endowment.

Allocation of Expenses – The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation and plant operations and maintenance, which are allocated ratably across functions based on usage.

Fundraising Expenses – Thornwell incurs costs associated with fundraising activities that include salaries, benefits, marketing, postage, and other fundraising costs.

Investments – Marketable equity and debt securities are recorded at fair value, with realized and unrealized gains and losses reported in the statements of activities. The fair values of investment in funds are determined monthly by the funds' administrators based on current market values or independent valuations of the underlying assets.

Investments acquired by gift, including real estate, are recorded at fair value at the date of gift. See Note 13 for additional information on fair value measurements.

Interests in Trusts Held by Others – The interest in assets held by others in split-interest agreements are recorded at their fair market value when received. Liabilities incurred in the exchange portion of an agreement, usually an agreement to pay an annuity to the donor, are also recognized.

Perpetual Trusts – Thornwell has interests in perpetual trusts and accordingly has an irrevocable right to receive income earned from the trusts' assets in perpetuity. Because of the perpetual aspect of the trusts, Thornwell will never receive the trusts' assets or corpus. Upon donation, Thornwell recognizes an asset representing its beneficial interest in the perpetual trust based on the present value of the estimated future distributions from trust assets. Thornwell reviews interests in perpetual trusts annually to recognize the current fair value of these assets.

Real Estate Held for Investment – Real estate assets held for investment acquired by gift are recorded at fair value as of the date of gift and are periodically subject to appraisals to assess changes in fair value.

Note 2—Summary of significant accounting policies (continued)

Property, Plant, and Equipment – Property, plant, and equipment are recorded at cost. Donated assets are recorded at fair value at the date of donation. Expenditures for maintenance and repairs are charged to expense as incurred; betterments and renewals are capitalized.

Depreciation is provided over the estimated useful lives of the assets and computed on the straight-line basis. A summary of depreciable lives follows:

Buildings, residences, and other structures	5 to 40 years
Building and land improvements	2 to 50 years
Equipment, furniture, and vehicles	2 to 30 years

Thornwell reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions in the statements of activities as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, Thornwell reports the support as net assets without donor restrictions. Thornwell reports gifts of goods and equipment as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, Thornwell reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Income Tax Status – Thornwell is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. Management has evaluated the effect of the guidance provided by Financial Accounting Standards Board ("FASB") on Accounting for Uncertainty in Income Taxes. Management believes that Thornwell continues to satisfy the requirements of a tax-exempt organization at December 31, 2019. Management has evaluated all other tax positions that could have a significant effect on the financial statements and determined Thornwell had no significant uncertain income tax positions at December 31, 2019.

Recently Issued Accounting Pronouncements Adopted – In May 2014, FASB issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers*. The standard's core principle is that an entity will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This standard also includes expanded disclosure requirements that result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the entity's contracts with customers. Thornwell retrospectively adopted the provisions of this standard during the year ended December 31, 2019. There was no material impact on Thornwell's financial position and results of operations upon adoption of the new standard.

In November 2016, FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230) – Restricted Cash*. This standard requires amounts generally described as restricted cash and restricted cash equivalents to be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. Thornwell has adopted ASU 2016-18 retrospectively for all periods presented. There was no material impact to the financial statements and underlying accounting as a result of this adoption.

Note 2—Summary of significant accounting policies (continued)

In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard provides guidance on determining whether a transaction should be accounted for as a contribution or as an exchange transaction. The adoption of this standard allows for contributions to follow guidance in FASB Accounting Standards Codification (“ASC”) 958-605, *Not-for-Profit Entities (Topic 958) – Revenue Recognition*, rather than the guidance provided in ASU 2014-09 discussed above. Thornwell has adopted ASU 2018-08 on the modified prospective basis for all periods presented. There was no material impact to the financial statements and underlying accounting as a result of this adoption.

Recently Issued Accounting Pronouncements Not Yet Adopted – In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the statement of financial position at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the statement of activities. In June 2020, FASB issued ASU 2020-05 *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842)*, which provided for a deferral of the effective date of Topic 842 by one year, due to the ongoing uncertainties and difficulties related to the COVID-19 pandemic (see Note 14). Under this deferral, the Thornwell’s effective date of Topic 842 is the year ended December 31, 2022. Thornwell is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

Note 3—Liquidity and availability

Thornwell regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. Thornwell has various sources of liquidity at its disposal, including cash and cash equivalents, marketable debt and equity securities, and a line of credit. For purposes of analyzing resources available to meet general expenditures over a 12-month period, Thornwell considers all expenditures related to its support, maintenance, and education of children and their families as well as the conduct of services undertaken to support those activities to be general expenditures.

Financial assets available to meet cash needs for general expenditures within one year consist of the following at December 31:

	2019	2018
Financial assets available to meet general expenditures over the next 12 months:		
Cash and cash equivalents	$ 1,692,801	$ 661,752
Less cash and cash equivalents to be transferred to endowment	(129,357)	(90,674)
Accounts receivable, net	248,131	213,809
Contributions receivable for general expenditures due in one year or less	375,552	715,415
Gift suspense	30,206	31,666
Payout on endowments for use over next 12 months	1,798,754	1,720,000
Use of unrestricted bequests as approved by the board as needed	1,969,776	1,260,000
Financial assets available to meet general expenditures over the next 12 months	$ 5,985,863	$ 4,511,968

Note 3—Liquidity and availability (continued)

In addition to financial assets available to meet general expenditures over the next 12 months, Thornwell operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

In addition to the amounts in the table above, Thornwell's board-designated endowment of $21,831,381 and $22,796,833 at December 31, 2019 and 2018, respectively, are subject to an annual spending rate as described in Note 8. Although Thornwell does not intend to spend from this board-designated endowment (other than amounts appropriated for general expenditure as part of the board's annual budget approval and appropriation), these amounts could be made available if necessary. As described in Note 9, Thornwell also has a line of credit that is available for general operating needs subject to board approval.

Note 4—Pledges receivable

Unconditional promises to give are included in the financial statements as contributions receivable and contributions and gifts revenue of the appropriate net asset category. Contributions receivable are recorded at the present value of the future cash flows.

Unconditional promises to give at December 31 are expected to be realized in the following years:

	2019	2018
In one year or less	$ 659,488	$ 904,248
Between one year and five years	434,423	674,266
More than five years	615	4,818
	1,094,526	1,583,332
Less unamortized present value discount		
(discount rates ranging from 1.8% to 3.6%)	(6,833)	(17,149)
Less allowance for doubtful pledges	(81,494)	(49,402)
	1,006,199	1,516,781
Less current portion	(659,488)	(904,248)
Net pledges receivable, less current portion	$ 346,711	$ 612,533

Note 5—Investments

Investments consist of the following at December 31:

	2019	2018
Short-term investments	$ 947,878	$ 5,788,260
U.S. government and agency securities	-	396,688
Common stocks - domestic	703,960	301,850
Preferred stocks	7,679,858	4,685,860
Mutual funds	22,515,305	20,228,705
Corporate bonds - domestic	3,834,163	3,738,714
Total investment securities	35,681,164	35,140,077
Real estate held for investment	2,949,606	3,274,540
Total investments	$ 38,630,770	$ 38,414,617

Note 6—Trust fund assets

Thornwell is the beneficiary under the terms of various trusts. Trust fund assets consist of the following at December 31:

	2019	2018
Interests in trusts held by others	$ 6,616,788	$ 5,861,690

Note 7—Property, plant, and equipment

Property, plant, and equipment included the following at December 31:

	2019	2018
Land and land improvements	$ 1,025,724	$ 1,025,724
Buildings and building improvements	25,148,001	20,542,008
Furniture and equipment	1,891,668	1,778,651
Vehicles	707,139	666,926
Construction in progress	1,453,905	478,450
	30,226,437	24,491,759
Less accumulated depreciation	(18,762,519)	(18,051,646)
Property, plant, and equipment, net	$ 11,463,918	$ 6,440,113

Note 8—Endowments

Thornwell's endowments consist of individual funds established for a variety of purposes. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law – The Board of Trustees of Thornwell has interpreted the South Carolina Uniform Prudent Management of Institutional Funds Act ("SCUPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Thornwell classifies as net assets with donor restrictions held in perpetuity: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the endowment fund that is not classified in net assets with donor restrictions held in perpetuity is classified as net assets with donor restrictions due to purpose/time restrictions until those amounts are appropriated for expenditure by Thornwell in a manner consistent with the standard of prudence prescribed by SCUPMIFA. In accordance with SCUPMIFA, Thornwell considers the following factors in making a determination to appropriate or accumulate endowment funds:

1. The duration and preservation of the fund,
2. The purposes of Thornwell 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 Thornwell, and
7. The investment policies of Thornwell

Funds with Deficiencies – From time to time, the fair value of assets associated with individual board-designated endowment funds may fall below the level that the donor or SCUPMIFA requires Thornwell to retain as a fund of perpetual duration. Deficiencies can result from unfavorable market fluctuations and continued appropriation for certain programs that were deemed prudent by the Board of Trustees. Deficiencies of this nature that are reported in net assets with donor restrictions were zero as of December 31, 2019 and 2018.

Note 8—Endowments (continued)

Return Objectives and Risk Parameters – Thornwell has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of board-designated funds that Thornwell must hold in perpetuity or for donor-specified periods. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce reasonable investment returns while assuming a moderate level of investment risk.

Strategies Employed for Achieving Objectives – To satisfy its long-term rate-of-return objectives, Thornwell relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Thornwell targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy – Thornwell has a policy of appropriating for distribution each year 5% of its endowment fund's preceding 12 quarters rolling average as of June 30 of the preceding fiscal year in which the distribution is planned. In establishing this policy, Thornwell has considered the long-term expected return on its endowment. Accordingly, over the long term, Thornwell expects the current spending policy to allow its endowment to grow at a reasonable rate. This is consistent with Thornwell's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return. In addition to the 5% distribution per the spending policy, additional funds may be withdrawn from board-designated endowment funds with board approval.

Endowment net asset composition by type of fund as of December 31:

	2019		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Donor-restricted endowment funds	$ -	$ 20,433,750	$ 20,433,750
Board-designated endowment funds	21,831,381	-	21,831,381
	$ 21,831,381	$ 20,433,750	$ 42,265,131

	2018		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Donor-restricted endowment funds	$ -	$ 18,148,264	$ 18,148,264
Board-designated endowment funds	22,796,833	-	22,796,833
	$ 22,796,833	$ 18,148,264	$ 40,945,097

Note 8—Endowments (continued)

Changes in endowment net assets for the years ended December 31:

	2019		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Endowment net assets, beginning of year	$ 22,796,833	$ 18,148,264	$ 40,945,097
Investment return	3,805,468	2,815,853	6,621,321
Other activities:			
Contributions	1,049,327	117,010	1,166,337
Board approved withdrawals	(5,746,282)	(607,036)	(6,353,318)
Fees	(73,965)	(40,341)	(114,306)
Total other activities	(4,770,920)	(530,367)	(5,301,287)
Endowment net assets, end of year	$ 21,831,381	$ 20,433,750	$ 42,265,131

	2018		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Endowment net assets, beginning of year	$ 24,253,289	$ 19,923,822	$ 44,177,111
Investment return	(1,202,839)	(1,238,271)	(2,441,110)
Other activities:			
Contributions	865,103	92,251	957,354
Board approved withdrawals	(1,046,245)	(588,755)	(1,635,000)
Fees	(72,475)	(40,783)	(113,258)
Total other activities	(253,617)	(537,287)	(790,904)
Endowment net assets, end of year	$ 22,796,833	$ 18,148,264	$ 40,945,097

Note 9—Line of credit

During 2018, Thornwell entered into a $5,000,000 line of credit agreement with a financial institution. At December 31, 2019 and 2018, the amount outstanding totaled zero and $314,692, respectively, and the availability on the line of credit was $5,000,000 and $4,685,308, respectively. The interest expense is based on LIBOR plus 1.75%, which was 3.50% and 4.21% at December 31, 2019 and 2018, respectively. The line of credit is due on demand.

Note 10—Restrictions and limitations on net asset balances

Net assets with donor restrictions are available for the following purposes at December 31:

Subject to expenditure for specified purpose:

	2019	2018
General, instructional, and scholarships	$ 4,245,045	$ 2,911,686
Property, plant, and equipment	-	79,515
Annuities and split-interest agreements	162,177	147,343
	$ 4,407,222	$ 3,138,544

Endowment funds required to be retained permanently by explicit donor stipulation:

	2019	2018
Endowed general, instructional, and scholarships	$ 11,213,445	$ 11,096,435
Endowed trust funds	6,454,611	5,714,347
	$ 17,668,056	$ 16,810,782

Once appropriated, the income from funds require to be retained permanently is expendable for donor-restricted purposes.

There are no net assets with donor restrictions that represent Board designated net assets. Thornwell's Board has not designated net assets without donor restrictions for purposes other than quasi-endowment.

Note 11—Retirement plans

Thornwell maintains a defined contribution plan covering substantially all full-time employees. Thornwell contributes 3% of gross wages for all covered employees with one year of eligible service. Thornwell may make discretionary matching contributions to eligible participants up to 3% of employee contributions. Contributions to the plan were $175,826 and $177,425 for the years ended December 31, 2019 and 2018, respectively.

For clergy members and originally covered employees, a defined benefit plan is administered by the Board of Pensions of the Presbyterian Church USA. Contributions to the plan were $20,594 and $20,930 for the years ended December 31, 2019 and 2018, respectively. Information regarding the plan is available from the plan administrator at the following address:

The Board of Pensions of the Presbyterian Church USA
2000 Market Street
Philadelphia, PA 19103-3298

Note 12—Contingencies

Credit Risk – Financial instruments, which potentially subject Thornwell to concentrations of credit risk, consist principally of cash and investments deposited in financial institutions in excess of federally insured limits. The Federal Deposit Insurance Corporation insures cash balances up to $250,000 per bank. Thornwell's cash and cash equivalents are held at multiple financial institutions, and exceeded the federally insured amount by $1,258,712 at December 31, 2019. Thornwell's investments are held at Merrill Lynch.

Litigation – From time to time, Thornwell is a party to various legal proceedings arising from normal operations. Management believes that no material losses are anticipated in connection with these matters at December 31, 2019.

Note 13—Fair value measurements

ASC Topic 820, *Fair Value Measurements*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 – Quoted market prices in active markets for identical assets or liabilities.

Level 2 – Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3– Unobservable inputs that are not corroborated by market data.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following table sets forth, within the fair value hierarchy, Thornwell's assets and liabilities at fair value on a recurring basis as of December 31:

	Assets and Liabilities at Fair Value as of December 31, 2019			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Short-term investments	$ 947,878	$ -	$ -	$ 947,878
Common stocks - domestic	703,960	-	-	703,960
Preferred stocks	7,679,858	-	-	7,679,858
Mutual funds	22,515,305	-	-	22,515,305
Corporate bonds - domestic	3,834,163	-	-	3,834,163
Total investments	35,681,164	-	-	35,681,164
Perpetual trusts held by third party	-	6,616,788	-	6,616,788
Total assets at fair value	$ 35,681,164	$ 6,616,788	$ -	$ 42,297,952

Note 13—Fair value measurements (continued)

	Assets and Liabilities at Fair Value as of December 31, 2018			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Short-term investments	$ 5,788,260	$ -	$ -	$ 5,788,260
U.S. government and agency securities	396,688	-	-	396,688
Common stocks - domestic	301,850	-	-	301,850
Preferred stocks	4,685,860	-	-	4,685,860
Mutual funds	20,228,705	-	-	20,228,705
Corporate bonds - domestic	3,738,714	-	-	3,738,714
Total investments	35,140,077	-	-	35,140,077
Perpetual trusts held by third party	-	5,861,690	-	5,861,690
Total assets at fair value	$35,140,077	$ 5,861,690	$ -	$41,001,767

Measurement at fair value on a nonrecurring basis at December 31, 2019:

	Level 1	**Level 2**	**Level 3**	**Total**
Real estate held for resale	$ -	$ 2,949,606	$ -	$ 2,949,606
	$ -	$ 2,949,606	$ -	$ 2,949,606

Measurement at fair value on a nonrecurring basis at December 31, 2018:

	Level 1	**Level 2**	**Level 3**	**Total**
Real estate held for resale	$ -	$ 3,274,540	$ -	$ 3,274,540
	$ -	$ 3,274,540	$ -	$ 3,274,540

All assets have been valued using a market approach, except for Level 3 assets. Level 3 assets are valued using the income approach. Fair values for assets in Level 2 are calculated using quoted market prices for similar assets in markets that are not active. Fair values for assets in Level 3 are calculated using assumptions about discounted cash flow and other present value techniques. There were no changes in the valuations techniques during the current year.

Note 14—Subsequent events

Toward the end of December 2019, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. During 2020, there have been various mandates and/or requests from federal, state, and local authorities resulting in closures of non-essential businesses, which could negatively impact Thornwell's operations. Although it is not possible to reliably estimate the length or severity of this outbreak and hence its financial impact, the outbreak could result in uncertainties that could affect revenues and profits and could result in other material adverse effects for Thornwell.

In April 2020, Thornwell was granted a loan of $1,181,350 pursuant to the Payroll Protection Program ("PPP") under Division A, Title I of the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"), which was enacted March 27, 2020. The funds from the loan may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations. Thornwell intends to use the entire loan amount for qualifying expenses. Under the terms of the PPP, certain amounts of the loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. The loan matures on April 20, 2022 and bears interest at a rate of 1% per annum, payable monthly commencing in November 2020.

Thornwell has evaluated subsequent events through July 9, 2020, in connection with the preparation of these financial statements, which is the date the financial statements were available to be issued.