THORNWELL

FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2023 and 2022

And Report of Independent Auditor

Cherry Bekaert LLP
Your Guide Forward

THORNWELL
TABLE OF CONTENTS

Cherry Bekaert LLP
Your Guide Forward

Report of Independent Auditor

To the Board of Trustees
Thornwell
Clinton, South Carolina

Opinion

We have audited the accompanying financial statements of Thornwell, which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Thornwell as of December 31, 2023 and 2022, 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. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Thornwell and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe 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 Thornwell's ability to continue as a going concern within one year after the date the financial statements are available to be issued.

Auditor's 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 auditor's 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 generally accepted auditing standards 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 generally accepted auditing standards, 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 Thornwell'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 Thornwell'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.

Cherry Bekaert LLP

Greenville, South Carolina
June 28, 2024

THORNWELL
STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2023 AND 2022

	2023	2022
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 1,498,700	$ 1,258,273
Grants and other receivables	322,893	426,922
Current portion pledges receivable	288,272	366,083
Current portion related party note receivable	84,000	62,667
Prepaid expenses	160,869	227,401
Other current assets	74,208	94,739
Total Current Assets	2,428,942	2,436,085
Property, Plant, and Equipment, net	11,052,672	11,233,437
Other Assets:		
Investments, at fair value	42,167,984	35,247,782
Perpetual trusts held by third parties, at fair value	6,844,160	6,263,970
Real estate held for investment	1,158,403	3,476,455
Net pledges receivable, less current portion	10,135	241,415
Related party note receivable, less current portion	52,000	130,667
Other	41,717	47,571
Total Other Assets	50,274,399	45,407,860
Total Assets	$ 63,756,013	$ 59,077,382
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	$ 111,669	$ 147,299
Accrued payroll, payroll taxes, and employee benefits	338,589	332,669
Accrued expenses	79,894	203,158
Deferred revenue	301,925	48,080
Line of credit	-	133,886
Total Current Liabilities	832,077	865,092
Total Liabilities	832,077	865,092
Net Assets:		
Without donor restrictions	40,956,799	37,100,160
With donor restrictions	21,967,137	21,112,130
Total Net Assets	62,923,936	58,212,290
Total Liabilities and Net Assets	$ 63,756,013	$ 59,077,382

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

THORNWELL
STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support:			
Contributions and gifts	$ 5,298,531	$ 199,677	$ 5,498,208
Fees for services	2,192,298	-	2,192,298
Grants	1,128,145	-	1,128,145
Federal grants (employee retention credit)	568,750	-	568,750
Investment return, net	2,773,081	1,376,202	4,149,283
Change in fair value of perpetual trusts held by third parties	-	580,190	580,190
Other support	477,179	-	477,179
Gain on sale of real estate held for investment	2,861,949	-	2,861,949
Net assets released from restrictions:			
Satisfaction of program restrictions	1,301,062	(1,301,062)	-
Total Revenues and Other Support	16,600,995	855,007	17,456,002
Expenses:			
Program services	9,828,395	-	9,828,395
Supporting Services:			
Administration and general	1,261,593	-	1,261,593
Fundraising	1,654,368	-	1,654,368
Total Expenses	12,744,356	-	12,744,356
Change in net assets	3,856,639	855,007	4,711,646
Net assets, beginning of year	37,100,160	21,112,130	58,212,290
Net assets, end of year	$ 40,956,799	$ 21,967,137	$ 62,923,936

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

THORNWELL
STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support:			
Contributions and gifts	$ 5,368,683	$ 292,182	$ 5,660,865
Fees for services	2,034,354	-	2,034,354
Grants	1,053,757	-	1,053,757
Investment return, net	(3,342,349)	(2,178,883)	(5,521,232)
Change in fair value of perpetual trusts held by third parties	-	(1,635,530)	(1,635,530)
Other support	358,921	-	358,921
Net assets released from restrictions:			
Satisfaction of program restrictions	726,390	(726,390)	-
Total Revenues and Other Support	6,199,756	(4,248,621)	1,951,135
Expenses:			
Program services	9,152,137	-	9,152,137
Supporting Services:			
Administration and general	1,304,637	-	1,304,637
Fundraising	1,586,220	-	1,586,220
Total Expenses	12,042,994	-	12,042,994
Change in net assets	(5,843,238)	(4,248,621)	(10,091,859)
Net assets, beginning of year	42,943,398	25,360,751	68,304,149
Net assets, end of year	$ 37,100,160	$ 21,112,130	$ 58,212,290

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

THORNWELL
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2023

		Supporting Services			
	Program Services	Administration and General	Fundraising	Total Supporting Services	Total
Salaries and wages	$ 4,710,192	$ 781,369	$ 931,328	$ 1,712,697	$ 6,422,889
Payroll taxes	343,312	54,700	67,164	121,864	465,176
Employee insurance	675,833	76,561	144,029	220,590	896,423
Retirement and other payroll expenses	220,693	53,063	57,190	110,253	330,946
Total Salary and Benefits	5,950,030	965,693	1,199,711	2,165,404	8,115,434
Utilities	297,467	18,710	26,187	44,897	342,364
Insurance	348,100	19,129	19,129	38,258	386,358
Travel, entertainment, and lodging	166,559	10,511	47,163	57,674	224,233
Contractual services	802,738	123,662	89,315	212,977	1,015,715
Children's clothing and activities	35,234	-	-	-	35,234
Postage	1,974	234	59,390	59,624	61,598
Painting, cleaning, and maintenance contracts	76,670	2,513	2,513	5,026	81,696
Other	178,156	4,970	4,853	9,823	187,979
Food	416,394	15,958	14,185	30,143	446,537
Supplies	230,316	10,746	16,143	26,889	257,205
Cost of goods sold	115,501	-	-	-	115,501
Printing	10,390	104	98,366	98,470	108,860
Technology	121,211	49,880	35,460	85,340	206,551
Repairs and maintenance	250,579	7,779	11,084	18,863	269,442
Total Expenses Before Depreciation	9,001,319	1,229,889	1,623,499	2,853,388	11,854,707
Depreciation	827,076	31,704	30,869	62,573	889,649
Total Expenses	$ 9,828,395	$ 1,261,593	$ 1,654,368	$ 2,915,961	$ 12,744,356

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

THORNWELL
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2022

		Supporting Services			
	Program Services	Administration and General	Fundraising	Total Supporting Services	Total
Salaries and wages	$ 4,428,370	$ 852,303	$ 903,673	$ 1,755,976	$ 6,184,346
Payroll taxes	320,505	60,655	65,390	126,045	446,550
Employee insurance	631,355	68,296	124,855	193,151	824,506
Retirement and other payroll expenses	209,031	60,009	53,082	113,091	322,122
Total Salary and Benefits	5,589,261	1,041,263	1,147,000	2,188,263	7,777,524
Utilities	326,632	20,515	25,267	45,782	372,414
Insurance	328,433	18,069	18,069	36,138	364,571
Travel, entertainment, and lodging	130,395	15,714	32,028	47,742	178,137
Contractual services	689,615	89,613	93,408	183,021	872,636
Children's clothing and activities	43,562	-	-	-	43,562
Postage	3,471	155	80,367	80,522	83,993
Painting, cleaning, and maintenance contracts	70,024	2,567	2,567	5,134	75,158
Other	158,363	8,922	2,352	11,274	169,637
Food	365,774	12,268	8,939	21,207	386,981
Supplies	213,692	10,675	17,473	28,148	241,840
Cost of goods sold	83,807	-	-	-	83,807
Printing	21,038	473	92,137	92,610	113,648
Technology	113,311	46,912	29,786	76,698	190,009
Repairs and maintenance	212,184	6,115	8,152	14,267	226,451
Total Expenses Before Depreciation	8,349,562	1,273,261	1,557,545	2,830,806	11,180,368
Depreciation	802,575	31,376	28,675	60,051	862,626
Total Expenses	$ 9,152,137	$ 1,304,637	$ 1,586,220	$ 2,890,857	$ 12,042,994

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

THORNWELL
STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
Cash flows from operating activities:		
Change in net assets	$ 4,711,646	$ (10,091,859)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Net realized and unrealized (gains) losses on investments	(2,492,066)	6,901,234
Gain on sale of real estate held for investment	(2,861,949)	-
Change in fair value of perpetual trusts held by third parties	(580,190)	1,635,530
Loss on disposals of property, plant, and equipment	7,950	-
Depreciation	889,649	862,626
Contributions restricted for long-term purposes	(128,149)	(501,462)
Change in assets and liabilities:		
Accounts receivable	104,029	(15,806)
Prepaid expenses and other assets	92,917	(15,509)
Pledges receivable	309,091	606,777
Related party note receivable	57,334	(193,334)
Accounts payable	(35,630)	(36,252)
Accrued payroll, payroll taxes, and employee benefits	5,920	45,589
Accrued expenses	(123,264)	149,601
Deferred revenue	253,845	19,180
Net cash flows from operating activities	211,133	(633,685)
Cash flows from investing activities:		
Net (purchases) sale of investments	(4,428,136)	1,048,008
Proceeds from sale of real estate held for investment	5,180,001	-
Purchases of property, plant, and equipment	(716,834)	(783,325)
Net cash flows from investing activities	35,031	264,683
Cash flows from financing activities:		
(Payments) proceeds from line of credit, net	(133,886)	133,886
Contributions restricted for long-term purposes	128,149	501,462
Net cash flows from financing activities	(5,737)	635,348
Net change in cash and cash equivalents	240,427	266,346
Cash and cash equivalents, beginning of year	1,258,273	991,927
Cash and cash equivalents, end of year	$ 1,498,700	$ 1,258,273
Supplemental noncash disclosure of cash flow information:		
Interest paid	$ 4,043	$ 2,524

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 provides a variety of residential, community-based, and educational services serving children and families across Florida, Georgia, and South Carolina.

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 net present value of their estimated future cash flows. The discounts on those amounts are computed using credit risk adjusted 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 has no cost-reimbursable grants that have not been recognized at December 31, 2023 or 2022 because qualifying expenditures have not yet been incurred. Thornwell has grants in which it receives payments from the grantor in advance of qualifying expenses being incurred. At December 31, 2023 and 2022, grants with advance payments are $297,425 and $45,380, respectively, and are recognized in the statements of financial position as deferred revenue. In addition at December 31, 2023 and 2022, rental security deposits of $4,500 and $2,700, respectively, are recognized in the statements of financial position as deferred revenue.

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, 2023 and 2022, $185,814, and $166,188, respectively, was included in cash and cash equivalents that was designated by the Board of Trustees to be invested in the board-designated endowment or by the donor to be invested permanently in the 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, plant operations, maintenance, technology, and human resources which are allocated ratably across functions based on approximate time and effort attributable to each function.

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.

Perpetual Trusts Held by Third Parties – 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.

Property, Plant, and Equipment – Property, plant, and equipment are recorded at cost. Thornwell capitalizes all property, plant and equipment in excess of $5,000 with a useful life greater than one year. 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

Note 2—Summary of significant accounting policies (continued)

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 Thornwell continues to satisfy the requirements of a tax-exempt organization at December 31, 2023. 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, 2023.

Recently Issued Accounting Pronouncements Adopted – In June 2016, FASB issued Accounting Standards Update ("ASU") 2016-13, *Financial Instruments – Credit Losses* (Topic 326) and subsequently related amendments (ASU 2018-19, ASU 2019-04, ASU 2019-05, ASU 2019-10, ASU 2019-11, and ASU 2022-02). This guidance replaces the existing incurred loss impairment guidance and establishes a single allowance framework for financial assets carried at amortized cost based on expected credit losses. The estimate of expected credit losses requires the incorporation of historical information, current conditions, and reasonable and supportable forecasts. Thornwell adopted this new accounting standard effective January 1, 2023. There was no significant impact to Thornwell's operating results for the current period due to this standard update.

Note 3—Liquidity and availability of resources

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 residential, community-based, and educational services for children and families as well as the conduct of services undertaken to support those activities to be general expenditures.

Note 3—Liquidity and availability of resources (continued)

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

	2023	2022
Financial assets available to meet general expenditures over the next 12 months:		
Cash and cash equivalents	$ 1,498,700	$ 1,258,273
Less cash and cash equivalents to be transferred to endowment	(185,814)	(166,188)
Accounts receivable, net	322,893	426,922
Pledges receivable for general expenditures due in one year or less	288,272	306,254
Gifts in transit, included in other current assets on the statement of financial position	41,186	64,872
Payout on endowments for use over next 12 months	1,955,554	1,908,777
Use of unrestricted bequests as approved by the board as needed	854,250	1,275,000
Financial assets available to meet general expenditures over the next 12 months	$ 4,775,041	$ 5,073,910

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 $27,866,798 and $21,745,388 at December 31, 2023 and 2022, 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 pledges receivable and contributions and gifts revenue of the appropriate net asset category. Pledges receivable are recorded at the net present value of the future cash flows.

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

	2023	2022
In one year or less	$ 288,272	$ 366,083
Between one year and five years	30,250	259,717
	318,522	625,800
Less unamortized present value discount (discount rates ranging from 0.6% to 5.8%)	(1,618)	(15)
Less allowance for doubtful pledges	(18,497)	(18,287)
	298,407	607,498
Less current portion	(288,272)	(366,083)
Net pledges receivable, less current portion	$ 10,135	$ 241,415

Note 5—Investments

Investments consist of the following at December 31:

	2023	2022
Short-term investments	$ 2,846,035	$ 3,896,987
CD's	-	1,274,594
Alternative investments	2,399,047	1,998,227
Index linked equities	2,307,450	1,529,795
Preferred stocks	5,870,470	4,899,220
Mutual funds	27,198,938	20,435,845
Corporate bonds - domestic	1,546,044	1,213,114
Total investment securities	42,167,984	35,247,782
Real estate held for investment	1,158,403	3,476,455
Total investments	$ 43,326,387	$ 38,724,237

Note 6—Perpetual trusts held by third parties

Thornwell is the beneficiary under the terms of various trusts. Perpetual trusts held by third parties consist of the following at December 31:

	2023	2022
Perpetual trusts held by third parties	$ 6,844,160	$ 6,263,970

Note 7—Property, plant, and equipment

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

	2023	2022
Land and land improvements	$ 1,025,724	$ 1,025,724
Buildings and building improvements	28,873,373	28,379,547
Furniture and equipment	2,460,958	2,335,607
Vehicles	563,116	565,536
Breeding livestock	44,922	15,750
Construction in progress	60,567	29,070
	33,028,660	32,351,234
Less accumulated depreciation	(21,975,988)	(21,117,797)
Property, plant, and equipment, net	$ 11,052,672	$ 11,233,437

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 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. Deficits of this nature reported in net assets with donor restrictions were $42,233 and $58,609 as of December 31, 2023 and 2022, respectively. The corpus related to endowment funds with deficits was $338,694 and $489,194 as of December 31, 2023 and 2022, respectively.

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 September 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:

	2023		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Donor-restricted endowment funds	$ -	$ 21,180,420	$ 21,180,420
Board-designated endowment funds	27,866,798	-	27,866,798
	$ 27,866,798	$ 21,180,420	$ 49,047,218

	2022		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Donor-restricted endowment funds	$ -	$ 19,793,308	$ 19,793,308
Board-designated endowment funds	21,745,388	-	21,745,388
	$ 21,745,388	$ 19,793,308	$ 41,538,696

Note 8—Endowments (continued)

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

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 21,745,388	$ 19,793,308	$ 41,538,696
Investment return, net	2,609,750	1,993,860	4,603,610
Contributions	235,748	128,149	363,897
Board-approved withdrawals	(1,622,844)	(685,932)	(2,308,776)
Transfers	4,988,865	-	4,988,865
Fees	(90,109)	(48,965)	(139,074)
Endowment net assets, end of year	$ 27,866,798	$ 21,180,420	$ 49,047,218

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 27,364,692	$ 23,756,328	$ 51,121,020
Investment return, net	(3,579,579)	(3,727,398)	(7,306,977)
Contributions	61,203	501,462	562,665
Board-approved withdrawals	(2,010,343)	(687,860)	(2,698,203)
Bequest fund draw	(9,644)	-	(9,644)
Fees	(80,941)	(49,224)	(130,165)
Endowment net assets, end of year	$ 21,745,388	$ 19,793,308	$ 41,538,696

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, 2023, there was no outstanding balance on the line of credit and the availability on the line of credit was $5,000,000. At December 31, 2022, the amount outstanding totaled $133,886, and the availability on the line of credit was $4,866,114. The line was amended in November 2021 to modify the interest rate to the Bloomberg Short-Term Bank Yield Index (“BSBY”) plus 1.25%, which was 6.69% and 5.57% at December 31, 2023 and 2022, 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:

	2023	2022
Subject to expenditure for specified purpose:		
Endowment earnings for general, instructional, and scholarships	$ 2,365,007	$ 1,674,735
General, instructional, and scholarships	635,972	1,179,575
Total general, instructional, and scholarships	3,000,979	2,854,310
Annuities and split-interest agreements	150,745	139,247
	6,152,703	5,847,867
The corpus of endowment funds required to be retained permanently by explicit donor stipulation:		
Endowed general, instructional, and scholarships	12,121,998	11,993,850
Endowed perpetual trusts held by third parties	6,693,415	6,124,723
	18,815,413	18,118,573
Total net assets with donor restrictions	$ 24,968,116	$ 23,966,440

Once appropriated, the income from funds required to be retained permanently is expendable for donor-restricted purposes. The income from these funds is included in the general, instructional, and scholarships amounts in the above table.

Thornwell's board has not designated net assets without donor restrictions for purposes other than quasi-endowment which totaled $27,866,798 and $21,745,388 at December 31, 2023 and 2022, respectively.

Note 11—Retirement plans

Thornwell maintains a defined contribution plan covering substantially all full-time employees. Thornwell contributes 4% 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 $325,404 and $316,326 for the years ended December 31, 2023 and 2022, respectively.

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 $1,192,712 at December 31, 2023. 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 no material losses are anticipated in connection with these matters at December 31, 2023.

Note 13—Fair value measurements

Accounting Standards Codification ("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's 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. Certain investments that do not have readily determinable fair values including alternative investments are reported at estimated fair value, utilizing the practical expedient of their net asset values. Those net asset values are determined by the investment managers and are reviewed and evaluated by management. These estimated fair values may differ from the values that would have been used had a ready market existed for these investments. Quantitative information for the valuation inputs and related sensitivities of these investments is maintained by third parties and is not reasonably available to Thornwell.

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, 2023:

	Level 1	Level 2	Level 3	NAV	Total
Assets:					
Short-term investments	$ 2,846,035	$ -	$ -	$ -	$ 2,846,035
CD's	-	-	-	-	-
Alternative investments	-	-	-	2,399,047	2,399,047
Index linked equities	-	2,307,450	-	-	2,307,450
Preferred stocks	5,870,470	-	-	-	5,870,470
Mutual funds	27,198,938	-	-	-	27,198,938
Corporate bonds - domestic	1,546,044	-	-	-	1,546,044
Total investments	37,461,487	2,307,450	-	2,399,047	42,167,984
Perpetual trusts held by third parties	-	-	6,844,160	-	6,844,160
Total assets at fair value	$ 37,461,487	$ 2,307,450	$ 6,844,160	$ 2,399,047	$ 49,012,144

Note 13—Fair value measurements (continued)

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, 2022:

	Level 1	Level 2	Level 3	NAV	Total
Assets:					
Short-term investments	$ 3,896,987	$ -	$ -	$ -	$ 3,896,987
CD's	1,274,594	-	-	-	1,274,594
Alternative investments	-	-	-	1,998,227	1,998,227
Index linked equities	-	1,529,795	-	-	1,529,795
Preferred stocks	4,899,220	-	-	-	4,899,220
Mutual funds	20,435,845	-	-	-	20,435,845
Corporate bonds - domestic	1,213,114	-	-	-	1,213,114
Total investments	31,719,760	1,529,795	-	1,998,227	35,247,782
Perpetual trusts held by third parties	-	-	6,263,970	-	6,263,970
Total assets at fair value	$ 31,719,760	$ 1,529,795	$ 6,263,970	$ 1,998,227	$ 41,511,752

The change in Level 3 assets measured at fair value on a recurring basis are summarized as follows:

	Trusts Held By Third Parties
Balance, January 1, 2022	$ 7,899,500
Change in fair value	(1,635,530)
Balance, December 31, 2022	6,263,970
Change in fair value	580,190
Balance, December 31, 2023	$ 6,844,160

Set forth below is additional information pertaining to alternative investments held at NAV at December 31, 2023:

	Fair Value	Unfunded Commitments	Redemption Frequency	Gates & Lockups
Alternative investments:				
Real Estate Income Trust	$ 718,177	None	Monthly	None
Private Credit Fund	807,396	None	Monthly	None
Private Equity	873,474	None	Monthly	None
Total	$ 2,399,047			

Note 13—Fair value measurements (continued)

Set forth below is additional information pertaining to alternative investments held at NAV at December 31, 2022:

	Fair Value	Unfunded Commitments	Redemption Frequency	Gates & Lockups
Alternative investments:				
Real Estate Income Trust	$ 718,963	None	Monthly	One Year
Private Credit Fund	479,264	None	Monthly	None
Private Equity	800,000	None	Monthly	One Year
Total	$ 1,998,227			

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

Measurement at fair value on a nonrecurring basis at December 31, 2023:

	Level 1	Level 2	Level 3	Total
Real estate held for investment	$ -	$ 1,158,403	$ -	$ 1,158,403
	$ -	$ 1,158,403	$ -	$ 1,158,403

Measurement at fair value on a nonrecurring basis at December 31, 2022:

	Level 1	Level 2	Level 3	Total
Real estate held for investment	$ -	$ 3,476,455	$ -	$ 3,476,455
	$ -	$ 3,476,455	$ -	$ 3,476,455

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 valuation techniques during the current year.

During the year ended December 31, 2023, Thornwell sold one of its real estate held for investment properties with a carrying value of $2,318,052 for $5,180,001. As a result of the sale, Thornwell recognized a gain on sale of real estate held for investment of $2,861,949 in the statement of activities for the year ended December 31, 2023.

Note 14—Leases

Thornwell, as lessor, leases apartments, houses, and other buildings to tenants under lease agreements. Many of these leases are for lease terms of less than one year or on month-to-month leases; therefore, these leases are considered short-term leases under ASC 842. Two leases, however, are classified as operating lease agreements with terms between 2 and 29 years with options to renew. Certain of these lease agreements provide for variable rentals based on usage in excess of specified levels. The leases do not transfer ownership of the leased assets and do not provide an option for the lessees to purchase the assets. Rental income for the years ended December 31, 2023 and 2022 was approximately $405,000 and $315,000, respectively.

Note 14—Leases (continued)

At lease inception, Thornwell determines whether an arrangement qualifies as a lease under ASC 842 (i.e., conveys the right to control the use of an identified asset for a period of time in exchange for consideration). Thornwell only reassess if the terms and conditions of the contract are changed.

The future minimum payments to be received under the noncancelable operating leases at December 31, 2023 are as follows:

2024	$	307,899
2025		290,484
2026		288,844
2027		288,844
2028		288,844
Thereafter		3,985,403
	$	5,450,318

Note 15—Related party relationships and transactions

In April 2022, Thornwell entered into a loan agreement with Thornwell Charter School, a South Carolina public charter school, located on the Thornwell property, in which Thornwell agreed to loan Thornwell Charter School up to $650,000 to fund renovation costs. During 2023, no amount was drawn on the loan by Thornwell Charter School. The balance of the receivable due from Thornwell Charter School is $136,000 at December 31, 2023. The loan is to be paid back in monthly principal payments of $1,667 starting in September 2022 through April 2023 and $7,000 beginning in May 2023 with interest incurring based on actual interest incurred by Thornwell on the Line of Credit (discussed in Note 9) plus 2%, which was 8.69% at December 31, 2023. The loan is due on June 30, 2032 and early payment on the loan is permitted.

Scheduled future principal payments under the note receivable from Thornwell Charter School at December 31, 2023 are as follows:

2024	$	84,000
2025		52,000
	$	136,000

Note 16—Employee Retention Credit

The Coronavirus Aid, Relief, and Economic Security ("CARES Act") contains the Employee Retention Credit ("ERC"), a refundable payroll tax credit available to employers that have experienced hardship in their operations due to the coronavirus ("COVID-19"). The CARES Act was amended and expanded on December 27, 2020 by the Consolidated Appropriations Act 2021 and on March 11, 2021 the Internal Revenue Code was amended by the American Rescue Plan Act of 2021 to provide new ERC provisions designed to promote employee retention and hiring. During the year ended December 31, 2023, Thornwell qualified for $568,750 of ERC. Thornwell accounts for grants in accordance with FASB ASC 958-605, *Not-For-Profit Entities*: *Revenue Recognition*, and, as such, Thornwell recognizes grant revenue when conditions are substantially met by the entity. As a result, Thornwell recognized $568,750 in federal grants (ERC) on the statements of activities during the year end December 31, 2023.

Note 17—Subsequent events

Thornwell has evaluated subsequent events through June 28, 2024, in connection with the preparation of these financial statements, which is the date the financial statements were available to be issued.