THORNWELL

FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2025 and 2024

And Report of Independent Auditor

Cherry Bekaert LLP
Your Guide Forward

THORNWELL
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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, 2025 and 2024, 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, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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.

Greenville, South Carolina
July 13, 2026

THORNWELL
STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2025 AND 2024

	2025	2024
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 1,545,310	$ 1,245,665
Grants and other receivables	371,853	376,887
Current portion of promises to give, net	11,300	437,572
Related party note receivable	-	52,000
Prepaid expenses	110,571	120,687
Other current assets	111,852	126,147
Total Current Assets	2,150,886	2,358,958
Property, Plant, and Equipment, Net	10,925,709	11,145,752
Other Assets:		
Investments	49,011,728	45,620,064
Perpetual trusts held by third parties	8,003,788	7,333,484
Real estate held for investment	1,111,353	1,158,403
Net promises to give, less current portion	11,388	19,214
Other	36,125	36,125
Total Other Assets	58,174,382	54,167,290
Total Assets	$ 71,250,977	$ 67,672,000
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	$ 175,798	$ 228,217
Accrued salary and benefits expenses	340,914	366,104
Accrued expenses	112,894	107,975
Deferred revenue	67,093	636,411
Annuities payable	13,600	-
Total Current Liabilities	710,299	1,338,707
Annuities payable, noncurrent	109,078	-
Total Liabilities	819,377	1,338,707
Net Assets:		
Without donor restrictions	44,869,130	42,415,295
With donor restrictions	25,562,470	23,917,998
Total Net Assets	70,431,600	66,333,293
Total Liabilities and Net Assets	$ 71,250,977	$ 67,672,000

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

THORNWELL
STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support:			
Contributions and gifts	$ 5,459,457	$ 614,222	$ 6,073,679
Fees for services	4,329,498	-	4,329,498
Grants	1,155,205	-	1,155,205
Investment return, net	3,386,599	1,618,816	5,005,415
Change in fair value of perpetual trusts held by third parties	-	670,304	670,304
Other support	620,055	-	620,055
Gain on sale of real estate held for investme	52,950	-	52,950
Net assets released from restrictions:			
Satisfaction of program restrictions	1,258,870	(1,258,870)	-
Total Revenues and Other Support	16,262,634	1,644,472	17,907,106
Expenses:			
Program services	10,932,192	-	10,932,192
Supporting Services:			
Administration and general	1,340,748	-	1,340,748
Fundraising	1,535,859	-	1,535,859
Total Expenses	13,808,799	-	13,808,799
Change in net assets	2,453,835	1,644,472	4,098,307
Net assets, beginning of year	42,415,295	23,917,998	66,333,293
Net assets, end of year	$ 44,869,130	$ 25,562,470	$ 70,431,600

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

THORNWELL
STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support:			
Contributions and gifts	$ 5,429,172	$ 748,748	$ 6,177,920
Fees for services	3,383,136	-	3,383,136
Grants	1,051,312	-	1,051,312
Investment return, net	3,604,621	1,720,578	5,325,199
Change in fair value of perpetual trusts held by third parties	-	489,324	489,324
Other support	522,880	-	522,880
Net assets released from restrictions:			
Satisfaction of program restrictions	1,007,789	(1,007,789)	-
Total Revenues and Other Support	14,998,910	1,950,861	16,949,771
Expenses:			
Program services	10,666,794	-	10,666,794
Supporting Services:			
Administration and general	1,330,592	-	1,330,592
Fundraising	1,543,028	-	1,543,028
Total Expenses	13,540,414	-	13,540,414
Change in net assets	1,458,496	1,950,861	3,409,357
Net assets, beginning of year	40,956,799	21,967,137	62,923,936
Net assets, end of year	$ 42,415,295	$ 23,917,998	$ 66,333,293

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

THORNWELL
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2025

		Supporting Services			
	Program Services	Administration and General	Fundraising	Total Supporting Services	Total
Salaries and wages	$ 5,216,469	$ 813,578	$ 797,387	$ 1,610,965	$ 6,827,434
Payroll taxes	385,394	56,163	57,416	113,579	498,973
Employee insurance	652,517	58,290	112,796	171,086	823,603
Retirement and other payroll expenses	308,861	62,906	56,354	119,260	428,121
Total Salary and Benefits	6,563,241	990,937	1,023,953	2,014,890	8,578,131
Utilities	334,681	20,827	23,349	44,176	378,857
Insurance	525,883	28,937	28,937	57,874	583,757
Travel, entertainment, and lodging	155,972	14,392	35,247	49,639	205,611
Contractual services	677,337	129,898	118,361	248,259	925,596
Children's clothing and activities	58,992	9	9	18	59,010
Postage	1,786	227	49,084	49,311	51,097
Painting, cleaning, and maintenance contracts	99,976	3,124	3,124	6,248	106,224
Other	229,018	6,305	17,140	23,445	252,463
Food	623,753	17,052	43,706	60,758	684,511
Supplies	272,170	12,891	11,431	24,322	296,492
Cost of goods sold	179,937	-	-	-	179,937
Printing	8,207	188	92,565	92,753	100,960
Technology	156,939	69,963	38,537	108,500	265,439
Repairs and maintenance	170,355	6,588	15,604	22,192	192,547
Total Expenses Before Depreciation	10,058,247	1,301,338	1,501,047	2,802,385	12,860,632
Depreciation	873,945	39,410	34,812	74,222	948,167
Total Expenses	$ 10,932,192	$ 1,340,748	$ 1,535,859	$ 2,876,607	$ 13,808,799

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

THORNWELL
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2024

		Supporting Services			
	Program Services	Administration and General	Fundraising	Total Supporting Services	Total
Salaries and wages	$ 5,228,112	$ 800,684	$ 877,647	$ 1,678,331	$ 6,906,443
Payroll taxes	381,637	55,909	62,820	118,729	500,366
Employee insurance	744,967	73,617	147,349	220,966	965,933
Retirement and other payroll expenses	252,519	54,710	54,896	109,606	362,125
Total Salary and Benefits	6,607,235	984,920	1,142,712	2,127,632	8,734,867
Utilities	352,138	21,444	27,615	49,059	401,197
Insurance	430,839	23,686	23,686	47,372	478,211
Travel, entertainment, and lodging	181,095	13,378	33,944	47,322	228,417
Contractual services	543,625	147,612	59,716	207,328	750,953
Children's clothing and activities	52,833	6	6	12	52,845
Postage	1,875	359	46,074	46,433	48,308
Painting, cleaning, and maintenance contracts	75,750	2,230	2,230	4,460	80,210
Other	205,739	5,480	11,243	16,723	222,462
Food	483,028	14,154	6,782	20,936	503,964
Supplies	297,507	12,892	18,483	31,375	328,882
Cost of goods sold	153,746	-	-	-	153,746
Printing	7,693	240	82,110	82,350	90,043
Technology	199,614	59,048	42,520	101,568	301,182
Repairs and maintenance	215,837	8,808	11,981	20,789	236,626
Total Expenses Before Depreciation	9,808,554	1,294,257	1,509,102	2,803,359	12,611,913
Depreciation	858,240	36,335	33,926	70,261	928,501
Total Expenses	$ 10,666,794	$ 1,330,592	$ 1,543,028	$ 2,873,620	$ 13,540,414

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

THORNWELL
STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025	2024
Cash flows from operating activities:		
Change in net assets	$ 4,098,307	$ 3,409,357
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	948,167	928,501
Net realized and unrealized gains on investments	(3,168,825)	(3,446,336)
Gain on sale of real estate held for investment	(52,950)	-
Change in fair value of perpetual trusts held by third parties	(670,304)	(489,324)
Change in value of annuities payable	122,678	-
Contributions restricted for long-term purposes	(169,772)	(195,069)
Change in operating assets and liabilities:		
Grants and other receivables	5,034	(53,994)
Prepaid expenses and other assets	24,411	(6,165)
Promises to give	434,098	(158,379)
Related party note receivable	52,000	84,000
Accounts payable	(52,419)	116,548
Accrued salary and benefits expenses	(25,190)	27,515
Accrued expenses	4,919	28,081
Deferred revenue	(569,318)	334,486
Net cash flows from operating activities	980,836	579,221
Cash flows from investing activities:		
Net purchases of investments	(222,839)	(5,744)
Proceeds from sale of real estate held for investment	100,000	-
Purchases of property, plant, and equipment	(728,124)	(1,021,581)
Net cash flows from investing activities	(850,963)	(1,027,325)
Cash flows from financing activities:		
Contributions restricted for long-term purposes	169,772	195,069
Net cash flows from financing activities	169,772	195,069
Net change in cash and cash equivalents	299,645	(253,035)
Cash and cash equivalents, beginning of year	1,245,665	1,498,700
Cash and cash equivalents, end of year	$ 1,545,310	$ 1,245,665

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

Note 1—Organization and nature of operations

For 150 years and counting, Thornwell, located in Clinton, South Carolina, continues to provide 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.

Classification of Net Assets – Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor restrictions. Expenses are reported as decreases in net assets without donor restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

> *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 promises to give 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. 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.
>
> 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.

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, 2025 and 2024, $28,647, and $65,684, 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.

Investments – Investments are recorded at cost, if purchased, and at fair value, if donated. Thereafter, marketable equity and debt securities are recorded at fair value. Net investment return is reported in the statement of activities and consists of interest and dividend income, realized and unrealized gains and losses, less external investment expenses. 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.

Note 2—Summary of significant accounting policies (continued)

Perpetual Trusts Held by Third Parties – Thornwell has been named as an irrevocable beneficiary of several perpetual trusts held and administered by independent trustees. Perpetual trusts provide for the distribution of the net income of the trusts to Thornwell; however, Thornwell will never receive the assets of the trusts. At the date Thornwell receives notice of a beneficial interest, a contribution with donor restrictions of a perpetual nature is recorded in the statements of activities and a beneficial interest in perpetual trust is recorded in the statements of financial position at the fair value of the underlying trust assets. Thereafter, beneficial interests in the trusts are reported at the fair value of the trusts' assets in the statements of financial position, with trust distributions and changes in fair value recognized in the statements of activities.

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

Revenue Recognition – Unconditional contributions are recorded as revenue when received. Conditional contributions, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been substantially met. Unconditional promises to give expected to be collected within one year are recorded at net realizable value. Unconditional promises to give 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. Thornwell provides an allowance for uncollectible promises to give based on information obtained from advisors, peer organizations, and other factors. Collections of promises to give 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.

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, 2025 or 2024 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, 2025 and 2024 and January 1, 2024, grants with advance payments are $61,185, $632,103, and $297,425, respectively, and are recognized in the statements of financial position as deferred revenue. In addition, at December 31, 2025 and 2024, rental security deposits of $5,908 and $4,308, respectively, are recognized in the statements of financial position as deferred revenue.

Note 2—Summary of significant accounting policies (continued)

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.

Functional Allocation of Expenses – The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain categories of expenses 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.

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.

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 on Accounting for Uncertainty in Income Taxes. Management believes Thornwell continues to satisfy the requirements of a tax-exempt organization at December 31, 2025. 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, 2025.

Note 3—Liquidity and availability of resources

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

	2025	2024
Financial assets available to meet general expenditures over the next 12 months:		
Cash and cash equivalents	$ 1,545,310	$ 1,245,665
Less cash and cash equivalents to be transferred to endowment	(28,647)	(65,684)
Accounts receivable, net	371,853	376,887
Pledges receivable for general expenditures due in one year or less	11,300	437,572
Gifts in transit, included in other current assets on the statement of financial position	46,373	75,854
Payout on endowments for use over next 12 months	2,135,905	2,008,839
Use of unrestricted bequests as approved by the board as needed	-	427,125
Financial assets available to meet general expenditures over the next 12 months	$ 4,082,094	$ 4,506,258

Note 3—Liquidity and availability of resources (continued)

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.

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. Thornwell operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

In addition, Thornwell's board-designated endowment of $32,014,689 and $29,956,333 at December 31, 2025 and 2024, 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—Promises to give

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

	2025	2024
In one year or less	$ 11,300	$ 438,818
Between one year and five years	15,250	23,272
	26,550	462,090
Less unamortized present value discount (discount rates ranging from 0.6% to 5.8%)	(2,264)	(1,937)
Less allowance for doubtful pledges	(1,598)	(3,367)
	22,688	456,786
Less current portion, net	(11,300)	(437,572)
Net pledges receivable, less current portion	$ 11,388	$ 19,214

Note 5—Investments

Investments consist of the following at December 31:

	2025	2024
Short-term investments	$ 501,407	$ 264,838
Alternative investments	2,797,385	2,584,705
Index linked equities	3,251,525	2,503,225
Preferred stocks	7,096,650	7,059,080
Mutual funds	35,364,761	32,134,160
Corporate bonds - domestic	-	1,074,056
Total investment securities	49,011,728	45,620,064
Real estate held for investment	1,111,353	1,158,403
Total investments	$ 50,123,081	$ 46,778,467

Included in the investments above is $200,000 as part of a charitable gift annuity (see Note 16).

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:

	2025	2024
Perpetual trusts held by third parties	$ 8,003,788	$ 7,333,484

Note 7—Property, plant, and equipment

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

	2025	2024
Land and land improvements	$ 1,025,724	$ 1,025,724
Buildings and building improvements	30,200,208	29,461,389
Furniture and equipment	2,719,981	2,620,112
Vehicles	674,061	609,766
Breeding livestock	71,147	44,922
Construction in progress	38,147	239,231
	34,729,268	34,001,144
Less accumulated depreciation	(23,803,559)	(22,855,392)
Property, plant, and equipment, net	$ 10,925,709	$ 11,145,752

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.

Note 8—Endowments (continued)

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. The fair value, corpus and deficit of this nature reported in net assets with donor restrictions were $294,630, $300,212, and $5,582, respectively, as of December 31, 2025. The fair value, corpus and deficit of this nature reported in net assets with donor restrictions were $278,329, $300,212, and $21,883, respectively, as of December 31, 2024.

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:

	2025		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	$ -	$ 24,651,808	$ 24,651,808
Board-designated endowment funds	32,014,689	-	32,014,689
	$ 32,014,689	$ 24,651,808	$ 56,666,497

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	$ -	$ 22,899,597	$ 22,899,597
Board-designated endowment funds	29,956,333	-	29,956,333
	$ 29,956,333	$ 22,899,597	$ 52,855,930

Note 8—Endowments (continued)

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

	2025		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 29,956,333	$ 22,899,597	$ 52,855,930
Investment return, net	3,196,990	2,331,952	5,528,942
Contributions	27,603	169,772	197,375
Board-approved withdrawals	(1,358,804)	(692,317)	(2,051,121)
Transfers	301,490	-	301,490
Fees	(108,923)	(57,196)	(166,119)
Endowment net assets, end of year	$ 32,014,689	$ 24,651,808	$ 56,666,497

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 27,866,798	$ 21,180,420	$ 49,047,218
Investment return, net	3,435,823	2,249,937	5,685,760
Contributions	42,321	195,069	237,390
Board-approved withdrawals	(1,618,405)	(667,128)	(2,285,533)
Transfers	331,261	(6,105)	325,156
Fees	(101,465)	(52,596)	(154,061)
Endowment net assets, end of year	$ 29,956,333	$ 22,899,597	$ 52,855,930

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, 2025 and 2024, there was no outstanding balance on the line of credit and the availability on the line of credit was $5,000,000. The line was amended in November 2021 to modify the interest rate to the Bloomberg Short-Term Bank Yield Index plus 1.25%, which was 5.01% and 5.88% at December 31, 2025 and 2024, 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:

	2025	2024
Subject to expenditure for specified purpose:		
Endowment earnings for general, instructional, and scholarships	$ 4,338,844	$ 3,412,352
General, instructional, and scholarships	732,999	855,095
Total general, instructional, and scholarships	5,071,843	4,267,447
Annuities and split-interest agreements	177,663	163,306
	5,249,506	4,430,753
The corpus of endowment funds required to be retained permanently by explicit donor stipulation:		
Endowed general, instructional, and scholarships	12,486,839	12,317,067
Endowed perpetual trusts held by third parties	7,826,125	7,170,178
	20,312,964	19,487,245
Total net assets with donor restrictions	$ 25,562,470	$ 23,917,998

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 $32,014,689 and $29,956,333 at December 31, 2025 and 2024, respectively.

Note 11—Retirement plans

Thornwell maintains a defined contribution plan covering substantially all full-time employees. Thornwell contributes 5% and 4% of gross wages for all covered employees with one year of eligible service in the years ended December 31, 2025 and 2024, respectively. Thornwell may make discretionary-matching contributions to eligible participants up to 3% of employee contributions. Contributions to the plan were $403,820 and $337,824 for the years ended December 31, 2025 and 2024, 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 $1,352,264 and $1,003,495 at December 31, 2025 and 2024, respectively. 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, 2025.

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 or liability 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 ("NAV") 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, 2025:

	Level 1	Level 2	Level 3	NAV	Total
Assets:					
Short-term investments	$ 501,407	$ -	$ -	$ -	$ 501,407
Alternative investments	-	-	-	2,797,385	2,797,385
Index linked equities	-	3,251,525	-	-	3,251,525
Preferred stocks	7,096,650	-	-	-	7,096,650
Mutual funds	35,364,761	-	-	-	35,364,761
Total investments	42,962,818	3,251,525	-	2,797,385	49,011,728
Perpetual trusts held by third parties	-	-	8,003,788	-	8,003,788
Total assets at fair value	$ 42,962,818	$ 3,251,525	$ 8,003,788	$ 2,797,385	$ 57,015,516

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, 2024:

	Level 1	Level 2	Level 3	NAV	Total
Assets:					
Short-term investments	$ 264,838	$ -	$ -	$ -	$ 264,838
Alternative investments	-	-	-	2,584,705	2,584,705
Index linked equities	-	2,503,225	-	-	2,503,225
Preferred stocks	7,059,080	-	-	-	7,059,080
Mutual funds	32,134,160	-	-	-	32,134,160
Corporate bonds - domestic	1,074,056	-	-	-	1,074,056
Total investments	40,532,134	2,503,225	-	2,584,705	45,620,064
Perpetual trusts held by third parties	-	-	7,333,484	-	7,333,484
Total assets at fair value	$ 40,532,134	$ 2,503,225	$ 7,333,484	$ 2,584,705	$ 52,953,548

Note 13—Fair value measurements (continued)

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, 2024	$ 6,844,160
Change in fair value	489,324
Balance, December 31, 2024	7,333,484
Change in fair value	670,304
Balance, December 31, 2025	$ 8,003,788

Set forth below is additional information pertaining to alternative investments held at NAV at December 31, 2025:

	Fair Value	Unfunded Commitments	Redemption Frequency	Gates and Lockups
Alternative investments:				
Real Estate Income Trust [1]	$ 759,045	None	Monthly	None
Private Credit Fund [2]	874,659	None	Monthly	None
Private Equity [3]	985,498	None	Monthly	None
Technology Limited Partnership [4]	178,183	None	Upon dissolution	None
	$ 2,797,385			

Set forth below is additional information pertaining to alternative investments held at NAV at December 31, 2024:

	Fair Value	Unfunded Commitments	Redemption Frequency	Gates & Lockups
Alternative investments:				
Real Estate Income Trust [1]	$ 724,974	None	Monthly	None
Private Credit Fund [2]	814,756	None	Monthly	None
Private Equity [3]	910,911	None	Monthly	None
Technology Limited Partnership [4]	134,064	249,351	Upon dissolution	None
	$ 2,584,705			

(1) This category includes investments in stabilized income generating commercial real estate across assets classed in the United States with a lesser extent outside of the United States.

(2) This category included funds seeking to invest primarily in originated loans and other securities, including broadly syndicated loans, of U.S. private companies and to a lesser extent European and other non-U.S. companies.

(3) This category has fund with an investment objective is to seek long-term capital appreciation by investing in a diversified portfolio of private equity and debt investments including infrastructure.

(4) This category the fund’s investment objective is to seek long-term capital appreciation by investing in a diversified portfolio of private equity and debt investments including infrastructure.

Note 13—Fair value measurements (continued)

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, 2025:

	Level 1	Level 2	Level 3	Total
Real estate held for investment	$ -	$ 1,111,353	$ -	$ 1,111,353
	$ -	$ 1,111,353	$ -	$ 1,111,353

Measurement at fair value on a nonrecurring basis at December 31, 2024:

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

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.

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, 2025 and 2024 was approximately $456,000 and $449,000, respectively, and is included in other support in the statements of activities.

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, 2025 are as follows:

Years Ending December 31,	
2026	318,784
2027	318,784
2028	318,784
2029	321,390
2030	322,016
Thereafter	3,806,068
	$ 5,405,826

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 2025, no amount was drawn on the loan by Thornwell Charter School. The balance of the receivable due from Thornwell Charter School was $52,000 at December 31, 2024 and was fully paid off at December 31, 2025.

Note 16—Charitable gift annuity

Thornwell received $200,000 during the year ended December 31, 2025 to establish a charitable gift annuity. Under charitable gift annuity contracts, Thornwell receives immediate and unrestricted title to contributed assets and agrees to make fixed recurring payments over the stipulated period. Contributed assets are recorded at fair value on the date of receipt. The related liability for future payments to be made to the specified beneficiaries is recorded at fair value using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the liability. The excess of contributed assets over the annuity liability is recorded as a contribution without donor restrictions. In subsequent years, the liability for future annuity payments is reduced by payments made to the specified beneficiaries and is adjusted to reflect amortization of the discount and changes in actuarial assumptions at the end of the year. The present value of the estimated future payments is $122,678 at December 31, 2025, is calculated using a discount rate of 4.6% and applicable mortality tables and is reported as an annuity payable in the statements of financial position.

Note 17—Subsequent events

Thornwell has evaluated subsequent events through July 13, 2026, in connection with the preparation of these financial statements, which is the date the financial statements were available to be issued.