

Hollingsworth Funds, Inc. and Subsidiaries

Report on Consolidated Financial Statements

For the year ended December 31, 2024

Hollingsworth Funds, Inc. and Subsidiaries

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Independent Auditor's Report

The Board of Directors
Hollingsworth Funds, Inc. and Subsidiaries
Greenville, South Carolina

Qualified Opinion

We have audited the consolidated financial statements of Hollingsworth Funds, Inc. and Subsidiaries ("Consolidated Funds"), which comprise the consolidated statement of financial position as of December 31, 2024, and the related consolidated statements of activities and functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively, the "financial statements").

In our opinion, except for the effects of the matter disclosed in the Basis for Qualified Opinion paragraph, the accompanying financial statements present fairly, in all material respects, the financial position of Consolidated Funds as of December 31, 2024, and the results of its operations and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion

As described in Note 1 to the financial statements, Consolidated Funds has recorded its investment in two wholly-owned subsidiaries on the equity method of accounting. Accounting principles generally accepted in the United States of America require that these subsidiaries be consolidated. If the financial statements of these subsidiaries had been consolidated, total assets would decrease by approximately \$2.2 million, total liabilities would increase by approximately \$833,000, and total net assets without donor restrictions would decrease by approximately \$3.0 million at December 31, 2024. Revenues and gains, net and expenses would increase by approximately \$538,000 and \$1.7 million, respectively, for the year ended December 31, 2024. Equity in net loss from equity method subsidiaries would increase by approximately \$1.2 million.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Consolidated Funds and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, 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 Consolidated Funds' ability to continue as a going concern within one year after the date that 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 GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Consolidated Funds' 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 Consolidated Funds' 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information, except for that portion marked "unaudited", has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. The information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it. In our opinion, except for that portion marked "unaudited," the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in black ink that reads "Elliott Davis, LLC". The signature is written in a cursive, flowing style.

Greenville, South Carolina
May 21, 2025

Hollingsworth Funds, Inc. and Subsidiaries

Consolidated Statement of Financial Position

As of December 31, 2024

Assets

Cash and cash equivalents		\$	4,132,227
Marketable investment securities			289,316,764
Due from related parties			6,830
Other receivable - subsidiary			1,785,095
Income producing real estate, net			32,604,895
Real estate held for sale			62,686,507
Accrued rental income			1,887,340
Deferred leasing costs			303,732
Other assets			615,359
Investment in equity method subsidiaries			
Bonaventure I & II, LLC	\$	986,524	
John D. Hollingsworth on Wheels, Inc.		5,529,883	
Verdae Development, Inc.		6,875,000	13,391,407
Total assets			<u>\$ 406,730,156</u>

Liabilities

Due to related parties	\$	1,091
Accrued expenses and other liabilities		909,379
Total liabilities		<u>910,470</u>

Uncertainties, commitments, and contingencies (Notes 8 and 10)

Net assets without donor restrictions

		405,819,686
Total liabilities and net assets without donor restrictions		<u>\$ 406,730,156</u>

See Notes to Consolidated Financial Statements

Hollingsworth Funds, Inc. and Subsidiaries
Consolidated Statement of Activities and Functional Expenses
For the year ended December 31, 2024

	Grantmaking	Portfolio Investments	Real Estate	Management and General	Total
Revenues and gains, net					
Rental income	\$ -	\$ -	\$ 3,877,767	\$ -	\$ 3,877,767
Interest and dividend income from investments	-	7,871,516	-	-	7,871,516
Realized gains on marketable investment securities	-	8,365,773	-	-	8,365,773
Unrealized gains on marketable investment securities	-	13,680,261	-	-	13,680,261
Total revenues and gains, net	-	29,917,550	3,877,767	-	33,795,317
Expenses					
Grants	12,044,703	-	-	-	12,044,703
Salaries and payroll taxes	727,191	-	55,652	391,757	1,174,600
Property taxes and licenses	-	-	724,945	-	724,945
Depreciation and amortization	3,784	-	455,872	1,875	461,531
Professional services	60,179	-	2,058,367	213,391	2,331,937
Property maintenance	-	-	587,715	-	587,715
Investment fees	-	471,101	-	-	471,101
Employee benefits	157,786	-	8,780	67,095	233,661
Lease	53,496	-	3,582	26,509	83,587
Insurance	-	-	222,722	27,520	250,242
Property manager fees	-	-	100,377	-	100,377
Utilities	1,030	-	71,559	509	73,098
Commissions	-	-	7,646	-	7,646
Director fees	-	-	-	60,000	60,000
Credit loss	-	-	650,697	-	650,697
Other	127,746	-	46,031	32,838	206,615
Total expenses	13,175,915	471,101	4,993,945	821,494	19,462,455
Revenues over (under) expenses	(13,175,915)	29,446,449	(1,116,178)	(821,494)	14,332,862
Equity in net loss from equity method subsidiaries	-	-	(1,117,916)	-	(1,117,916)
Increase (decrease) in net assets without donor restrictions	\$ (13,175,915)	\$ 29,446,449	\$ (2,234,094)	\$ (821,494)	13,214,946
Net assets without donor restrictions, beginning of year					392,604,740
Net assets without donor restrictions, end of year					\$ 405,819,686

See Notes to Consolidated Financial Statements

Hollingsworth Funds, Inc. and Subsidiaries

Consolidated Statement of Cash Flows

For the year ended December 31, 2024

Operating activities

Increase in net assets without donor restrictions	\$ 13,214,946
Adjustments to reconcile increase in net assets without donor restrictions to net cash used for operating activities:	
Depreciation and amortization	461,531
Realized gains on marketable investment securities	(8,365,773)
Unrealized gains on marketable investment securities	(13,680,261)
Equity in net loss from equity method subsidiaries	1,117,916
Credit loss expense	650,697
Changes in deferred and accrued amounts:	
Due from related parties	(6,009)
Other receivable - subsidiary	472,178
Accrued rental income	68,416
Other assets	36,963
Due to related parties	(18,243)
Accrued expenses and other liabilities	(668,623)
Net cash used for operating activities	<u>(6,716,262)</u>

Investing activities

Investments in real estate	(2,113,949)
Purchases of marketable investment securities	(65,830,072)
Proceeds from sale of marketable investment securities, net of fees	71,478,729
Payment of deferred leasing costs	(177,362)
Distributions from equity method subsidiaries	280,000
Net cash provided by investing activities	<u>3,637,346</u>
Net decrease in cash and cash equivalents	<u>(3,078,916)</u>

Cash and cash equivalents, beginning of year

7,211,143

Cash and cash equivalents, end of year

\$ 4,132,227

See Notes to Consolidated Financial Statements

Hollingsworth Funds, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2024

Note 1. Summary of Significant Accounting Policies and Activities

Economic activity:

Hollingsworth Funds, Inc. ("Funds") is a nonprofit corporation organized to conduct activities for the benefit of religious, charitable, scientific, literary, and educational institutions within Greenville County, South Carolina. Specifically, Furman University will receive approximately 45 percent of the annual distribution of Funds and the YMCA will receive approximately 10 percent of the annual distribution, with the remainder going to various other charitable organizations.

Funds' subsidiary, Verdae Properties, LLC and its subsidiaries MarketPlace on Laurens, LLC, Welcome Center, LLC, and Verdae Holdings, LLC (collectively, "Verdae Properties"), are engaged in the management and rental of real estate. All of Verdae Properties' business activities are conducted in Greenville County, South Carolina.

Funds' wholly-owned subsidiary, John D. Hollingsworth on Wheels, Inc. (HOW) and its subsidiaries, manufactured, sold and serviced textile machinery, accessories and parts. HOW's fiscal year ends on the Sunday nearest to November 30th and customarily consists of four 13-week quarters for a total of 52 weeks. Every sixth year includes 53 weeks. HOW's current fiscal year ends on December 1, 2024. Funds uses this fiscal year end in determining its investment in HOW, as well as subsequent distributions. HOW closed its textile business and officially ceased its operations on December 31, 2009. HOW has accrued all costs associated with the close of business but has not dissolved the corporation. HOW has not been consolidated into these consolidated financial statements as discussed on the following page. Effective January 1, 2025, a new entity, MACCO INC. ("MACCO"), was formed. Through a contribution and exchange agreement, ownership of HOW will be transferred to MACCO. Funds is the sole stockholder of MACCO.

Funds' wholly-owned subsidiary, Verdae Development, Inc. (VDI), is engaged in the development of real estate it owns as well as real estate owned by Funds and its other subsidiaries. VDI has not been consolidated into these consolidated financial statements as discussed on the following page.

Verdae Properties' subsidiary, Bonaventure I & II, LLC ("Bonaventure"), owns 30 percent of two office buildings located in Greenville, South Carolina. Verdae Properties has recorded its investment in Bonaventure under the equity method of accounting.

Throughout the financial statements, the consolidation of Funds and Verdae Properties will be referred to as "Consolidated Funds."

Functional expenses:

The costs of grantmaking, portfolio investments, real estate, and management and general have been summarized on a functional basis in the statement of activities and functional expenses. Accordingly, certain costs have been allocated among the functions ratably. Such allocations are determined by management on an equitable basis, typically based on specific time and resources spent within each function. Certain other costs have been allocated based on the specific identification of expenses.

Financial statement presentation:

Consolidated Funds is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. All net assets of Consolidated Funds are considered net assets without donor restrictions. Net assets without donor restrictions are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of Consolidated Funds' management.

Hollingsworth Funds, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2024

Note 1. Summary of Significant Accounting Policies and Activities, Continued

Financial statement presentation, continued:

The consolidated financial statements include the accounts of Funds and Verdae Properties, of which Funds is the sole member with 100 percent of financial and voting rights. Funds has elected this financial statement presentation to align the consolidated financial statement presentation to tax and internal financial reporting. All significant inter-entity transactions and balances have been eliminated in consolidation.

Consolidated Funds has recorded its investment in two wholly-owned subsidiaries (HOW and VDI) on the equity method of accounting. Accounting principles generally accepted in the United States of America (U.S. GAAP) require that these investments be consolidated. If the financial statements of these subsidiaries had been consolidated, total assets would decrease by approximately \$2.2 million, total liabilities would increase by approximately \$833,000, and total net assets without donor restrictions would decrease by approximately \$3.0 million at December 31, 2024. Revenues and gains (losses), net and expenses would increase by approximately \$538,000 and \$1.7 million, respectively, for the year ended December 31, 2024. Equity in net loss from equity method subsidiaries would increase by approximately \$1.2 million.

Cash and cash equivalents:

Consolidated Funds considers all cash equivalents to be highly liquid investments with maturities of three months or less. Consolidated Funds places its temporary cash investments with high quality financial institutions. At times, such investments may be in excess of Federal Deposit Insurance Corporation insurance limits. Consolidated Funds has not experienced, nor does it anticipate, any losses with respect to such accounts.

Marketable investment securities:

Marketable investment securities are comprised of equity securities, corporate bonds and notes and mutual funds investing in debt and equity securities. These investments are recorded at fair value. Investments in private equity funds and hedge funds are valued based on the net asset value per share of the investment fund, or its equivalent. It is adjusted, if necessary, by management if the net asset value per share is not calculated in a manner consistent with the measurement principles used to determine fair value as prescribed by U.S. GAAP or the investment is not expected to be redeemable at the net asset value per share. Investments in entities that calculate net asset value (NAV) per share or its equivalent are not categorized within the fair value hierarchy. Purchases and sales of securities are reflected on a trade-date basis. Gains and losses on sales of securities are based on average cost and are recorded in the statement of activities and functional expenses in the period in which the securities are sold. Interest is recorded when earned. Dividends are accrued as of the ex-dividend date.

Income producing real estate:

Income producing real estate is recorded at estimated fair market value at the date of donation if contributed to Consolidated Funds, or at cost if purchased, net of accumulated depreciation. Consolidated Funds' leases all of the real estate categorized as income producing. Major renewals and betterments are capitalized, while maintenance and repairs, which do not improve or extend the useful lives of the assets, are expensed. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets.

Hollingsworth Funds, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2024

Note 1. Summary of Significant Accounting Policies and Activities, Continued

Income producing real estate, continued:

Consolidated Funds reviews the carrying value of income producing real estate for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the estimated fair value of assets. Management believes there are no impairment issues with income producing real estate at December 31, 2024, and no losses have been recorded.

Real estate held for sale:

Real estate held for sale is stated at the lower of cost or estimated net realizable value. Effective July 1, 2022, Consolidated Funds signed a contract with its wholly-owned subsidiary, VDI, to manage all of its real estate assets, including both income producing real estate and real estate held for sale. VDI intends to either develop the property themselves, participate in joint ventures, or sell the real estate to third parties who would continue future development.

Production costs relating to mitigation bank credits are capitalized and allocated to individual mitigation bank credits based on estimated total costs and estimated total mitigation bank credits to be produced. Estimates are reviewed periodically and revised as needed.

Consolidated Funds reviews the carrying value of real estate held for sale for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the estimated fair value of assets. Management believes there are no impairment issues with real estate held for sale at December 31, 2024, and no losses have been recorded.

Accrued rental income:

Accrued rental income represents the amount by which straight-line rental revenue exceeds rents currently billed in accordance with lease agreements.

Deferred leasing costs:

Leasing commissions are capitalized as deferred leasing costs and amortized on a straight-line basis over the life of the related leases. Lease commission amortization expense charged to earnings totaled approximately \$85,000 during the year ended December 31, 2024 and is included in depreciation and amortization expense in the consolidated statement of activities and functional expenses.

Estimated future leasing expense at December 31, 2024 is as follows for the years ended December 31:

2025	\$	61,832
2026		53,700
2027		48,675
2028		37,560
2029		22,390
Thereafter		79,575
	\$	<u>303,732</u>

Hollingsworth Funds, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2024

Note 1. Summary of Significant Accounting Policies and Activities, Continued

Revenue recognition:

Sales of real estate are recognized when title to the real property passes to the buyer at a formal closing, and there is no continuing involvement in the real property. Consolidated Fund's current business mix and general approach to sales of real estate are generally completed without seller financing or continuing involvement that would indicate that a performance obligation is not met at the time the transaction closes. The cost of the real estate is accumulated and charged to cost of sales at the time revenue is recognized and is included when determining the gain (loss) on sale of real estate in the consolidated statement of activities and functional expenses. There were no sales of real estate during the year ended December 31, 2024.

Certain properties are leased pursuant to noncancelable, fixed-term operating leases with expiration dates through 2046. The leases typically provide for guaranteed minimum rent, plus contingent rent based on a percentage of gross receipts and other miscellaneous charges to cover certain operating costs. Some of the leases contain renewal options and escalation clauses. Most of Consolidated Funds' operating lease agreements include scheduled rent increases. Rental income is recognized on a straight-line basis over the terms of the related lease.

Consolidated Funds recognizes revenue from the sale of mitigation bank credits when the mitigation bank credits have been completely and properly released and is included in revenues and gains on the consolidated statement of activities and functional expenses. There were no such revenue for the year ended December 31, 2024.

All of Consolidated Funds' net assets are considered to be without donor restrictions under the terms of the entity's resolutions, bylaws and the Last Will and Testament of John D. Hollingsworth.

Capitalization policies:

Incidental costs related to the acquisition and development of real estate are deferred until the properties become operational. When the properties become operational, the costs are capitalized as part of the cost of the property. Interest costs are capitalized while development and construction is in progress. Direct costs incurred to facilitate leasing real estate are amortized over the life of the related lease. Direct costs incurred in connection with obtaining loans are amortized over the life of the related loan.

Income taxes:

Consolidated Funds is qualified under Internal Revenue Service Code Section 501(c)(3) and is therefore generally exempt from income taxes, though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. Consolidated Funds has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. Management is not aware of any material uncertain tax positions, and no liability has been recognized at December 31, 2024. If incurred, interest and penalties associated with unrecognized tax benefits are classified as additional income taxes in the consolidated statement of activities and functional expenses.

Grants:

Grants are recorded as expenses when they are approved by the Board of Directors.

Hollingsworth Funds, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2024

Note 1. Summary of Significant Accounting Policies and Activities, Continued

Financial estimates and assumptions:

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect Consolidated Funds' consolidated financial position and changes in net assets and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

Fair value of assets and liabilities:

The carrying values of all of Consolidated Funds' financial instruments approximate their fair values. Consolidated Funds accounts for its financial assets and liabilities at fair value on a recurring basis. Consolidated Funds evaluates fair value for its non-financial assets and liabilities on a non-recurring basis.

Availability of financial assets and liquidity:

Consolidated Fund's working capital and cash flows result from real estate sales, rental income, and liquidation of investments. All cash is received without restriction and limitations are not imposed. All amounts received are available to meet cash needs upon receipt. Consolidated Funds' current financial assets at December 31, 2024, as shown below, are available to meet general expenditures, liabilities and other obligations due within one year.

Cash and cash equivalents	\$ 4,132,227
Marketable investment securities (Note 2)*	266,800,724
Due from related parties	6,830
	<u>\$270,939,781</u>

* Current marketable investment securities are considered to be those that are valued at level 1 or level 2 in the fair value hierarchy, as well as hedge fund investments that are valued at net asset value.

Subsequent events:

Consolidated Funds has evaluated subsequent events through May 21, 2025, the date on which the consolidated financial statements were available for issuance.

Note 2. Marketable Investment Securities

Consolidated Funds' estimate of fair value for its financial instruments is composed primarily of marketable investment securities held by a third party fund manager. The following framework is based on the inputs used in valuation and gives the highest priority to quoted prices in active markets and requires that observable inputs be used in the valuations when available. The disclosure of fair value estimates is based on whether the significant inputs into the valuation are observable. In determining the level of the hierarchy in which the estimate is disclosed, the highest priority is given to unadjusted quoted prices in active markets and the lowest priority to unobservable inputs that reflect Consolidated Funds' significant market assumptions.

Hollingsworth Funds, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2024

Note 2. Marketable Investment Securities, Continued

The three levels of the hierarchy are as follows:

- Level 1: Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that Consolidated Funds has the ability to access at the measurement date.
- Level 2: Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3: Inputs that are unobservable and significant to the fair value measurement.

Inputs broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Consolidated Funds' fund manager generally uses the capital balance reported by each investment manager as the primary input to its valuation; however, adjustments to the reported capital balance may be made based on various factors, including, but not limited to, the attributes of the interest held, including the rights and obligations, and any restrictions or illiquidity on such interests, and the fair value of the investment's portfolio or other assets and liabilities.

An individual investment's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by the fund manager. The fund manager considers observable data to be that market data, which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by multiple, independent sources that are actively involved in the relevant market. The categorization of an investment within the hierarchy is based upon the pricing transparency of that investment and does not necessarily correspond to the fund manager's perceived risk of that investment.

Investment managers use the "market approach" valuation technique to value their investments in private equity and hedge funds. Most private equity funds are structured as closed-end, commitment-based investment funds where Consolidated Funds commits a specified amount of capital upon inception of the fund (i.e., committed capital) which is then drawn down over a specified period of the fund's life. Such funds generally do not provide redemption options for investors and, subsequent to final closing, do not permit subscriptions by new or existing investors. Accordingly, Consolidated Funds generally holds interests in such funds for which there is no active market, although, in some situations, a transaction may occur in the "secondary market" where an investor purchases a unit holder's existing interest and remaining commitment.

The following table summarizes financial instruments recorded at fair value on a recurring basis as of December 31, 2024:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds (b)	\$125,951,075	\$ -	\$ -	\$125,951,075
Corporate bonds, government bonds, and other asset-backed securities (c)	-	18,455,975	-	18,455,975
Common stocks (d)	56,860,468	-	-	56,860,468
REITs (d)	<u>1,140,925</u>	<u>-</u>	<u>-</u>	<u>1,140,925</u>
Total	<u>\$ 183,952,468</u>	<u>\$ 18,455,975</u>	<u>\$ -</u>	<u>202,408,443</u>
Investments measured at NAV (a)				<u>86,908,321</u>
Investments at fair value				<u>\$289,316,764</u>

Hollingsworth Funds, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2024

Note 2. Marketable Investment Securities, Continued

- (a) Certain investments that were measured at NAV per share or its equivalent have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the consolidated statement of financial position.
- (b) Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Plan are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily NAV and to transact at that price. The mutual funds held by Consolidated Funds are deemed to be actively traded.
- (c) Corporate bonds, government bonds, and other asset-backed securities: Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.
- (d) Common stock and real estate investment trusts (REITs): Valued at the daily closing price of stock on the active market on which the individual securities are traded.

The following table for December 31, 2024 sets forth a summary of Consolidated Funds' investments reported at NAV as a practical expedient to estimate fair value:

<u>Investment</u>	<u>Fair value</u>	<u>Unfunded commitment</u>	<u>Redemption frequency</u>	<u>Redemption notice period</u>
Hedge funds (e)	\$ 64,392,281	\$ -	(e)	(e)
Private equity funds (f)	<u>22,516,040</u>	<u>3,374,091</u>	(f)	(f)
	<u>\$ 86,908,321</u>	<u>\$ 3,374,091</u>		

- (e) Hedge funds: Valued at NAV on a monthly basis. This category includes investments in hedge funds that primarily invest in both U.S. and foreign equities, bonds, derivatives, and futures. Management of the hedge fund has the ability to allocate capital to new hedge funds, eliminate existing hedge funds and reallocate to existing hedge funds. Management of the underlying hedge funds has the ability to shift investments from value to growth strategies, from small to large capitalization stocks and from a net long position to a net short position. All hedge fund investments are redeemable on a daily, weekly, or monthly basis with a notice period of up to 45 days.
- (f) Private equity funds: Valued at NAV on a quarterly basis. This category includes private equity funds that invest primarily in investment companies specializing in global and domestic equities, real estate, and lending portfolios. Private equity funds are structured as closed-end, commitment-based investment funds where Consolidated Funds commits a specified amount of capital upon inception of the fund which is then drawn down over a specified period of the fund's life. Such funds generally do not provide redemption options for investors and, subsequent to final closing, do not permit subscriptions by new or existing investors. Accordingly, Consolidated Funds generally holds interests in such funds for which there is no active market, although, in some situations, a transaction may occur in the "secondary market" where an investor purchases a unit holder's existing interest and remaining commitment. Instead, the nature of the investments in this category is that distributions are received through the liquidation of the underlying assets of the funds. It is probable that all of the investments in this category will be sold at an amount different from the net asset value of Consolidated Funds' ownership interest. Consolidated Funds has valued its investments based on its proportional share of the net asset valuations reported by the private equity funds.

Hollingsworth Funds, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2024

Note 3. Other Receivable - Subsidiary

In May 2010, Consolidated Funds reimbursed VDI for certain development infrastructure costs totaling approximately \$3.5 million. In addition, Consolidated Funds purchased certain land totaling approximately \$3.7 million at VDI's book value. In July 2008, the City of Greenville (the "City") agreed to reimburse VDI for certain development costs and land. In 2010, the City approved reimbursement of approximately \$9.3 million, including approximately \$5.0 million of land and land improvements reimbursed by Consolidated Funds in May 2010. Reimbursement is derived from a formula based on a percentage of property taxes paid by taxpayers within the development area collected by the City. On May 10, 2011, VDI reached an agreement for the City to assume control of certain land related to a park within the development that is part of the 2008 reimbursement agreement. Consolidated Funds received City payments from VDI of \$472,178 during the year ended December 31, 2024 based on its proportionate share of the total reimbursement costs. During the year, VDI determined that \$1,131,772 of the receivable was not collectible. Consolidated Funds recognized \$650,697 of credit loss expense based on its proportionate share of the amount deemed uncollectible. The remaining receivable for reimbursement of infrastructure costs and land to be reimbursed by VDI totaling \$1,785,095 is classified as an other receivable on the accompanying consolidated statement of financial position at December 31, 2024.

Note 4. Income Producing Real Estate and Real Estate Held for Sale

Land and land improvements	\$ 90,601,468
Buildings	13,437,855
Mitigation bank	692,175
Furniture and fixtures	<u>85,087</u>
	104,816,585
Less accumulated depreciation	<u>(9,525,183)</u>
	95,291,402
Less real estate held for sale	<u>(62,686,507)</u>
Income producing real estate, net	<u>\$ 32,604,895</u>

Depreciation expense for the year ended December 31, 2024 amounted to approximately \$376,000.

Note 5. Lines of Credit

Consolidated Funds has an available securities-based line of credit with a financial institution of up to \$25,000,000. The line of credit bears interest at the one month SOFR rate (4.49 percent at December 31, 2024) plus 1.25 percent. Consolidated Funds has pledged certain marketable securities with a market value of \$37,662,127 at December 31, 2024 as collateral for the line of credit. There was no outstanding balance on the line of credit at December 31, 2024.

Consolidated Funds also has a margin account in connection with their marketable securities accounts. The line bears interest at a variable rate. There was no outstanding balance on the margin account at December 31, 2024.

Hollingsworth Funds, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2024

Note 6. Leases

Consolidated Funds' rental income is primarily derived from non-cancelable operating leases. The leases typically provide for guaranteed minimum rent, plus contingent rent based on a percentage of gross receipts and other miscellaneous charges to cover certain operating costs. Some of the leases contain renewal options and escalation clauses. Most of Consolidated Funds' operating lease agreements include scheduled rent increases. Income on leases with scheduled rent increases is recognized on a straight-line basis over the lease term.

The accompanying consolidated statement of financial position reflects accrued rental income of approximately \$1,887,000 for rent recognized on the straight-line basis in excess of the amounts currently paid under the terms of the lease. Accrued rental income includes approximately \$1,775,000 from one lessee whose individual balance represents 94 percent of the total accrued rental income.

Approximate future minimum lease payments receivable under the non-cancelable operating leases are due as follows:

2025	\$ 2,338,410
2026	2,010,057
2027	1,852,535
2028	1,480,688
2029	1,252,139
Thereafter	<u>9,634,296</u>
	18,568,125
Less amounts previously recognized as income	<u>(1,887,340)</u>
	<u>\$ 16,680,785</u>

Total rental income of approximately \$3,878,000 for 2024 includes approximately \$722,000 from one lessee whose individual balance represents 19 percent of rental income for the year ended December 31, 2024.

Note 7. Investment in Equity Method Subsidiaries

As described in Note 1, Funds has several wholly-owned subsidiaries during the year ended December 31, 2024. These subsidiaries include HOW, Verdae Properties, and VDI. Funds only consolidates Verdae Properties.

As described in Note 1, Funds accounts for two of the wholly-owned subsidiaries (VDI and HOW) under the equity method of accounting.

During 2014, Verdae Properties sold 70 percent of two office buildings to a third party. In conjunction with this sale, Verdae Properties contributed its remaining 30 percent of the property to Bonaventure I & II, LLC. The office buildings are unconsolidated due to Verdae Properties no longer controlling the property.

Hollingsworth Funds, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2024

Note 7. Investment in Equity Method Subsidiaries, Continued

Summarized financial information for HOW, VDI, and Bonaventure as of and for the year ended December 31, 2024, except for HOW, which is presented as of and for the year ended December 1, 2024, is as follows:

	<u>Bonaventure</u> (unaudited)	<u>HOW</u> (unaudited)	<u>VDI</u> (audited)
Total assets	\$ 5,409,275	\$ 2,094,829	\$ 10,259,499
Liabilities	\$ 4,422,751	\$ 426,634	\$ 2,474,610
Equity	986,524	1,668,195	7,784,889
Total liabilities and equity	\$ 5,409,275	\$ 2,094,829	\$ 10,259,499
Revenue and gains (losses), net	\$ 1,047,583	\$ 81,377	\$ 2,188,472
Expenses	959,734	824,149	2,651,465
Net income (loss)	\$ 87,849	\$ (742,772)	\$ (462,993)
	<u>Bonaventure</u> (unaudited)	<u>HOW</u> (unaudited)	<u>VDI</u> (audited)
Equity value of investment, beginning of year	\$ 1,178,675	\$ 6,272,655	\$ 7,337,993
Net income (loss)	87,849	(742,772)	(462,993)
Distributions	(280,000)	-	-
Equity value of investment, end of year	\$ 986,524	\$ 5,529,883	\$ 6,875,000

The difference in the equity recorded by HOW and the equity value of the investment by Consolidated Funds relates to the step-up in basis Consolidated Funds received from the revocable trust, which is reduced as related assets in HOW are sold. The difference in the equity recorded by VDI and the equity value of the investment by Consolidated Funds relates to the recognition of gains and losses on the sale of real estate between the two companies.

Note 8. Uncertainties

Certain land owned by HOW has been contaminated by hazardous materials. HOW, in cooperation with federal and state authorities, has been engaged in removing hazardous materials, monitoring contamination levels and other remedial actions. In 1992, HOW and the previous owner of the land reached an agreement which established a trust for the costs of the clean-up. The agreement specified the percentages for allocating past and future clean-up costs between HOW (31.25 percent) and the previous owner (68.75 percent). HOW has accrued an estimate of the maximum liability based on currently available information. The total future costs of environmental cleanup at the site are estimated to be approximately \$1.2 million.

Based on the information currently available, HOW estimates the present value of its share of the future costs over the next 30 years to be approximately \$403,000. This amount has been recorded by HOW.

Hollingsworth Funds, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2024

Note 9. Related Party Transactions

At December 31, 2024, Consolidated Funds has \$6,830 due from HOW related to shared services. The amount is included in due from related parties on the accompanying consolidated statement of financial position. Consolidated Funds also has \$1,091 due to VDI related to shared services and the advisory fee noted below. The amount is included in due to related parties on the accompanying consolidated statement of financial position. Consolidated Funds also has a receivable due from VDI for approximately \$1,785,095 as described in Note 3.

Consolidated Funds received an accounting fee from VDI during 2024 for accounting services provided to VDI. Accounting fees received for 2024 were \$18,107 and are included as a reduction of professional services expenses on the accompanying consolidated statement of activities and functional expenses.

Consolidated Funds paid advisory fees to VDI during 2024 for real estate advisory services provided to Consolidated Funds. The advisory fees for 2024 were \$1,731,400. The advisory fee is included in professional services expense on the accompanying consolidated statement of activities and functional expenses.

Consolidated Funds rents office space from Bonaventure under a non-cancelable lease. The lease requires Consolidated Funds to pay related property taxes, insurance, and repairs and maintenance. Rent expense of \$83,587 was incurred for the space during the year ended December 31, 2024.

Note 10. Commitments and Contingencies

Certain private equity funds that Consolidated Funds' invests in require capital commitments. Outstanding capital commitments on these investments total approximately \$3,374,000 at December 31, 2024.

Note 11. Employee Benefit Plans

Consolidated Funds established a 401(k) plan and a 457(b) employee benefit plan in 2015 for all employees meeting certain eligibility requirements. Consolidated Funds may make discretionary employer matching contributions on behalf of all qualified employees for the 457(b) plans. The 401(k) plan has a 4.5 percent employer match and a 4.5 percent profit sharing component. The total employer contributions for the 401(k) plan and 457(b) plan were \$95,024 and \$23,000, respectively, for the year ended December 31, 2024. Consolidated Funds has accrued a deferred compensation liability of \$332,771 at December 31, 2024. The amount is included in accrued expenses and other liabilities on the accompanying consolidated statement of financial position.

Hollingsworth Funds, Inc. and Subsidiaries
Consolidating and Combining Statement of Financial Position
As of December 31, 2024

	Hollingsworth Funds, Inc.	Verdae Properties, LLC	Consolidating Entries	Hollingsworth Funds, Inc. and Subsidiaries	(Unaudited) John D. Hollingsworth on Wheels, Inc. *	Verdae Development, Inc.	Combining Entries	Combined
Assets								
Cash and cash equivalents	\$ 3,734,090	\$ 398,137	\$ -	\$ 4,132,227	\$ 1,187,807	\$ 3,827,008	\$ -	\$ 9,147,042
Marketable investment securities	289,316,764	-	-	289,316,764	-	-	-	289,316,764
Note receivable	-	-	-	-	-	149,547	-	149,547
Due from related parties	6,830	-	-	6,830	255	-	(7,085)	-
Other receivable - subsidiary	1,491,380	293,715	-	1,785,095	276,411	3,104,853	(2,061,506)	3,104,853
Income producing real estate, net	-	32,604,895	-	32,604,895	-	-	-	32,604,895
Real estate held for sale	37,621	62,648,886	-	62,686,507	87,508	2,860,163	(61,107)	65,573,071
Accrued rental income	-	1,887,340	-	1,887,340	-	-	-	1,887,340
Deferred leasing costs	-	303,732	-	303,732	-	-	-	303,732
Other assets	455,281	160,078	-	615,359	404,463	2,387	-	1,022,209
Right-of-use asset - operating lease	-	-	-	-	-	104,915	-	104,915
Deferred tax asset	-	-	-	-	138,385	-	-	138,385
Income tax receivable	-	-	-	-	-	210,626	-	210,626
Investment in equity method subsidiaries	111,186,033	986,524	(98,781,150)	13,391,407	-	-	(12,404,883)	986,524
Total assets	<u>\$406,227,999</u>	<u>\$ 99,283,307</u>	<u>\$ (98,781,150)</u>	<u>\$406,730,156</u>	<u>\$ 2,094,829</u>	<u>\$ 10,259,499</u>	<u>\$ (14,534,581)</u>	<u>\$404,549,903</u>

* HOW ceased operations on December 31, 2009. As a result, the entity's operations have been presented as a discontinued operation and certain assets including inventory, property, plant, and equipment, and real estate have been reclassified as assets held for sale on the combining statement of financial position.

NOTE: The supplemental schedules are not intended to combine under the basis as presented in the consolidated financial statements.

See Independent Auditor's Report

Hollingsworth Funds, Inc. and Subsidiaries

Consolidating and Combining Statement of Financial Position

As of December 31, 2024

	Hollingsworth Funds, Inc.	Verdae Properties, LLC	Consolidating Entries	Hollingsworth Funds, Inc. and Subsidiaries	(Unaudited) John D. Hollingsworth on Wheels, Inc.	Verdae Development, Inc.	Combining Entries	Combined
Liabilities								
Accrued expenses and other liabilities	\$ 408,071	\$ 501,308	\$ -	\$ 909,379	\$ 16,549	\$ 309,213	\$ -	\$ 1,235,141
Lease liability - operating lease	-	-	-	-	-	104,982	-	104,982
Due to related parties	242	849	-	1,091	7,085	2,060,415	(2,068,591)	-
Other deferred liabilities	-	-	-	-	403,000	-	-	403,000
Total liabilities	<u>408,313</u>	<u>502,157</u>	<u>-</u>	<u>910,470</u>	<u>426,634</u>	<u>2,474,610</u>	<u>(2,068,591)</u>	<u>1,743,123</u>
Net Assets								
Capital stock	-	-	-	-	250,700	8,500,000	(8,750,700)	-
Capital in excess of par value	-	-	-	-	7,487,436	-	(7,487,436)	-
Member's equity	-	98,781,150	(98,781,150)	-	-	-	-	-
Net assets without donor restrictions	405,819,686	-	-	405,819,686	-	-	(3,012,906)	402,806,780
Retained earnings (deficit)	-	-	-	-	(6,069,941)	(715,111)	6,785,052	-
Total net assets	<u>405,819,686</u>	<u>98,781,150</u>	<u>(98,781,150)</u>	<u>405,819,686</u>	<u>1,668,195</u>	<u>7,784,889</u>	<u>(12,465,990)</u>	<u>402,806,780 *</u>
Total liabilities and net assets	<u>\$406,227,999</u>	<u>\$ 99,283,307</u>	<u>\$ (98,781,150)</u>	<u>\$406,730,156</u>	<u>\$ 2,094,829</u>	<u>\$ 10,259,499</u>	<u>\$ (14,534,581)</u>	<u>\$404,549,903</u>

* Net assets of Hollingsworth Funds, Inc. and Subsidiaries differs from the combining net assets due to differences between the investment cost of Funds and book values of HOW and Verdae Development (Note 7).

NOTE: The supplemental schedules are not intended to combine under the basis as presented in the consolidated financial statements.

See Independent Auditor's Report

Hollingsworth Funds, Inc. and Subsidiaries

Consolidating and Combining Statement of Activities

For the year ended December 31, 2024

	Hollingsworth Funds, Inc.	Verdae Properties, LLC	Consolidating Entries	Hollingsworth Funds, Inc. and Subsidiaries	(Unaudited) John D. Hollingsworth On Wheels, Inc.	Verdae Development, Inc.	Combining Entries	Combined
Revenues and gains, net								
Rental income	\$ 38,353	\$ 3,839,414	\$ -	\$ 3,877,767	\$ -	\$ -	\$ -	\$ 3,877,767
Commission and other fee income	-	-	-	-	-	234,138	-	234,138
Advisory fee income	-	-	-	-	-	1,731,400	(1,731,400)	-
Interest and dividend income from investments	7,871,516	-	-	7,871,516	76,382	216,134	-	8,164,032
Realized gains on marketable investment securities	8,365,773	-	-	8,365,773	-	-	-	8,365,773
Unrealized gains on marketable investment securities	13,680,261	-	-	13,680,261	4,995	-	-	13,685,256
Other	-	-	-	-	-	6,800	-	6,800
Total revenues and gains, net	29,955,903	3,839,414	-	33,795,317	81,377	2,188,472	(1,731,400)	34,333,766
Expenses								
Grants	12,044,703	-	-	12,044,703	-	-	-	12,044,703
Salaries and payroll taxes	1,174,600	-	-	1,174,600	246,492	1,180,698	-	2,601,790
Property taxes and licenses	-	724,945	-	724,945	-	55,857	-	780,802
Depreciation and amortization	5,913	455,618	-	461,531	-	224	-	461,755
Professional services	1,997,668	334,269	-	2,331,937	68,945	236,970	(1,731,400)	906,452
Property maintenance	209,264	378,451	-	587,715	-	-	-	587,715
Investment fees	471,101	-	-	471,101	-	-	-	471,101
Employee benefits	233,661	-	-	233,661	5,040	226,792	-	465,493
Lease	83,587	-	-	83,587	18,100	87,029	-	188,716
Insurance	27,520	222,722	-	250,242	139,662	36,241	-	426,145
Property manager fees	-	100,377	-	100,377	-	-	-	100,377
Utilities	1,611	71,487	-	73,098	5,384	-	-	78,482
Commissions	-	7,646	-	7,646	-	-	-	7,646
Director fees	60,000	-	-	60,000	-	20,625	-	80,625
Credit loss	543,634	107,063	-	650,697	100,757	380,318	-	1,131,772
Other	162,429	44,186	-	206,615	239,769	426,175	-	872,559
Total expenses	17,015,691	2,446,764	-	19,462,455	824,149	2,650,929	(1,731,400)	21,206,133
Income tax provision	-	-	-	-	-	536	-	536
Total expenses	17,015,691	2,446,764	-	19,462,455	824,149	2,651,465	(1,731,400)	21,206,669
Revenues over (under) expenses	12,940,212	1,392,650	-	14,332,862	(742,772)	(462,993)	-	13,127,097
Equity in net income (loss) from equity method subsidiaries	274,734	87,849	(1,480,499)	(1,117,916)	-	-	1,205,765	87,849
Contribution from Funds	-	15,933,795	(15,933,795)	-	-	-	-	-
Increase (decrease) in net assets	13,214,946	17,414,294	(17,414,294)	13,214,946	(742,772)	(462,993)	1,205,765	13,214,946
Net assets without donor restrictions, beginning of year	392,604,740	81,366,856	(81,366,856)	392,604,740	2,410,967	8,247,882	(13,671,755)	389,591,834
Net assets without donor restrictions, end of year	\$ 405,819,686	\$ 98,781,150	\$ (98,781,150)	\$ 405,819,686	\$ 1,668,195	\$ 7,784,889	\$ (12,465,990)	\$ 402,806,780

NOTE: The supplemental schedules are not intended to combine under the basis as presented on the consolidated financial statements

See Independent Auditor's Report