

**THE HAVENWOOD-HERITAGE
HEIGHTS TRUST FUND**

FINANCIAL STATEMENTS

DECEMBER 31, 2010

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
The Havenwood-Heritage Heights Trust Fund

We have audited the accompanying statements of financial position of The Havenwood-Heritage Heights Trust Fund (the "Trust Fund") as of December 31, 2010 and 2009, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Trust Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of The Havenwood-Heritage Heights Trust Fund at December 31, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

Hession & Pore, P.C.

April 11, 2011

THE HAVENWOOD-HERITAGE
HEIGHTS TRUST FUND

STATEMENTS OF FINANCIAL POSITION

As of December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
ASSETS		
Cash and cash equivalents	\$ 49,624	\$ 179,319
Interest receivable	36,435	30,545
Investments - pooled	11,715,614	10,317,898
Investments - charitable gift annuities	1,175,323	1,300,177
Beneficial interest in trust	339,836	-
Land and property, net	<u>755,120</u>	<u>774,992</u>
Total assets	<u>\$ 14,071,952</u>	<u>\$ 12,602,931</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Loan payable	\$ 2,108,078	\$ 2,108,078
Obligations for future annuity payments	678,178	928,248
Accounts payable - affiliate	192,543	42,626
Accrued interest payable	4,374	4,792
Long-term debt	<u>525,000</u>	<u>575,000</u>
Total liabilities	<u>3,508,173</u>	<u>3,658,744</u>
Net assets		
Unrestricted net assets	<u>3,724,217</u>	<u>3,313,171</u>
Temporarily restricted net assets		
Restricted for resident support	5,814,998	5,079,675
Restricted for charitable gift annuity program	497,146	371,931
Restricted for specific purposes	<u>29,575</u>	<u>21,403</u>
Total temporarily restricted net assets	<u>6,341,719</u>	<u>5,473,009</u>
Permanently restricted net assets		
Restricted for resident support	465,668	125,832
Restricted for specific purposes	<u>32,175</u>	<u>32,175</u>
Total permanently restricted net assets	<u>497,843</u>	<u>158,007</u>
Total net assets	<u>10,563,779</u>	<u>8,944,187</u>
Total liabilities and net assets	<u>\$ 14,071,952</u>	<u>\$ 12,602,931</u>

See notes to financial statements.

THE HAVENWOOD-HERITAGE
HEIGHTS TRUST FUND

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2010

	Unrestricted	Temporarily Restricted			Restricted for Resident Support	Restricted for Gift Annuities	Restricted for Specific Purposes	Permanently Restricted				
		Restricted for Resident Support	Restricted for Gift Annuities	Restricted for Specific Purposes				Restricted for Resident Support	Restricted for Specific Purposes	Total		
Support and revenue												
Contributions and bequests	\$ -	\$ 60,004	\$ -	\$ -				\$ 339,836	\$ -		\$ 399,840	
Investment income	115,372	184,040	30,545	1,913				-	-		331,870	
Net realized gains on investments	180,204	287,460	37,871	2,988				-	-		508,523	
Net unrealized gains on investments	269,788	430,362	104,281	4,473				-	-		808,904	
Change in value of gift annuity agreements	-	-	250,070	-				-	-		250,070	
Reclassification of net assets												
Satisfaction of annuity restrictions	-	116,488	(116,488)	-				-	-		-	
Satisfaction of income restrictions	246,084	(246,084)	-	-				-	-		-	
Total support and revenue	811,448	832,270	306,279	9,374				339,836	-		2,299,207	
Expenses												
Support of residents and community	246,084	-	-	-				-	-		246,084	
Distribution to annuitants	29,501	-	171,015	-				-	-		200,516	
Administrative support expenses	32,463	51,784	-	734				-	-		84,981	
Investment management fees	28,314	45,163	10,049	468				-	-		83,994	
Interest expense	44,168	-	-	-				-	-		44,168	
Depreciation expense	19,872	-	-	-				-	-		19,872	
Total expenses	400,402	96,947	181,064	1,202				-	-		679,615	
Excess of support and revenue over expenses	411,046	735,323	125,215	8,172				339,836	-		1,619,592	
Net assets, beginning of year	3,313,171	5,079,675	371,931	21,403				125,832	32,175		8,944,187	
Net assets, end of year	\$ 3,724,217	\$ 5,814,998	\$ 497,146	\$ 29,575				\$ 465,668	\$ 32,175		\$ 10,563,779	

See notes to financial statements.

THE HAVENWOOD-HERITAGE
HEIGHTS TRUST FUND

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2009

	Unrestricted	Temporarily Restricted		Restricted for Resident Support	Restricted for Specific Purposes	Permanently Restricted for Resident Support	Restricted for Specific Purposes	Total
Support and revenue								
Contributions and bequests	\$ -	\$ 523,175	\$ 19,714	\$ -	\$ -	\$ -	\$ -	\$ 542,889
Investment income	110,811	174,102	35,182	1,792	-	-	-	321,887
Net realized losses on investments	(106,384)	(167,146)	(86,298)	(1,720)	-	-	-	(361,548)
Net unrealized gains on investments	985,498	1,548,372	282,910	15,937	-	-	-	2,832,717
Change in value of gift annuity agreements	-	-	75,064	-	-	-	-	75,064
Reclassification of net assets								
Satisfaction of annuity restrictions	6,759	20,146	(26,905)	-	-	-	-	-
Satisfaction of income restrictions	200,250	(200,250)	-	-	-	-	-	-
Total support and revenue	1,196,934	1,898,399	299,667	16,009	-	-	-	3,411,009
Expenses								
Support of residents and community	200,250	-	-	-	-	-	-	200,250
Contribution to affiliate	6,759	-	-	-	-	-	-	6,759
Distribution to annuitants	1,725	-	213,150	-	-	-	-	214,875
Administrative support expenses	33,515	52,660	-	542	-	-	-	86,717
Investment management fees	27,080	42,546	10,391	438	-	-	-	80,455
Interest expense	30,291	-	-	-	-	-	-	30,291
Depreciation	8,280	-	-	-	-	-	-	8,280
Total expenses	307,900	95,206	223,541	980	-	-	-	627,627
Excess of support and revenue over expenses	889,034	1,803,193	76,126	15,029	-	-	-	2,783,382
Net assets, beginning of year	2,424,137	3,276,482	295,805	6,374	-	125,832	32,175	6,160,805
Net assets, end of year	\$ 3,313,171	\$ 5,079,675	\$ 371,931	\$ 21,403	\$ -	\$ 125,832	\$ 32,175	\$ 8,944,187

See notes to financial statements.

**THE HAVENWOOD-HERITAGE
HEIGHTS TRUST FUND**

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities		
Excess of support and revenue over expenses	\$ 1,619,592	\$ 2,783,382
Adjustments to reconcile excess of support and revenue over expenses to net cash used in operating activities		
Depreciation	19,872	8,280
Realized (gain) loss on investments	(508,523)	361,548
Unrealized (gain) on investments	(808,904)	(2,832,717)
Reinvested income	(242,939)	(228,591)
(Increase) decrease in interest receivable	(5,890)	19,609
(Increase) in beneficial interest in trust	(339,836)	-
Increase (decrease) in due to affiliate	149,917	(21,314)
Increase (decrease) in accrued interest payable	(417)	4,792
	<u>(117,128)</u>	<u>94,989</u>
Net cash provided by (used in) operating activities		
Cash flows from investing activities		
Net proceeds from investments	287,503	204,848
Payment on long-term debt	(50,000)	-
Purchase of property	-	(200,000)
	<u>237,503</u>	<u>4,848</u>
Net cash provided by investing activities		
Cash flows from financing activities		
Net cash paid on annuities	(250,070)	(59,572)
Increase (decrease) in cash and cash equivalents	(129,695)	40,265
Cash and cash equivalents, beginning of year	<u>179,319</u>	<u>139,054</u>
Cash and cash equivalents, end of year	<u>\$ 49,624</u>	<u>\$ 179,319</u>
Supplemental disclosures of cash flows information		
Interest paid	<u>\$ 44,585</u>	<u>\$ 25,499</u>
Acquisition of property		
Purchase of property	\$ -	\$ 775,000
Amount financed	-	(575,000)
Cash paid for property	<u>\$ -</u>	<u>\$ 200,000</u>
See notes to financial statements.		

**THE HAVENWOOD-HERITAGE
HEIGHTS TRUST FUND**

NOTES TO FINANCIAL STATEMENTS

Note 1. ORGANIZATION AND BASIS OF PRESENTATION

Organization

The Havenwood-Heritage Heights Trust Fund (the "Trust Fund") was established on August 16, 1982 for the purpose of meeting the minimum needs of residents of the United Church of Christ Retirement Community, Inc. (known as the "Community" or "Affiliate" or "UCCRC") and for general support of the Community. Requests for funds from the Trust Fund are made by the Board of Directors of the Community (the "Community Board"), and payment is made at the discretion of the trustees of the Trust Fund (the "trustees"). The Trust Fund has received an exemption from federal income taxes from the Internal Revenue Service and is registered as a charitable trust with the State of New Hampshire. Contributions, bequests, legacies, devises, gifts, or transfers to the Trust Fund by any person, firm, association, entity, or corporation are deductible for estate, gift, and income tax purposes.

The trustees of the Trust Fund elect their own members and may be members of the Community Board.

Community interest in trust fund net assets

The Community has adopted the Not-for-Profit Entities Topic of the FASB Accounting Standards Codification (ASC) 958-30 and subsections. This Topic requires that a beneficiary shall recognize its rights to the assets held by a recipient organization as an asset unless the recipient organization is explicitly granted variance power. Management of the Community and the Trust Fund have determined that the Trust Fund has not explicitly been granted variance power and, therefore, the Community's interest in the net assets of the Trust Fund have been recognized in the Community's financial statements.

Basis of presentation

The accompanying financial statements have been prepared on the accrual basis and in accordance with the Not-for-Profit Entities Topic of the ASC 958-205 and subsections.

**THE HAVENWOOD-HERITAGE
HEIGHTS TRUST FUND**

NOTES TO FINANCIAL STATEMENTS

Note 1. ORGANIZATION AND BASIS OF PRESENTATION (concluded)

Basis of presentation (concluded)

This Topic establishes standards for general-purpose external financial statements of not-for-profit organizations, including a statement of financial position, a statement of activities and a statement of cash flows. This Topic further requires classification of net assets and its revenues, expenses, gains and losses into three categories, based on the existence or absence of externally imposed restrictions: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The categories are defined as follows:

Unrestricted – Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

Temporarily Restricted – Net assets whose use is limited by law or donor-imposed stipulations that will either expire with the passage of time or be fulfilled or removed by actions of the Trust Fund.

Permanently Restricted – Reflects the historical cost of gifts (and in certain circumstances, the earnings from those gifts), subject to donor-imposed stipulations, which require the corpus to be invested in perpetuity to produce income for general or specific purposes.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments

The Trust Fund has adopted the Not-for-Profit Entities Topic of the ASC 958-320 and ASC 820-10. These Topics require that certain investments be recorded at their fair market values based on an established framework within GAAP.

With the exception of investments for its charitable gift annuity program, the Trust Fund utilizes a pooled investment fund basis of managing its investments.

Property

Property is recorded at cost and depreciated using the straight-line method over 39 years.

**THE HAVENWOOD-HERITAGE
HEIGHTS TRUST FUND**

NOTES TO FINANCIAL STATEMENTS

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

Contributions

In accordance with the Not-for-Profit Entities Topic of the ASC 958-605 and subsections, contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents consist of demand deposits and highly liquid investments with an initial maturity of three months or less.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

**THE HAVENWOOD-HERITAGE
HEIGHTS TRUST FUND**

NOTES TO FINANCIAL STATEMENTS

Note 3. POOLED INVESTMENTS

Pooled investments consisted of the following at December 31:

	<u>2010</u>		<u>2009</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
Marketable equities	\$ 5,778,141	\$ 7,381,181	\$ 5,335,585	\$ 6,417,297
Corporate bonds	2,391,511	2,665,896	2,094,876	2,262,423
Mutual funds	1,309,048	1,049,524	1,516,288	1,177,552
Municipal bonds	200,000	214,996	200,000	213,408
Preferred stock	150,000	165,300	150,000	169,440
Cash	<u>238,717</u>	<u>238,717</u>	<u>77,778</u>	<u>77,778</u>
Total	<u>\$10,067,417</u>	<u>\$11,715,614</u>	<u>\$ 9,374,527</u>	<u>\$10,317,898</u>

Note 4. SPLIT INTEREST AGREEMENTS

The Community established a charitable gift annuity program in 1987 whereby donors may transfer assets to the Trust Fund in exchange for the right to receive an annuity during the donors' lifetime and/or the lifetime of a specified beneficiary. These split interest agreements with donors consist primarily of charitable gift annuities and irrevocable charitable remainder trusts for which the Trust Fund serves as trustee. Assets are invested and payments are made to donors and/or other beneficiaries in accordance with the respective agreements. During 1999, New Hampshire legislation took effect that required the annuity rate to comply with age-adjusted rates set by the American Council on Gift Annuities.

When a donor contributes assets for a split interest agreement, the difference between the amount contributed and the present value of future annuity payments is recognized as temporarily restricted income at the date of the agreement. The present value is recognized as a liability for future annuity payments. The present value is determined using published life expectancy tables and the applicable federal rate published monthly in Internal Revenue Service Rulings.

The annuity liability is revalued annually based upon the recalculated present value that uses the current age of the annuitants and the original discount rate for each annuity contract. Distributions paid and income earned on annuity investments are recorded as changes in the liability and increases or decreases in the temporarily restricted net asset class in the statement of activities.

**THE HAVENWOOD-HERITAGE
HEIGHTS TRUST FUND**

NOTES TO FINANCIAL STATEMENTS

Note 4. SPLIT INTEREST AGREEMENTS (concluded)

Upon the death of the annuitant, the funds are transferred to the pooled investments of the Trust Fund and/or directly to the Community under the restrictions specified by the donor.

Investments for the charitable gift annuity program consisted of the following at December 31:

	<u>2010</u>		<u>2009</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
Marketable equities	\$747,619	\$ 913,861	\$ 884,069	\$ 948,756
Mutual funds	234,013	246,583	287,848	297,692
Cash	14,879	14,879	53,729	53,729
Total	<u>\$996,511</u>	<u>\$1,175,323</u>	<u>\$1,225,646</u>	<u>\$1,300,177</u>

Note 5. BENEFICIAL INTEREST IN TRUST

The Trust Fund is an irrevocable beneficiary of a charitable remainder trust held by a bank as trustee. These resources are neither in the possession of, nor under the control of the Trust Fund. The terms of the trust provide for income of the trust to be distributed to the current beneficiary and upon termination of the trust, the principal is to be distributed to the Trust Fund.

Note 6. PROPERTY

During 2009, the Trust Fund and CFM Building Associates, LLC, formerly known as Concord Family Medicine Building Associates ("CFM"), agreed to the termination of the lease, dated February 16, 1983 as amended, in connection with the real estate located at 141 East Side Drive. Pursuant to the terms of the lease, the Trust Fund paid \$775,000 for the leasehold improvements to said premises. At December 31, 2010 and 2009, there was accumulated depreciation of \$28,152 and \$8,280, respectively, in relation to said leasehold improvements.

**THE HAVENWOOD-HERITAGE
HEIGHTS TRUST FUND**

NOTES TO FINANCIAL STATEMENTS

Note 7. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available for the following purposes as of December 31:

	<u>2010</u>	<u>2009</u>
Financial support of Community residents	\$ 5,814,998	\$5,079,675
Charitable gift annuity program	497,146	371,931
Other specific purposes benefiting residents	<u>29,575</u>	<u>21,403</u>
Total	<u>\$ 6,341,719</u>	<u>\$ 5,473,009</u>

Note 8. RELATED-PARTY TRANSACTIONS

Management fees

The Trust Fund has no employees. It reimburses the Community for financial, administrative, and fund development services. The amounts paid to the Community for these services were \$75,000 in 2010 and 2009.

At December 31, 2010 and 2009, the Trust Fund owed the Community \$192,543 and \$42,626, respectively, for resident support related matters.

Note 9. REVOLVING CREDIT LOAN

On August 18, 2006, the Trust Fund entered into an agreement with a National Banking Association ("Bank") to refinance their existing revolving credit loan agreement up to \$4,500,000 which matures in five years from the date of closing. These funds are for the purpose of supporting the construction to expand housing units by the Community. Borrowings under the credit loan bear interest equal to the (1) month LIBOR rate plus .50% (.76% at December 31, 2010), and are collateralized by the Trust Fund's unrestricted investments. At December 31, 2010 and 2009, \$2,108,078 was outstanding on the credit loan.

**THE HAVENWOOD-HERITAGE
HEIGHTS TRUST FUND**

NOTES TO FINANCIAL STATEMENTS

Note 10. LONG-TERM DEBT

The Trust Fund's long-term debt consists of the following at December 31:

	<u>2010</u>	<u>2009</u>
Five year note payable to CFM Building Associates, LLC dated July 29, 2010, in the original amount of \$575,000. Quarterly installments of interest at 5% plus annual installments of principal for \$50,000 are required through August 2014. The loan is secured by real property located in Concord, New Hampshire.	\$ 525,000	\$ 575,000
Less current maturities	<u>50,000</u>	<u>50,000</u>
Long-term debt	<u>\$ 475,000</u>	<u>\$ 525,000</u>

The following is a summary of maturities due on long-term debt as of December 31, 2010:

<u>Year</u>	<u>Amount</u>
2011	\$ 50,000
2012	50,000
2013	50,000
2014	<u>375,000</u>
Total	<u>\$ 525,000</u>

Note 11. FAIR VALUE MEASUREMENTS

The Trust Fund has adopted fair value measurements, as required by the Fair Value Measurements and Disclosures Topic of the ASC 820-10 and subsections, which provides a framework for measuring fair value under generally accepted accounting principles. This Topic applies to all financial instruments that are being measured and reported on a fair value basis.

As defined in this Topic, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

**THE HAVENWOOD-HERITAGE
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NOTES TO FINANCIAL STATEMENTS

Note 11. FAIR VALUE MEASUREMENTS (continued)

Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 – Valuations for assets and liabilities traded in active exchange market. Level 1 also includes U.S. Treasury and federal agency securities, which are traded by dealers or brokers in active markets. Valuations are obtained by readily available pricing sources for market transactions involving identical assets and liabilities.

Level 2 – Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.

Level 3 – Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

Fair values of assets measured on a recurring basis at December 31, 2010 and 2009 are as follows:

December 31, 2010

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets				
Investments				
Marketable equities	\$ 8,295,042	\$ 8,295,042	\$ -	\$ -
Corporate bonds	2,665,896	-	2,665,896	-
Mutual funds	1,296,107	1,296,107	-	-
Municipal bonds	214,996	-	214,996	-
Preferred stock	165,300	165,300	-	-
Cash	253,596	253,596	-	-
Beneficial interest in trust	339,836	-	-	339,836
Total	<u>\$13,230,773</u>	<u>\$10,010,045</u>	<u>\$2,880,892</u>	<u>\$ 339,836</u>
Liabilities				
Gift annuity payables	<u>\$ 678,178</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 678,178</u>

**THE HAVENWOOD-HERITAGE
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NOTES TO FINANCIAL STATEMENTS

Note 11. FAIR VALUE MEASUREMENT (concluded)

December 31, 2009

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets				
Investments				
Marketable equities	\$ 7,366,053	\$7,366,053	\$ -	\$ -
Corporate bonds	2,262,423	-	2,262,423	-
Mutual funds	1,475,244	1,475,244	-	-
Municipal bonds	213,408	-	213,408	-
Preferred stock	169,440	169,440	-	-
Cash	131,507	131,507	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$11,618,075</u>	<u>\$9,142,244</u>	<u>\$2,475,831</u>	<u>\$ -</u>
Liabilities				
Gift annuity payables				
	<u>\$ 928,248</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 928,248</u>

Fair values for investments are determined by reference to quoted market prices and other relevant information generated by market transactions. The fair market value of the beneficial interest in a trust is based upon the present value of the estimated future cash receipts from the trust assets, considering a rate of return on the assets in the trust. Gift annuity payables are primarily valued using valuation models that consider assumptions about future market conditions and actuarially-determined payout periods.

Changes in fair value of liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) are comprised of the following:

	<u>Beneficial interest in trust</u>	<u>Annuity Payables</u>
Balance at December 31, 2008	\$ -	\$ 987,820
Contribution	-	15,492
Change in present value	-	(75,064)
Balance at December 31, 2009	<u>\$ -</u>	<u>\$ 928,248</u>
Contribution	339,836	-
Change in present value	-	(250,070)
Balance at December 31, 2010	<u>\$ 339,836</u>	<u>\$ 678,178</u>

**THE HAVENWOOD-HERITAGE
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NOTES TO FINANCIAL STATEMENTS

Note 12. ENDOWMENT FUND ASSETS

FASB issued the Not-for-Profit Entities Topic of the ASC 958-205, which is intended to improve the quality of consistency of financial reporting of endowments held by not-for-profit organizations. This FSP provides guidance on classifying the net assets associated with donor-restricted endowment funds held by organizations that are subject to an enacted version of the Uniform Prudent Management Institutional Funds Act (UPMIFA). New Hampshire has adopted UPMIFA. The FSP also requires additional financial statement disclosures on endowments and related net assets.

The following schedule includes activity for all investments held by the Trust Fund:

December 31, 2010	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Investments, beginning of year	\$4,179,407	\$5,980,484	\$ 158,007	\$10,317,898
Investment return				
Net investment income	85,415	133,658	-	219,073
Realized gain	184,868	289,152	-	474,020
Unrealized gain	<u>274,803</u>	<u>429,820</u>	<u>-</u>	<u>704,623</u>
Total investment return	<u>545,086</u>	<u>852,630</u>	<u>-</u>	<u>1,397,716</u>
Investments, end of year	<u>\$4,724,493</u>	<u>\$6,833,114</u>	<u>\$ 158,007</u>	<u>\$11,715,614</u>

Investment Net Asset Composition by Fund Type:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Undesignated	\$4,724,493	\$ -	\$ -	\$ 4,724,493
Donor designated	<u>-</u>	<u>6,883,114</u>	<u>158,007</u>	<u>6,991,121</u>
Total	<u>\$4,724,493</u>	<u>\$6,833,114</u>	<u>\$ 158,007</u>	<u>\$11,715,614</u>

**THE HAVENWOOD-HERITAGE
HEIGHTS TRUST FUND**

NOTES TO FINANCIAL STATEMENTS

Note 12. ENDOWMENT FUND ASSETS (continued)

December 31, 2009	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Investments, beginning of year	\$3,226,244	\$4,455,290	\$ 158,007	\$7,839,541
Investment return Net investment income	74,049	129,751	-	203,800
Realized loss	(106,384)	(168,866)	-	(275,250)
Unrealized gain	<u>985,498</u>	<u>1,564,309</u>	<u>-</u>	<u>2,549,807</u>
Total investment return	<u>953,163</u>	<u>1,525,194</u>	<u>-</u>	<u>2,478,357</u>
Investments, end of year	<u>\$4,179,407</u>	<u>\$5,980,484</u>	<u>\$ 158,007</u>	<u>\$10,317,898</u>

Investment Net Asset Composition by Fund Type:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Undesignated	\$4,179,407	\$ -	\$ -	\$ 4,179,407
Donor designated	<u>-</u>	<u>5,980,484</u>	<u>158,007</u>	<u>6,138,491</u>
Total	<u>\$4,179,407</u>	<u>\$5,980,484</u>	<u>\$ 158,007</u>	<u>\$10,317,898</u>

**THE HAVENWOOD-HERITAGE
HEIGHTS TRUST FUND**

NOTES TO FINANCIAL STATEMENTS

Note 12. ENDOWMENT FUND ASSETS (concluded)

The Trust Fund has adopted an investment policy that will allow for the annual withdrawal of income as needed for resident and community support and still increase the purchasing power of the Trust, prior to additions and without undue risk. The long-term objective of this policy is to generate a total return net of fees which is at least 5% in excess of inflation rate, as measured by the Consumer Price Index, over rolling ten-year periods. Total return is defined as dividend or interest income, plus realized and unrealized capital appreciation or depreciation at fair market value.

The Trustee approved annual spending rate should not exceed 5.5% of the three-year moving market value average.

In recognition of the prudence required of fiduciaries, reasonable diversification is sought where possible. Asset allocation parameters have been developed based on investment objectives, liquidity needs, and time horizon for intended use.

Note 13. SUBSEQUENT EVENTS

The Trust Fund has evaluated subsequent events through April 11, 2011, the date which the financial statements were available to be issued, and have not evaluated subsequent events after that date. No subsequent events were identified that would require disclosure in the financial statements for the year ended December 31, 2010.