Hollingsworth Funds, Inc. and Subsidiaries

Report on Consolidated Financial Statements

For the year ended December 31, 2022

Contents

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, 2022, 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, 2022, 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 consolidated 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 investments be consolidated. If the financial statements of these subsidiaries had been consolidated, total assets would decrease by approximately $1.7 million, total liabilities would increase by approximately $1.3 million, and total net assets without donor restrictions would decrease by approximately $3.0 million at December 31, 2022. Revenues and gains (losses), net and expenses would increase by approximately $434,000 and $1.4 million, respectively, for the year ended December 31, 2022. Equity in net loss from equity method subsidiaries would decrease by approximately $1.0 million.

Basis for Opinion

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 the Company 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 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 the Company's ability to continue as a going concern within one year after the date that the financial statements are 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 the Company'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 the Company'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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information, except for that portion marked “unaudited”, was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. That information 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. In our opinion, that information is fairly stated in all material respects in relation to the financial statements as a whole. The information marked “unaudited” has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Elliott Davis, LLC

Greenville, South Carolina
May 10, 2023

Hollingsworth Funds, Inc. and Subsidiaries

Consolidated Statement of Financial Position

As of December 31, 2022

Assets		
Cash and cash equivalents		$ 15,696,954
Marketable investment securities		246,489,574
Due from related parties		18,805
Other receivable - subsidiary		3,267,124
Income producing real estate, net		32,722,941
Real estate held for sale		59,337,812
Accrued rental income		2,066,839
Deferred leasing costs		230,763
Other assets		539,671
Investment in equity method subsidiaries		
Bonaventure I & II, LLC	$ 1,484,141	
John D. Hollingsworth on Wheels, Inc.	6,816,344	
Verdae Development, Inc.	7,085,728	15,386,213
Total assets		$ 375,756,696
Liabilities		
Accrued expenses and other liabilities		$ 934,476
Total liabilities		934,476
Uncertainties, commitments, and contingencies (Notes 9 and 11)		
Net assets without donor restrictions		374,822,220
Total liabilities and net assets without donor restrictions		$ 375,756,696

See Notes to Consolidated Financial Statements

Hollingsworth Funds, Inc. and Subsidiaries

Consolidated Statement of Activities and Functional Expenses

For the year ended December 31, 2022

	Grantmaking	Portfolio Investments	Real Estate	Management and General	Total
Revenues and gains (losses), net					
Rental income	$ -	$ -	$ 3,483,500	$ -	$ 3,483,500
Interest and dividend income from investments	-	4,263,612	5,500	-	4,269,112
Realized gains on marketable investment securities	-	5,595,358	-	-	5,595,358
Unrealized losses on marketable investment securities	-	(35,757,551)	-	-	(35,757,551)
Gain on sale of real estate, net	-	-	726,157	-	726,157
Total revenues and gains (losses), net	-	(25,898,581)	4,215,157	-	(21,683,424)
Expenses					
Grants	10,841,510	-	-	-	10,841,510
Salaries and payroll taxes	545,373	-	66,685	346,019	958,077
Property taxes and licenses	-	-	696,964	-	696,964
Depreciation and amortization	2,642	-	443,789	1,771	448,202
Professional services	51,250	-	1,494,457	176,542	1,722,249
Property maintenance	-	-	357,031	-	357,031
Investment fees	-	436,288	-	-	436,288
Employee benefits	121,634	-	11,946	58,659	192,239
Rental	44,005	-	3,464	29,508	76,977
Insurance	-	-	149,202	25,571	174,773
Property manager fees	-	-	94,800	-	94,800
Utilities	3,828	-	63,666	2,567	70,061
Commissions	-	-	14,600	-	14,600
Director fees	-	-	-	52,500	52,500
Other	86,954	3,404	49,075	35,797	175,230
Total expenses	11,697,196	439,692	3,445,679	728,934	16,311,501
Revenues over (under) expenses	(11,697,196)	(26,338,273)	769,478	(728,934)	(37,994,925)
Equity in net loss from equity method subsidiaries	-	-	(1,637,439)	-	(1,637,439)
Decrease in net assets without donor restrictions	$ (11,697,196)	$ (26,338,273)	$ (867,961)	$ (728,934)	(39,632,364)
Net assets without donor restrictions, beginning of year					414,454,584
Net assets without donor restrictions, end of year					$ 374,822,220

See Notes to Consolidated Financial Statements

Hollingsworth Funds, Inc. and Subsidiaries

Consolidated Statement of Cash Flows

For the year ended December 31, 2022

Operating activities	
Decrease in net assets without donor restrictions	$ (39,632,364)
Adjustments to reconcile decrease in net assets without donor restrictions to net cash used for operating activities:	
Depreciation and amortization	448,202
Realized gains on marketable investment securities	(5,595,358)
Unrealized losses on marketable investment securities	35,757,551
Gain on sale of real estate	(726,157)
Equity in net loss from equity method subsidiaries	1,637,439
Accrued preferred return on investment in Graybul Tribute, L.P.	(107,233)
Changes in deferred and accrued amounts:	
Due from related parties	(11,470)
Other receivable - subsidiary	319,473
Accrued rental income	148,827
Other assets	155,364
Accrued expenses and other liabilities	(476,649)
Net cash used for operating activities	(8,082,375)
Investing activities	
Collections on notes receivable	247,845
Investments in real estate	(443,953)
Proceeds from sale of real estate, net of fees	2,704,514
Purchases of marketable investment securities	(48,178,620)
Proceeds from sale of marketable investment securities, net of fees	44,226,203
Payment of deferred leasing costs	(43,524)
Redemption of investment in Graybul Tribute, L.P.	4,335,867
Net cash provided by investing activities	2,848,332
Net decrease in cash and cash equivalents	(5,234,043)
Cash and cash equivalents, beginning of year	20,930,997
Cash and cash equivalents, end of year	$ 15,696,954

See Notes to Consolidated Financial Statements

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 income distribution of Funds and the YMCA will receive approximately 10 percent of the annual income distribution, with the remainder going to various other charitable organizations.

Funds' subsidiary, Verdae Properties, LLC ("Verdae Properties"), is engaged in the management and rental of real estate. All of Verdae Properties' business activities are conducted in Greenville County, South Carolina.

Funds' subsidiary, Buckfield Plantations, LLC ("Buckfield Plantations"), owned forestry land in South Carolina that was sold during 2021. Buckfield Plantations was closed during 2022.

Funds' 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 November 27, 2022. 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.

Funds' 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.

Funds' subsidiary, TV Investments, LLC ("TV Investments"), formed in March 2020, owned 100 percent of the Class A and Class B partnership interests in Graybul Tribute, LP (23 percent of total contributed capital), who constructed an apartment complex in Greenville, South Carolina that was completed in 2022. The investment was redeemed for $4,335,867 during 2022, and TV Investments was closed. TV Investments' accounts are presented within Funds' balances in the supplemental schedules.

Throughout the financial statements, the consolidation of Funds, Verdae Properties, Buckfield Plantations, and TV Investments will be referred to as "Consolidated Funds" or the "Company".

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. 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.

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

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.

The consolidated financial statements include the accounts of Funds, Verdae Properties, Buckfield Plantations, and TV Investments, of which Funds is the sole member of each 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 between Consolidated Funds.

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 $1.7 million, total liabilities would increase by approximately $1.3 million, and total net assets without donor restrictions would decrease by approximately $3.0 million at December 31, 2022. Revenues and gains (losses), net and expenses would increase by approximately $434,000 and $1.4 million, respectively, for the year ended December 31, 2022. Equity in net loss from equity method subsidiaries would decrease by approximately $1.0 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 in the period in which the securities are sold. Interest is recorded when earned. Dividends are accrued as of the ex-dividend date.

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

Income producing real estate, net:

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.

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, 2022, 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. 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, 2022, 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.

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

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 $84,000 during 2022 and are included in depreciation and amortization expense in the consolidated statement of activities.

Estimated future leasing expense at December 31, 2022 is as follows:

2023	$ 64,179
2024	48,675
2025	30,918
2026	28,506
2027	23,933
Thereafter	34,552
	$ 230,763

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.

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.

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.

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

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, 2022. If incurred, interest and penalties associated with unrecognized tax benefits are classified as additional income taxes in the consolidated statement of activities.

Grants:

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

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, 2022, as shown below, are available to meet general expenditures, liabilities and other obligations due within one year.

Cash and cash equivalents	$ 15,696,954
Marketable investment securities (Note 2)*	224,983,536
Due from related parties	18,805
	$ 240,699,295

* 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

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

Recently issued accounting pronouncements:

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842), which supersedes the prior lease recognition and disclosure requirements. The ASU is based on the principle that a lessee should recognize the assets and liabilities that arise from leases. Except for leases with a term of 12 months or less, a lessee is required to recognize a liability to make lease payments and a right-of-use asset representing its right to use the underlying asset for the lease term. The ASU also requires additional disclosures about the nature, amount, timing and uncertainty of cash flows arising from leases. For nonpublic entities, the amendments are effective for annual reporting periods beginning after December 15, 2021. Consolidated Funds adopted the standard January 1, 2022, and, as the Company does not have any significant leasing activity as a lessee, it did not have an effect on the financial statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which creates a new credit impairment standard for financial assets measured at amortized cost and available-for-sale debt securities. The ASU requires financial assets measured at amortized cost to be presented at the net amount expected to be collected, through an allowance for credit losses that are expected to occur over the remaining life of the asset, rather than incurred losses. The ASU requires that credit losses on available-for-sale debt securities be presented as an allowance rather than as a direct write-down. The measurement of credit losses for newly recognized financial assets (other than certain purchased assets) and subsequent changes in the allowance for credit losses are recorded in the consolidated statement of activities and functional expenses as the amounts expected to be collected change. The ASU is effective for fiscal years beginning after December 15, 2022. Early adoption is permitted for fiscal years beginning after December 15, 2018. Consolidated Funds does not intend to early adopt. Consolidated Funds is currently evaluating the impact of adopting this new guidance on its consolidated financial statements.

Other accounting standards that have been issued or proposed by the FASB or other standards-setting bodies are not expected to have a material impact on Consolidated Funds' financial position, results of operations or cash flows.

Subsequent events:

Consolidated Funds has evaluated subsequent events through May 10, 2023, 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.

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, 2022:

	Level 1	Level 2	Level 3	Total
Mutual funds (b)	$ 59,028,865	$ -	$ -	$ 59,028,865
Corporate bonds, government bonds, and other asset-backed securities (c)	-	16,702,473	-	16,702,473
Common stocks (d)	89,189,180	-	-	89,189,180
REIT (d)	938,770	-	-	938,770
Total	$ 149,156,815	$ 16,702,473	$ -	165,859,288
Investments measured at NAV (a)				80,630,286
Investments at fair value				$ 246,489,574

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 trust (REIT): 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, 2022 sets forth a summary of Consolidated Funds' investments reported at NAV as a practical expedient to estimate fair value:

Investment	Fair value	Unfunded commitment	Redemption frequency	Redemption notice period
Hedge funds (e)	$ 59,124,247	$ -	(e)	(e)
Private equity funds (f)	21,506,039	6,049,773	(f)	(f)
	$ 80,630,286	$ 6,049,773		

(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.

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 $319,473 during 2022 based on its proportionate share of the total reimbursement costs. A receivable for reimbursement of infrastructure costs and land to be reimbursed by VDI totaling $3,267,124 is classified as an other receivable on the accompanying consolidated statement of financial position at December 31, 2022.

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

Land and land improvements	$ 87,299,703
Buildings	12,826,559
Mitigation bank	629,247
Furniture and fixtures	85,086
	100,840,595
Less accumulated depreciation	(8,779,842)
	92,060,753
Less real estate held for sale	(59,337,812)
Income producing real estate	$ 32,722,941

Depreciation expense for the year ended December 31, 2022 amounted to approximately $365,000.

Note 5. Lines of Credit

The Company 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 LIBOR rate (4.14 percent at December 31, 2022), plus a rate ranging from 1.75 to 6.00 based on the Company's market value of pledged assets. The applicable additional rate at December 31, 2022 was 1.75 percent. The Company has pledged certain marketable securities with a market value of $32,767,758 at December 31, 2022 as collateral for the line of credit. There was no outstanding balance on the line of credit at December 31, 2022.

The Company 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, 2022.

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.

Note 6. Leases, Continued

The accompanying consolidated statement of financial position reflects accrued rental income of approximately $2,067,000 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 $1,921,000 from one lessee whose individual balance represents 93 percent of the total accrued rental income.

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

2023	$ 2,754,003
2024	2,121,706
2025	1,376,313
2026	1,212,737
2027	1,063,655
Thereafter	10,290,020
	18,818,434
Less amounts previously recognized as income	(2,066,839)
	$ 16,751,595

Total rental income of approximately $3,484,000 for 2022 includes approximately $649,000 from one lessee whose individual balance represents 19 percent of rental income for the year ended December 31, 2022.

Note 7. Investment in Equity Method Subsidiaries

As described in Note 1, Funds has several wholly-owned subsidiaries during the year ended December 31, 2022. These subsidiaries include HOW, TV Investments, Verdae Properties, Buckfield Plantations, and VDI. Funds consolidates TV Investments, Verdae Properties and Buckfield Plantations.

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.

Summarized financial information for HOW, VDI, and Bonaventure as of and for the year ended December 31, 2022, except for HOW, which is presented as of and for the year ended November 27, 2022, is as follows:

	Bonaventure (unaudited)	HOW (unaudited)	VDI (audited)
Total assets	$ 5,909,126	$ 3,376,782	$ 12,656,359
Liabilities	$ 4,424,985	$ 422,126	$ 4,660,742
Equity	1,484,141	2,954,656	7,995,617
Total liabilities and equity	$ 5,909,126	$ 3,376,782	$ 12,656,359

Note 7. Investment in Equity Method Subsidiaries, Continued

	Bonaventure (unaudited)	HOW (unaudited)	VDI (audited)
Revenue and gains (losses), net	$ 962,396	$ (3,208)	$ 1,241,601
Expenses	801,272	587,965	1,678,797
Net income (loss)	161,124	(591,173)	(437,196)
Equity value of investment, beginning of year	1,323,017	7,407,521	8,293,114
Prior period adjustment of real estate and deferred revenue	-	-	(770,190)
Equity value of investment, end of year	$ 1,484,141	$ 6,816,344	$ 7,085,728

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. In prior years, VDI capitalized certain real estate development costs that were not appropriately relieved through cost of sales, and the Company deferred revenue that should have been fully recognized immediately, resulting in a net prior period adjustment of $770,190.

Note 8. Investment in Graybul Tribute, L.P.

As described in Note 1, TV Investments owns 100 percent of the Class A and Class B partnership interests in Graybul Tribute, LP, who is constructing an apartment complex in Greenville, South Carolina. The Consolidated Funds' contributed capital totals 23 percent of total contributed capital for Graybul Tribute, LP. The investment was made in order for the project to have a certain percentage of affordable housing units. As such, Consolidated Funds' does not control Graybul Tribute, LP. During 2021, Consolidated Funds sold a subsidiary of Graybul Tribute, LP a parcel of land to be used for development for a purchase price of $2,579,000. TV Investments made an initial capital contribution of $4,000,000 and earned a 4 percent preferred return on the invested balance, which was fully repaid in advance of any other partnership interests. Consolidated Funds accounted for this investment on the cost method and accrues the preferred return on the investment balance, as the Company does not control Graybul Tribute, LP. The balance of the investment totaled $4,228,634 at December 31, 2021. During the year ended December 31, 2022, $107,233 of income was recorded related to the investment, which is included in interest and dividend income from investments in the accompanying consolidated statement of activities and functional expenses. The investment was redeemed for $4,335,867 during 2022, and TV Investments was closed.

Note 9. 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 $1.1 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.

Note 10. Related Party Transactions

At December 31, 2022, Consolidated Funds had $512 due from HOW and $18,293 due from VDI 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 a receivable due from VDI for approximately $3,267,124 as described in Note 3.

Consolidated Funds received an accounting fee from VDI during 2022 for accounting services provided to VDI. Accounting fees received for 2022 were $54,000 and are included as a reduction of professional services expenses on the accompanying consolidated statement of activities.

Consolidated Funds paid advisory and transaction fees to VDI during 2022 for real estate advisory services provided to Consolidated Funds. The advisory and transaction fees for 2022 were $840,000 and $20,489, respectively. The advisory fee is included in professional services expense, and the transaction fee is presented with the gain (loss) on sale of real estate on the accompanying consolidated statement of activities.

Consolidated Funds rents office space from Bonaventure under a non-cancelable lease. The lease requires the Company to pay related property taxes, insurance, and repairs and maintenance. Rent expense of $76,977 was incurred for the space during the year ended December 31, 2022.

Note 11. Commitments and Contingencies

Certain private equity funds that Consolidated Funds' invests in require capital commitments. Outstanding capital commitments on these investments total approximately $6,050,000 at December 31, 2022.

Note 12. 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 $76,453 and $20,500, respectively, for the year ended December 31, 2022. The Company has accrued a deferred compensation liability of $284,397 at December 31, 2022. 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, 2022

	Hollingsworth Funds, Inc.	Verdae Properties, LLC	Buckfield Plantations, 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	$ 14,729,748	$ 967,206	$ -	$ -	$ 15,696,954	$ 2,285,777	$ 3,515,697	$ -	$ 21,498,428
Marketable investment securities	246,489,574	-	-	-	246,489,574	-	-	-	246,489,574
Notes receivable	-	-	-	-	-	-	194,316	-	194,316
Due from related parties	14,148	5,157	-	(500)	18,805	-	-	(18,805)	-
Other receivable - subsidiary	2,717,893	549,231	-	-	3,267,124	495,929	5,721,144	(3,763,053)	5,721,144
Income producing real estate, net	160,484	32,562,457	-	-	32,722,941	-	1,436	-	32,724,377
Real estate held for sale	16,023,635	43,314,177	-	-	59,337,812	106,233	2,862,028	(61,107)	62,244,966
Accrued rental income	-	2,066,839	-	-	2,066,839	-	-	-	2,066,839
Deferred leasing costs	-	230,763	-	-	230,763	-	-	-	230,763
Other assets	363,414	176,257	-	-	539,671	350,459	432	-	890,562
Right-of-use asset - operating lease	-	-	-	-	-	-	150,680	-	150,680
Deferred tax asset	-	-	-	-	-	138,384	-	-	138,384
Income tax receivable	-	-	-	-	-	-	210,626	-	210,626
Investment in equity method subsidiaries	94,784,999	1,484,141	-	(80,882,927)	15,386,213	-	-	(13,902,072)	1,484,141
Total assets	$ 375,283,895	$ 81,356,228	$ -	$ (80,883,427)	$ 375,756,696	$ 3,376,782	$ 12,656,359	$ (17,745,037)	$ 374,044,800

* 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

(continued)

Hollingsworth Funds, Inc. and Subsidiaries

Consolidating and Combining Statement of Financial Position

As of December 31, 2022

	Hollingsworth Funds, Inc.	Verdae Properties, LLC	Buckfield Plantations, 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	$ 461,675	$ 472,801	$ -	$ -	$ 934,476	$ 18,614	$ 728,582	$ -	$ 1,681,672
Lease liability - operating lease	-	-	-	-	-	-	150,814	-	150,814
Due to related parties	-	500	-	(500)	-	512	3,781,346	(3,781,858)	-
Other deferred liabilities	-	-	-	-	-	403,000	-	-	403,000
Total liabilities	461,675	473,301	-	(500)	934,476	422,126	4,660,742	(3,781,858)	2,235,486
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	-	80,882,927	-	(80,882,927)	-	-	-	-	-
Net assets without donor restrictions	374,822,220	-	-	-	374,822,220	-	-	(3,012,906)	371,809,314
Retained earnings (deficit)	-	-	-	-	-	(4,783,480)	(504,383)	5,287,863	-
Total net assets	374,822,220	80,882,927	-	(80,882,927)	374,822,220	2,954,656	7,995,617	(13,963,179)	371,809,314 *
Total liabilities and net assets	$ 375,283,895	$ 81,356,228	$ -	$ (80,883,427)	$ 375,756,696	$ 3,376,782	$ 12,656,359	$ (17,745,037)	$ 374,044,800

* 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, 2022

	Hollingsworth Funds, Inc.	Verdae Properties, LLC	Buckfield Plantations, LLC	Consolidating Entries	Hollingsworth Funds, Inc. and Subsidiaries	*(Unaudited)* John D. Hollingsworth On Wheels, Inc.	Verdae Development, Inc.	Combining Entries	Combined
Revenues and gains (losses), net									
Rental income	$ -	$ 3,483,500	$ -	$ -	$ 3,483,500	$ -	$ -	$ -	$ 3,483,500
Commission and other fee income	-	-	-	-	-	-	327,017	(20,489)	306,528
Adivsory fee income	-	-	-	-	-	-	840,000	(840,000)	-
Interest and dividend income from investments	4,263,612	-	5,500	-	4,269,112	13,654	5,962	-	4,288,728
Realized gains on marketable investment securities	5,595,358	-	-	-	5,595,358	-	-	-	5,595,358
Unrealized loss on marketable investment securities	(35,757,551)	-	-	-	(35,757,551)	(17,651)	-	-	(35,775,202)
Gain on sale of real estate	31,326	694,831	-	-	726,157	-	53,405	55,882	835,444
Other	-	-	-	-	-	789	15,217	-	16,006
Total revenues and gains (losses), net	(25,867,255)	4,178,331	5,500	-	(21,683,424)	(3,208)	1,241,601	(804,607)	(21,249,638)
Expenses									
Grants	10,841,510	-	-	-	10,841,510	-	-	-	10,841,510
Salaries and payroll taxes	958,077	-	-	-	958,077	231,088	737,074	-	1,926,239
Property taxes and licenses	84,052	612,912	-	-	696,964	-	57,334	-	754,298
Depreciation and amortization	4,812	443,390	-	-	448,202	-	5,599	-	453,801
Professional services	1,232,673	489,576	-	-	1,722,249	55,556	325,782	(840,000)	1,263,587
Property maintenance	6,940	350,091	-	-	357,031	-	-	-	357,031
Investment fees	436,288	-	-	-	436,288	-	-	-	436,288
Employee benefits	192,239	-	-	-	192,239	1,021	170,296	-	363,556
Lease	76,977	-	-	-	76,977	14,200	72,848	-	164,025
Insurance	25,571	143,816	5,386	-	174,773	149,705	14,051	-	338,529
Property manager fees	-	94,800	-	-	94,800	-	-	-	94,800
Utilities	6,696	63,365	-	-	70,061	5,141	-	-	75,202
Commissions	-	14,600	-	-	14,600	-	-	-	14,600
Director fees	52,500	-	-	-	52,500	-	23,750	-	76,250
Other	128,751	46,479	-	-	175,230	131,254	272,063	-	578,547
Total expenses	14,047,086	2,259,029	5,386	-	16,311,501	587,965	1,678,797	(840,000)	17,738,263
Income tax provision	-	-	-	-	-	-	-	-	-
Total expenses	14,047,086	2,259,029	5,386	-	16,311,501	587,965	1,678,797	(840,000)	17,738,263
Revenues over (under) expenses	(39,914,341)	1,919,302	114	-	(37,994,925)	(591,173)	(437,196)	35,393	(38,987,901)
Equity in net income (loss) from equity method subsidiaries	281,977	161,124	-	(2,080,540)	(1,637,439)	-	-	1,028,369	(609,070)
Distributions to Funds	-	(3,800,000)	(302,383)	4,102,383	-	-	-	-	-
Increase (decrease) in net assets	(39,632,364)	(1,719,574)	(302,269)	2,021,843	(39,632,364)	(591,173)	(437,196)	1,063,762	(39,596,971)
Net assets without donor restrictions, beginning of year	414,454,584	82,602,501	302,269	(82,904,770)	414,454,584	3,545,829	8,432,813	(15,026,941)	411,406,285
Net assets without donor restrictions, end of year	$ 374,822,220	$ 80,882,927	$ -	$ (80,882,927)	$ 374,822,220	$ 2,954,656	$ 7,995,617	$ (13,963,179)	$ 371,809,314

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

See Independent Auditor's Report