

**THE MASONIC HOME FOR CHILDREN  
AT OXFORD, INC.**

**FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2025**

**(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED  
DECEMBER 31, 2024)**



**THE MASONIC HOME FOR CHILDREN AT OXFORD, INC.**

**Table of Contents**

---

|   | <u>Page No.</u> |
|---|-----------------|
| Independent Auditor's Report .....                      | 1 - 2           |
| <i>Financial Statements</i>                             |                 |
| Statement of Financial Position .....                   | 3               |
| Statement of Activities and Changes in Net Assets ..... | 4               |
| Statement of Functional Expenses .....                  | 5               |
| Statement of Cash Flows .....                           | 6               |
| Notes to Financial Statements .....                     | 7 - 16          |

## **Independent Auditor's Report**

To the Board of Directors  
The Masonic Home for Children at Oxford, Inc.  
Oxford, North Carolina

### ***Opinion***

We have audited the accompanying financial statements of The Masonic Home for Children at Oxford, Inc. (the "Organization"), which comprise the statement of financial position as of December 31, 2025, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Masonic Home for Children at Oxford, Inc. as of December 31, 2025, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report. We are required to be independent of The Masonic Home for Children at Oxford, Inc. 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.

### ***Responsibility 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 Masonic Home for Children at Oxford, Inc.'s 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 auditing standards generally accepted in the United States of America 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, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted standards, we:

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

### ***Report on Summarized Comparative Information***

We have previously audited The Masonic Home for Children at Oxford, Inc.'s 2024 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 24, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2024, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Bernard Robinson & Company, L.L.P.*

Greensboro, North Carolina  
April 23, 2026

**THE MASONIC HOME FOR CHILDREN AT OXFORD, INC.****Statement of Financial Position****December 31, 2025****(With Comparative Totals as of December 31, 2024)**

|   | <u>2025</u>                 | <u>2024</u>                 |
|---|-----------------------------|-----------------------------|
| <b><u>Assets</u></b>                                  |                             |                             |
| Current Assets:                                       |                             |                             |
| Cash and cash equivalents                             | \$ 3,790,771                | \$ 4,289,668                |
| Investments   | 38,347,386                  | 33,962,110                  |
| Receivable, net                                       | 160,824                     | 127,746                     |
| Inventory - supplies                                  | 69,717                      | 76,764                      |
| Other current assets                                  | 21,411                      | 21,411                      |
| Prepaid expenses                                      | 17,731                      | 15,562                      |
| Total current assets                                  | <u>42,407,840</u>           | <u>38,493,261</u>           |
| Property held for sale                                | <u>2,500</u>                | <u>7,510</u>                |
| Operating right-of-use leased assets                  | <u>23,135</u>               | <u>63,103</u>               |
| Long-term investments                                 | <u>5,292,589</u>            | <u>4,807,008</u>            |
| Beneficial interest in net assets of trusts           | <u>23,384,572</u>           | <u>20,967,505</u>           |
| Property and equipment, less accumulated depreciation | <u>9,030,553</u>            | <u>9,177,136</u>            |
| Total assets  | <u><u>\$ 80,141,189</u></u> | <u><u>\$ 73,515,523</u></u> |
| <b><u>Liabilities and Net Assets</u></b>              |                             |                             |
| Current Liabilities:                                  |                             |                             |
| Accounts payable and accrued expenses                 | \$ 280,521                  | \$ 289,675                  |
| Operating lease liabilities - current portion         | <u>21,349</u>               | <u>39,968</u>               |
| Total current liabilities                             | <u>301,870</u>              | <u>329,643</u>              |
| Non-Current Liabilities:                              |                             |                             |
| Operating lease liabilities - non-current portion     | <u>1,786</u>                | <u>23,135</u>               |
| Total non-current liabilities                         | <u>1,786</u>                | <u>23,135</u>               |
| Total liabilities                                     | <u>303,656</u>              | <u>352,778</u>              |
| Net Assets:   |                             |                             |
| Without donor restrictions                            | 51,160,372                  | 47,388,232                  |
| With donor restrictions                               | <u>28,677,161</u>           | <u>25,774,513</u>           |
| Total net assets                                      | <u>79,837,533</u>           | <u>73,162,745</u>           |
| Total liabilities and net assets                      | <u><u>\$ 80,141,189</u></u> | <u><u>\$ 73,515,523</u></u> |

**THE MASONIC HOME FOR CHILDREN AT OXFORD, INC.**  
**Statement of Activities and Changes in Net Assets**  
**Year Ended December 31, 2025**  
**(With Comparative Totals for the Year Ended December 31, 2024)**

|  | 2025                          |                            |                      | 2024                 |
|--|-------------------------------|----------------------------|----------------------|----------------------|
|  | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total                | Total                |
| Support, Revenue, and Other:   |                               |                            |                      |                      |
| Support:   |                               |                            |                      |                      |
| Contributions  | \$ 3,476,087                  | \$ 113,901                 | \$ 3,589,988         | \$ 2,902,937         |
| Bequests   | 1,195,489                     | -                          | 1,195,489            | 2,824,627            |
| Children's benefits  | 192,496                       | -                          | 192,496              | 158,024              |
| Total support  | <u>4,864,072</u>              | <u>113,901</u>             | <u>4,977,973</u>     | <u>5,885,588</u>     |
| Revenue:   |                               |                            |                      |                      |
| Interest and dividend income, net  | 769,178                       | 110,912                    | 880,090              | 535,623              |
| Annual distributions from third party trusts                                   | 930,284                       | -                          | 930,284              | 870,988              |
| Unrealized gain (loss) on investments, net                                     | 4,269,051                     | 277,284                    | 4,546,335            | 4,206,202            |
| Productive Enterprises - printing  | 866,698                       | -                          | 866,698              | 916,568              |
| Farm income  | 4,600                         | -                          | 4,600                | 4,600                |
| Miscellaneous  | 22,301                        | -                          | 22,301               | 19,200               |
| Total revenue  | <u>6,862,112</u>              | <u>388,196</u>             | <u>7,250,308</u>     | <u>6,553,181</u>     |
| Other:   |                               |                            |                      |                      |
| Change in value of net assets of trusts  | -                             | 2,417,067                  | 2,417,067            | 1,126,404            |
| Gain (loss) on sale of assets  | 19,414                        | -                          | 19,414               | -                    |
| Total other  | <u>19,414</u>                 | <u>2,417,067</u>           | <u>2,436,481</u>     | <u>1,126,404</u>     |
| Net Assets Released from Restrictions:   |                               |                            |                      |                      |
| Satisfaction by payment  | 16,516                        | (16,516)                   | -                    | -                    |
| Total net assets released<br>from restrictions                                 | <u>16,516</u>                 | <u>(16,516)</u>            | <u>-</u>             | <u>-</u>             |
| Total support, revenue and other, and<br>net assets released from restrictions | <u>11,762,114</u>             | <u>2,902,648</u>           | <u>14,664,762</u>    | <u>13,565,173</u>    |
| Expenses:  |                               |                            |                      |                      |
| Program services   | 5,243,016                     | -                          | 5,243,016            | 5,060,792            |
| Supporting services  | 2,746,958                     | -                          | 2,746,958            | 2,711,296            |
| Total expenses   | <u>7,989,974</u>              | <u>-</u>                   | <u>7,989,974</u>     | <u>7,772,088</u>     |
| Changes in net assets  | 3,772,140                     | 2,902,648                  | 6,674,788            | 5,793,085            |
| Net assets, beginning of year  | <u>47,388,232</u>             | <u>25,774,513</u>          | <u>73,162,745</u>    | <u>67,369,660</u>    |
| Net assets, end of year  | <u>\$ 51,160,372</u>          | <u>\$ 28,677,161</u>       | <u>\$ 79,837,533</u> | <u>\$ 73,162,745</u> |

**THE MASONIC HOME FOR CHILDREN AT OXFORD, INC.**  
**Statement of Functional Expenses**  
**Year Ended December 31, 2025**  
**(With Comparative Totals for the Year Ended December 31, 2024)**

|                               | 2025                  |                            |                   |                                 |                           | 2024                |                     |
|-------------------------------|-----------------------|----------------------------|-------------------|---------------------------------|---------------------------|---------------------|---------------------|
|                               | Program Service       | Supporting Services        |                   |                                 |                           | Total               | Total               |
|                               | Childcare and Support | General and Administrative | Fund Raising      | Productive Enterprises-Printing | Supporting Services Total |                     |                     |
| Salaries and benefits         | \$ 2,836,897          | \$ 432,362                 | \$ 309,692        | \$ 385,596                      | \$ 1,127,650              | \$ 3,964,547        | \$ 3,963,235        |
| Depreciation and amortization | 453,535               | 118,034                    | 859               | 24,038                          | 142,931                   | 596,466             | 541,218             |
| Repairs and maintenance       | 729,167               | 111,513                    | 1,372             | 38,208                          | 151,093                   | 880,260             | 782,081             |
| Supplies and equipment        | 436,799               | 11,951                     | 92                | 110,978                         | 123,021                   | 559,820             | 502,493             |
| Insurance                     | 137,431               | 23,464                     | -                 | 6,704                           | 30,168                    | 167,599             | 152,729             |
| Recreation                    | 172,580               | -                          | -                 | -                               | -                         | 172,580             | 159,702             |
| Postage and shipping          | -                     | 24,969                     | -                 | 80,248                          | 105,217                   | 105,217             | 135,175             |
| Outside services              | 13,079                | 2,009                      | -                 | 156,508                         | 158,517                   | 171,596             | 148,521             |
| Public relations              | -                     | -                          | 411,591           | -                               | 411,591                   | 411,591             | 484,130             |
| Computer expenses             | 208,725               | 28,792                     | 14,384            | 45,875                          | 89,051                    | 297,776             | 297,403             |
| Rent and lease expense        | 6,244                 | 37,463                     | -                 | 106,990                         | 144,453                   | 150,697             | 135,702             |
| Professional fees             | -                     | 86,550                     | -                 | -                               | 86,550                    | 86,550              | 99,068              |
| Education and conferences     | 8,160                 | 450                        | -                 | -                               | 450                       | 8,610               | 11,540              |
| Telephone                     | 23,970                | 4,372                      | 2,325             | 1,500                           | 8,197                     | 32,167              | 32,600              |
| Dues and subscriptions        | 940                   | 15,219                     | -                 | -                               | 15,219                    | 16,159              | 17,095              |
| Miscellaneous                 | 131,204               | 5,734                      | -                 | -                               | 5,734                     | 136,938             | 143,717             |
| Travel                        | 32,622                | 31,109                     | 12,447            | 3,268                           | 46,824                    | 79,446              | 81,149              |
| Student scholarships          | 16,516                | -                          | -                 | -                               | -                         | 16,516              | 2,345               |
| Employment expenses           | -                     | 95,502                     | -                 | -                               | 95,502                    | 95,502              | 46,299              |
| Clothing                      | 31,873                | -                          | -                 | -                               | -                         | 31,873              | 27,930              |
| Advertising                   | -                     | -                          | -                 | 4,790                           | 4,790                     | 4,790               | 5,837               |
| Publications                  | 1,783                 | -                          | -                 | -                               | -                         | 1,783               | 901                 |
| Allowances                    | 1,491                 | -                          | -                 | -                               | -                         | 1,491               | 1,218               |
| <b>Total expenses</b>         | <b>\$ 5,243,016</b>   | <b>\$ 1,029,493</b>        | <b>\$ 752,762</b> | <b>\$ 964,703</b>               | <b>\$ 2,746,958</b>       | <b>\$ 7,989,974</b> | <b>\$ 7,772,088</b> |

*See Notes to Financial Statements*

**THE MASONIC HOME FOR CHILDREN AT OXFORD, INC.**  
**Statement of Cash Flows**  
**Year Ended December 31, 2025**  
**(With Comparative Totals for the Year Ended December 31, 2024)**

|  | <u>2025</u>         | <u>2024</u>         |
|--|---------------------|---------------------|
| Cash flows from operating activities:  |                     |                     |
| Changes in net assets  | \$ 6,674,788        | \$ 5,793,085        |
| Adjustments to reconcile changes in net assets to net cash<br>cash provided by (used in) operating activities: |                     |                     |
| Depreciation and amortization  | 596,466             | 541,218             |
| Unrealized (gain) loss on investments  | (4,546,335)         | (4,206,202)         |
| Reinvestment of investment income  | (880,090)           | (535,623)           |
| Change in beneficial interest in trusts  | (2,417,067)         | (1,126,404)         |
| (Gain) loss on the sale of assets  | (19,414)            | 875                 |
| (Increase) decrease in:  |                     |                     |
| Receivable, net  | (33,078)            | (23,330)            |
| Inventory - supplies   | 7,047               | 1,359               |
| Prepaid expenses   | (2,169)             | 1,973               |
| Increase (decrease) in:  |                     |                     |
| Accounts payable and accrued expenses  | (9,154)             | 53,507              |
| Net cash provided by (used in) operating activities  | <u>(629,006)</u>    | <u>500,458</u>      |
| Cash flows from investing activities:  |                     |                     |
| Purchases of investments   | (613,051)           | (657,790)           |
| Proceeds from the sale of investments  | 1,168,619           | 1,103,999           |
| Proceeds from the sale of property   | 24,424              | -                   |
| Purchase of property and equipment   | (449,883)           | (595,293)           |
| Net cash provided by (used in) investing activities  | <u>130,109</u>      | <u>(149,084)</u>    |
| Net increase (decrease) in cash, cash equivalents, and<br>restricted cash                                      | (498,897)           | 351,374             |
| Cash, cash equivalents, and restricted cash at beginning of year   | <u>4,289,668</u>    | <u>3,938,294</u>    |
| Cash, cash equivalents, and restricted cash at end of year   | <u>\$ 3,790,771</u> | <u>\$ 4,289,668</u> |

# THE MASONIC HOME FOR CHILDREN AT OXFORD, INC.

## Notes to Financial Statements

---

### NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

#### **Nature of Activities**

The Masonic Home for Children at Oxford, Inc. ("MHC") is an independent not-for-profit institution foster-care home, licensed by North Carolina Department of Health and Human Services and accredited by the National Council on Accreditation. The purpose of MHC is to assist families in need by providing a safe home-like setting for children until they are reunited with family or achieve independence. Resident children range in age from infant to 22 years. The average resident census is 45-60. Limited housing is available for youth over the age of 18 if they are enrolled in a school of higher education. The primary revenue resources are contributions from Masonic bodies, individual donors, and investment income.

A summary of significant accounting policies follows:

#### **Comparative Financial Information**

The financial statements include certain prior period summarized comparative information in totals but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with MHC's financial statements for the year ended December 31, 2024, from which the summarized information was derived.

#### **Basis of Accounting**

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

#### **Cash and Cash Equivalents**

For purposes of the statement of financial position and the statement of cash flows, cash and cash equivalents consist of cash, restricted cash, and other highly liquid resources. MHC's restricted cash is comprised of amounts donated to and restricted for the use of the resident children and at year end amounted to \$812,973.

#### **Accounts Receivable and Expected Credit Losses - Print Shop**

Credit to customers is extended based on evaluation of a customer's financial condition and, generally, collateral is not required. Accounts receivable are usually due within 30 days and are stated at amounts due from customers net of an allowance for credit losses. Accounts outstanding longer than the contractual payment terms are considered past due. MHC determines its allowance by considering a number of factors, including the length of time trade accounts receivable are past due, MHC's previous loss history, the customer's current ability to pay its obligation to MHC and the condition of the general economy and the industry as a whole. MHC writes off accounts receivable when they become uncollectible, and payments subsequently received on such receivables are credited to the allowance for credit losses. As of December 31, 2025, the allowance for credit losses was \$1,231.

## THE MASONIC HOME FOR CHILDREN AT OXFORD, INC.

### Notes to Financial Statements

---

#### NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### **Investments**

Investments include mutual funds, and marketable equity and debt securities. MHC reports investments in mutual funds and equity and debt securities at fair value in the statement of financial position. Fair value is determined by the last quoted market price at the close of business at year-end or at the alternative investment's net asset value per share provided by the investee. Gains and losses are determined by using the specific identification method. Unrealized gains and losses are included in the statement of activities and changes in net assets. Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met in the reporting period in which the income or gains are recognized.

##### **Inventory - Supplies**

Inventory - supplies consists of food, clothing and medical supplies used for support of the resident children, print shop materials used for productive enterprises, and maintenance repair parts. The inventories are valued at the lower of cost or net realizable value on the first in, first out method.

##### **Net Assets**

MHC reports information regarding its financial position and activities according to two net asset categories as follows:

- *Net assets without donor restrictions* - includes unrestricted resources which represent the portion of funds that are available for the operating objectives of MHC.
- *Net assets with donor restrictions* - Net assets subject to donor-imposed stipulations that may or will be met either by actions of MHC and/or the passage of time.

##### **Property and Equipment**

Property and equipment with a cost or, in the case of donated assets, a fair value of \$500 or more are capitalized. Expenditures for maintenance and repairs are charged against operations. In the absence of donor restrictions, contributions of property and equipment are recorded as unrestricted support. Depreciation is computed on a straight-line method over the estimated useful lives of the assets.

##### **Right-of-Use Leased Assets and Lease Liabilities**

At the inception of a lease, MHC assesses whether the lease represents an operating or financing lease. Operating and finance leases are included in the balance sheet as a right of use (ROU) asset and a corresponding lease liability. MHC has elected not to recognize a ROU asset or lease liability for leases with an initial term of 12 months or less that do not include a purchase option that is reasonably expected to be exercised.

ROU assets and lease liabilities are recognized at the lease commencement date. The ROU lease liabilities represent the MHC's financial obligation to make lease payments over the term of the lease and is measured at the present value of future lease payments. MHC uses the rate implicit in the lease, if it is determinable. If not determinable, MHC has elected the practical expedient to use the risk-free rate for all classes of underlying assets. Lease terms may include renewal or extension options to the extent they are reasonably certain to be exercised.

## THE MASONIC HOME FOR CHILDREN AT OXFORD, INC.

### Notes to Financial Statements

---

#### NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### **Right-of-Use Leased Assets and Lease Liabilities (Continued)**

To the extent a lease agreement includes both lease and nonlease components, MHC has elected to account for lease and nonlease components as a single combined lease component.

##### **Support and Revenue Recognition**

MHC recognizes revenues from unconditional promises to give (contributions or bequests), whether with or without donor restrictions, when the pledge is received from the donor. Conditional promises to give are recognized as revenue when the condition of the pledge has been met.

Unconditional promises to give are generally available for unrestricted use in the year given unless specifically restricted by the donor. Those that are due to be collected in future years are recorded at net present value using risk-free interest rates applicable in the years in which the promises are received.

Unconditional promises to give are reported as donor restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions.

Endowment contributions and investments are restricted by the donor. Investment earnings available for distribution are recorded in net assets without donor restrictions. Investment earnings with donor restrictions are recorded as net assets with donor restrictions based on the nature of the restrictions.

Revenues from Productive Enterprises - Printing is recognized when the related performance obligations associated with the print job has been performed by MHC. MHC's principal terms of sale are FOB shipping point and MHC transfers control and records revenue for product sales upon shipment to the customer.

##### **Donated Property and Property Held for Sale**

MHC has been the recipient of donated land and other property that are not intended to be held for investment or used in operations. Contributions of land and property are recognized at fair value when received. MHC did not receive any donated property in 2025.

##### **Beneficial Interest in Net Assets of Trusts**

MHC has several arrangements in which a donor established and funded a perpetual trust or a charitable lead trust administered by an entity other than MHC, which is the beneficiary. Under the terms of these trusts, MHC has the irrevocable right to receive the income earned on the trust assets in perpetuity, but will not receive the assets held in trust or its share of the remainder of the trusts' assets upon termination of the trust. Distributions received from the trusts are accounted for as increases in net assets without donor restrictions. Each year, MHC remeasures its beneficial interest in these endowment trusts at the fair value of the assets contributed and held in trust. Adjustments for these fair values are recognized as increases or decreases in net assets with donor restrictions related to their respective trusts.

## THE MASONIC HOME FOR CHILDREN AT OXFORD, INC.

### Notes to Financial Statements

---

#### NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### **Tax Status**

MHC is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. MHC has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions provided in Section 170(b)(1)(A)(vi). However, income from certain activities not directly related to MHC's tax-exempt purpose may be subject to taxation as unrelated business income.

It is MHC's policy to evaluate all tax positions to identify those that may be considered uncertain. All identified material tax positions are assessed and measured by a more-likely-than-not threshold to determine if the tax position is uncertain and what, if any, the effect of the uncertain tax position may have on the financial statements. No material uncertain tax positions were identified during 2025.

##### **Advertising**

Productive Enterprises - Printing, of MHC uses advertising to promote its services and the costs are expensed as incurred. Advertising expense totaled \$4,790 for 2025.

##### **Functional Expense Allocation**

The costs of providing the various programs and supporting services of MHC have been summarized on a functional basis in the statement of functional expenses. Certain costs have been allocated among program and supporting services.

Directly identifiable expenses are charged to program and supporting services. Expenses related to more than one function are charged to program and supporting services on the following basis:

- Salary and benefits expenses are allocated based on time and effort.
- Depreciation and amortization expenses are allocated based on the usage of the related assets.
- Repairs and maintenance, insurance, and computer expenses are allocated based on the estimated costs incurred by each program.

Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of MHC.

##### **Use of Estimates**

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

##### **Subsequent Events**

Management has evaluated events and transactions for potential recognition or disclosure through April 23, 2026, which is the date the financial statements were available to be issued. They discovered no subsequent events that should be disclosed.

# THE MASONIC HOME FOR CHILDREN AT OXFORD, INC.

## Notes to Financial Statements

---

### NOTE 2 - FAIR VALUE

MHC uses a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted prices that are observable for the asset or liability.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following table sets forth by level, within the fair value hierarchy, MHC's assets at fair value:

|  | <u>Level 1</u>      | <u>Level 2</u>       | <u>Level 3</u> | <u>Total</u>         |
|--|---------------------|----------------------|----------------|----------------------|
| Investments:                                   |                     |                      |                |                      |
| Equity Securities:                             |                     |                      |                |                      |
| Mutual Funds:                                  |                     |                      |                |                      |
| Growth & Income                                | \$ 5,716,246        | \$ -                 | \$ -           | \$ 5,716,246         |
| Aggressive                                     | 335,382             | -                    | -              | 335,382              |
| Others   | 317,387             | -                    | -              | 317,387              |
| Various Stocks                                 | 441,634             | 1,179,520            | -              | 1,621,154            |
| Debt Securities:                               |                     |                      |                |                      |
| Corporate bond                                 | 10                  | -                    | -              | 10                   |
| Beneficial interest in net<br>assets of trusts | -                   | 23,384,572           | -              | 23,384,572           |
|  | <u>\$ 6,810,659</u> | <u>\$ 24,564,092</u> | <u>\$ -</u>    | <u>31,374,751</u>    |
| Pooled Funds                                   |                     |                      |                | <u>35,649,796</u>    |
|  |                     |                      |                | <u>\$ 67,024,547</u> |

**THE MASONIC HOME FOR CHILDREN AT OXFORD, INC.****Notes to Financial Statements**

---

## NOTE 2 - FAIR VALUE (Continued)

The following table summarizes investments measured at fair value based on NAV per share:

|              | <u>Fair Value</u>   | <u>Unfunded<br/>Commitments</u> | <u>Redemption<br/>Frequency</u> | <u>Redemption<br/>Notice Period</u> |
|--------------|---------------------|---------------------------------|---------------------------------|-------------------------------------|
| Pooled Funds | <u>\$35,649,796</u> | None                            | As needed                       | 30 days                             |

A summary of MHC's investments is as follows:

|   | <u>Cost</u>          | <u>Fair Value</u>    | <u>Unrealized<br/>Appreciation<br/>(Depreciation)</u> |
|---|----------------------|----------------------|---|
| Marketable equity securities                | \$ 4,587,679         | \$ 7,990,109         | \$ 3,402,430  |
| Marketable equity securities - pooled funds | 2,995,204            | 27,071,017           | 24,075,813  |
| Marketable debt securities - pooled funds   | 9,040,477            | 8,578,779            | (461,698)   |
| Corporate bond                              | 22,349               | 70                   | (22,279)  |
| Total investments in securities             | <u>\$ 16,645,709</u> | <u>\$ 43,639,975</u> | <u>\$ 26,994,266</u>                                  |

## NOTE 3 - BENEFICIAL INTEREST IN NET ASSETS OF TRUSTS

MHC is the beneficiary of several trust agreements whereby they are the lead or a partial beneficiary of either a perpetual trust or a charitable lead trust. Under the perpetual trusts, MHC has the irrevocable right to receive its share of the income earned on the trust assets in perpetuity, but never receives the assets held in trust. These investments are valued at the net asset value per share provided by the trustee. The amount of income received under perpetual trusts was \$891,780. The underlying trusts' assets at fair value as reported by the trustee was \$22,046,069.

Under the charitable lead trusts, MHC has the right to receive its share of the income earned on the trusts' assets for a period of time and, upon termination of the trust, MHC will receive its share of the remainder of the trusts' assets. These assets are classified as temporarily restricted net assets. The investments are valued at the net asset value per share provided by the trustee. The amount of income received under charitable lead trusts was \$38,504. The underlying trusts' assets at fair value as reported by the trustee was \$1,338,503.

## NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

|                                   |                     |
|-----------------------------------|---------------------|
| Land and improvements             | \$ 665,804          |
| Buildings                         | 18,883,488          |
| Equipment, furniture and fixtures | 4,563,541           |
| Critcher Farm and other land      | <u>34,411</u>       |
|                                   | 24,147,244          |
| Less accumulated depreciation     | <u>15,116,691</u>   |
|                                   | <u>\$ 9,030,553</u> |

**THE MASONIC HOME FOR CHILDREN AT OXFORD, INC.**

**Notes to Financial Statements**

---

NOTE 5 - ACCOUNTS RECEIVABLE AND EXPECTED CREDIT LOSSES

Trade accounts receivable consist of the following as of December 31:

|                             |                   |
|-----------------------------|-------------------|
| Trade accounts receivable   | \$ 162,055        |
| Allowance for credit losses | (1,231)           |
|                             | <u>\$ 160,824</u> |

Change in the allowance for credit losses during the year ended December 31, 2025 is as follows:

|                            |                 |
|----------------------------|-----------------|
| Balance, January 1, 2025   | \$ 1,231        |
| Bad debt expense           | -               |
| Write-offs                 | -               |
| Balance, December 31, 2025 | <u>\$ 1,231</u> |

NOTE 6 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes:

|   |                      |
|---|----------------------|
| Subject to expenditures for specified purpose:  |                      |
| Scholarships and other  | \$ 1,763,089         |
| Subsequent period operations  | 2,092,190            |
|   | <u>3,855,279</u>     |
| Original donor-restricted endowment gifts amount and amounts required to be retained by donor in perpetuity | 24,631,239           |
|   | <u>\$ 28,486,518</u> |

Net assets released from net assets with donor restrictions were as follows:

|                        |                  |
|------------------------|------------------|
| Scholarships and other | \$ 15,726        |
| Operations - 2024      | 790              |
|                        | <u>\$ 16,516</u> |

NOTE 7 - ENDOWMENT FUNDS

MHC's endowment funds provide long-term support for its ongoing programs. Net assets associated with endowment funds are classified and reported by classification based on the existence or absence of donor-imposed restrictions.

In March 2009, the State Prudent Management of Institutional Funds Act ("SPMIFA") became effective and applied to endowment funds existing on or established after that date. Absent donor stipulations to the contrary, the provisions of this state law, do not impose a donor restriction on the income or capital appreciation derived from the original gifts.

## THE MASONIC HOME FOR CHILDREN AT OXFORD, INC.

### Notes to Financial Statements

---

#### NOTE 7 - ENDOWMENT FUNDS (Continued)

The endowment net asset composition by type of fund and changes in endowment assets are as follows:

|   | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total         |
|---|-------------------------------|----------------------------|---------------|
| Beginning of year                                     | \$ -                          | \$ 22,068,124              | \$ 22,068,124 |
| Contributions   | -                             | 5,000                      | 5,000         |
| Investment return:                                    |                               |                            |               |
| Investment income                                     | -                             | 25,870                     | 25,870        |
| Change in values of beneficial<br>interest agreements | -                             | 2,532,245                  | 2,532,245     |
| Total investment return                               | -                             | 2,558,115                  | 2,558,115     |
| Appropriation of endowment<br>assets for expenditure  | -                             | -                          | -             |
| End of year   | \$ -                          | \$ 24,631,239              | \$ 24,631,239 |

The Board of Directors of MHC has interpreted SPMIFA as requiring the preservation of the fair value of gifts as of the gift date(s) of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, MHC classifies as net assets with donor restrictions (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, and (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The investment return objectives and strategies, and spending policies adopted are described below.

#### *Investment Return Objectives and Strategies*

MHC's investment policies include several investment objectives relative to its long-term investments, including permanent endowment funds. These objectives include (1) safeguarding of principal, and (2) investing these assets in order to obtain the optimum rate of return within boundaries of conservative investment policies. To achieve these objectives, MHC has employed the following investment strategies: certificates of deposit, common stocks, U.S. Treasury securities, marketable debt and mortgage-backed securities, domestic and international equity mutual funds, domestic bond funds, and land.

The Board of Directors of MHC is responsible for managing its investments. The Finance Committee of MHC meets regularly with management of MHC to analyze the financial assets and make recommendations to the Board of Directors for the investment or disposition of the assets consistent with its overall investment policy. Pursuant to the Bylaws of MHC, the Board of Directors must review and evaluate its Investment Policy on an annual basis. The Finance Committee, on behalf of the Board of Directors, has determined that it is in the best interests of MHC to maintain its investments with the Investment Committee of the Foundation.

**THE MASONIC HOME FOR CHILDREN AT OXFORD, INC.**

**Notes to Financial Statements**

---

NOTE 7 - ENDOWMENT FUNDS (Continued)

*Spending Policy*

MHC's spending policy is to use the investment income of the fund for specified purpose or purposes of the fund up to the limit imposed by the governing document. Any spending beyond that must be authorized by the Board of Directors.

NOTE 8 - RIGHT-OF-USE LEASED ASSETS AND RELATED LEASE LIABILITIES

MHC has operating leases for various office equipment under agreements expiring between March 2026 and November 2027, with monthly lease payments ranging from \$148 to \$2,462.

Operating lease expense for the year ended December 31, 2025 totaled \$40,704.

Other lease information:

|   |        |
|---|--------|
| Remaining lease term in years for operating lease | 0.74   |
| Discount rate for operating lease                 | 1.90 % |

Maturity analysis:

| <u>Years Ending December 31,</u> | <u>Operating</u> |
|----------------------------------|------------------|
| 2026                             | \$ 21,515        |
| 2027                             | 1,815            |
|                                  | <u>23,330</u>    |
| Present value discount           | (195)            |
|                                  | <u>\$ 23,135</u> |

NOTE 9 - RELATED PARTY TRANSACTIONS

MHC is affiliated with The Grand Lodge of A.F. and A.M. of North Carolina, and the North Carolina Masonic Foundation, Inc. Contributions received from these affiliates consist of the following:

|  |                     |
|--|---------------------|
| Grand Lodge of A.F. and A.M. of North Carolina | \$ 25,000           |
| North Carolina Masonic Foundation, Inc.        | 427,320             |
| Other Masonic Bodies                           | 1,713,760           |
|  | <u>\$ 2,166,080</u> |

MHC relies on contributions for a significant amount of its support for operations. Approximately 44% of total support was received from Masonic Bodies.

## THE MASONIC HOME FOR CHILDREN AT OXFORD, INC.

### Notes to Financial Statements

---

#### NOTE 10 - RETIREMENT BENEFITS

MHC maintains a 401(k) plan for all eligible employees whereby, MHC provides contributions to the plan in an amount determined annually. The plan is a multi-employer plan that covers the employees of MHC; White Stone, a Masonic & Eastern Star Community; and The Grand Lodge of A.F. and A.M. of North Carolina. MHC made matching contributions to the plan of \$116,565 in 2025.

#### NOTE 11 - CONCENTRATIONS OF CREDIT RISKS

MHC maintains its cash in financial institutions insured by the Federal Deposit Insurance Corporation. Deposit accounts, at times, may exceed federally insured limits.

MHC's investments are exposed to various risks such as interest rate, market, and credit risks. MHC's investments encompass many different types and include financial institutions and companies with varied industry and geographical characteristics designed to limit exposure. A majority of MHC's investments are traded in public markets or held by investees who invest in public markets, therefore, they are subject to general fluctuations in the market's overall performance. MHC retains investment managers who perform periodic evaluations of the relative risks related to MHC's investments.

#### NOTE 12 - LIQUIDITY

MHC is substantially supported by contributions and bequests, a portion of which are restricted by the donors as to purpose or time. Because a donor's restriction requires resources to be used in a particular manner and/or in a future period, MHC must maintain sufficient resources to meet those responsibilities to its donors. Thus, a portion of financial assets may not be available for expenditure within one year. In order to ensure its financial assets are available for general expenditures within one year, MHC's Board of Directors has a policy to maintain one year of operating reserves in the investment account with the North Carolina Masonic Foundation, Inc. (NCMF).

MHC strives to operate annually on donations received in the current year. The annual budget of MHC includes a quarterly transfer from its investments with NCMF which is determined by the Board of Directors as part of the annual budget approval process. If additional operating funds are needed, the Board of Directors or the Executive Committee is permitted to approve additional transfers from the NCMF investments. The Financial Management Committee of the Board of Directors reviews the operating reserve policy annually.

The information below reflects MHC's financial assets, reduced by amounts that are not available for general use within one year:

|  |                      |
|--|----------------------|
| Cash and cash equivalents  | \$ 3,790,771         |
| Investments  | 43,639,975           |
| Beneficial interest in net assets of trusts                              | 23,384,572           |
| Total financial assets   | <u>70,815,318</u>    |
| Less those unavailable for general expenditures within one year, due to: |                      |
| Donor-imposed restrictions:  |                      |
| Restrictions by donor with purpose or time restrictions                  | <u>28,486,518</u>    |
| Financial assets available for general expenditures within one year      | <u>\$ 42,328,800</u> |