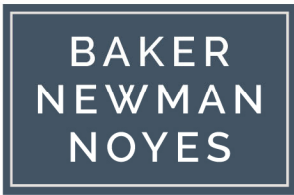


# **New Hampshire Charitable Foundation and Affiliated Organization**

Consolidated Financial Statements

*Years Ended December 31, 2020 and 2019  
With Independent Auditors' Report*



## INDEPENDENT AUDITORS' REPORT

The Board of Directors  
New Hampshire Charitable Foundation

We have audited the accompanying consolidated financial statements of New Hampshire Charitable Foundation and Affiliated Organization (the Foundation), which comprise the consolidated statements of financial position as of December 31, 2020 and 2019, the related consolidated statements of activities, functional expenses and cash flows for the years then ended and the related notes to the consolidated financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

The Board of Directors  
New Hampshire Charitable Foundation

***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of New Hampshire Charitable Foundation and Affiliated Organization as of December 31, 2020 and 2019, and the results of their activities and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Baker Neuman & Noyes LLC*

Manchester, New Hampshire

July 23, 2021

**NEW HAMPSHIRE CHARITABLE FOUNDATION AND AFFILIATED ORGANIZATION**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

December 31, 2020 and 2019

	<u>ASSETS</u>	
	<u>2020</u>	<u>2019</u>
Assets:		
Cash and cash equivalents	\$ 47,896,212	\$ 46,389,132
Restricted cash	1,008,180	1,110,361
Accrued investment income	361,615	333,511
Grants receivable	743,172	678,172
Contributions receivable	7,704,966	2,347,891
Notes receivable, less allowance for uncollectible amounts of \$108,804 in 2020 and \$56,160 in 2019	1,447,428	1,552,630
Other assets	1,060,293	985,089
Investments, at fair value	876,283,533	752,236,722
Investments held in trust	2,710,605	3,339,943
Receivable from trusts	6,043,585	6,886,803
Property, plant and equipment:		
Land and improvements	415,840	338,050
Building and improvements	2,391,839	2,160,325
Equipment and furniture	<u>1,660,066</u>	<u>1,645,443</u>
	4,467,745	4,143,818
Less accumulated depreciation	<u>2,793,953</u>	<u>2,533,955</u>
Net property, plant and equipment	1,673,792	1,609,863
	<hr/>	<hr/>
Total assets	\$ <u>946,933,381</u>	\$ <u>817,470,117</u>

LIABILITIES AND NET ASSETS

	<u>2020</u>	<u>2019</u>
Liabilities:		
Accounts payable and accrued expenses	\$ 1,222,760	\$ 1,123,741
Grants payable	6,913,050	8,035,109
Income beneficiaries payable	1,231,665	1,270,352
Unearned contributions	3,070,059	3,187,531
Funds held as agency funds	49,241,585	44,481,050
Other liabilities	<u>4,021,028</u>	<u>4,148,817</u>
Total liabilities	65,700,147	62,246,600
Net assets:		
Without donor restrictions:		
Designated to fund grants, scholarships and initiatives	721,075,981	611,374,960
Designated to fund operations	3,966,913	3,063,180
Designated by the Board for operating and capital reserves	6,702,414	6,067,052
Invested in property, plant and equipment	<u>1,673,792</u>	<u>1,609,863</u>
	733,419,100	622,115,055
With donor restrictions:		
Restricted to the passage of time	11,944,296	7,850,424
Restricted endowment appreciation	49,771,493	39,464,437
Restricted in perpetuity – endowment	86,098,345	85,803,546
Underwater endowments	<u>—</u>	<u>(9,945)</u>
	<u>147,814,134</u>	<u>133,108,462</u>
Total net assets	<u>881,233,234</u>	<u>755,223,517</u>
Total liabilities and net assets	<u>\$ 946,933,381</u>	<u>\$ 817,470,117</u>

See accompanying notes.

**NEW HAMPSHIRE CHARITABLE FOUNDATION AND AFFILIATED ORGANIZATION**

**CONSOLIDATED STATEMENTS OF ACTIVITIES**

Years Ended December 31, 2020 and 2019

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and investment gains (losses):			
Contributions	\$ 62,198,205	\$ 7,243,307	\$ 69,441,512
Net investment return	102,499,033	15,986,553	118,485,586
Change in value of split interest agreements	(55,760)	133,314	77,554
Other	<u>1,199,495</u>	<u>—</u>	<u>1,199,495</u>
Total revenues and investment gains	165,840,973	23,363,174	189,204,147
Net assets released from restrictions:			
Satisfaction of donor restrictions	602,631	(602,631)	—
Time restriction expired	1,625,273	(1,625,273)	—
Pursuant to spending rate appropriation	<u>6,234,055</u>	<u>(6,234,055)</u>	<u>—</u>
Total net assets released from restrictions	<u>8,461,959</u>	<u>(8,461,959)</u>	<u>—</u>
Total revenues, gains and other support	174,302,932	14,901,215	189,204,147
Expenses:			
Grants, scholarships and program initiatives	54,546,502	—	54,546,502
Administrative expenses:			
Program service expenses	3,927,355	—	3,927,355
Management and general expenses	2,685,486	—	2,685,486
Fundraising expenses	<u>1,839,544</u>	<u>—</u>	<u>1,839,544</u>
Total administrative expenses	<u>8,452,385</u>	<u>—</u>	<u>8,452,385</u>
Total expenses	<u>62,998,887</u>	<u>—</u>	<u>62,998,887</u>
Increase in net assets before effects of discontinued operations	111,304,045	14,901,215	126,205,260
(Loss) gain from discontinued operations	<u>—</u>	<u>(195,543)</u>	<u>(195,543)</u>
Total increase in net assets	111,304,045	14,705,672	126,009,717
Net assets at beginning of year	<u>622,115,055</u>	<u>133,108,462</u>	<u>755,223,517</u>
Net assets at end of year	<u>\$ 733,419,100</u>	<u>\$ 147,814,134</u>	<u>\$ 881,233,234</u>

See accompanying notes.

2019		
<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
\$ 44,921,881	\$ 1,119,790	\$ 46,041,671
73,357,533	14,129,319	87,486,852
(61,990)	2,018,139	1,956,149
809	—	809
118,218,233	17,267,248	135,485,481
1,042,225	(1,042,225)	—
1,327,100	(1,327,100)	—
6,145,809	(6,145,809)	—
8,515,134	(8,515,134)	—
126,733,367	8,752,114	135,485,481
47,761,820	—	47,761,820
3,760,682	—	3,760,682
2,585,036	—	2,585,036
1,785,921	—	1,785,921
8,131,639	—	8,131,639
55,893,459	—	55,893,459
70,839,908	8,752,114	79,592,022
—	531,774	531,774
70,839,908	9,283,888	80,123,796
551,275,147	123,824,574	675,099,721
<u>\$ 622,115,055</u>	<u>\$ 133,108,462</u>	<u>\$ 755,223,517</u>

**NEW HAMPSHIRE CHARITABLE FOUNDATION AND AFFILIATED ORGANIZATION**

**CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES**

Years Ended December 31, 2020 and 2019

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising and Development</u>	<u>Total</u>
<u>2020</u>				
Grants, scholarships and program initiatives	\$54,546,502	\$ –	\$ –	\$54,546,502
Salaries and wages	2,302,617	1,580,123	1,093,185	4,975,925
Employee benefits	535,687	364,457	254,319	1,154,463
Payroll taxes	155,902	107,462	74,019	337,383
Information technology	197,102	142,232	93,590	432,924
Communications and marketing	92,851	67,004	44,088	203,943
Fees for services	226,900	163,736	107,739	498,375
Depreciation	103,913	74,986	49,340	228,239
Office expenses	71,943	51,916	34,161	158,020
Occupancy	76,456	55,172	36,303	167,931
Travel and conferences	17,707	10,924	8,402	37,033
Meetings	5,390	3,890	2,559	11,839
Professional fees	25,610	18,480	12,160	56,250
Legal fees	41,292	29,797	19,607	90,696
Insurance	18,300	13,206	8,690	40,196
Change in provision for uncollectible notes receivable	52,773	–	–	52,773
Other expenses	<u>2,912</u>	<u>2,101</u>	<u>1,382</u>	<u>6,395</u>
Total expenses	<u>\$58,473,857</u>	<u>\$2,685,486</u>	<u>\$1,839,544</u>	<u>\$62,998,887</u>
<u>2019</u>				
Grants, scholarships and program initiatives	\$47,761,820	\$ –	\$ –	\$47,761,820
Salaries and wages	2,141,146	1,460,652	1,021,778	4,623,576
Employee benefits	514,062	346,425	245,305	1,105,792
Payroll taxes	149,275	102,965	71,239	323,479
Information technology	197,292	143,103	94,170	434,565
Communications and marketing	118,828	86,191	56,718	261,737
Fees for services	155,686	112,924	74,311	342,921
Depreciation	88,998	65,104	42,843	196,945
Office expenses	86,594	62,809	41,332	190,735
Occupancy	82,607	59,917	39,429	181,953
Travel and conferences	80,241	53,005	38,286	171,532
Meetings	50,467	36,606	24,089	111,162
Professional fees	25,084	18,193	11,973	55,250
Legal fees	28,559	20,715	13,632	62,906
Insurance	16,587	12,031	7,917	36,535
Change in provision for uncollectible notes receivable	19,182	–	–	19,182
Other expenses	<u>6,074</u>	<u>4,396</u>	<u>2,899</u>	<u>13,369</u>
Total expenses	<u>\$51,522,502</u>	<u>\$2,585,036</u>	<u>\$1,785,921</u>	<u>\$55,893,459</u>

See accompanying notes.



**NEW HAMPSHIRE CHARITABLE FOUNDATION AND AFFILIATED ORGANIZATION**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Increase in net assets	\$ 126,009,717	\$ 80,123,796
Adjustments to reconcile increase in net assets to net cash used by operating activities:		
Net loss (gain) from discontinued operations	195,543	(531,774)
Depreciation	228,239	196,945
Net unrealized and realized investment gains	(116,141,208)	(84,204,541)
Contributions of securities and real estate	(12,996,142)	(13,455,554)
Contributions with donor restrictions	(7,243,307)	(1,119,790)
Changes in:		
Investments held in trust	629,338	(286,971)
Accrued investment income	(28,104)	(124,113)
Receivable from trust	843,218	(1,628,259)
Contributions receivable	490,974	1,412,382
Grants receivable	(65,000)	(678,172)
Other assets	(75,204)	(13,371)
Grants payable	(1,122,059)	264,105
Income beneficiaries payable	(38,687)	(101,266)
Unearned contributions	(117,472)	742,877
Accounts payable, accrued expenses and other liabilities	(28,770)	(387,792)
Funds held as agency funds	<u>4,760,535</u>	<u>4,036,519</u>
Net cash used by operating activities	<u>(4,698,389)</u>	<u>(15,754,979)</u>
Cash flows from investing activities:		
Proceeds from sale of investments	67,461,036	44,567,259
Purchase of investments	(62,747,716)	(45,904,270)
Principal collected from notes receivable	178,202	918,824
Principal disbursed for notes receivable	(73,000)	(970,500)
Purchase of property, plant and equipment, net	<u>(110,492)</u>	<u>(520,842)</u>
Net cash provided (used) by investing activities	4,708,030	(1,909,529)
Cash flows from financing activities:		
Proceeds from contributions with donor restrictions	<u>1,395,258</u>	<u>8,245,485</u>
Net cash provided by financing activities	<u>1,395,258</u>	<u>8,245,485</u>
Net increase (decrease) in cash and cash equivalents and restricted cash	1,404,899	(9,419,023)
Cash and cash equivalents and restricted cash at beginning of year	<u>47,499,493</u>	<u>56,918,516</u>
Cash and cash equivalents and restricted cash at end of year	\$ <u>48,904,392</u>	\$ <u>47,499,493</u>

Supplemental non-cash disclosures:

In 2020, the Foundation transferred \$181,676 from other assets to property, plant and equipment relating to a building that is now used by the Foundation for operational purposes.

See accompanying notes.

# NEW HAMPSHIRE CHARITABLE FOUNDATION AND AFFILIATED ORGANIZATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020 and 2019

### 1. Organization

The New Hampshire Charitable Foundation (the Foundation) is a nonprofit community foundation that provides grant and loan assistance to nonprofit organizations primarily in New Hampshire and to students who are residents of the State of New Hampshire. The Foundation is comprised of 2,080 individual funds, primarily including unrestricted (Flexible Funds), field of interest, designated, agency, scholarship, donor advised, annuities, trusts and pooled income funds. Resources for various purposes are classified into funds established according to their nature and purpose.

In 2013, the Foundation created a wholly-owned LLC (the LLC) for the purposes of managing potential risks and exposures related to a gift of 100% of the outstanding shares of a multi-national and diverse corporation (the Corporation). See note 8 for more information.

### 2. Summary of Significant Accounting Policies

#### Principles of Consolidation

The consolidated financial statements of the Foundation include the accounts of the Foundation and its wholly-owned LLC, which consolidates its 100% owned corporate subsidiary. Operating results for the corporate subsidiary (which are accounted for as discontinued operations) have been consolidated from the date of acceptance of the corporate stock. Significant intercompany accounts and transactions have been eliminated in consolidation.

#### Concentration of Credit Risk

Financial instruments which subject the Foundation to credit risk consist of cash equivalents, notes and contributions receivable, and investments. The risk with respect to cash equivalents is minimized by the Foundation's policy of investing in financial instruments with short-term maturities issued by highly rated financial institutions. The Foundation's cash and cash equivalents are currently held at five institutions, which at times may exceed federal depository insurance limits. During 2020, the Foundation entered into a collateralized sweep program with Citizens Bank, which invests certain amounts in a variety of financial institutions up to the Federal Deposit Insurance Corporation (FDIC) insured limit. This program covers the Foundation's short-term investment account. To further secure balances, the Foundation's cash accounts are collateralized by U.S. Treasuries and other securities totaling over \$5 million held at Bank of New York Mellon. The Foundation has not experienced any losses in such accounts and management believes the Foundation is not exposed to any significant risks at December 31, 2020. The Foundation's notes and contributions receivable are presented net of estimated uncollectible amounts.

The Foundation's investment portfolio consists of diversified investments, which are subject to market risk, but are not subject to concentrations in any sector. At December 31, 2020, investment concentrations of 5% or greater of the investment portfolio (excluding investments held in trust) were as follows:

Adage Capital Partners, L.P.	\$85,354,587	9.7%
Breckinridge Gov't Credit	66,377,809	7.6
Vulcan Value Partners	53,409,634	6.1

# NEW HAMPSHIRE CHARITABLE FOUNDATION AND AFFILIATED ORGANIZATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020 and 2019

### 2. Summary of Significant Accounting Policies (Continued)

#### Cash and Cash Equivalents and Restricted Cash

Cash and cash equivalents includes investments in liquid debt instruments. The carrying value of cash and cash equivalents approximates market value. The Foundation classifies financial instruments with an original maturity of less than three months as cash equivalents.

The following table provides a reconciliation of cash and cash equivalents and restricted cash reported within the consolidated statements of financial position that sum to the total of the same such amounts shown in the consolidated statements of cash flows:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$47,896,212	\$46,389,132
Restricted cash	<u>1,008,180</u>	<u>1,110,361</u>
	<u>\$48,904,392</u>	<u>\$47,499,493</u>

The Foundation has been awarded grants from unaffiliated charitable organizations that were paid to the Foundation through 2020 and are to be expended through 2022. Each grant is to be used for specific programs as outlined in the grant awards. Included in restricted cash in the accompanying consolidated statements of financial position is \$889,733 and \$894,789 at December 31, 2020 and 2019, respectively, in regard to these awards. Future cash receipts of these grant awards are anticipated to be \$571,244 in 2021 and \$171,928 in 2022.

#### Investments

Investment securities are stated at fair value. The fair value of debt securities and marketable equity securities are based on quoted market prices. The Foundation carries alternative investments at net asset value (NAV), which estimates fair value as determined by management based upon valuations provided by the respective fund managers or general partners. Alternative investments include private equity, venture capital, hedge funds, natural resources, and real estate. The Foundation invests in various investment classes, including international capital markets and alternative investments. The Foundation's investments are subject to various risks, such as interest rate, credit, and overall market volatility, which may substantially impact the value of such investments at any given time.

The Foundation's management is responsible for the fair value measurement of investments reported in the financial statements. The Foundation has implemented policies and procedures to assess the reasonableness of the fair values provided. Because of the inherent uncertainty of valuation for these investments, the estimate of the fund manager or general partner may differ from actual values, and the differences could be significant. The Foundation believes that reported fair values of its alternative investments at the balance sheet dates are reasonable.

Investment income is allocated to the various funds based upon fair value.

# NEW HAMPSHIRE CHARITABLE FOUNDATION AND AFFILIATED ORGANIZATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020 and 2019

### 2. Summary of Significant Accounting Policies (Continued)

The Foundation has commitments to fifty-three limited partnerships that draw down capital as the partnerships make investments. As the commitments are called, the Foundation reallocates resources from current investments to fulfill the commitment, thus the capital calls are asset allocation shifts within the investment portfolio. As of December 31, 2020, the Foundation had approximately \$71 million of uncalled capital commitments through 2027, of which it is estimated approximately \$14 million will be called in 2021. In addition, the Foundation committed to liquidating two marketable alternative managers totaling approximately \$22 million, and a partial redemption of \$10 million from a domestic equity investment manager.

Subsequent to December 31, 2020, the Foundation decided in the first quarter of 2021 to invest \$25 million in a fixed income manager and to commit \$5 million each to two private investment managers.

#### Receivable from Trusts

The Foundation is the sole or partial beneficiary of charitable remainder trusts. The Foundation does not act as trustee and has recorded an asset at the present value of the estimated revenue to be received from the trusts using a discount rate ranging from 2.6% to 7.4%.

#### Notes Receivable

The Foundation provides low-interest rate loans, currently ranging from 0% to 4%, to students and certain nonprofit organizations. The interest rates range from 0% to 7% on outstanding loans. Interest on student loans is recognized for financial statement purposes when amounts are received which does not significantly differ from the accrual basis. The Foundation evaluates collectibility of its notes receivable and provides reserves for uncollectible amounts based upon specific requirements and historical write offs for loans which are deemed uncollectible. The student loan default rate was 0.40% for 2020 and 0.31% for 2019.

#### Property, Plant and Equipment

Property, plant and equipment is stated at cost or, if donated, at fair market value determined at the date of donation, less accumulated depreciation. The Foundation's policy is to capitalize expenditures for major improvements and charge maintenance and repairs currently for expenditures that do not extend the lives of the related assets. Depreciation is provided by the straight-line method in a manner which is intended to amortize the cost of the assets over their estimated useful lives.

#### Contributions, Unearned Contributions, and Income Beneficiaries Payable

Contributions of cash and other assets received without donor stipulations are reported as revenue and net assets without donor restriction. Contributions received with a donor stipulation that limits their use are reported as revenue and net assets with donor restrictions. When a donor 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 statements of activities as net assets released from restrictions.

# NEW HAMPSHIRE CHARITABLE FOUNDATION AND AFFILIATED ORGANIZATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020 and 2019

### 2. Summary of Significant Accounting Policies (Continued)

Contributions of assets other than cash are recorded at their estimated fair value. Real estate contributed is recorded at appraised value on the date of the gift and is generally made available for sale as soon as practicable. Contributions of public stock are recorded at the average market price on the date of donation.

Conditional contributions depend on the occurrence of a specified future and uncertain event to bind the potential donor and are recognized as assets and revenue when the conditions are substantially met and the contribution becomes unconditional or irrevocable.

The Foundation has recorded a liability for grants awarded but not paid and for the amount due to income beneficiaries of pooled income funds (unearned contributions) and charitable gift annuities (income beneficiaries payable). For charitable gift annuities, the present value of the estimated future payments to be distributed during the beneficiary's expected life is recorded as a liability using a discount rate ranging from 1.0% to 7.4%.

Unconditional contributions expected to be collected within one year are reported at their net realizable value. The fair value of contributions receivable and grants payable is initially determined as the present value of expected future cash flows using a discount rate. Income beneficiaries payable are initially reported at fair value based on the life expectancy of the beneficiaries and the present value of expected cash flows using a discount rate established at the time of the gift.

#### Grants, Scholarships, and Program Initiative Expenses

Grant, scholarships, and program initiative expenses are recorded when all due diligence has been completed, they are approved by the Foundation's staff or Board of Directors and when the award is deemed unconditional. Grant refunds are recorded as a reduction of grant expense at the time the Foundation receives or is notified of the refund.

During the year, grants have been approved and disbursed to organizations in which some of the board members may be involved through board or other advisory relationships. It is the Foundation's policy to have each board member disclose the conflict of interest. These board members are prohibited from voting on grants to these organizations in those instances.

#### Agency Funds

Agency funds are funds that are established and funded by a not-for profit organization for its own benefit. In exchange, the Foundation agrees to provide periodic distributions to the not-for-profit organization. Accounting rules require the Foundation to account for transfers of assets, which are recorded as investments in the accompanying consolidated balance sheets, from not-for-profit organizations into agency funds as an asset with a corresponding liability.

# NEW HAMPSHIRE CHARITABLE FOUNDATION AND AFFILIATED ORGANIZATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020 and 2019

### 2. Summary of Significant Accounting Policies (Continued)

#### Classification of Net Assets

The following provides a description of the net asset classifications represented in the Foundation's consolidated statement of financial position:

Net Assets With Donor Restrictions include contributions and endowment investment earnings subject to donor-imposed restrictions, as well as irrevocable trusts and contributions receivable. Some donor-imposed restrictions are temporary in nature that are expected to be met either by actions of the Foundation and/or the passage of time. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. As of December 31, 2020 and 2019, the Foundation's net assets with donor restrictions are restricted for funding various community needs as specified by the donors, as well as the endowment corpus and unspent endowment investment earnings.

Net Assets Without Donor Restrictions include net assets available but designated to fund grants, scholarships and initiatives not subject to donor restrictions, which includes amounts appropriated for expenditure from net assets with donor restrictions. Net assets designated to fund operations are cash reserves designated for future operating needs (see note 3). The Board of Directors has designated, from net assets without donor restrictions, net assets for operations and capital reserves. Net assets without donor restrictions also include the investment in property and equipment, net of accumulated depreciation.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor-imposed restrictions on net assets (i.e. the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

The Foundation reports gifts of property, plant, and equipment as revenues without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as revenue with donor restrictions. The Foundation reports expirations of donor's restrictions when the donated or acquired long-lived assets are placed in service.

The Foundation maintains the following types of funds within its assets:

**Agency funds** are established by 501(c)(3) organizations that transfer ownership of funds to the Foundation. Nonprofit organizations establish agency funds to ensure they will be able to fulfill their missions now and in the future. The agency fund is owned by the Foundation and is held as an asset on its statement of financial position with a corresponding liability, which totals \$49,241,585 and \$44,481,050 at December 31, 2020 and 2019, respectively.

**Designated funds** are established by a donor(s) to support specific nonprofit organizations. The Foundation has the ongoing fiduciary responsibility to make grants to the nonprofit organizations donor(s) have selected. If the selected nonprofit organization ceases to exist, the Foundation's Board of Directors will identify another nonprofit that most closely resembles the original charitable intent.

# NEW HAMPSHIRE CHARITABLE FOUNDATION AND AFFILIATED ORGANIZATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020 and 2019

### 2. Summary of Significant Accounting Policies (Continued)

**Donor Advised funds** are established to fulfill the donor's charitable goals, which may vary over time. The donor may recommend grants from the fund to any 501(c)(3) organization(s) or may partner with Foundation staff to identify opportunities for grant making.

**Field of Interest funds** are established to provide grants in a particular field of charitable interest but not to specific charitable organizations. Examples of field of interest include arts, education, environment, and health.

**Scholarship funds** are established to help students meet their educational or career goals. They provide access to educational opportunities for a wide variety of students. A scholarship fund may benefit a particular community, a particular educational institution, or a particular field of study.

**Unrestricted funds (Flexible Funds)** are established to provide broad charitable support for community well-being in a wide variety of areas of interest. They provide the most flexibility in meeting the changing needs of communities by allowing the Foundation to direct grants where they will have the greatest impact.

Under the terms of the Foundation's bylaws, the Board has the ability to distribute as much of the corpus of any trust or separate gift, bequest, or fund as the Board in its sole discretion shall determine. As a result, all contributions not classified as with donor restrictions are classified as net assets without donor restrictions designated to fund grants, scholarships and initiatives for financial statement purposes. In general, the bylaws of the Foundation provide for variance power which allows the redirection of spending and the reduction of principal, if necessary.

The State of New Hampshire adopted *Uniform Prudent Management of Institutional Funds Act of 2006* (UPMIFA) effective July 1, 2008. The Foundation has determined that many of the Foundation's net assets do not meet the definition of endowment under UPMIFA. The Foundation is governed subject to its bylaws and most contributions are subject to the terms of the bylaws. Certain contributions are received subject to other gift instruments.

Net assets are classified and reported based on the existence or absence of donor-imposed restrictions. The Foundation classifies contributions received with donor stipulations that restrict the timing or purpose of expending the donated assets as revenues with donor restrictions and are reported as net assets with donor restrictions depending upon specific language in the gift instrument. The Board has interpreted UPMIFA as requiring the preservation of the value of the original gift only where there is explicit donor stipulation. As a result of this interpretation, the Foundation classifies the original value of gifts donated to the endowment as well as subsequent gifts to the endowment as net assets with donor restrictions. The remaining portion of the donor-restricted endowment fund that is not classified as endowment is subject to appropriation for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- 1) The duration and preservation of the fund
- 2) The purpose of the Foundation and the donor-restricted endowment fund
- 3) General economic conditions
- 4) The possible effect of inflation and deflation
- 5) The expected total return from income and the appreciation of investments
- 6) Other resources of the Foundation
- 7) The investment policies of the Foundation

NEW HAMPSHIRE CHARITABLE FOUNDATION AND AFFILIATED ORGANIZATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020 and 2019

2. **Summary of Significant Accounting Policies (Continued)**

*Spending Policy for Appropriation of Assets for Expenditure*

The spending policy calculates the amount of money distributed annually from the Foundation’s various funds for grant making and administration. The Board adopted a spending rate for 2021 of 6.05% of the investment fund’s average market value over the prior 20 quarters (5.00% for charitable disbursement and an average of 1.05% for Foundation fees ranging from 0.2% – 2.0%) for all fund types except scholarships, which will remain at the 2020 spending rate of 5.05%. The Board adopted a spending rate for 2020 and 2019 of 5.05% of the investment fund’s average market value over the prior 20 quarters (4.0% for charitable disbursement and an average of 1.05% for Foundation fees ranging from 0.2% – 2.0%). The fee varies based on the fund type, and in some cases, the fund size. Effective in 2011, the Board adopted a sliding scale spending policy to address underwater funds, defined as those endowment funds with balances below historic gift value. The rate varies based on the percentage that the endowment fund is below historic gift value. The table below illustrates the spending policy for charitable disbursements for endowment funds with balances that are under historic gift value.

Amount Underwater	Reduction in Spending	Charitable Disbursement Rate			
		2021	2021	2020	2019
		All Other Funds	Scholarship Funds		
10% or less	No reduction	5.00%	4.00%	4.00%	4.00%
Over 10% up to and including 15%	33.3% reduction	3.33	2.67	2.67	2.67
Over 15% up to and including 20%	66.7% reduction	1.67	1.33	1.33	1.33
Over 20%	100% reduction	0.00	0.00	0.00	0.00

In establishing this policy, the Foundation considered the long-term expected return on its investments. Over the long term, the Foundation’s objective is to maintain the purchasing power of its investments as well as to provide growth through new gifts and investment return. The Board considered the increased community needs as a result of the COVID-19 pandemic in adopting the higher spending rate for 2021.

*Investment Policies*

The Foundation has adopted investment and spending policies for its investments that attempt to provide a stream of funding to support programs defined by its component funds while seeking to maintain the purchasing power of the assets. The Foundation’s spending and investment policies work together to achieve this objective. Under the investment policy, as approved by the Board, the assets are invested in a manner that is intended to produce results that meet the spending policy plus the rate of inflation while assuming a moderate level of investment risk. The Foundation expects its investments, over time, to provide an average rate of return of approximately 8.0% annually. Actual returns in any given year may vary from this amount. To satisfy its long-term objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places an emphasis on achieving its long-term return objectives within prudent risk constraints.



# NEW HAMPSHIRE CHARITABLE FOUNDATION AND AFFILIATED ORGANIZATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020 and 2019

### 2. Summary of Significant Accounting Policies (Continued)

#### Net Investment Return

Net investment return is reported in the consolidated statements of activities and consists of interest and dividend income, realized and unrealized investment gains and losses, less external and direct internal investment expenses.

#### Income Taxes

The Foundation and its wholly-owned LLC are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

The consolidated Corporation accounts for income taxes under the liability method in accordance with provisions of Accounting Standards Codification Topic 740, *Income Taxes* (ASC 740). Under the liability method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss carryforwards.

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The consolidated Corporation maintains a valuation allowance for deferred tax assets for which recovery is uncertain.

The Corporation also accounts for uncertain income tax positions under ASC 740. ASC 740 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return and also provides guidance on de-recognition, classification, interest and penalties, disclosure and transition. Generally, the Corporation's preceding three years are open for examination by federal and state taxing agencies. In addition to being subject to U.S. and various state taxes, the Corporation is also subject to tax in foreign jurisdictions. The affiliated corporation accounts for uncertain tax positions using a "more-likely-than-not" threshold for recognizing and resolving uncertain tax positions. The evaluation of uncertain tax positions is based on factors that include, but are not limited to, changes in tax law, the measurement of tax positions taken or expected to be taken in tax returns, the effective settlement of matters subject to audit, new audit activity and changes in facts or circumstances related to a tax position. Any related interest and penalties would be recorded within income tax expense.

Management has evaluated the Foundation's tax positions and concluded that the Foundation has maintained its tax-exempt status, does not have any significant unrelated business income and has taken no uncertain tax positions that require adjustment to the consolidated financial statements.

#### Retirement Plans and Deferred Compensation Agreements

The Foundation has a defined contribution 403(b) thrift plan covering substantially all of its employees. Under this plan, the Foundation annually contributes 10% of each eligible employee's annual salary. The total cost of the plan charged to operations amounted to \$498,055 in 2020 and \$440,743 in 2019. Contributions are used to purchase group annuity contracts with a life insurance company in order to fund future benefit payments. Such employer contributions are 100% vested.

# NEW HAMPSHIRE CHARITABLE FOUNDATION AND AFFILIATED ORGANIZATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020 and 2019

### 2. Summary of Significant Accounting Policies (Continued)

The plan also includes supplemental employee “Taxable and Tax-Deferred Annuity Plan” provisions designed to afford eligible employees the opportunity to make contributions to the plan not to exceed amounts legislated under *Employee Retirement Income Security Act of 1974*. Such employee contributions are 100% vested.

The Foundation adopted a 457(b) deferred compensation plan during 2010 for certain key employees. The purpose of the plan is to provide supplemental retirement income and the retention of key employees by offering benefits comparable with similar organizations. The plan calls for set annual contributions and the cost is expensed when each contribution is made. The total cost of the plan charged to operations amounted to \$43,000 and \$40,000 in 2020 and 2019, respectively. At December 31, 2020 and 2019, \$415,578 and \$316,818, respectively, was accrued for this obligation.

Total compensation including the deferred compensation plan is evaluated and approved annually by the Board. This process is documented in the Board minutes.

#### Functional Allocation of Expenses

The costs of providing the various program and supporting services have been summarized on a functional basis in the consolidated statements of activities and the consolidated statements of functional expenses. The consolidated financial statements report certain expenses that are attributed to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Expenses are allocated on the basis of estimates of time and effort. See note 7.

#### Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires the Foundation’s management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

#### Risks and Uncertainties

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic. The COVID-19 outbreak could negatively impact, for some period of time, the overall economy as well as certain business segments. Investment markets have experienced increased volatility which may negatively affect the carrying value of the Foundation’s investments. Any potential future impact on the Foundation’s operations is unknown at this time.

In 2020, the Foundation, NH Center for Nonprofits and the Community Development Finance Authority partnered to create and administer a grant program that helped the State of New Hampshire distribute approximately \$40 million in federal funding under the *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act) to nearly 500 nonprofit organizations. Revenue earned by the Foundation under the contract was recorded as other revenue and operating expenses incurred to administer the program were recorded within program service expenses and management and general expenses in 2020 in the accompanying consolidated statement of activities.

# NEW HAMPSHIRE CHARITABLE FOUNDATION AND AFFILIATED ORGANIZATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020 and 2019

### 2. Summary of Significant Accounting Policies (Continued)

#### Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases* (Topic 842) (ASU 2016-02). Under ASU 2016-02, at the commencement of a long-term lease, lessees will recognize a liability equivalent to the discounted payments due under the lease agreement, as well as an offsetting right-of-use asset. ASU 2016-02 is effective for the Foundation on January 1, 2022, with early adoption permitted. Lessees (for capital and operating leases) must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases that expired before the earliest comparative period presented. Lessees may not apply a full retrospective transition approach. The Foundation is currently evaluating the impact of the pending adoption of ASU 2016-02 on the consolidated financial statements but does not expect adoption will have a significant impact on the Foundation's consolidated financial statements.

In June 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (ASU 2018-08). Due to diversity in practice, ASU 2018-08 clarifies the definition of an exchange transaction as well as the criteria for evaluating whether contributions received or made are unconditional or conditional. ASU 2018-08 was effective for and adopted by the Foundation as the resource recipient on January 1, 2019 and was effective as the resource provider on January 1, 2020. The Foundation adopted ASU 2018-08 as the resource provider effective January 1, 2020. Adoption of this standard did not result in a significant change in these consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820) – Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement* (ASU 2018-13). The objective of this update is to improve the effectiveness of disclosures in the notes to the financial statements by facilitating clear communication of the information required by accounting principles generally accepted in the United States of America (U.S. GAAP) that is most important to users of each entity's financial statements. The amendments in this update modify the disclosure requirements on fair value measurements in Topic 820, *Fair Value Measurement*. The amendments in this update were effective for the Foundation on January 1, 2020. The adoption of this ASU did not have a significant impact on the Foundation's consolidated financial statements.

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU 2020-07 enhances the presentation of disclosure requirements for contributed nonfinancial assets. ASU 2020-07 requires entities to present contributed nonfinancial assets as a separate line item in the consolidated statements of operations and disclose the amount of contributed nonfinancial assets recognized within the consolidated statements of operations by category that depicts the type of contributed nonfinancial assets, as well as a description of any donor-imposed restrictions associated with the contributed nonfinancial assets and the valuation techniques used to arrive at a fair value measure at initial recognition. ASU 2020-07 is effective for the Foundation beginning January 1, 2021. The Foundation is currently evaluating the impact of the pending adoption of ASU 2020-07 on its consolidated financial statements however does not anticipate it will result in a significant change.

# NEW HAMPSHIRE CHARITABLE FOUNDATION AND AFFILIATED ORGANIZATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020 and 2019

### 2. Summary of Significant Accounting Policies (Continued)

#### Subsequent Events

Events occurring after the statement of financial position date are evaluated by management to determine whether such events should be recognized or disclosed in the consolidated financial statements. Management has evaluated subsequent events through July 23, 2021, which is the date the consolidated financial statements were available to be issued.

On February 24, 2021, the State of New Hampshire Probate Court approved a *Cy Pres* petition submitted by The Frisbie Memorial Hospital Wind Down Company (the Petitioner) to establish a Type 1 Supporting Organization (the Supporting Organization) at the Foundation, which will be consolidated in these financial statements. The name of the Supporting Organization will be the Greater Rochester Community Health Foundation and the purpose will align with the original charitable purposes of the Petitioner, and will be used to improve the health and well-being and reduce the burden of illness of persons residing in Strafford County, New Hampshire and immediately surrounding communities. The future impact of this order on the Foundation's consolidated financial statements is uncertain at this time. The future amount of assets to be transferred is currently unknown.

### 3. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statements of financial position date (December 31, 2020), comprise the following:

Cash and cash equivalents	\$9,243,491
Contributions receivable	<u>18,175</u>
	<u>\$9,261,666</u>

The Foundation's endowment funds consist of donor-restricted endowments. Income from donor-restricted endowments is restricted for specific purposes and is not available for general expenditures.

As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. The Foundation invests cash in excess of daily requirements in short-term investments and money market funds. Occasionally, the Board will designate a portion of any operating surplus to its operating reserve. Included in net assets without donor restrictions designated by the Board for operating reserves is \$5,294,754 as of December 31, 2020, and is included in the cash and cash equivalents noted above.

Additionally, under the spending policy described in note 2 that was approved by the Board, the Foundation will receive approximately \$7,590,000 in Foundation fees for operations in 2021.

**NEW HAMPSHIRE CHARITABLE FOUNDATION AND AFFILIATED ORGANIZATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2020 and 2019

**4. Investments**

The major categories of investments, at fair value, at December 31 are as follows:

	<u>2020</u>		<u>2019</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Equity:				
Domestic	\$ 247,083,688	28.2%	\$ 174,586,657	23.2%
Global (excluding U.S.)	<u>202,179,747</u>	<u>23.1</u>	<u>201,008,083</u>	<u>26.8</u>
Total equity	449,263,435	51.3	375,594,740	50.0
Fixed income	99,237,844	11.3	94,039,831	12.5
Marketable alternatives	151,078,000	17.3	127,925,824	17.0
Inflation hedging	22,737,754	2.6	25,726,897	3.4
Non-marketable alternatives	136,949,501	15.6	94,938,452	12.6
Cash equivalents	<u>17,016,999</u>	<u>1.9</u>	<u>34,010,978</u>	<u>4.5</u>
	<u>\$ 876,283,533</u>	<u>100.0%</u>	<u>\$ 752,236,722</u>	<u>100.0%</u>

The major categories of investments held in trust at December 31, are as follows:

	<u>2020</u>		<u>2019</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Equity – domestic	\$ 15,821	0.6%	\$ 161,100	4.8%
Balanced funds	2,654,223	97.9	3,108,834	93.1
Cash equivalents	<u>40,561</u>	<u>1.5</u>	<u>70,009</u>	<u>2.1</u>
	<u>\$2,710,605</u>	<u>100.0%</u>	<u>\$3,339,943</u>	<u>100.0%</u>

The tables below set forth additional disclosures for investment funds to further understand the nature and risk of the investments by category at December 31, 2020 and 2019:

	<u>Fair value as of December 31, 2020</u>	<u>Unfunded Commit- ments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Equity investments	\$ 117,467,359	\$ –	Daily	0 – 6 days
Equity investments	200,840,545	–	Monthly	10– 60 days
Equity investments	<u>130,955,531</u>	<u>–</u>	Quarterly	30 – 90 days
Total equity investments	449,263,435	–		
Fixed income investments	99,237,844	–	Daily	0 – 1 day
Marketable alternative investments	27,272,209	–	Monthly	17 – 180 days
Marketable alternative investments	111,553,386	–	Quarterly	60 – 75 days
Marketable alternative investments	<u>12,252,405</u>	<u>–</u>	Biennially	45 days
Total marketable alternative investments	151,078,000	–		

**NEW HAMPSHIRE CHARITABLE FOUNDATION AND AFFILIATED ORGANIZATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2020 and 2019

**4. Investments (Continued)**

	<u>Fair value as of December 31, 2020</u>	<u>Unfunded Commit- ments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Inflation hedging investments	\$ 1,574,355	\$ –	Daily	0 – 1 day
Inflation hedging investments	<u>21,163,399</u>	<u>1,949,749</u>	Illiquid	N/A
Total inflation hedging investments	22,737,754	1,949,749		
Non-marketable alternative investments	136,949,501	69,223,817	Illiquid	N/A
Cash equivalents	16,606,302	–	Daily	0 – 1 day
Cash equivalents	<u>410,697</u>	<u>–</u>	Monthly	30 days
Total cash equivalents	<u>17,016,999</u>	<u>–</u>		
	<u>\$ 876,283,533</u>	<u>\$71,173,566</u>		
	<u>Fair value as of December 31, 2019</u>	<u>Unfunded Commit- ments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Equity investments	\$ 120,135,256	\$ –	Daily	0 – 6 days
Equity investments	149,045,187	–	Monthly	10– 60 days
Equity investments	<u>106,414,297</u>	<u>–</u>	Quarterly	30 – 60 days
Total equity investments	375,594,740	–		
Fixed income investments	94,039,831	–	Daily	0 – 1 day
Marketable alternative investments	28,013,580	–	Monthly	17 – 180 days
Marketable alternative investments	86,802,286	–	Quarterly	60 – 75 days
Marketable alternative investments	11,731,723	–	Biennially	45 days
Marketable alternative investments	<u>1,378,235</u>	<u>–</u>	Illiquid	N/A
Total marketable alternative investments	127,925,824	–		
Inflation hedging investments	1,282,815	–	Daily	0 – 1 day
Inflation hedging investments	<u>24,444,082</u>	<u>4,360,131</u>	Illiquid	N/A
Total inflation hedging investments	25,726,897	4,360,131		
Non-marketable alternative investments	94,938,452	69,786,737	Illiquid	N/A
Cash equivalents	31,572,073	–	Daily	0 – 1 day
Cash equivalents	<u>2,438,905</u>	<u>–</u>	Monthly	30 days
Total cash equivalents	<u>34,010,978</u>	<u>–</u>		
	<u>\$ 752,236,722</u>	<u>\$74,146,868</u>		

# NEW HAMPSHIRE CHARITABLE FOUNDATION AND AFFILIATED ORGANIZATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020 and 2019

### 4. **Investments (Continued)**

The illiquid investments noted above generally are investments which require a long-term investment commitment, are not publicly traded, and are intended to be held for the life of the investment fund or partnership. Accordingly, any attempt to sell these investments before the end of their investment period could result in the Foundation realizing less than fair value at the time of any early redemptions. The Foundation intends to hold the investments until maturity.

#### *Equity Investments*

The purpose of the equity allocation (broadly defined to include domestic stocks and foreign stocks) is to provide appreciation of principal that more than offsets inflation over the long run. It is recognized that pursuit of this objective could entail the assumption of greater return variability and risk within individual asset classes. However, the diversification benefits of combining various equity components should enhance the overall portfolio risk-return profile.

#### *Fixed Income Investments*

The purpose of the fixed income allocation is to provide a hedge against deflation, to increase current income relative to an all-equity fund, and to reduce overall volatility of the portfolio. The purpose of including opportunistic fixed income assets such as, but not limited to, global and high yield securities in the portfolio is to enhance the overall risk-return characteristics of the portfolio. Global fixed income managers may hold domestic, international, and non-dollar fixed income securities.

#### *Marketable Alternative Investments*

The role of marketable alternative (MALT) investments, often referred to as “hedge funds,” is to increase portfolio diversification through offering sources of return that are not generally correlated with traditional equity and fixed income markets. Also, MALT investments provide relatively consistent returns and principal protection in significantly down equity markets, while reducing overall volatility of the portfolio. Investments in the MALT program may take the form of direct investment in a single manager or fund-of-funds manager. MALT managers may engage in the use of derivatives (options/futures/forwards) as part of their investment strategy. MALT investments are generally less liquid than their traditional equity counterparts as most MALT managers have entry/exit terms and capital lockup periods that range from monthly to two years.

#### *Inflation Hedging Investments*

The purpose of inflation hedging investments such as, but not limited to, private real estate, real estate investment trusts (REITs), oil and gas partnerships, TIPS, and commodities is to protect the purchasing power of the Fund against unexpected or severe inflation. Inflation hedging investments in REITs, TIPS and commodities are significantly more liquid than investments in oil and gas partnerships and private real estate.

**NEW HAMPSHIRE CHARITABLE FOUNDATION AND AFFILIATED ORGANIZATION**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020 and 2019

**4. Investments (Continued)**

*Non-Marketable Alternative Investments*

The purpose of “alternative” assets such as, but not limited to, venture capital, private equity, and distressed securities investments is to provide increased return potential and to reduce overall volatility of the Fund through greater diversification. These investments can be made either in the form of direct investment, partnerships, fund-of-funds or with an investment manager. These assets are less liquid and require a longer investment horizon. Most require a multi-year commitment of capital.

The Foundation classifies its investments measured at fair value on a recurring basis into Level 1, which refers to investments traded in an active market; Level 2, which refers to investments not traded in an active market but for which observable market inputs are readily available; and Level 3, which refers to investments not traded in an active market and for which no significant observable market inputs are available. Generally, Level 3 investments are valued based upon information provided by fund managers or general partners, including audited financial statements of the investment funds. The levels relate to valuation only and do not necessarily indicate a measure of risk. At December 31, 2020 and 2019, the Foundation’s investments measured at fair value on a recurring basis were classified as follows, based on fair values:

<u>Description</u>	<u>2020</u>				
	<u>Investments Measured at NAV <sup>(1)</sup></u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Domestic equity	\$ 145,812,965	\$ 99,704,215	\$ 1,566,508	\$ –	\$ 247,083,688
Global equity	161,457,968	38,619,336	2,102,443	–	202,179,747
Fixed income	–	26,668,918	72,568,926	–	99,237,844
Marketable alternatives	151,078,000	–	–		151,078,000
Inflation hedging – natural resources	16,714,714	–	–	–	16,714,714
Inflation hedging – real estate	3,599,685	26,054	849,000	–	4,474,739
Inflation hedging – marketable	–	1,353,582	194,719	–	1,548,301
Non-marketable alternatives	136,949,501	–	–	–	136,949,501
Cash equivalents	<u>–</u>	<u>14,772,029</u>	<u>2,244,970</u>	<u>–</u>	<u>17,016,999</u>
Total investments	<u>\$ 615,612,833</u>	<u>\$ 181,144,134</u>	<u>\$79,526,566</u>	<u>\$ –</u>	<u>\$ 876,283,533</u>
Investments held in trust	<u>\$ –</u>	<u>\$ 2,707,652</u>	<u>\$ 2,953</u>	<u>\$ –</u>	<u>\$ 2,710,605</u>



**NEW HAMPSHIRE CHARITABLE FOUNDATION AND AFFILIATED ORGANIZATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2020 and 2019

**4. Investments (Continued)**

<u>Description</u>	<u>2019</u>				
	<u>Investments Measured at NAV <sup>(1)</sup></u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Domestic equity	\$ 92,690,099	\$ 81,325,858	\$ 570,700	\$ –	\$ 174,586,657
Global equity	168,476,692	32,531,391	–	–	201,008,083
Fixed income	–	42,126,604	51,913,227	–	94,039,831
Marketable alternatives	127,925,824	–	–	–	127,925,824
Inflation hedging – natural resources	20,549,000	–	–	–	20,549,000
Inflation hedging – real estate	3,555,082	186,605	340,000	–	4,081,687
Inflation hedging – marketable	–	1,096,210	–	–	1,096,210
Non-marketable alternatives	94,938,452	–	–	–	94,938,452
Cash equivalents	<u>–</u>	<u>22,642,272</u>	<u>11,368,706</u>	<u>–</u>	<u>34,010,978</u>
Total investments	<u>\$ 508,135,149</u>	<u>\$ 179,908,940</u>	<u>\$64,192,633</u>	<u>\$ –</u>	<u>\$ 752,236,722</u>
Investments held in trust	<u>\$ 3,269,934</u>	<u>\$ 70,009</u>	<u>–</u>	<u>–</u>	<u>\$ 3,339,943</u>

<sup>(1)</sup> In accordance with ASC Subtopic 820-10, investments measured using the NAV per share practical expedient 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 amounts presented in the consolidated statements of financial position.

**5. Changes in Endowment Net Assets**

The major categories of endowment funds at December 31 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>2020</u>			
Original donor restricted gift amount and amounts required to be maintained in perpetuity by donor	\$4,325,318	\$ 86,098,345	\$ 90,423,663
Accumulated investment gains	<u>–</u>	<u>49,771,493</u>	<u>49,771,493</u>
Total endowment net assets	<u>\$4,325,318</u>	<u>\$ 135,869,838</u>	<u>\$ 140,195,156</u>

**NEW HAMPSHIRE CHARITABLE FOUNDATION AND AFFILIATED ORGANIZATION**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020 and 2019

**5. Changes in Endowment Net Assets (Continued)**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>2019</u>			
Original donor restricted gift amount and amounts required to be maintained in perpetuity by donor	\$4,349,921	\$ 85,803,546	\$ 90,153,467
Accumulated investment gains	<u>—</u>	<u>39,454,492</u>	<u>39,454,492</u>
Total endowment net assets	<u>\$4,349,921</u>	<u>\$ 125,258,038</u>	<u>\$ 129,607,959</u>

In the year 2020, the Foundation had the following endowment-related activities:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$4,349,921	\$ 125,258,038	\$ 129,607,959
Investment return:			
Investment income	—	710,753	710,753
Change in value of split interest agreements	—	64,542	64,542
Net appreciation (realized and unrealized)	—	16,276,330	16,276,330
Investment fees	<u>—</u>	<u>(443,504)</u>	<u>(443,504)</u>
Total net investment return	—	16,608,121	16,608,121
Contributions	—	77,050	77,050
Transfers between net asset classes and releases from endowment net assets including maturing pooled income funds	(24,603)	(362,239)	(386,842)
Appropriated for expenditure	<u>—</u>	<u>(5,711,132)</u>	<u>(5,711,132)</u>
Endowment net assets, end of year	<u>\$4,325,318</u>	<u>\$ 135,869,838</u>	<u>\$ 140,195,156</u>

**NEW HAMPSHIRE CHARITABLE FOUNDATION AND AFFILIATED ORGANIZATION**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020 and 2019

**5. Changes in Endowment Net Assets (Continued)**

In the year 2019, the Foundation had the following endowment-related activities:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$3,999,702	\$ 114,969,371	\$ 118,969,073
Investment return:			
Investment income	—	698,315	698,315
Change in value of split interest agreements	—	349,708	349,708
Net depreciation (realized and unrealized)	—	14,188,976	14,188,976
Investment fees	—	<u>(420,040)</u>	<u>(420,040)</u>
Total net investment return	—	14,816,959	14,816,959
Contributions	—	749,805	749,805
Transfers between net asset classes and releases from endowment net assets including maturing pooled income funds	350,219	438,129	788,348
Appropriated for expenditure	<u>—</u>	<u>(5,716,226)</u>	<u>(5,716,226)</u>
Endowment net assets, end of year	<u>\$4,349,921</u>	<u>\$ 125,258,038</u>	<u>\$ 129,607,959</u>

The Foundation reclassifies certain funds with donor restrictions and without donor restrictions to reflect donor intent when funds are released from restrictions or additional information surrounding intent is obtained.

**6. Net Asset Composition by Type of Fund**

The major categories of endowment funds at December 31, 2020 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Agency	\$ —	\$ 6,509,740	\$ 6,509,740
Designated	227,008	22,703,596	22,930,604
Donor advised	237,842	10,226,959	10,464,801
Field of interest	727,695	34,111,423	34,839,118
Scholarship	3,037,169	50,535,449	53,572,618
Unrestricted (Flexible Funds)	95,604	10,526,842	10,622,446
Other	<u>—</u>	<u>1,255,829</u>	<u>1,255,829</u>
Total endowment net assets	<u>\$4,325,318</u>	<u>\$ 135,869,838</u>	<u>\$ 140,195,156</u>

**NEW HAMPSHIRE CHARITABLE FOUNDATION AND AFFILIATED ORGANIZATION**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020 and 2019

**6. Net Asset Composition by Type of Fund (Continued)**

The major categories of endowment funds at December 31, 2019 are as follows:

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
Agency	\$ —	\$ 5,980,606	\$ 5,980,606
Designated	181,680	20,592,066	20,773,746
Donor advised	176,124	9,316,494	9,492,618
Field of interest	1,149,944	31,252,428	32,402,372
Scholarship	2,760,137	46,564,344	49,324,481
Unrestricted (Flexible Funds)	82,036	9,807,189	9,889,225
Other	<u>—</u>	<u>1,744,911</u>	<u>1,744,911</u>
Total endowment net assets	<u>\$4,349,921</u>	<u>\$ 125,258,038</u>	<u>\$ 129,607,959</u>

*Funds with Deficiencies*

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Foundation to retain as a fund of permanent duration. Deficiencies of this nature are reported in net assets with donor restrictions. At December 31, 2020, there were no deficiencies in individual donor-restricted endowment funds. The aggregate deficiency between the fair value of the investments of the endowment fund at December 31, 2019 and the level required by donor stipulation was \$9,945. The aggregate fair value of funds with deficiencies was \$675,232 and the amount of the original endowment donations required to be maintained was \$685,177 at December 31, 2019. In addition, the aggregate deficiency between the fair value of the Foundation's charitable gift annuities at December 31, 2020 and 2019 and the level required for contracted payouts totaled \$8,409 and \$14,985, respectively.

*Non-Endowment Net Asset Composition by Type of Fund*

In addition to endowment net assets, the Foundation also maintains non-endowed funds. The major categories of non-endowment funds at December 31, 2020 are as follows:

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total Non-</u> <u>Endowment</u> <u>Net Assets</u>
Agency	\$ (1,268,633)	\$ (5,273,563)	\$ (6,542,196)
Designated	94,456,913	—	94,456,913
Donor advised	379,713,840	2,160,000	381,873,840
Field of interest	106,195,801	487,500	106,683,301
Scholarship	76,142,183	3,200,549	79,342,732
Unrestricted (Flexible Funds)	60,096,080	740,000	60,836,080
Other	<u>13,757,598</u>	<u>10,629,810</u>	<u>24,387,408</u>
Total non-endowment net assets	<u>\$ 729,093,782</u>	<u>\$11,944,296</u>	<u>\$ 741,038,078</u>

**NEW HAMPSHIRE CHARITABLE FOUNDATION AND AFFILIATED ORGANIZATION**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020 and 2019

**6. Net Asset Composition by Type of Fund (Continued)**

The major categories of non-endowment funds at December 31, 2019 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Non- Endowment Net Assets</u>
Agency	\$ (1,492,885)	\$ (4,487,721)	\$ (5,980,606)
Designated	79,080,254	-	79,080,254
Donor advised	331,900,962	-	331,900,962
Field of interest	95,036,955	-	95,036,955
Scholarship	65,131,763	-	65,131,763
Unrestricted (Flexible Funds)	36,946,865	740,000	37,686,865
Other	<u>11,161,220</u>	<u>11,598,145</u>	<u>22,759,365</u>
Total non-endowment net assets	<u>\$ 617,765,134</u>	<u>\$ 7,850,424</u>	<u>\$ 625,615,558</u>

Organizational Components

The organizational components of net assets at December 31 are as follows:

	<u>2020</u>		<u>2019</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
New Hampshire Charitable Foundation, excluding regions	\$ 369,839,404	42.0%	\$ 322,932,077	42.8%
Regions:				
Piscataqua	128,270,143	14.5	112,170,314	14.8
Upper Valley	63,344,416	7.2	57,630,335	7.6
Manchester	62,664,683	7.1	52,599,357	7.0
Monadnock	60,247,038	6.8	48,030,962	6.4
North Country	59,238,058	6.7	52,162,239	6.9
Capital	55,442,319	6.3	42,174,427	5.6
Lakes	46,401,913	5.3	38,688,369	5.1
Nashua	<u>35,785,260</u>	<u>4.1</u>	<u>28,835,437</u>	<u>3.8</u>
	<u>\$ 881,233,234</u>	<u>100.0%</u>	<u>\$ 755,223,517</u>	<u>100.0%</u>

# NEW HAMPSHIRE CHARITABLE FOUNDATION AND AFFILIATED ORGANIZATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020 and 2019

### 7. Allocation of Joint Costs

The Foundation's activities include program, management, and fundraising components. The Financial Accounting Standards Board requires the Foundation to allocate all costs to one of these three categories. Most costs can be directly attributed to one of these categories, but some costs associated with joint activities cannot be allocated accurately and fully between the three activities. It would be impractical and cost prohibitive to track the individual usage of costs such as telephone, supplies, photocopying, utilities, etc. These costs are referred to as joint costs. The Foundation allocates joint costs to program service, management and general, and fundraising based on time spent on the activities by various personnel. There are no personnel costs included in joint costs because all personnel costs are directly attributable to either program, management or fundraising. Joint costs were allocated as follows:

	<u>2020</u>	<u>2019</u>
Program service	\$389,213	\$448,328
Management and general	205,569	232,653
Fundraising	<u>217,313</u>	<u>237,286</u>
	<u>\$812,095</u>	<u>\$918,267</u>

### 8. Affiliated Organization

OCG, LLC (the LLC) is a wholly-owned nonprofit affiliated entity which was formed under the laws in the State of Minnesota for the purpose of managing risk associated with a gift of the outstanding shares of Tillotson Corporation and subsidiaries. On August 8, 2013, the Foundation's Board of Directors accepted a gift of 100% of the outstanding shares of Tillotson Corporation, a multi-national and diverse corporation formerly in the latex and luxury resort businesses, but now undergoing liquidation of its remaining assets and settlements of its remaining liabilities anticipated to be liquidated in the near future. All activity in relation to the operations of Tillotson Corporation has been recorded as discontinued operations within the consolidated statements of activities.

Given the 100% ownership of the LLC and in turn its ownership of 100% of Tillotson Corporation, the Corporation's assets, liabilities and results of operations have been consolidated within the accompanying 2020 and 2019 financial statements of the Foundation. The net assets contributed at the date of donation totaled \$11,884,640, based on management's estimates which were supported by independent appraisals and third party valuations. Additionally, management decreased the estimated environmental liabilities, as discussed below, by \$325,000 in 2020 and 2019, and recorded this as a contribution with donor restrictions. The gift has been recorded as a contribution with donor restrictions until future contingencies are resolved. In 2020 and 2019, \$350,000 and \$3,010,707, respectively, was released from net assets with donor restrictions to net assets without donor restrictions as management believes certain contingencies have been resolved.

**NEW HAMPSHIRE CHARITABLE FOUNDATION AND AFFILIATED ORGANIZATION**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020 and 2019

**8. Affiliated Organization (Continued)**

Condensed aggregate information related to the LLC and Tillotson Corporation follows as of and for the years ended December 31:

	<u>2020</u>	<u>2019</u>
Cash	\$ 117,452	\$ 198,971
Investments, at fair value	5,017,443	5,305,371
Assets held for sale, at estimated fair value:		
Property, plant and equipment	156,236	156,236
Prepaid expenses	79,027	63,063
Other receivables	<u>29,174</u>	<u>29,142</u>
Total assets held for sale	<u>264,437</u>	<u>248,441</u>
Total assets	<u>\$5,399,332</u>	<u>\$5,752,783</u>
Other liabilities:		
Accounts payable and accrued expenses	\$ 486,246	\$ 235,217
Estimated litigation settlements	2,000,000	2,000,000
Estimated environmental liabilities	<u>1,579,363</u>	<u>1,913,648</u>
Total liabilities	4,065,609	4,148,865
Net assets (reflected in net assets with donor restrictions)	<u>1,333,723</u>	<u>1,603,918</u>
Total liabilities and net assets	<u>\$5,399,332</u>	<u>\$5,752,783</u>

The property, plant and equipment held for sale at December 31, 2020 and 2019 consist of buildings, land and equipment that were recorded at fair value as of the date of contribution and are recorded in other assets in the accompanying consolidated statements of financial position. Management has evaluated the carrying value of the land and equipment and believes there is no impairment at December 31, 2020. The litigation liabilities relate to uncertainties relating to potential legal settlements. The environmental liabilities consist of estimated potential remediation liabilities for properties still owned by the Corporation as well as the estimated potential liability for properties no longer owned by the Corporation but for which the Corporation retained potential environmental liability. The Foundation has obtained independent appraisals of the potential liability relating to these environmental contingencies.

A summary of the Corporation's operations is as follows:

	<u>2020</u>	<u>2019</u>
Net sales	\$ —	\$ 85,043
Cost of sales	—	(65,176)
Operating expenses	(660,943)	(699,667)
Other income and expense	<u>465,400</u>	<u>1,211,574</u>
Net gain (loss) from discontinued operations	<u>\$(195,543)</u>	<u>\$ 531,774</u>