New Hampshire Charitable Foundation and Affiliated Organization

Consolidated Financial Statements

Years Ended December 31, 2016 and 2015
With Independent Auditors' Report

Baker Newman & Noyes LLC
MAINE | MASSACHUSETTS | NEW HAMPSHIRE
800.244.7444 | www.bnncpa.com

NEW HAMPSHIRE CHARITABLE FOUNDATION AND AFFILIATED ORGANIZATION

CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2016 and 2015

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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, 2016 and 2015, and the related consolidated statements of activities 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.

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, 2016 and 2015, and the results of its consolidated activities and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in note 7 to the consolidated financial statements, in 2013, through its affiliated LLC, the Foundation accepted a gift of 100% of the outstanding shares of a multi-national corporation that is in the process of liquidating its assets and settling its liabilities. Significant uncertainties exist relative to the ultimate resolution to the realizability of assets and settlement of liabilities of this entity. Our opinion is not modified with respect to this matter.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying Schedule is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The Schedule has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Baker Newman & Noyes LLC

Manchester, New Hampshire
July 12, 2017

NEW HAMPSHIRE CHARITABLE FOUNDATION AND AFFILIATED ORGANIZATION

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2016 and 2015

	2016	2015
ASSETS		
Assets:		
Cash and cash equivalents	$ 27,255,110	$ 24,944,065
Restricted cash	329,924	212,946
Investments, at fair value (note 3)	617,750,283	566,889,365
Investments held in trust (note 3)	3,634,428	3,692,760
Accrued investment income	13,953	5,275
Receivable from trusts	1,922,807	1,881,016
Contributions receivable (note 2)	5,799,876	18,529,465
Grants receivable (note 2)	349,988	630,000
Notes receivable, less allowance for uncollectible amounts of $68,683 in 2016 and $112,052 in 2015	1,553,149	2,915,991
Assets held for sale (note 7)	5,132,172	4,386,692
Other assets	625,770	620,480
Property, plant and equipment:		
Land and improvements	338,050	338,050
Building and improvements	1,880,572	1,872,777
Equipment and furniture	1,236,527	1,337,522
	3,455,149	3,548,349
Less accumulated depreciation	2,091,701	2,118,929
Net property, plant and equipment	1,363,448	1,429,420
Total assets	$ 665,730,908	$ 626,137,475
LIABILITIES AND NET ASSETS		
Liabilities:		
Grants payable	$ 6,615,033	$ 5,787,307
Income beneficiaries payable	1,285,411	1,447,898
Unearned contributions	2,611,591	2,583,168
Accounts payable and accrued expenses	886,928	584,128
Funds held as agency funds	35,863,178	34,508,698
Other liabilities (note 7)	8,279,215	10,335,725
Total liabilities	55,541,356	55,246,924
Net assets (notes 4 and 5):		
Unrestricted	487,315,970	446,924,171
Temporarily restricted	44,792,797	54,035,105
Permanently restricted	78,080,785	69,931,275
Total net assets	610,189,552	570,890,551
Total liabilities and net assets	$ 665,730,908	$ 626,137,475

See accompanying notes.

NEW HAMPSHIRE CHARITABLE FOUNDATION AND AFFILIATED ORGANIZATION

CONSOLIDATED STATEMENTS OF ACTIVITIES

Years Ended December 31, 2016 and 2015

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and investment gains (losses):				
Contributions	$ 44,153,883	$ 881,939	$ 977,097	$ 46,012,919
Interest and dividend income (note 3)	2,194,660	516,983	–	2,711,643
Net unrealized and realized gains (losses) on investments (note 3)	29,506,182	6,300,065	–	35,806,247
Change in value of split interest agreements	(13,121)	51,747	123,931	162,557
Other	(2,367)	–	–	(2,367)
Total revenues and investment gains	75,839,237	7,750,734	1,101,028	84,690,999
Net assets released resulting from satisfaction of donor restrictions and other transfers	10,288,607	(17,337,089)	7,048,482	–
Total revenues, gains and other support	86,127,844	(9,586,355)	8,149,510	84,690,999
Expenses:				
Grants, scholarships and program initiatives	38,031,687	–	–	38,031,687
Administrative expenses (note 6):				
Program service expenses	2,779,654	–	–	2,779,654
Management and general expenses	2,153,834	–	–	2,153,834
Fundraising expenses	1,710,045	–	–	1,710,045
Total administrative expenses	6,643,533	–	–	6,643,533
Investment management fees (note 2)	1,059,963	309,315	–	1,369,278
Provision (benefit) for uncollectible notes receivable	862	–	–	862
Total expenses	45,736,045	309,315	–	46,045,360
Increase (decrease) in net assets before effects of discontinued operations	40,391,799	(9,895,670)	8,149,510	38,645,639
Gain from discontinued operations (note 7)	–	653,362	–	653,362
Total increase (decrease) in net assets	40,391,799	(9,242,308)	8,149,510	39,299,001
Net assets at beginning of year	446,924,171	54,035,105	69,931,275	570,890,551
Net assets at end of year	$ 487,315,970	$ 44,792,797	$78,080,785	$ 610,189,552

See accompanying notes.

2015			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
$ 30,303,366	$19,969,680	$ 9,068,994	$ 59,342,040
3,868,981	733,641	–	4,602,622
(11,732,350)	(1,945,538)	–	(13,677,888)
(631)	(328,201)	(60,701)	(389,533)
9,645	–	–	9,645
22,449,011	18,429,582	9,008,293	49,886,886
7,491,729	(7,873,782)	382,053	–
29,940,740	10,555,800	9,390,346	49,886,886
38,809,527	–	–	38,809,527
2,603,787	–	–	2,603,787
2,144,259	–	–	2,144,259
1,564,168	–	–	1,564,168
6,312,214	–	–	6,312,214
847,980	191,224	–	1,039,204
(3,479)	–	–	(3,479)
45,966,242	191,224	–	46,157,466
(16,025,502)	10,364,576	9,390,346	3,729,420
–	257,651	–	257,651
(16,025,502)	10,622,227	9,390,346	3,987,071
462,949,673	43,412,878	60,540,929	566,903,480
$ 446,924,171	$54,035,105	$69,931,275	$ 570,890,551

NEW HAMPSHIRE CHARITABLE FOUNDATION AND AFFILIATED ORGANIZATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Increase in net assets	$ 39,299,001	$ 3,987,071
Adjustments to reconcile increase in net assets to net cash used by operating activities:		
Net gain from discontinued operations	(653,362)	(257,651)
Depreciation	164,498	121,502
Net unrealized and realized investment (gains) losses	(35,806,247)	13,677,888
Contributions of securities and real estate	(18,569,377)	(7,424,500)
Temporarily restricted contributions	(881,939)	(19,969,680)
Permanently restricted contributions	(977,097)	(9,068,994)
Changes in:		
Restricted cash	(116,978)	(69,631)
Investments held in trust	58,332	415,868
Accrued investment income	(8,678)	19,872
Receivable from trust	(41,791)	574,896
Contributions receivable	2,584,767	620,576
Grants receivable	280,012	1,080,000
Other assets	(5,290)	(80,663)
Grants payable	827,726	172,385
Income beneficiaries payable	(162,487)	275,604
Unearned contributions	28,423	(1,407,590)
Accounts payable, accrued expenses and other liabilities	(1,753,710)	(1,087,133)
Funds held as agency funds	1,354,480	(1,080,056)
Net cash used by operating activities	(14,379,717)	(19,500,236)
Cash flows from investing activities:		
Proceeds from sale of investments	49,976,806	57,512,965
Purchase of investments	(45,304,217)	(47,657,640)
Principal collected from notes receivable	188,841	216,546
Principal disbursed for notes receivable	(76,000)	(76,500)
Purchase of property, plant and equipment, net	(98,526)	(423,361)
Net cash provided by investing activities	4,686,904	9,572,010
Cash flows from financing activities:		
Proceeds from temporarily restricted contributions	3,845,785	1,440,215
Proceeds from permanently restricted contributions	8,158,073	9,068,994
Net cash provided by financing activities	12,003,858	10,509,209
Net increase in cash and cash equivalents	2,311,045	580,983
Cash and cash equivalents at beginning of year	24,944,065	24,363,082
Cash and cash equivalents at end of year	$ 27,255,110	$ 24,944,065

Supplemental disclosure of non-cash activities:

In 2016, the Foundation transferred $1,250,000 from notes receivable to the *Impact Investing Fund* investment.

See accompanying notes.

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. The Foundation is comprised of 1,822 individual funds, primarily including unrestricted, 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 7 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. 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, 2016. To further secure balances, the Foundation's cash accounts are collateralized by U.S. Treasuries and other securities totaling over $26 million held at Bank of New York Mellon. 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, 2016, investment concentrations of 5% or greater of the investment portfolio (excluding investments held in trust) were as follows:

Adage Capital Partners, L.P.	$56,362,605	9.1%
Forester Partners, L.P.	49,912,650	8.1

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.

2. Summary of Significant Accounting Policies (Continued)

During 2016, the Foundation was awarded three grants from unaffiliated charitable organizations, to be paid through 2018. During 2014, the Foundation was awarded three grants from unaffiliated charitable organizations that were paid through 2016. The grants are to be used for specific programs as outlined in the grant awards. During 2013, the Foundation was awarded a grant totaling $2,250,000 to be paid over three years. The grant award is to be used to support broad adoption of adolescent substance use Screening, Brief Intervention and Referral to Treatment (SBIRT) in New Hampshire. During 2016, the grant period of this award was extended an additional year. All future receipts of payments are assuming certain benchmarks are met as outlined in the grant awards. The amounts recorded relating to these grants are as follows at December 31:

	2016	2015
Received	$2,844,120	$1,972,500
Expended	2,524,196	1,770,554
Grant receivable	349,988	630,000
Unearned contribution	745,882	630,000
Restricted cash	319,924	201,946

Future cash receipts of these grant awards are anticipated to be $197,285 in 2017 and $152,703 in 2018.

Fair Value of Financial Instruments

The carrying value of cash and cash equivalents, restricted cash, grant receivable, and accounts payable and accrued expenses approximates fair value due to the short-term nature of these instruments. Investments are at fair value based on the descriptions under Fair Value Measurements in note 3. The fair value of contributions receivable and grants payable is determined as the present value of expected future cash flows using a discount rate. Income beneficiaries payable are 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. The carrying amount of all other financial instruments approximates fair value.

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.

2. Summary of Significant Accounting Policies (Continued)

Investment income is allocated to the various funds within the unrestricted and temporarily restricted fund groups based upon fair value.

The Foundation has commitments to thirty-nine 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, 2016, the Foundation had approximately $57 million of uncalled capital commitments through 2022, of which it is estimated approximately $11 million will be called in 2017.

Subsequent to December 31, 2016, the Foundation decided in the first quarter of 2017 to redeem $5 million from a domestic equity manager.

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 2.4% to 9.4%.

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 0.64% for 2016 and 1.12% for 2015.

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 unrestricted revenue and net assets. Contributions received with a donor stipulation that limits their use are reported as temporarily or permanently restricted revenue and net assets. When a donor stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

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.

2. Summary of Significant Accounting Policies (Continued)

Unconditional contributions expected to be collected within one year are reported at their net realizable value. Unconditional contributions expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows technique.

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 earned 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 8.2%.

Grants, Scholarships, and Program Initiative Expenses

Grant, scholarships, and program initiative expenses are recorded when all due diligence has been completed and they are approved by the Foundation's staff or board of directors. 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 from not-for-profit organizations into agency funds as an asset with a corresponding liability.

Classification of Net Assets

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 the majority 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.

The Foundation maintains the following types of funds within its net 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.

2. Summary of Significant Accounting Policies (Continued)

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.

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 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 our 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 so much of the corpus of any trust or separate gift, devise, bequest, or fund as the Board in its sole discretion shall determine. As a result, all contributions not classified as temporarily restricted or permanently restricted are classified as unrestricted net assets 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.

Net assets are classified and reported based on the existence or absence of donor-imposed restrictions. The Foundation considers contributions to be temporarily restricted if they are received with donor stipulations that restrict the timing or purpose of expending the donated assets. All such contributions are reported as permanently restricted or temporarily restricted 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 as permanently restricted net assets the original value of gifts donated to the endowment as well as subsequent gifts to the endowment. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted is classified as temporarily restricted net assets until those amounts are appropriated 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

2. Summary of Significant Accounting Policies (Continued)

The following provides a description of the net asset classifications represented in the Foundation's assets:

- Permanently restricted net assets includes the portion of donor-restricted endowment funds that are deemed to be permanently restricted by explicit donor stipulation. The amount classified as permanently restricted includes the original gift value of the initial gift and any subsequent gifts. Investment returns from the investment of these assets are classified as temporarily restricted.

- Temporarily restricted net assets includes irrevocable charitable trusts, contributions receivable, and the portion of donor-restricted endowment funds that are deemed to be restricted over the donor-specified period of the endowment by explicit donor stipulation. In addition, investment returns from permanently and temporarily restricted net assets are classified as temporarily restricted until appropriated for expenditure. Once appropriated, temporarily restricted assets are released to unrestricted assets. Such transfers are reported in the statement of activities as "net assets released resulting from satisfaction of donor restrictions."

- Unrestricted net assets include amounts appropriated for expenditure from temporarily restricted net assets, deficiencies in the fair value of assets in donor-restricted endowment funds that fall below required balances, as well as all other funds not classified as endowment because there are no donor-imposed restrictions in the gift instrument. Income derived from the unrestricted assets is classified as unrestricted.

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.

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 spending policy for 2016 and 2015 was 5.25% of the investment fund's average market value over the prior 20 quarters, consisting of 4.20% for charitable disbursement and approximately 1.05% for Foundation fees (ranging from 0.2% – 2.0%). The Board adopted the same spending rate as 2016 for 2017. 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 2017	2016	2015
10% or less	No reduction	4.20%	4.20%	4.20%
Over 10% up to and including 15%	33.3% reduction	2.80	2.80	2.80
Over 15% up to and including 20%	66.7% reduction	1.40	1.40	1.40
Over 20%	100% reduction	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.

Investment Fees

The Foundation invests in commingled funds and limited partnerships. Most of these funds and partnerships report investment results net of fees and the Foundation follows the same practice. As a result, some of the fees paid to investment managers are reflected as a reduction of investment income and not shown on the investment management fees line.

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.

2. Summary of Significant Accounting Policies (Continued)

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.

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 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 $338,724 in 2016 and $337,166 in 2015. 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.

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 $27,750 and $29,000 in 2016 and 2015, respectively. At December 31, 2016 and 2015, $136,702 and $103,918, 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.

Use of Estimates

The preparation of 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 financial statements and accompanying notes. Actual results could differ from those estimates.

2. Summary of Significant Accounting Policies (Continued)

New Accounting Pronouncements

In May 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2015-07, *Fair Value Measurement* (*Topic 820*): *Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)* (ASU 2015-07). ASU 2015-07 removes the requirement to include investments in the fair value hierarchy for which fair value is measured using the net asset value per share practical expedient under ASC 820. ASU 2015-07 is effective for the Foundation's fiscal year ending December 31, 2017 with early adoption permitted. The Foundation adopted ASU 2015-07 retroactively in its December 31, 2016 consolidated financial statements. See impacts of adoption in presentation of the fair value of investments recorded at net asset value per share in note 3.

In February 2016, the FASB issued 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, 2020, 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 significant changes as a result of adoption.

In August 2016, the FASB issued ASU No. 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities* (Topic 958) (ASU 2016-14). Under ASU 2016-14, the existing three-category classification of net assets (i.e., unrestricted, temporarily restricted and permanently restricted) will be replaced with a simplified model that combines temporarily restricted and permanently restricted into a single category called "net assets with donor restrictions". ASU 2016-14 also enhances certain disclosures regarding board designations, donor restrictions and qualitative information regarding management of liquid resources. In addition to reporting expenses by functional classifications, ASU 2016-14 will also require the consolidated financial statements to provide information about expenses by their nature, along with enhanced disclosures about the methods used to allocate costs among program and support functions. ASU 2016-14 is effective for the Foundation's fiscal year ending December 31, 2019, with early adoption permitted. The Foundation is currently evaluating the impact of the pending adoption of ASU 2016-14 on its consolidated financial statements.

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (230): Restricted Cash* (ASU 2016-18). The amendments address diversity in practice that exists in the classification and presentation of changes in restricted cash on the statement of cash flows. The amendments require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. As a result, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. ASU 2016-18 is effective retroactively for the Foundation's fiscal year ending December 31, 2019, with early adoption permitted. The Foundation is currently evaluating the impact of the pending adoption of ASU 2016-18 on its consolidated statements of cash flows.

2. Summary of Significant Accounting Policies (Continued)

Subsequent Events

Events occurring after the balance sheet date are evaluated by management to determine whether such events should be recognized or disclosed in the financial statements. Management has evaluated subsequent events through July 12, 2017, which is the date the financial statements were available to be issued.

3. Investments

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

	2016		2015	
	Amount	Percent	Amount	Percent
Equity:				
Domestic	$ 138,068,501	22.3%	$ 120,540,077	21.2%
Global (excluding U.S.)	119,734,506	19.4	110,465,219	19.5
Total equity	257,803,007	41.7	231,005,296	40.7
Fixed income	74,594,594	12.1	65,324,227	11.5
Marketable alternatives	123,536,229	20.0	119,487,017	21.1
Inflation hedging	53,409,373	8.6	41,984,371	7.4
Non-marketable alternatives	66,595,503	10.8	63,357,567	11.2
Cash equivalents	41,811,577	6.8	45,730,887	8.1
	$ 617,750,283	100.0%	$ 566,889,365	100.0%

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

	2016		2015	
	Amount	Percent	Amount	Percent
Equity – domestic	$ 224,576	6.2%	$ 263,177	7.1%
Balanced funds	3,402,775	93.6	3,399,854	92.1
Cash equivalents	7,077	0.2	29,729	0.8
	$3,634,428	100.0%	$3,692,760	100.0%

3. Investments (Continued)

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, 2016 and 2015:

	Fair value as of December 31, 2016	Unfunded Commit-ments	Redemption Frequency	Redemption Notice Period
Equity investments	$ 87,656,779	$ –	Daily	0 – 6 days
Equity investments	75,149,745	–	Monthly	10– 60 days
Equity investments	65,889,395	–	Quarterly	60 – 90 days
Equity investments	29,107,088	–	Annually	60 days
Total equity investments	257,803,007	–		
Fixed income investments	74,594,594	–	Daily	0 – 1 day
Marketable alternative investments	18,900,730	–	Monthly	17 days
Marketable alternative investments	40,023,914	–	Quarterly	45 – 65 days
Marketable alternative investments	55,570,949	–	Annually	45 – 65 days
Marketable alternative investments	8,960,483	–	Biennially	60 days
Marketable alternative investments	80,153	–	Illiquid	N/A
Total marketable alternative investments	123,536,229	–		
Inflation hedging investments	17,988,066	–	Daily	N/A
Inflation hedging investments	5,206,205	–	Monthly	60 days
Inflation hedging investments	30,215,102	12,624,227	Illiquid	N/A
Total Inflation hedging investments	53,409,373	12,624,227		
Non-marketable alternative investments	66,595,503	44,293,596	Illiquid	N/A
Cash equivalents	31,949,910	–	Daily	0 – 1 day
Cash equivalents	9,861,667	–	Monthly	0 – 30 days
Total cash equivalents	41,811,577	–		
	$ 617,750,283	$56,917,823		

3. Investments (Continued)

	Fair value as of December 31, 2015	Unfunded Commit-ments	Redemption Frequency	Redemption Notice Period
Equity investments	$ 70,865,467	$ –	Daily	0 – 6 days
Equity investments	66,286,104	–	Monthly	10– 60 days
Equity investments	65,270,856	–	Quarterly	60 – 90 days
Equity investments	28,582,869	–	Annually	60 days
Total equity investments	231,005,296	–		
Fixed income investments	65,324,227	–	Daily	N/A
Marketable alternative investments	17,366,017	–	Monthly	17 days
Marketable alternative investments	31,381,497	–	Quarterly	45 – 65 days
Marketable alternative investments	61,809,123	–	Annually	45 – 65 days
Marketable alternative investments	8,842,270	–	Biennially	60 days
Marketable alternative investments	88,110	–	Illiquid	N/A
Total marketable alternative investments	119,487,017	–		
Inflation hedging investments	14,711,663	–	Daily	N/A
Inflation hedging investments	4,088,414	–	Monthly	60 days
Inflation hedging investments	23,184,294	15,004,737	Illiquid	N/A
Total Inflation hedging investments	41,984,371	15,004,737		
Non-marketable alternative investments	63,357,567	30,733,260	Illiquid	N/A
Cash equivalents	36,531,329	–	Daily	N/A
Cash equivalents	9,199,558	–	Monthly	N/A
Total cash equivalents	45,730,887	–		
	$ 566,889,365	$45,737,997		

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.

3. Investments (Continued)

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 Fund. 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 Fund. 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 three 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.

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.

In accordance with ASU 2015-07, investments measured using the NAV per share practical expedient have not been classified in the fair value hierarchy.

3. Investments (Continued)

The principal components of investment earnings include:

	2016	2015
Interest and dividend income	$ 2,711,643	$ 4,602,622
Net unrealized and realized gains (losses) on investments	35,806,247	(13,677,888)
Return on investments	$38,517,890	$ (9,075,266)

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, 2016 and 2015, the Foundation's investments measured at fair value on a recurring basis were classified as follows, based on fair values:

	2016			
Description	Level 1	Level 2	Level 3	Total
Domestic equity	$ 51,257,842	$ 1,340,966	$ –	$ 52,598,808
Global equity	22,328,436	501,069	–	22,829,505
Fixed income	73,467,238	1,127,356	–	74,594,594
Inflation hedging – natural resources	–	197,701	–	197,701
Inflation hedging – real estate	119,540	2,700,000	–	2,819,540
Inflation hedging – marketable	17,670,826	–	–	17,670,826
Cash equivalents	29,609,407	12,202,170	–	41,811,577
	$ 194,453,289	$18,069,262	$ –	212,522,551
Investments measured at NAV:				
Domestic equity				85,469,693
Global equity				96,905,001
Marketable alternatives				123,536,229
Inflation hedging				32,721,306
Non-marketable alternatives				66,595,503
				405,227,732
Total investments				$ 617,750,283
Investments held in trust	$ 3,634,428	$ –	$ –	$ 3,634,428

3. Investments (Continued)

Description	2015 Level 1	Level 2	Level 3	Total
Domestic equity	$ 37,380,958	$ 642,281	$ –	$ 38,023,239
Global equity	19,897,617	535,402	–	20,433,019
Fixed income	64,846,597	477,630	–	65,324,227
Inflation hedging – natural resources	–	109,725	–	109,725
Inflation hedging – real estate	97,484	–	–	97,484
Inflation hedging – marketable	14,504,454	–	–	14,504,454
Cash equivalents	29,599,655	16,131,232	–	45,730,887
Total investments	$ 166,326,765	$17,896,270	$ –	184,223,035
Investments measured at NAV:				
Domestic equity				82,516,838
Global equity				90,032,200
Marketable alternatives				119,487,017
Inflation hedging				27,272,708
Non-marketable alternatives				63,357,567
				382,666,330
Total investments				$ 566,889,365
Investments held in trust	$ 3,692,760	$ –	$ –	$ 3,692,760

4. Changes in Endowment Net Assets

In the year 2016, the Foundation had the following endowment-related activities:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$3,488,015	$34,673,384	$69,931,275	$ 108,092,674
Investment return:				
Investment income	–	522,266	–	522,266
Change in value of split interest agreements	–	–	123,931	123,931
Net appreciation (realized and unrealized)	–	6,553,941	–	6,553,941
Investment fees	–	(308,217)	–	(308,217)
Total net investment return	–	6,767,990	123,931	6,891,921
Contributions	–	59,769	977,097	1,036,866

4. Changes in Endowment Net Assets (Continued)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Transfers between net asset classes and releases from endowment net assets including maturing pooled income funds	$ 208,190	$ (7,385,617)	$ 7,048,482	$ (128,945)
Appropriated for expenditure	–	(5,204,019)	–	(5,204,019)
Endowment net assets, end of year	$ 3,696,205	$ 28,911,507	$ 78,080,785	$ 110,688,497

In the year 2015, the Foundation had the following endowment-related activities:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 3,514,017	$ 33,161,383	$ 60,540,929	$ 97,216,329
Investment return:				
Investment income	–	719,563	–	719,563
Change in value of split interest agreements	–	–	(60,701)	(60,701)
Net depreciation (realized and unrealized)	–	(2,266,918)	–	(2,266,918)
Investment fees	–	(177,017)	–	(177,017)
Total net investment return	–	(1,724,372)	(60,701)	(1,785,073)
Contributions	–	7,915,646	9,068,994	16,984,640
Transfers between net asset classes and releases from endowment net assets including maturing pooled income funds	–	–	382,053	382,053
Appropriated for expenditure	(26,002)	(4,679,273)	–	(4,705,275)
Endowment net assets, end of year	$ 3,488,015	$ 34,673,384	$ 69,931,275	$ 108,092,674

The Foundation reclasses certain funds between permanently restricted, temporarily restricted, and unrestricted to reflect donor intent when funds are released from restrictions or additional information surrounding intent is obtained.

5. Net Asset Composition by Type of Fund

The major categories of endowment funds at December 31, 2016 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Agency	$ –	$ 2,403,116	$ 3,101,365	$ 5,504,481
Designated	301,732	5,320,776	11,412,921	17,035,429
Donor advised	173,678	2,095,559	5,256,283	7,525,520
Field of interest	627,303	4,365,521	26,339,194	31,332,018
Scholarship	2,511,205	13,402,798	27,775,380	43,689,383
Unrestricted	82,287	1,323,737	2,438,418	3,844,442
Other	–	–	1,757,224	1,757,224
Total endowment net assets	$3,696,205	$28,911,507	$78,080,785	$ 110,688,497

The major categories of endowment funds at December 31, 2015 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Agency	$ –	$ 2,265,628	$ 3,101,365	$ 5,366,993
Designated	305,176	9,704,806	11,371,142	21,381,124
Donor advised	209,681	1,951,191	5,315,639	7,476,511
Field of interest	611,121	3,810,582	21,012,480	25,434,183
Scholarship	2,302,405	15,628,659	24,919,931	42,850,995
Unrestricted	59,632	1,264,353	2,435,026	3,759,011
Other	–	48,165	1,775,692	1,823,857
Total endowment net assets	$3,488,015	$34,673,384	$69,931,275	$ 108,092,674

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, 2016 are as follows:

	Unrestricted	Temporarily Restricted	Total Non-Endowment Net Assets
Agency	$ (2,303,792)	$ (3,200,705)	$ (5,504,497)
Designated	66,277,674	–	66,277,674
Donor advised	250,446,448	4,263,120	254,709,568
Field of interest	74,499,913	–	74,499,913
Scholarship	48,686,184	–	48,686,184
Unrestricted	36,969,298	–	36,969,298
Other	9,044,040	14,818,875	23,862,915
Total non-endowment net assets	$ 483,619,765	$15,881,290	$ 499,501,055

5. Net Asset Composition by Type of Fund (Continued)

The major categories of non-endowment funds at December 31, 2015 are as follows:

	Unrestricted	Temporarily Restricted	Total Non-Endowment Net Assets
Agency	$ (2,559,000)	$ (2,807,993)	$ (5,366,993)
Designated	57,652,777	–	57,652,777
Donor advised	229,048,226	4,778,232	233,826,458
Field of interest	72,948,409	321,380	73,269,789
Scholarship	40,328,241	5,350,315	45,678,556
Unrestricted	36,381,487	–	36,381,487
Other	9,636,016	11,719,787	21,355,803
Total non-endowment net assets	$ 443,436,156	$ 19,361,721	$ 462,797,877

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 unrestricted net assets. The aggregate deficiency between the fair value of the investments of the endowment fund at December 31, 2016 and 2015 and the level required by donor stipulation is $299,061 and $362,794, respectively. In addition, the aggregate deficiency between the fair value of the Foundation's charitable gift annuities at December 31, 2016 and 2015 and the level required for contracted payouts totaled $92,486 and $271,976, respectively. These deficiencies resulted from unfavorable market fluctuations as well as continued appropriation for expenditures that were deemed prudent by the Board under the currently adopted spending policy.

Organizational Components

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

	2016		2015	
	Amount	Percent	Amount	Percent
New Hampshire Charitable Foundation, excluding regions	$ 286,000,087	46.9%	$ 277,533,994	48.6%
Regions:				
Piscataqua	70,717,209	11.6	63,645,338	11.2
Monadnock	46,630,264	7.6	45,614,745	8.0
Manchester	43,949,689	7.2	42,099,600	7.4
Upper Valley	40,592,456	6.6	34,844,587	6.1
North Country	37,239,454	6.1	35,068,671	6.1
Lakes	32,132,133	5.3	28,138,394	4.9
Capital	30,511,770	5.0	22,303,048	3.9
Nashua	22,416,490	3.7	21,642,174	3.8
	$ 610,189,552	100.0%	$ 570,890,551	100.0%

6. Allocation of Joint Costs

The Foundation's activities include program, management, and fund raising 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, management 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 fund raising. Joint costs totaled $822,354 in 2016 and $806,015 in 2015 and were allocated as follows:

	2016	2015
Program	$372,451	$357,620
Management and general	218,418	221,879
Fundraising	231,485	226,516
	$822,354	$806,015

7. Affiliated Organization

OCG, 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 statement 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 2016 and 2015 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. In 2016, Tillotson Corporation sold one of their properties. In response to the sale, management decreased the associated estimated environmental liabilities by $2,137,500 and recorded this as a temporarily restricted contribution. No amounts were recognized in 2015. The gift has been recorded as a temporarily restricted contribution until future contingencies are resolved.

7. Affiliated Organization (Continued)

Condensed aggregate information related to the LLC and Tillotson Corporation follows as of and for the years ended December 31, 2016 and 2015:

	2016	2015
Cash	$ 179,542	$ 161,704
Investments, at fair value	14,047,010	14,875,975
Assets held for sale, at estimated fair value:		
Property, plant and equipment	4,056,236	4,056,236
Prepaid expenses	264,722	297,363
Other receivables	811,214	33,093
Total assets held for sale	5,132,172	4,386,692
Total assets	$19,358,724	$19,424,371
Other liabilities:		
Accounts payable and accrued expenses	$ 691,569	$ 591,865
Estimated litigation settlements	2,017,646	3,537,046
Estimated environmental liabilities	5,570,000	6,207,500
Total liabilities	8,279,215	10,336,411
Net assets (reflected in temporarily restricted net assets)	11,079,509	9,087,960
Total liabilities and net assets	$19,358,724	$19,424,371

The property, plant and equipment held for sale at December 31, 2016 and 2015 consist of buildings, land and equipment that were recorded at fair value as of the date of contribution. Management has evaluated the carrying value of the buildings, land and equipment and believes there is no impairment at December 31, 2016. 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 contingencies.

A summary of the Corporation's operations for 2016 and 2015 is as follows:

	2016	2015
Net sales	$ 134,242	$ 131,591
Cost of sales	(61,467)	(66,393)
Operating expenses	(1,482,953)	(1,004,137)
Other income and expense	2,063,540	1,196,590
Net gain from discontinued operations	$ 653,362	$ 257,651

NEW HAMPSHIRE CHARITABLE FOUNDATION AND AFFILIATED ORGANIZATION

STATEMENTS OF EXPENSES

December 31, 2016 and 2015

	2016	2015
Compensation	$3,709,114	$3,470,646
Benefits and payroll taxes	1,075,357	1,126,710
Legal and accounting fees	148,749	159,776
Consulting	268,901	181,153
Office expenses (printing, copying, telephone, postage)	119,426	95,226
Technology	388,257	360,783
Occupancy (utilities, rent, maintenance)	162,848	189,377
Travel and conferences	126,666	151,478
Meetings	103,377	91,305
Depreciation	164,498	121,502
Insurance	32,291	30,542
Communications	255,850	238,346
Dues, subscriptions, publications	76,489	75,959
Miscellaneous	11,710	19,411
Total expenses	$6,643,533	$6,312,214