BAKER
NEWMAN
NOYES

New Hampshire Charitable Foundation and Affiliated Organization

Consolidated Financial Statements

Years Ended December 31, 2015 and 2014
With Independent Auditors' Report

NEW HAMPSHIRE CHARITABLE FOUNDATION AND AFFILIATED ORGANIZATION

CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2015 and 2014

CONTENTS

Independent Auditors' Report	1
Consolidated Financial Statements:	
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	6
Notes to Financial Statements	7
Schedule	28

BAKER
NEWMAN
NOYES

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

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, 2015 and 2014, 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 of 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, 2015 and 2014, 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.

The Board of Directors
New Hampshire Charitable Foundation

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 supplementary information 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 Statements of Expenses 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
August 1, 2016

NEW HAMPSHIRE CHARITABLE FOUNDATION AND AFFILIATED ORGANIZATION

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2015 and 2014

	2015	2014
ASSETS		
Assets:		
Cash and cash equivalents	$ 24,944,065	$ 24,363,082
Restricted cash	212,946	143,315
Investments, at fair value (note 3)	566,889,365	582,698,053
Investments held in trust (note 3)	3,692,760	4,108,628
Accrued investment income	5,275	25,147
Receivable from trusts	1,881,016	2,455,912
Contributions receivable (note 2)	18,529,465	620,576
Grants receivable (note 2)	630,000	1,710,000
Notes receivable, less allowance for uncollectible amounts of $112,052 in 2015 and $142,997 in 2014	2,915,991	3,056,037
Assets held for sale (note 7)	4,386,692	4,429,066
Other assets	620,480	539,817
Property, plant and equipment:		
Land and improvements	338,050	307,000
Building and improvements	1,872,777	1,680,113
Equipment and furniture	1,337,522	1,297,929
	3,548,349	3,285,042
Less accumulated depreciation	2,118,929	2,157,481
Net property, plant and equipment	1,429,420	1,127,561
Total assets	$ 626,137,475	$ 625,277,194
LIABILITIES AND NET ASSETS		
Liabilities:		
Grants payable	$ 5,787,307	$ 5,614,922
Income beneficiaries payable	1,447,898	1,172,294
Unearned contributions	2,583,168	3,990,758
Accounts payable and accrued expenses	584,128	521,194
Funds held as agency funds	34,508,698	35,588,754
Other liabilities (note 7)	10,335,725	11,485,792
Total liabilities	55,246,924	58,373,714
Net assets (notes 4 and 5):		
Unrestricted	446,924,171	462,949,673
Temporarily restricted	54,035,105	43,412,878
Permanently restricted	69,931,275	60,540,929
Total net assets	570,890,551	566,903,480
Total liabilities and net assets	$ 626,137,475	$ 625,277,194

See accompanying notes.

NEW HAMPSHIRE CHARITABLE FOUNDATION AND AFFILIATED ORGANIZATION

CONSOLIDATED STATEMENTS OF ACTIVITIES

Years Ended December 31, 2015 and 2014

	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and investment gains (losses):				
Contributions	$ 30,303,366	$19,969,680	$ 9,068,994	$ 59,342,040
Interest and dividend income (note 3)	3,868,981	733,641	–	4,602,622
Net unrealized and realized (losses) gains on investments (note 3)	(11,732,350)	(1,945,538)	–	(13,677,888)
Change in value of split interest agreements	(631)	(328,201)	(60,701)	(389,533)
Other	9,645	–	–	9,645
Total revenues and investment gains	22,449,011	18,429,582	9,008,293	49,886,886
Net assets released resulting from satisfaction of donor restrictions and other transfers	7,491,729	(7,873,782)	382,053	–
Total revenues, gains and other support	29,940,740	10,555,800	9,390,346	49,886,886
Expenses:				
Grants, scholarships and program initiatives	38,809,527	–	–	38,809,527
Administrative expenses (note 6):				
Program service expenses	2,603,787	–	–	2,603,787
Management and general expenses	2,144,259	–	–	2,144,259
Fundraising expenses	1,564,168	–	–	1,564,168
Total administrative expenses	6,312,214	–	–	6,312,214
Investment management fees (note 2)	847,980	191,224	–	1,039,204
(Benefit) provision for uncollectible notes receivable	(3,479)	–	–	(3,479)
Total expenses	45,966,242	191,224	–	46,157,466
(Decrease) increase in net assets before effects of discontinued operations	(16,025,502)	10,364,576	9,390,346	3,729,420
Gain (loss) from discontinued operations (note 7)	–	257,651	–	257,651
Total (decrease) increase in net assets	(16,025,502)	10,622,227	9,390,346	3,987,071
Net assets at beginning of year	462,949,673	43,412,878	60,540,929	566,903,480
Net assets at end of year	$ 446,924,171	$54,035,105	$69,931,275	$ 570,890,551

See accompanying notes.

2014			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
$ 30,563,172	$ 62,340	$ 236,888	$ 30,862,400
3,887,143	863,225	–	4,750,368
13,287,263	4,141,378	–	17,428,641
(8,064)	(101,617)	114,589	4,908
31,884	–	–	31,884
47,761,398	4,965,326	351,477	53,078,201
7,490,530	(7,495,709)	5,179	–
55,251,928	(2,530,383)	356,656	53,078,201
32,002,307	–	–	32,002,307
2,492,204	–	–	2,492,204
2,131,442	–	–	2,131,442
1,399,079	–	–	1,399,079
6,022,725	–	–	6,022,725
1,146,333	248,921	–	1,395,254
11,609	–	–	11,609
39,182,974	248,921	–	39,431,895
16,068,954	(2,779,304)	356,656	13,646,306
–	(645,454)	–	(645,454)
16,068,954	(3,424,758)	356,656	13,000,852
446,880,719	46,837,636	60,184,273	553,902,628
$ 462,949,673	$43,412,878	$60,540,929	$ 566,903,480

NEW HAMPSHIRE CHARITABLE FOUNDATION AND AFFILIATED ORGANIZATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31, 2015 and 2014

	2015	2014
Cash flows from operating activities:		
Increase in net assets	$ 3,987,071	$ 13,000,852
Adjustments to reconcile increase in net assets to net cash used by operating activities:		
Net (gain) loss from discontinued operations	(257,651)	645,454
Depreciation	121,502	120,489
Net unrealized and realized investment losses (gains)	13,677,888	(17,428,641)
Contributions of securities and real estate	(7,424,500)	(9,278,504)
Proceeds from temporarily restricted contributions	(19,969,680)	(62,340)
Proceeds from permanently restricted contributions	(9,068,994)	(236,888)
Changes in:		
Restricted cash	(69,631)	646,685
Investments held in trust	415,868	(149,156)
Accrued investment income	19,872	(1,694)
Receivable from trust	574,896	(74,800)
Contributions receivable	620,576	1,041,242
Grants receivable	1,080,000	(250,000)
Other assets	(80,663)	117,158
Grants payable	172,385	874,105
Income beneficiaries payable	275,604	36,400
Unearned contributions	(1,407,590)	361,740
Accounts payable, accrued expenses	(1,087,133)	118,392
Funds held as agency funds	(1,080,056)	2,006,982
Net cash used by operating activities	(19,500,236)	(8,512,524)
Cash flows from investing activities:		
Proceeds from sale of investments	57,512,965	46,879,923
Purchase of investments	(47,657,640)	(48,811,690)
Principal collected from notes receivable	216,546	248,110
Principal disbursed for notes receivable	(76,500)	(63,000)
Purchase of property, plant and equipment, net	(423,361)	(81,265)
Net cash provided (used) by investing activities	9,572,010	(1,827,922)
Cash flows from financing activities:		
Proceeds from temporarily restricted contributions	1,440,215	62,340
Proceeds from permanently restricted contributions	9,068,994	236,888
Net cash provided by financing activities	10,509,209	299,228
Net increase (decrease) in cash and cash equivalents	580,983	(10,041,218)
Cash and cash equivalents at beginning of year	24,363,082	34,404,300
Cash and cash equivalents at end of year	$ 24,944,065	$ 24,363,082

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 1,759 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, 2015. To further secure balances, the Foundation's cash accounts are collateralized by U.S. Treasuries and other securities totaling over $20 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, 2015, investment concentrations of 5% or greater of the investment portfolio (excluding investments held in trust) were as follows:

Adage Capital Partners, L.P.	$ 53,933,968	9.5%
Forester Partners, L.P.	50,444,226	8.9
Hintz, Holman & Robillard	28,582,870	5.0

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 2014, the Foundation was awarded three grants from unaffiliated charitable organizations, to be paid through 2016 (assuming certain benchmarks are met). The grants are to be used for specific programs as outlined in the grant awards. The amounts recorded relating to these grants are as follows at December 31:

	2015	2014
Received	$297,500	$102,500
Expended	241,934	45,315
Grant receivable	55,000	250,000
Unearned contribution	55,000	250,000
Restricted cash	55,566	57,185

During 2013, the Foundation was awarded a grant totaling $2,250,000 to be paid over three years (assuming certain benchmarks are met). 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 2015, the grant period was extended an additional year. The Amounts recorded relating to this grant are as follows at December 31:

	2015	2014
Received	$1,675,000	$ 790,000
Expended	1,528,620	715,870
Grant receivable	575,000	1,460,000
Unearned contribution	575,000	1,460,000
Restricted cash	146,380	74,130

Future cash receipts of these grant awards are anticipated to be $630,000 in 2016

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 approximate 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.

2. Summary of Significant Accounting Policies (Continued)

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 estimated 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 within the unrestricted and temporarily restricted fund groups based upon fair value.

The Foundation has commitments to thirty-five 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, 2015, the Foundation had approximately $46 million of uncalled capital commitments through 2020, of which it is estimated approximately $12 million will be called in 2016.

Subsequent to December 31, 2015, the Foundation decided in the first quarter of 2016 to add $7 million to a hedge fund manager and $1.25 million each to two global equity managers. The Foundation also decided to redeem $2.5 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 1.12% for 2015 and 1.51% for 2014.

2. Summary of Significant Accounting Policies (Continued)

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.

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.

2. Summary of Significant Accounting Policies (Continued)

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.

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.

2. Summary of Significant Accounting Policies (Continued)

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

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.

2. Summary of Significant Accounting Policies (Continued)

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 exceed 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 8.25% 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.

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 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 spending policy for 2014 was 5.08%, consisting of 4.03% for charitable disbursement and approximately 1.05% for Foundation fees. The Board adopted the same spending rate as 2015 for 2016. 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 2016	2015	2014
10% or less	No reduction	4.20%	4.20%	4.03%
Over 10% up to and including 15%	33.3% reduction	2.80	2.80	2.69
Over 15% up to and including 20%	66.7% reduction	1.40	1.40	1.34
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.

2. Summary of Significant Accounting Policies (Continued)

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.

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. See note 7 in regard to uncertain tax positions of the Corporation.

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 $337,166 in 2015 and $319,708 in 2014. Contributions are used to purchase group annuity contracts with life insurance companies 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.

2. Summary of Significant Accounting Policies (Continued)

The Foundation adopted a 457(b) deferred compensation plan during 2010 covering the Chief Executive Officer. Three Vice Presidents were added to the plan during 2015. 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 annual contributions of $29,000 and $12,000 for 2015 and 2014; the cost is expensed when each contribution is made. The total cost of the plan charged to operations amounted to $29,000 and $12,000 in 2015 and 2014, respectively. At December 31, 2015 and 2014, $103,918 and $74,287, 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.

New Accounting Pronouncements

In April 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-08, *Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360)*. The amendments change the criteria for reporting discontinued operations while enhancing disclosures in this area. It also addresses sources of confusion and inconsistent application related to financial reporting of discontinued operations guidance in accounting principles generally accepted in the United States. Under the new guidance, only disposals representing a strategic shift in operations should be presented as discontinued operations. Those strategic shifts should have a major effect on the organization's operations and financial results. Examples include a disposal of a major geographic area, a major line of business, or a major equity method investment. In addition, the new guidance requires expanded disclosures about discontinued operations that will provide financial statement users with more information about the assets, liabilities, income, and expenses of discontinued operations. The guidance of the ASU was effective for the Foundation for the year-ending December 31, 2015, and did not significantly impact the financial statements.

In May 2015, the FASB issued 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 is currently evaluating the impact the adoption of this pronouncement will have on the consolidated financial statements.

2. Summary of Significant Accounting Policies (Continued)

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.

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 August 1, 2016, 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:

	2015		2014	
	Amount	Percent	Amount	Percent
Equity:				
Domestic	$ 120,540,077	21.2%	$ 129,460,130	22.2%
Global (excluding U.S.)	110,465,219	19.5	105,689,962	18.1
Total equity	231,005,296	40.7	235,150,092	40.3
Fixed income	65,324,227	11.5	53,419,634	9.2
Marketable alternatives	119,487,017	21.1	120,985,036	20.8
Inflation hedging	41,984,371	7.4	52,031,818	8.9
Non-marketable alternatives	63,357,567	11.2	60,176,805	10.3
Cash equivalents	45,730,887	8.1	60,934,668	10.5
	$ 566,889,365	100.0%	$ 582,698,053	100.0%

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

	2015		2014	
	Amount	Percent	Amount	Percent
Equity – domestic	$ 263,177	7.1%	$ 297,080	7.2%
Balanced funds	3,399,854	92.1	3,800,106	92.5
Cash equivalents	29,729	0.8	11,442	0.3
	$3,692,760	100.0%	$4,108,628	100.0%

3. Investments (Continued)

The tables below set forth additional disclosures for investment funds (other than mutual funds) valued based on net asset value to further understand the nature and risk of the investments by category at December 31, 2015 and 2014:

	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	–	Biannually	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		

3. Investments (Continued)

	Fair value as of December 31, 2014	Unfunded Commit-ments	Redemption Frequency	Redemption Notice Period
Equity investments	$ 68,424,835	$ –	Daily	0 – 6 days
Equity investments	72,049,920	–	Monthly	10 – 60 days
Equity investments	65,863,655	–	Quarterly	60 – 90 days
Equity investments	28,811,682	–	Annually	60 days
Total equity investments	235,150,092	–		
Fixed income investments	53,419,634	–	Daily	N/A
Marketable alternative investments	16,324,604	–	Monthly	17 days
Marketable alternative investments	33,735,691	–	Quarterly	45 – 65 days
Marketable alternative investments	61,090,084	–	Annually	45 – 65 days
Marketable alternative investments	9,736,974	–	Biennially	60 days
Marketable alternative investments	97,683	–	Illiquid	N/A
Total marketable alternative investments	120,985,036	–		
Inflation hedging investments	19,935,865	–	Daily	N/A
Inflation hedging investments	6,362,335	–	Monthly	60 days
Inflation hedging investments	25,733,618	10,994,920	Illiquid	N/A
Total Inflation hedging investments	52,031,818	10,994,920		
Non-marketable alternative investments	60,176,805	20,900,080	Illiquid	N/A
Cash equivalents	52,751,694	–	Daily	N/A
Cash equivalents	8,182,974	–	Monthly	N/A
Total cash equivalents	60,934,668	–		
	$ 582,698,053	$31,895,000		

3. 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 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.

3. 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 principal components of investment earnings include:

	2015	2014
Interest and dividend income	$ 4,602,622	$ 4,750,368
Net unrealized and realized (losses) gains on investments	(13,677,888)	17,428,641
Return on investments	$ (9,075,266)	$22,179,009

The Foundation classifies its investments 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, 2015 and 2014, the Foundation's investments were classified as follows, based on fair values:

	2015			
Description	Level 1	Level 2	Level 3	Total
Domestic equity	$ 37,380,958	$ 29,225,151	$ 53,933,968	$ 120,540,077
Global equity	19,897,617	87,079,776	3,487,826	110,465,219
Fixed income	64,846,597	477,630	–	65,324,227
Marketable alternatives – long/short	–	–	50,562,743	50,562,743
Marketable alternatives – absolute return	–	–	68,924,274	68,924,274
Inflation hedging – natural resources	97,484	109,725	17,746,436	17,953,645
Inflation hedging – real estate	–	–	5,437,858	5,437,858
Inflation hedging – marketable	14,504,454	–	4,088,414	18,592,868
Non-marketable alternatives	–	–	63,357,567	63,357,567
Cash equivalents	29,599,655	16,131,232	–	45,730,887
Total investments	$ 166,326,765	$ 133,023,514	$ 267,539,086	$ 566,889,365
Investments held in trust	$ 3,692,760	$ –	$ –	$ 3,692,760

3. Investments (Continued)

Description	2014 Level 1	2014 Level 2	2014 Level 3	2014 Total
Domestic equity	$ 46,657,875	$ 29,388,190	$ 53,414,065	$ 129,460,130
Global equity	18,010,870	83,384,636	4,294,456	105,689,962
Fixed income	53,115,343	304,291	–	53,419,634
Marketable alternatives – long/short	–	–	50,098,140	50,098,140
Marketable alternatives – absolute return	–	–	70,886,896	70,886,896
Inflation hedging – natural resources	127,200	122,258	19,553,535	19,802,993
Inflation hedging – real estate	–	160,000	6,020,084	6,180,084
Inflation hedging – marketable	19,686,406	–	6,362,335	26,048,741
Non-marketable alternatives	–	–	60,176,805	60,176,805
Cash equivalents	42,384,747	18,549,921	–	60,934,668
Total investments	$ 179,982,441	$ 131,909,296	$ 270,806,316	$ 582,698,053
Investments held in trust	$ 4,108,628	$ –	$ –	$ 4,108,628

Fair Value Measurements using Significant Unobservable Inputs (Level 3)

	Equity	Marketable Alternatives	Inflation Hedging	Non-Marketable Alternatives	Total
Ending balance, December 31, 2013	$56,252,591	$ 119,297,738	$ 27,844,035	$ 58,321,958	$ 261,716,322
Total net gains (realized/unrealized)	8,960,795	1,324,070	1,938,259	5,735,181	17,958,305
Purchases	–	10,000,000	3,942,757	5,393,932	19,336,689
Settlements	(7,504,865)	(9,636,772)	(1,789,097)	(9,274,266)	(28,205,000)
Ending balance, December 31, 2014	57,708,521	120,985,036	31,935,954	60,176,805	270,806,316
Total net (losses) gains (realized/unrealized)	(286,727)	(1,142,445)	(3,939,107)	8,402,959	3,034,680
Purchases	–	1,502,004	9,466,730	5,508,718	16,477,452
Settlements	–	(1,857,578)	(10,190,869)	(10,730,915)	(22,779,362)
Ending balance, December 31, 2015	$57,421,794	$ 119,487,017	$ 27,272,708	$ 63,357,567	$ 267,539,086

3. Investments (Continued)

The amount of total gains or losses for the period attributable to the change in unrealized gains or losses relating to assets still held at the reporting date is as follows:

Year Ending December 31,	Equity	Marketable Alternatives	Inflation Hedging	Non-Marketable Alternatives	Total
2015	$ (286,727)	$ (445,849)	$ (4,043,871)	$ 7,570,757	$ 2,794,310
2014	$ 8,960,795	$ 1,069,221	$ 1,837,818	$ 10,647,759	$ 22,515,593

4. Changes in Endowment Net Assets

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

4. Changes in Endowment Net Assets (Continued)

In the year 2014, the Foundation had the following endowment-related activities:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$3,591,812	$31,972,357	$60,184,273	$95,748,442
Investment return:				
Investment income	–	854,838	–	854,838
Change in value of split interest agreements	–	–	114,589	114,589
Net appreciation (realized and unrealized)	–	4,066,399	–	4,066,399
Investment fees	–	(267,295)	–	(267,295)
Total net investment return	–	4,653,942	114,589	4,768,531
Contributions	10,000	–	236,888	246,888
Transfers between net asset classes and releases from endowment net assets including maturing pooled income funds	–	–	5,179	5,179
Appropriated for expenditure	(87,795)	(3,464,916)	–	(3,552,711)
Endowment net assets, end of year	$3,514,017	$33,161,383	$60,540,929	$97,216,329

The Foundation reclasses certain funds between permanently 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, 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

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

The major categories of endowment funds at December 31, 2014 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Agency	$ –	$ 2,633,764	$ 3,101,365	$ 5,735,129
Designated	300,436	5,943,520	9,535,312	15,779,268
Donor advised	217,396	2,477,988	5,315,639	8,011,023
Field of interest	609,816	5,315,842	15,607,946	21,533,604
Scholarship	2,253,415	15,246,179	22,687,411	40,187,005
Unrestricted	132,954	1,544,090	2,420,186	4,097,230
Other	–	–	1,873,070	1,873,070
Total endowment net assets	$3,514,017	$33,161,383	$60,540,929	$97,216,329

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, 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

The major categories of non-endowment funds at December 31, 2014 are as follows:

	Unrestricted	Temporarily Restricted	Total Non-Endowment Net Assets
Agency	$ (2,808,718)	$ (2,926,411)	$ (5,735,129)
Designated	58,158,571	–	58,158,571
Donor advised	237,315,224	–	237,315,224
Field of interest	77,930,008	74,130	78,004,138
Scholarship	40,705,631	–	40,705,631
Unrestricted	38,786,324	–	38,786,324
Other	9,348,616	13,103,776	22,452,392
Total non-endowment net assets	$ 459,435,656	$10,251,495	$ 469,687,151

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

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, 2015 and 2014 and the level required by donor stipulation is $362,794 and $22,239, respectively. In addition, the aggregate deficiency between the fair value of the Foundation's charitable gift annuities at December 31, 2015 and 2014 and the level required for contracted payouts totaled $271,976 and $241,266, 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.

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

	2015		2014	
	Amount	Percent	Amount	Percent
New Hampshire Charitable Foundation, excluding regions	$ 277,533,994	48.6%	$ 293,962,163	51.9%
Regions:				
Piscataqua	63,645,338	11.2	63,425,305	11.2
North Country	45,614,745	8.0	35,540,909	6.3
Manchester	42,099,600	7.4	35,312,154	6.2
Upper Valley	35,068,671	6.1	34,322,625	6.1
Monadnock	34,844,587	6.1	33,972,839	6.0
Lakes	28,138,394	4.9	29,021,871	5.1
Nashua	22,303,048	3.9	22,861,875	4.0
Capital	21,642,174	3.8	18,483,739	3.2
	$ 570,890,551	100.0%	$ 566,903,480	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 $806,015 in 2015 and $758,505 in 2014 and were allocated as follows:

	2015	2014
Program	$357,620	$330,034
Management and general	221,879	225,399
Fundraising	226,516	203,072
	$806,015	$758,505

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 and 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 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 2015 and 2014 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. 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, 2015 and 2014:

	2015	2014
Cash	$ 161,704	$ 211,325
Investments, at fair value	14,875,975	16,476,396
Assets held for sale, at estimated fair value:		
Property, plant and equipment	4,056,236	4,056,236
Prepaid expenses	297,363	359,927
Other receivables	33,093	12,903
Total assets held for sale	4,386,692	4,429,066
Total assets	$19,424,371	$21,116,787
Other liabilities:		
Accounts payable and accrued expenses	$ 591,865	$ 1,009,447
Estimated taxes payable and litigation settlements	3,537,046	4,268,922
Estimated environmental liabilities	6,207,500	6,207,500
Total liabilities	10,336,411	11,485,869
Net assets (reflected in temporarily restricted net assets)	9,087,960	9,630,918
Total liabilities and net assets	$19,424,371	$21,116,787

The property, plant and equipment held for sale at December 31, 2015 and 2014 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, 2015. The taxes payable and litigation liabilities are made up of potential interest and penalties as well as a liability relating to uncertainties relating to foreign and state taxes and potential litigation. 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 2015 and 2014 is as follows:

	2015	2014
Net sales	$ 131,591	$ 127,387
Cost of sales	(66,393)	(63,871)
Operating expenses	(1,004,137)	(1,241,518)
Other income and expense	1,196,590	532,548
Net gain (loss) from discontinued operations	$ 257,651	$ (645,454)

SCHEDULE

NEW HAMPSHIRE CHARITABLE FOUNDATION AND AFFILIATED ORGANIZATION

STATEMENTS OF EXPENSES

December 31, 2015 and 2014

	2015	2014
Compensation	$3,470,646	$3,290,892
Benefits and payroll taxes	1,126,710	1,023,200
Legal and accounting fees	159,776	116,078
Consulting	181,153	257,657
Office expenses (printing, copying, telephone, postage)	95,226	99,272
Technology	360,783	310,735
Occupancy (utilities, rent, maintenance)	189,377	186,149
Travel and conferences	151,478	145,822
Meetings	91,305	87,760
Depreciation	121,502	120,489
Insurance	30,542	29,659
Communications	238,346	272,483
Dues, subscriptions, publications	75,959	75,048
Miscellaneous	19,411	7,481
Total expenses	$6,312,214	$6,022,725