New Hampshire Charitable Foundation

Audited Financial Statements

Years Ended December 31, 2012 and 2011
With Independent Auditors' Report

NEW HAMPSHIRE CHARITABLE FOUNDATION

AUDITED FINANCIAL STATEMENTS

Years Ended December 31, 2012 and 2011

CONTENTS

INDEPENDENT AUDITORS' REPORT

The Board of Directors
New Hampshire Charitable Foundation

We have audited the accompanying financial statements of New Hampshire Charitable Foundation (the Foundation) which comprise the statements of financial position as of December 31, 2012 and 2011, and the related statements of activity and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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

The Board of Directors
New Hampshire Charitable Foundation

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New Hampshire Charitable Foundation as of December 31, 2012 and 2011, and the results of its activities and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Baker Newman & Noyes
Limited Liability Company

Manchester, New Hampshire
July 2, 2013

NEW HAMPSHIRE CHARITABLE FOUNDATION

STATEMENTS OF FINANCIAL POSITION

December 31, 2012 and 2011

	2012	2011
ASSETS		
Assets:		
Cash and cash equivalents	$ 10,704,386	$ 12,367,380
Investments, at fair value (note 3)	485,404,991	438,939,501
Investments held in trust (note 3)	3,900,195	4,075,943
Accrued investment income	194,829	293,622
Receivable from trusts	2,182,569	2,117,284
Contributions receivable (note 4)	308,882	1,314,037
Notes receivable, less allowance for uncollectible amounts of $154,453 in 2012 and $145,180 in 2011	3,561,232	3,851,059
Other assets	641,522	696,814
Property, plant and equipment:		
Land	307,000	307,000
Building and improvements	1,647,505	1,594,639
Equipment and furniture	1,254,670	1,213,420
	3,209,175	3,115,059
Less accumulated depreciation	1,950,224	1,902,461
Net property, plant and equipment	1,258,951	1,212,598
Total assets	$ 508,157,557	$ 464,868,238
LIABILITIES AND NET ASSETS		
Liabilities:		
Grants payable	$ 3,279,613	$ 3,902,387
Income beneficiaries payable	1,177,627	1,206,555
Unearned contributions	2,230,310	2,360,137
Accounts payable and other liabilities	401,988	630,955
Funds held as agency funds	29,402,094	26,160,205
Total liabilities	36,491,632	34,260,239
Net assets (notes 2 and 5):		
Unrestricted	388,178,836	350,523,660
Temporarily restricted	25,843,320	22,618,427
Permanently restricted	57,643,769	57,465,912
Total net assets	471,665,925	430,607,999
Total liabilities and net assets	$ 508,157,557	$ 464,868,238

See accompanying notes.

NEW HAMPSHIRE CHARITABLE FOUNDATION

STATEMENTS OF ACTIVITIES

Years Ended December 31, 2012 and 2011

	2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and investment gains (losses):				
Contributions	$ 31,366,986	$ 327,577	$ 5,127	$ 31,699,690
Interest and dividend income (note 3)	4,887,064	1,072,122	–	5,959,186
Net unrealized and realized gains (losses) on investments (note 3)	33,662,104	7,014,195	–	40,676,299
Change in value of split interest agreements	(3,537)	(47,535)	242,291	191,219
Other	67,725	–	–	67,725
Total revenues and investment gains (losses)	69,980,342	8,366,359	247,418	78,594,119
Net assets released resulting from satisfaction of donor restrictions and other transfers	5,023,064	(4,953,503)	(69,561)	–
Total revenues, gains (losses) and other support	75,003,406	3,412,856	177,857	78,594,119
Expenses:				
Grants, scholarships and program initiatives	30,529,068	–	–	30,529,068
Administrative expenses (note 6):				
Program service expenses	2,671,212	–	–	2,671,212
Management and general expenses	2,034,898	–	–	2,034,898
Fundraising expenses	1,263,080	–	–	1,263,080
Total administrative expenses	5,969,190	–	–	5,969,190
Investment management fees (note 2)	815,227	187,963	–	1,003,190
Provision for uncollectible notes receivable	34,745	–	–	34,745
Total expenses	37,348,230	187,963	–	37,536,193
Increase (decrease) in net assets	37,655,176	3,224,893	177,857	41,057,926
Net assets at beginning of year	350,523,660	22,618,427	57,465,912	430,607,999
Net assets at end of year	$ 388,178,836	$25,843,320	$57,643,769	$ 471,665,925

See accompanying notes.

2011			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
$25,817,484	$ 1,778,169	$ 1,224,383	$ 28,820,036
3,700,094	865,858	–	4,565,952
(8,446,758)	(1,431,105)	–	(9,877,863)
428	276,479	215,627	492,534
37,069	–	–	37,069
21,108,317	1,489,401	1,440,010	24,037,728
6,460,735	(6,527,593)	66,858	–
27,569,052	(5,038,192)	1,506,868	24,037,728
30,872,240	–	–	30,872,240
2,544,666	–	–	2,544,666
1,987,032	–	–	1,987,032
1,118,093	–	–	1,118,093
5,649,791	–	–	5,649,791
1,026,649	243,665	–	1,270,314
23,651	–	–	23,651
37,572,331	243,665	–	37,815,996
(10,003,279)	(5,281,857)	1,506,868	(13,778,268)
360,526,939	27,900,284	55,959,044	444,386,267
$350,523,660	$22,618,427	$57,465,912	$ 430,607,999

NEW HAMPSHIRE CHARITABLE FOUNDATION

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2012 and 2011

	2012	2011
Cash flows from operating activities:		
Increase (decrease) in net assets	$ 41,057,926	$ (13,778,268)
Adjustments to reconcile increase (decrease) in net assets to net cash used by operating activities:		
Depreciation	148,158	174,308
Net unrealized and realized investment (gains) losses	(40,676,299)	9,877,863
Contributions of securities and real estate	(6,254,901)	(2,689,998)
Proceeds from temporarily restricted contributions	(327,577)	(1,778,169)
Proceeds from permanently restricted contributions	(5,127)	(1,224,383)
Decrease in investments held in trust	175,748	351,220
Decrease (increase) in accrued investment income	98,793	(154,345)
Increase in receivable from trusts	(65,285)	(29,374)
Decrease (increase) in contributions receivable	1,005,155	(357,935)
Decrease (increase) in other assets	55,292	(96,940)
(Decrease) increase in grants payable	(622,774)	1,151,815
Decrease in income beneficiaries payable	(28,928)	(18,864)
Decrease in unearned contributions	(129,827)	(366,960)
(Decrease) increase in accounts payable and other liabilities	(228,967)	241,540
Increase (decrease) in funds held as agency funds	3,241,889	(1,764,261)
Net cash used by operating activities	(2,556,724)	(10,462,751)
Cash flows from investing activities:		
Proceeds from sale of investments	34,055,562	31,760,673
Purchase of investments	(33,589,852)	(25,599,466)
Principal collected from notes receivable	356,327	347,962
Principal disbursed for notes receivable	(66,500)	(93,500)
Purchases of property, plant and equipment, net	(194,511)	(67,967)
Net cash provided by investing activities	561,026	6,347,702
Cash flows from financing activities:		
Proceeds from temporarily restricted contributions	327,577	1,778,169
Proceeds from permanently restricted contributions	5,127	1,224,383
Net cash provided by financing activities	332,704	3,002,552
Net decrease in cash and cash equivalents	(1,662,994)	(1,112,497)
Cash and cash equivalents at beginning of year	12,367,380	13,479,877
Cash and cash equivalents at end of year	$ 10,704,386	$ 12,367,380

See accompanying notes.

NEW HAMPSHIRE CHARITABLE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2012 and 2011

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 1,724 individual funds, 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.

2. Summary of Significant Accounting Policies

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 three institutions. To further secure these balances, the Foundation has a $5,000,000 letter of credit issued by the Federal Home Loan Bank of Pittsburgh to serve as collateral for the Foundation's deposits. This letter of credit was set to expire on February 28, 2013 and was subsequently extended through May 29, 2013. 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, 2012, investment concentrations of 5% or greater of the investment portfolio (excluding investments held in trust) were as follows:

Forester Partners, L.P.	$41,047,790	8.5%
Adage Capital Partners, L.P.	37,351,525	7.7
PIMCO Total Return Fund	32,518,619	6.7

Cash and Cash Equivalents

Cash and cash equivalents includes investments in liquid debt instruments. The carrying value of cash and cash equivalents approximates market 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 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.

2. Summary of Significant Accounting Policies (Continued)

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 twenty-six 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, 2012, the Foundation had approximately $27 million of uncalled capital commitments through 2017, of which it is estimated approximately $10 million will be called in 2013.

Subsequent to December 31, 2012, the Foundation decided in the first quarter of 2013 to commit $3.0 million to an inflation hedging manager, to add $5.0 million to an existing global (excluding U.S.) equity manager, to redeem $5.0 million from an existing global (excluding U.S.) equity manager, to invest $15.0 million in a marketable alternative manager, to redeem its approximately $6.0 million investment in an inflation hedging manager and to redeem its approximately $5.0 million investment in a fixed income manager.

Receivable from Trusts

The Foundation is the sole or partial beneficiary of charitable remainder trusts. In cases where the Foundation does not act as trustee, the Foundation has recorded an asset at the present value of the estimated revenue to be received from the trusts using a discount rate ranging from 4.2% 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 made in prior years. 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 1.51% for 2012 and 1.39% for 2011.

The Foundation had also issued a loan guaranty for the benefit of one nonprofit organization totaling $150,000. The guaranty expired in 2012 and has not been renewed. The estimated fair value of the guarantee obligation at December 31, 2011 was not significant.

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.

Unearned Contributions and Income Beneficiaries Payable

The Foundation has recorded a liability 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%.

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.

2. Summary of Significant Accounting Policies (Continued)

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 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 8.0% 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 2012 and 2011 was 5% of the investment fund's average market value over the prior 20 quarters, consisting of 4.03% for charitable disbursement and approximately 0.97% for Foundation fees (ranging from 0.2% – 2.0%). The Board adopted the same spending policy for 2013. 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 for both 2013 and 2012.

Amount Underwater	Reduction in Spending	Charitable Disbursement Rate
10% or less	No reduction	4.03%
Over 10% up to and including 15%	33.3% reduction	2.69
Over 15% up to and including 20%	66.7% reduction	1.34
Over 20%	100% reduction	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.

Changes in Endowment Net Assets

In the year 2012, the Foundation had the following endowment-related activities:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$3,469,703	$19,815,403	$57,465,912	$80,751,018
Investment return:				
Investment income	–	1,057,580	242,291	1,299,871
Net appreciation (realized and unrealized)	–	7,374,049	–	7,374,049
Investment fees	–	(175,634)	–	(175,634)
Total net investment return	–	8,255,995	242,291	8,498,286

2. Summary of Significant Accounting Policies (Continued)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Contributions	$ –	$ –	$ 5,127	$ 5,127
Transfers between asset classes and releases from endowment net assets including maturing pooled income funds	48,500	(14,941)	(69,561)	(36,002)
Appropriated for expenditure	193,142	(3,672,745)	–	(3,479,603)
Endowment net assets, end of year	$3,711,345	$24,383,712	$57,643,769	$85,738,826

In the year 2011, the Foundation had the following endowment-related activities:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$3,418,639	$25,504,501	$55,959,044	$84,882,184
Investment return:				
Investment income	–	819,638	215,627	1,035,265
Net depreciation (realized and unrealized)	–	(1,925,781)	–	(1,925,781)
Investment fees	–	(231,195)	–	(231,195)
Total net investment return	–	(1,337,338)	215,627	(1,121,711)
Contributions	–	–	1,224,383	1,224,383
Transfers between asset classes and releases from endowment net assets including maturing pooled income funds	(51,168)	35,721	66,858	51,411
Appropriated for expenditure	102,232	(4,387,481)	–	(4,285,249)
Endowment net assets, end of year	$3,469,703	$19,815,403	$57,465,912	$80,751,018

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.

2. Summary of Significant Accounting Policies (Continued)

Endowment Net Asset Composition by Type of Fund

The major categories of endowment funds at December 31, 2012 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Agency	$ –	$ 1,624,441	$ 3,101,365	$ 4,725,806
Designated	269,256	4,456,354	9,087,519	13,813,129
Donor advised	187,807	1,771,960	4,807,184	6,766,951
Field of interest	566,628	3,569,625	15,018,168	19,154,421
Scholarship	2,530,484	11,752,238	21,619,065	35,901,787
Unrestricted	157,170	1,209,094	2,267,179	3,633,443
Other	–	–	1,743,289	1,743,289
Total endowment net assets	$3,711,345	$24,383,712	$57,643,769	$85,738,826

The major categories of endowment funds at December 31, 2011 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Agency	$ (1,493)	$ 1,349,006	$ 3,182,573	$ 4,530,086
Designated	221,186	3,566,178	8,714,763	12,502,127
Donor advised	145,285	1,390,640	4,704,368	6,240,293
Field of interest	557,286	2,608,047	15,446,564	18,611,897
Scholarship	2,463,015	9,883,522	21,227,724	33,574,261
Unrestricted	84,424	1,018,010	2,267,179	3,369,613
Other	–	–	1,922,741	1,922,741
Total endowment net assets	$3,469,703	$19,815,403	$57,465,912	$80,751,018

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, 2012 are as follows:

	Unrestricted	Temporarily Restricted	Total Non-Endowment Net Assets
Agency	$ (3,245,402)	$ (1,480,412)	$ (4,725,814)
Designated	49,230,557	–	49,230,557
Donor advised	187,858,873	–	187,858,873
Field of interest	70,805,815	–	70,805,815
Scholarship	35,959,738	–	35,959,738
Unrestricted	34,762,152	–	34,762,152
Other	9,095,758	2,940,020	12,035,778
Total non-endowment net assets	$ 384,467,491	$ 1,459,608	$ 385,927,099

2. Summary of Significant Accounting Policies (Continued)

The major categories of non-endowment funds at December 31, 2011 are as follows:

	Unrestricted	Temporarily Restricted	Total Non-Endowment Net Assets
Agency	$ (3,556,443)	$ (973,655)	$ (4,530,098)
Designated	38,896,514	–	38,896,514
Donor advised	171,975,288	–	171,975,288
Field of interest	66,079,416	–	66,079,416
Scholarship	33,175,874	–	33,175,874
Unrestricted	32,309,668	–	32,309,668
Other	8,173,640	3,776,679	11,950,319
Total non-endowment net assets	$ 347,053,957	$ 2,803,024	$ 349,856,981

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, 2012 and 2011 and the level required by donor stipulation is $291,671 and $846,648, respectively. In addition, the aggregate deficiency between the fair value of the Foundation's charitable gift annuities at December 31, 2012 and 2011 and the level required for contracted payouts totaled $157,937 and $195,663, 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.

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 is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

2. Summary of Significant Accounting Policies (Continued)

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. With few exceptions, the Foundation is no longer subject to income tax examinations by the U.S. Federal or State tax authorities for years before 2008.

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 $307,482 in 2012 and $296,522 in 2011. 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.

The Foundation adopted a 457(b) deferred compensation plan during 2010 covering the Chief Executive Officer. The purpose of the plan is to provide supplemental retirement income and the retention of a key employee by offering benefits comparable with similar organizations. The plan calls for annual contributions of $11,500 for 2012 and $10,000 in 2011. The cost will be expensed when each contribution is made. The total cost of the plan charged to operations amounted to $11,500 in 2012 and $10,000 in 2011. At December 31, 2012 and 2011, $34,639 and $19,600, 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.

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 2, 2013, 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:

	2012		2011	
	Amount	Percent	Amount	Percent
Equity:				
Domestic	$ 102,151,774	21.0%	$ 94,990,417	21.6%
Global (excluding U.S.)	91,642,198	18.9	64,407,275	14.7
Total equity	193,793,972	39.9	159,397,692	36.3
Fixed income	53,986,906	11.1	54,813,586	12.5
Marketable alternatives	106,908,872	22.0	99,249,410	22.6
Inflation hedging	48,184,159	9.9	45,751,429	10.4
Non-marketable alternatives	47,990,450	9.9	45,257,194	10.3
Cash equivalents	34,540,632	7.2	34,470,190	7.9
	$ 485,404,991	100.0%	$ 438,939,501	100.0%

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

	2012		2011	
	Amount	Percent	Amount	Percent
Equity – domestic	$1,474,147	37.8%	$1,515,858	37.2%
Equity – global (excluding U.S.)	309,080	7.9	290,295	7.1
Fixed income – domestic	2,085,675	53.5	2,213,503	54.3
Cash equivalents	31,293	0.8	56,287	1.4
	$3,900,195	100.0%	$4,075,943	100.0%

3. Investments (Continued)

The tables below sets 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, 2012 and 2011:

	Fair value as of December 31, 2012	Unfunded Commit-ments	Redemption Frequency	Redemption Notice Period
Equity investments	$ 74,191,100	$ –	Daily	0 – 6 days
Equity investments	59,529,125	–	Monthly	7 – 60 days
Equity investments	37,351,525	–	Quarterly	60 days
Equity investments	22,416,003	–	Annually	60 days
Equity investments	306,220	–	Illiquid	N/A
Total equity investments	193,793,973	–		
Fixed income investments	48,803,095	–	Daily	N/A
Fixed income investments	5,183,811	–	Monthly	60 days
Total fixed income investments	53,986,906	–		
Marketable alternative investments	35,701,182	–	Quarterly	14 – 65 days
Marketable alternative investments	8,487,432	–	Biennially	60 days
Marketable alternative investments	62,351,299	–	Annually	45 – 65 days
Marketable alternative investments	368,958	–	Illiquid	N/A
Total marketable alternative investments	106,908,871	–		
Inflation hedging investments	10,643,894	–	Daily	N/A
Inflation hedging investments	10,338,353	–	Monthly	9 – 60 days
Inflation hedging investments	6,327,509	–	Quarterly	60 days
Inflation hedging investments	20,874,404	9,630,712	Illiquid	N/A
Total Inflation hedging investments	48,184,160	9,630,712		
Non-marketable alternative investments	47,990,448	17,032,798	Illiquid	N/A
Cash equivalents	33,148,286	–	Daily	N/A
Cash equivalents	1,392,347	–	Monthly	30 days
Total cash equivalents	34,540,633	–		
	$ 485,404,991	$26,663,510		

3. Investments (Continued)

	Fair value as of December 31, 2011	Unfunded Commit-ments	Redemption Frequency	Redemption Notice Period
Equity investments	$ 55,060,090	$ –	Daily	0 – 5 days
Equity investments	54,400,288	–	Monthly	7 – 30 days
Equity investments	30,917,900	–	Quarterly	30 – 60 days
Equity investments	18,728,014	–	Annually	60 days
Equity investments	291,400	–	Illiquid	N/A
Total equity investments	159,397,692	–		
Fixed income investments	49,935,577	–	Daily	0 – 7 days
Fixed income investments	4,878,009	–	Monthly	60 days
Total fixed income investments	54,813,586	–		
Marketable alternative investments	32,354,881	–	Quarterly	14 – 65 days
Marketable alternative investments	7,286,386	–	Biennially	60 days
Marketable alternative investments	59,125,975	–	Annually	45 – 60 days
Marketable alternative investments	482,168	–	Illiquid	N/A
Total marketable alternative investments	99,249,410	–		
Inflation hedging investments	12,502,519	–	Daily	N/A
Inflation hedging investments	7,440,598	–	Monthly	9 days
Inflation hedging investments	6,758,841	–	Annually	60 days
Inflation hedging investments	19,049,471	10,707,360	Illiquid	N/A
Total Inflation hedging investments	45,751,429	10,707,360		
Non-marketable alternative investments	45,257,194	18,926,797	Illiquid	N/A
Cash equivalents	34,442,954	–	Daily	N/A
Cash equivalents	27,236	–	Monthly	30 days
Total cash equivalents	34,470,190	–		
	$ 438,939,501	$29,634,157		

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. U.S. equity managers are permitted to invest in publicly traded equity securities and, where appropriate, fixed income securities as equity substitutes. International equity managers are permitted to hold equity securities in developed non-US markets and may invest in emerging markets not represented in the MSCI EAFE Index.

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:

	2012	2011
Interest and dividend income	$ 5,959,186	$ 4,565,952
Net unrealized and realized gains on investments	40,676,299	(9,877,863)
Return on investments	$46,635,485	$(5,311,911)

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, 2012 and 2011, the Foundation's investments were classified as follows, based on fair values:

	2012			
Description	Level 1	Level 2	Level 3	Total
U.S. equity	$ 41,599,046	$ 23,126,203	$ 37,426,525	$ 102,151,774
Global equity	29,163,150	62,479,048	–	91,642,198
Fixed income	53,456,623	530,283	–	53,986,906
Marketable alternatives – long/short	–	–	48,830,390	48,830,390
Marketable alternatives – absolute return	–	–	58,078,482	58,078,482
Inflation hedging – natural resources	37,145	39,200	15,819,388	15,895,733
Inflation hedging – real estate	–	325,000	4,537,284	4,862,284
Inflation hedging – marketable	10,567,548	5,314,548	11,544,046	27,426,142
Non-marketable alternatives	–	–	47,990,450	47,990,450
Cash equivalents	29,280,882	5,259,750	–	34,540,632
Total investments	$ 164,104,394	$ 97,074,032	$ 224,226,565	$ 485,404,991
Investments held in trust	$ 303,536	$ 3,596,659	$ –	$ 3,900,195

3. Investments (Continued)

Description	2011 Level 1	2011 Level 2	2011 Level 3	2011 Total
U.S. equity	$ 30,849,105	$ 33,148,412	$ 30,992,900	$ 94,990,417
Global equity	7,170,690	57,236,585	–	64,407,275
Fixed income	49,415,693	5,397,893	–	54,813,586
Marketable alternatives – long/short	–	–	44,402,452	44,402,452
Marketable alternatives – absolute return	–	–	54,846,958	54,846,958
Inflation hedging – natural resources	36,350	37,919	14,242,781	14,317,050
Inflation hedging – real estate	–	–	4,806,692	4,806,692
Inflation hedging – marketable	12,428,250	7,440,596	6,758,841	26,627,687
Non-marketable alternatives	–	–	45,257,194	45,257,194
Cash equivalents	27,185,765	7,284,425	–	34,470,190
Total investments	$ 127,085,853	$ 110,545,830	$ 201,307,818	$ 438,939,501
Investments held in trust	$ 290,296	$ 3,785,647	$ –	$ 4,075,943

Fair Value Measurements using Significant Unobservable Inputs (Level 3)

	Equity	Marketable Alternatives	Inflation Hedging	Non-Marketable Alternatives	Total
Ending balance, December 31, 2010	$29,332,286	$ 103,633,094	$24,292,911	$40,595,767	$ 197,854,058
Total net gains (losses) (realized/unrealized)	1,660,775	(627,502)	(1,713,655)	3,374,802	2,694,420
Purchases	–	2,488	4,326,207	8,530,635	12,859,330
Settlements	(161)	(3,758,670)	(1,097,149)	(7,244,010)	(12,099,990)
Ending balance, December 31, 2011	30,992,900	99,249,410	25,808,314	45,257,194	201,307,818
Total net gains (losses) (realized/unrealized)	6,433,625	8,693,245	48,438	2,449,566	17,624,874
Purchases	–	1,233	7,564,079	6,498,991	14,064,303
Settlements	–	(1,035,016)	(1,520,113)	(6,215,301)	(8,770,430)
Ending balance, December 31, 2012	$37,426,525	$ 106,908,872	$31,900,718	$47,990,450	$ 224,226,565

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:

Year Ending December 31,	Equity	Marketable Alternatives	Inflation Hedging	Non-Marketable Alternatives	Total
2012	$6,433,625	$8,660,422	$ (327,417)	$1,597,429	$16,364,059
2011	$1,660,775	$ (897,967)	$(2,227,599)	$2,166,470	$ 701,679

4. Contributions Receivable

Contributions receivable (which are recorded at net present value) consist of the following at December 31:

	2012	2011
Amounts due in less than 1 year	$ 308,882	$1,314,037

5. Net Assets

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

	2012		2011	
	Amount	Percent	Amount	Percent
New Hampshire Charitable Foundation, excluding regions	$ 254,084,267	53.9%	$ 237,289,353	55.1%
Regions:				
Piscataqua	49,698,097	10.5	48,127,280	11.2
North Country	31,404,276	6.7	29,758,988	6.9
Monadnock	29,836,168	6.3	27,385,371	6.4
Upper Valley	29,578,864	6.3	27,321,788	6.3
Lakes	23,087,434	4.9	21,538,070	5.0
Manchester	21,370,907	4.5	18,556,335	4.3
Nashua	18,572,914	3.9	16,689,308	3.9
Capital	14,032,998	3.0	3,941,506	0.9
	$ 471,665,925	100.0%	$ 430,607,999	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 $567,648 in 2012 and $565,456 in 2011 and were allocated as follows:

	2012	2011
Program	$263,575	$267,196
Management and general	177,647	171,972
Fundraising	126,426	126,288
	$567,648	$565,456