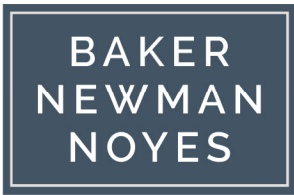


New Hampshire Charitable Foundation and Affiliated Organizations

Consolidated Financial Statements

*Years Ended December 31, 2021 and 2020
With Independent Auditors' Report*



INDEPENDENT AUDITORS' REPORT

The Board of Directors
New Hampshire Charitable Foundation

Opinion

We have audited the accompanying consolidated financial statements of New Hampshire Charitable Foundation and Affiliated Organizations (the Foundation), which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of December 31, 2021 and 2020, and the results of their operations, functional expenses and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in note 9 to the financial statements, in 2021 the Foundation accepted a gift of 100% of the outstanding shares of The Greater Rochester Community Health Foundation, establishing a Type 1 Supporting Organization. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

The Board of Directors
New Hampshire Charitable Foundation

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a period of within one year after the date that the financial statements are issued or available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Behr Neuman & Noyes LLC

Manchester, New Hampshire
August 8, 2022

NEW HAMPSHIRE CHARITABLE FOUNDATION AND AFFILIATED ORGANIZATIONS

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2021 and 2020

	<u>ASSETS</u>	
	<u>2021</u>	<u>2020</u>
Assets:		
Cash and cash equivalents	\$ 43,346,296	\$ 47,896,212
Restricted cash	839,558	1,008,180
Accrued investment income	317,838	361,615
Grants receivable	249,142	743,172
Contributions receivable	2,531,748	7,704,966
Notes receivable, less allowance for uncollectible amounts of \$119,332 in 2021 and \$108,804 in 2020	1,930,029	1,447,428
Other assets	1,155,641	1,060,293
Investments, at fair value	1,031,643,522	876,283,533
Investments held in trust	2,766,370	2,710,605
Receivable from trusts	8,628,825	6,043,585
 Property, plant and equipment:		
Land and improvements	415,840	415,840
Building and improvements	2,398,839	2,391,839
Equipment and furniture	<u>1,704,042</u>	<u>1,660,066</u>
	4,518,721	4,467,745
Less accumulated depreciation	<u>(3,001,823)</u>	<u>(2,793,953)</u>
 Net property, plant and equipment	1,516,898	1,673,792
	<hr/>	<hr/>
Total assets	\$ <u>1,094,925,867</u>	\$ <u>946,933,381</u>

LIABILITIES AND NET ASSETS

	<u>2021</u>	<u>2020</u>
Liabilities:		
Accounts payable and accrued expenses	\$ 1,443,496	\$ 1,222,760
Grants payable	10,425,926	6,913,050
Income beneficiaries payable	1,318,241	1,231,665
Unearned contributions	2,388,658	3,070,059
Funds held as agency funds	57,125,925	49,241,585
Other liabilities	<u>3,494,061</u>	<u>4,021,028</u>
Total liabilities	76,196,307	65,700,147
Net assets:		
Without donor restrictions:		
Designated to fund grants, scholarships and initiatives	827,878,644	721,075,981
Designated to fund operations	3,236,577	3,966,913
Designated by the Board for operating and capital reserves	6,641,893	6,702,414
Invested in property, plant and equipment	<u>1,516,898</u>	<u>1,673,792</u>
	839,274,012	733,419,100
With donor restrictions:		
Restricted to the passage of time	6,105,144	11,944,296
Restricted endowment appreciation	69,384,375	49,771,493
Restricted in perpetuity – endowment	<u>103,966,029</u>	<u>86,098,345</u>
	<u>179,455,548</u>	<u>147,814,134</u>
Total net assets	<u>1,018,729,560</u>	<u>881,233,234</u>
Total liabilities and net assets	<u>\$ 1,094,925,867</u>	<u>\$ 946,933,381</u>

See accompanying notes.

NEW HAMPSHIRE CHARITABLE FOUNDATION AND AFFILIATED ORGANIZATIONS

CONSOLIDATED STATEMENTS OF ACTIVITIES

Years Ended December 31, 2021 and 2020

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and investment gains (losses):			
Contributions	\$ 58,163,641	\$ 19,985,491	\$ 78,149,132
Net investment return	108,469,825	24,769,766	133,239,591
Change in value of split interest agreements	(93,362)	1,946,449	1,853,087
Other	62,489	—	62,489
Total revenues and investment gains	166,602,593	46,701,706	213,304,299
Net assets released from restrictions:			
Satisfaction of donor restrictions	646,959	(646,959)	—
Time restriction expired	6,844,171	(6,844,171)	—
Pursuant to spending rate appropriation	7,075,610	(7,075,610)	—
Total net assets released from restrictions	14,566,740	(14,566,740)	—
Total revenues, gains and other support	181,169,333	32,134,966	213,304,299
Expenses:			
Grants, scholarships and program initiatives	66,689,039	—	66,689,039
Administrative expenses:			
Program service expenses	3,962,980	—	3,962,980
Management and general expenses	2,810,445	—	2,810,445
Fundraising expenses	1,851,957	—	1,851,957
Total administrative expenses	8,625,382	—	8,625,382
Total expenses	75,314,421	—	75,314,421
Increase in net assets before effects of discontinued operations	105,854,912	32,134,966	137,989,878
Loss from discontinued operations	—	(493,552)	(493,552)
Total increase in net assets	105,854,912	31,641,414	137,496,326
Net assets at beginning of year	733,419,100	147,814,134	881,233,234
Net assets at end of year	\$ 839,274,012	\$ 179,455,548	\$ 1,018,729,560

See accompanying notes.

2020		
<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
\$ 62,198,205	\$ 7,243,307	\$ 69,441,512
102,499,033	15,986,553	118,485,586
(55,760)	133,314	77,554
<u>1,199,495</u>	<u>—</u>	<u>1,199,495</u>
165,840,973	23,363,174	189,204,147
602,631	(602,631)	—
2,148,196	(2,148,196)	—
<u>5,711,132</u>	<u>(5,711,132)</u>	<u>—</u>
<u>8,461,959</u>	<u>(8,461,959)</u>	<u>—</u>
174,302,932	14,901,215	189,204,147
54,546,502	—	54,546,502
3,927,355	—	3,927,355
2,685,486	—	2,685,486
<u>1,839,544</u>	<u>—</u>	<u>1,839,544</u>
<u>8,452,385</u>	<u>—</u>	<u>8,452,385</u>
<u>62,998,887</u>	<u>—</u>	<u>62,998,887</u>
111,304,045	14,901,215	126,205,260
<u>—</u>	<u>(195,543)</u>	<u>(195,543)</u>
111,304,045	14,705,672	126,009,717
<u>622,115,055</u>	<u>133,108,462</u>	<u>755,223,517</u>
<u>\$ 733,419,100</u>	<u>\$ 147,814,134</u>	<u>\$ 881,233,234</u>

NEW HAMPSHIRE CHARITABLE FOUNDATION AND AFFILIATED ORGANIZATIONS

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended December 31, 2021 and 2020

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising and Development</u>	<u>Total</u>
<u>2021</u>				
Grants, scholarships and program initiatives	\$66,689,039	\$ —	\$ —	\$66,689,039
Salaries and wages	2,304,953	1,625,351	1,079,969	5,010,273
Employee benefits	565,521	393,670	264,968	1,224,159
Payroll taxes	158,211	111,914	74,131	344,256
Information technology	203,787	149,901	95,497	449,185
Communications and marketing	117,564	86,480	55,092	259,136
Fees for services	269,650	198,350	126,361	594,361
Depreciation	101,755	74,849	47,684	224,288
Office expenses	78,191	57,516	36,641	172,348
Occupancy	68,790	50,601	32,236	151,627
Travel and conferences	14,400	10,593	6,748	31,741
Meetings	2,686	1,976	1,259	5,921
Professional fees	25,293	18,605	11,852	55,750
Legal fees	16,458	12,106	7,712	36,276
Insurance	21,218	15,608	9,943	46,769
Change in provision for uncollectible notes receivable	10,528	—	—	10,528
Other expenses	<u>3,975</u>	<u>2,925</u>	<u>1,864</u>	<u>8,764</u>
Total expenses	<u>\$70,652,019</u>	<u>\$2,810,445</u>	<u>\$1,851,957</u>	<u>\$75,314,421</u>
<u>2020</u>				
Grants, scholarships and program initiatives	\$54,546,502	\$ —	\$ —	\$54,546,502
Salaries and wages	2,302,617	1,580,123	1,093,185	4,975,925
Employee benefits	535,687	364,457	254,319	1,154,463
Payroll taxes	155,902	107,462	74,019	337,383
Information technology	197,102	142,232	93,590	432,924
Communications and marketing	92,851	67,004	44,088	203,943
Fees for services	226,900	163,736	107,739	498,375
Depreciation	103,913	74,986	49,340	228,239
Office expenses	71,943	51,916	34,161	158,020
Occupancy	76,456	55,172	36,303	167,931
Travel and conferences	17,707	10,924	8,402	37,033
Meetings	5,390	3,890	2,559	11,839
Professional fees	25,610	18,480	12,160	56,250
Legal fees	41,292	29,797	19,607	90,696
Insurance	18,300	13,206	8,690	40,196
Change in provision for uncollectible notes receivable	52,773	—	—	52,773
Other expenses	<u>2,912</u>	<u>2,101</u>	<u>1,382</u>	<u>6,395</u>
Total expenses	<u>\$58,473,857</u>	<u>\$2,685,486</u>	<u>\$1,839,544</u>	<u>\$62,998,887</u>

See accompanying notes.

NEW HAMPSHIRE CHARITABLE FOUNDATION AND AFFILIATED ORGANIZATIONS

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Increase in net assets	\$ 137,496,326	\$ 126,009,717
Adjustments to reconcile increase in net assets to net cash used by operating activities:		
Net loss from discontinued operations	493,552	195,543
Depreciation	224,288	228,239
Net unrealized and realized investment gains	(130,175,382)	(116,141,208)
Contributions of securities	(14,024,475)	(12,996,142)
Contributions with donor restrictions	(19,985,491)	(7,243,307)
Changes in:		
Investments held in trust	(55,765)	629,338
Accrued investment income	43,777	(28,104)
Receivable from trust	(2,585,240)	843,218
Contributions receivable	5,643,218	490,974
Grants receivable	494,030	(65,000)
Other assets	(95,348)	(75,204)
Grants payable	3,512,876	(1,122,059)
Income beneficiaries payable	86,576	(38,687)
Unearned contributions	(681,401)	(117,472)
Accounts payable, accrued expenses and other liabilities	(306,231)	(28,770)
Funds held as agency funds	<u>7,884,340</u>	<u>4,760,535</u>
Net cash used by operating activities	<u>(12,030,350)</u>	<u>(4,698,389)</u>
Cash flows from investing activities:		
Proceeds from sale of investments	99,123,621	67,461,036
Purchase of investments	(110,777,305)	(62,747,716)
Principal collected from notes receivable	123,199	178,202
Principal disbursed for notes receivable	(605,800)	(73,000)
Purchase of property, plant and equipment, net	<u>(67,394)</u>	<u>(110,492)</u>
Net cash (used) provided by investing activities	<u>(12,203,679)</u>	<u>4,708,030</u>
Cash flows from financing activities:		
Proceeds from contributions with donor restrictions	<u>19,515,491</u>	<u>1,395,258</u>
Net cash provided by financing activities	<u>19,515,491</u>	<u>1,395,258</u>
Net (decrease) increase in cash and cash equivalents and restricted cash	(4,718,538)	1,404,899
Cash and cash equivalents and restricted cash at beginning of year	<u>48,904,392</u>	<u>47,499,493</u>
Cash and cash equivalents and restricted cash at end of year	\$ <u>44,185,854</u>	\$ <u>48,904,392</u>

Supplemental non-cash disclosures:

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

See accompanying notes.

NEW HAMPSHIRE CHARITABLE FOUNDATION AND AFFILIATED ORGANIZATIONS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021 and 2020

1. Organization

The New Hampshire Charitable Foundation (the Foundation) is a nonprofit community foundation that provides grant and loan assistance to nonprofit organizations primarily in New Hampshire and to students who are residents of the State of New Hampshire. The Foundation is comprised of 2,143 individual funds, primarily including unrestricted (Flexible Funds), field of interest, designated, agency, scholarship, donor advised, annuities, trusts and pooled income funds. Resources for various purposes are classified into funds established according to their nature and purpose.

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

On February 24, 2021, the State of New Hampshire Probate Court approved a *Cy Pres* petition submitted by the Frisbie Memorial Hospital Wind Down Company (the Petitioner) to establish a Type 1 Supporting Organization (the Supporting Organization) at the Foundation. See note 9 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, its wholly-owned LLC, which consolidates its 100% owned corporate subsidiary, and the Supporting Organization. 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. Operating results for the Supporting Organization have been consolidated from the date of acceptance of the outstanding shares (September 1, 2021). Significant intercompany accounts and transactions have been eliminated in consolidation.

Concentration of Credit Risk

Financial instruments which subject the Foundation to credit risk consist of cash equivalents, notes and contributions receivable, and investments. The risk with respect to cash equivalents is minimized by the Foundation's policy of investing in financial instruments with short-term maturities issued by highly rated financial institutions. The Foundation's cash and cash equivalents are currently held at five institutions, which at times may exceed federal depository insurance limits. During 2021 and 2020, the Foundation participated in a collateralized sweep program with Citizens Bank, which invests certain amounts in a variety of financial institutions up to the Federal Deposit Insurance Corporation (FDIC) insured limit. This program covers the Foundation's short-term investment account. To further secure balances, the Foundation's cash accounts are collateralized by U.S. Treasuries and other securities totaling over \$5.5 million held at Bank of New York Mellon. The Foundation has not experienced any losses in such accounts and management believes the Foundation is not exposed to any significant risks at December 31, 2021. The Foundation's notes and contributions receivable are presented net of estimated uncollectible amounts.

NEW HAMPSHIRE CHARITABLE FOUNDATION AND AFFILIATED ORGANIZATIONS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021 and 2020

2. Summary of Significant Accounting Policies (Continued)

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, 2021, investment concentrations of 5% or greater of the investment portfolio (excluding investments held in trust) were as follows:

Adage Capital Partners, L.P.	\$92,113,580	8.9%
Breckinridge Gov't Credit	65,150,395	6.3
Vulcan Value Partners	54,714,632	5.3

Cash and Cash Equivalents and Restricted Cash

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

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

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$43,346,296	\$47,896,212
Restricted cash	<u>839,558</u>	<u>1,008,180</u>
	<u>\$44,185,854</u>	<u>\$48,904,392</u>

The Foundation has been awarded grants from unaffiliated charitable organizations that were paid to the Foundation through 2021 and are to be expended through 2023. Each grant is to be used for specific programs as outlined in the grant awards. Included in restricted cash in the accompanying consolidated statements of financial position is \$727,336 and \$889,733 at December 31, 2021 and 2020, respectively, in regard to these awards. Future cash receipts of these grant awards are anticipated to be \$249,142 in 2022.

Investments

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

NEW HAMPSHIRE CHARITABLE FOUNDATION AND AFFILIATED ORGANIZATIONS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021 and 2020

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 based upon fair value.

The Foundation has commitments to sixty-two 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, 2021, the Foundation had approximately \$89 million of uncalled capital commitments through 2034, of which it is estimated approximately \$19 million will be called in 2022. In addition, in 2021 the Foundation committed to liquidating two marketable alternative managers totaling approximately \$25 million, and a partial redemption of \$4 million from a domestic equity investment manager.

Subsequent to December 31, 2021, the Foundation decided in the first quarter of 2022 to commit \$3 million to a private investment 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 1.0% to 7.4%.

Notes Receivable

The Foundation provides low-interest rate loans, currently ranging from 0% to 4%, to students and certain nonprofit organizations. The interest rates range from 0% to 7% on outstanding loans. Interest on student loans is recognized for financial statement purposes when amounts are received which does not significantly differ from the accrual basis. The Foundation evaluates collectibility of its notes receivable and provides reserves for uncollectible amounts based upon specific requirements and historical write offs for loans which are deemed uncollectible. The student loan default rate was 0.42% for 2021 and 0.40% for 2020.

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.

NEW HAMPSHIRE CHARITABLE FOUNDATION AND AFFILIATED ORGANIZATIONS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021 and 2020

2. Summary of Significant Accounting Policies (Continued)

Contributions, Unearned Contributions, and Income Beneficiaries Payable

Contributions of cash and other assets received without donor stipulations are reported as revenue and net assets without donor restriction. Contributions received with a donor stipulation that limits their use are reported as revenue and net assets with donor restrictions. When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

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

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

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

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

Grants, Scholarships, and Program Initiative Expenses

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

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

NEW HAMPSHIRE CHARITABLE FOUNDATION AND AFFILIATED ORGANIZATIONS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021 and 2020

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, which are recorded as investments in the accompanying consolidated balance sheets, from not-for-profit organizations into agency funds as an asset with a corresponding liability, which totals \$57,125,925 and \$49,241,585 at December 31, 2021 and 2020, respectively.

Classification of Net Assets

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

Net Assets With Donor Restrictions include contributions and endowment investment earnings subject to donor-imposed restrictions, as well as irrevocable trusts and contributions receivable. Some donor-imposed restrictions are temporary in nature that are expected to be met either by actions of the Foundation and/or the passage of time. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. As of December 31, 2021 and 2020, the Foundation's net assets with donor restrictions are restricted for funding various community needs as specified by the donors, as well as the endowment corpus and unspent endowment investment earnings.

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

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

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

NEW HAMPSHIRE CHARITABLE FOUNDATION AND AFFILIATED ORGANIZATIONS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021 and 2020

2. Summary of Significant Accounting Policies (Continued)

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

Agency funds are established by 501(c)(3) organizations that transfer ownership of funds to the Foundation. Nonprofit organizations establish agency funds to ensure they will be able to fulfill their missions now and in the future.

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

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

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

NEW HAMPSHIRE CHARITABLE FOUNDATION AND AFFILIATED ORGANIZATIONS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021 and 2020

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

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

Spending Policy for Appropriation of Assets for Expenditure

The spending policy calculates the amount of money distributed annually from the Foundation’s various funds for grant making and administration. The Board adopted a spending rate for 2022 of 6.05% of the investment fund’s average market value over the prior 20 quarters (5.00% for charitable disbursement and an average of 1.05% for Foundation fees ranging from 0.2% – 2.0%) for all fund types except agency and designated, which will decline to 5.55%, and scholarships, which will remain at the 2021 spending rate of 5.05%. The Board adopted a spending rate for 2021 of 6.05% of the investment fund’s average market value over the prior 20 quarters (5.0% for charitable disbursement and an average of 1.05% for Foundation fees ranging from 0.2% – 2.0%) for all fund types except scholarships, which remained at the 2020 spending rate of 5.05%. 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.

<u>Amount Underwater</u>	<u>Reduction in Spending</u>	<u>Charitable Disbursement Rate</u>					
		<u>2022</u> All Other Funds	<u>2022</u> Agency & Designated Funds	<u>2022</u> Scholarship Funds	<u>2021</u> All Other Funds	<u>2021</u> Scholarship Funds	<u>2020</u>
10% or less	No reduction	5.00%	4.50%	4.00%	5.00%	4.00%	4.00%
Over 10% up to and including 15%	33.3% reduction	3.33	3.00	2.67	3.33	2.67	2.67
Over 15% up to and including 20%	66.7% reduction	1.67	1.50	1.33	1.67	1.33	1.33
Over 20%	100% reduction	0.00	0.00	0.00	0.00	0.00	0.00

NEW HAMPSHIRE CHARITABLE FOUNDATION AND AFFILIATED ORGANIZATIONS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021 and 2020

2. Summary of Significant Accounting Policies (Continued)

In establishing this policy, the Foundation considered the long-term expected return on its investments. Over the long term, the Foundation's objective is to maintain the purchasing power of its investments as well as to provide growth through new gifts and investment return. The Board considered the increased community needs as a result of the COVID-19 pandemic in adopting the higher spending rate for 2021 and 2022.

Investment Policies

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

Net Investment Return

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

Income Taxes

The Foundation, its wholly-owned LLC and the Supporting Organization 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 asset and liability method in accordance with provisions of Accounting Standards Codification Topic 740, *Income Taxes* (ASC 740). Under the asset and 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.

NEW HAMPSHIRE CHARITABLE FOUNDATION AND AFFILIATED ORGANIZATIONS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021 and 2020

2. Summary of Significant Accounting Policies (Continued)

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

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

Retirement Plans and Deferred Compensation Agreements

The Foundation has a defined contribution 403(b) thrift plan covering substantially all of its employees. Under this plan, the Foundation annually contributes 10% of each eligible employee's annual salary. The total cost of the plan charged to operations amounted to \$489,646 in 2021 and \$498,055 in 2020. Contributions are used to purchase group annuity contracts with a life insurance company in order to fund future benefit payments. Such employer contributions are 100% vested.

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

The Foundation adopted a 457(b) deferred compensation plan during 2010 for certain key employees. The purpose of the plan is to provide supplemental retirement income and the retention of key employees by offering benefits comparable with similar organizations. The plan calls for set annual contributions and the cost is expensed when each contribution is made. The total cost of the plan charged to operations amounted to \$53,000 and \$43,000 in 2021 and 2020, respectively. At December 31, 2021 and 2020, \$561,940 and \$415,578, respectively, was accrued for this obligation.

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

Functional Allocation of Expenses

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

NEW HAMPSHIRE CHARITABLE FOUNDATION AND AFFILIATED ORGANIZATIONS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021 and 2020

2. Summary of Significant Accounting Policies (Continued)

Use of Estimates

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

Reclassifications

Certain 2020 amounts have been reclassified to permit comparison with the 2021 consolidated financial statements presentation format.

Risks and Uncertainties

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

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

Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases* (Topic 842) (ASU 2016-02). Under ASU 2016-02, at the commencement of a long-term lease, lessees will recognize a liability equivalent to the discounted payments due under the lease agreement, as well as an offsetting right-of-use asset. ASU 2016-02 is effective for the Foundation on January 1, 2022. 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 finalizing the impact of the pending adoption of ASU 2016-02 on the consolidated financial statements but does not expect adoption will have a significant impact on the Foundation's consolidated financial statements.

NEW HAMPSHIRE CHARITABLE FOUNDATION AND AFFILIATED ORGANIZATIONS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021 and 2020

2. Summary of Significant Accounting Policies (Continued)

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU 2020-07 enhances the presentation of disclosure requirements for contributed nonfinancial assets. ASU 2020-07 requires entities to present contributed nonfinancial assets as a separate line item in the consolidated statements of operations and disclose the amount of contributed nonfinancial assets recognized within the consolidated statements of operations by category that depicts the type of contributed nonfinancial assets, as well as a description of any donor-imposed restrictions associated with the contributed nonfinancial assets and the valuation techniques used to arrive at a fair value measure at initial recognition. ASU 2020-07 was early adopted, which is permitted, by the Foundation on January 1, 2021. The adoption of this ASU did not have a significant impact on the Foundation's consolidated financial statements.

Subsequent Events

Events occurring after the statement of financial position date are evaluated by management to determine whether such events should be recognized or disclosed in the consolidated financial statements. Management has evaluated subsequent events through August 8, 2022, which is the date the consolidated financial statements were available to be issued.

3. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statements of financial position date (December 31, 2021), comprise the following:

Cash and cash equivalents	\$8,108,465
Investments, at fair value	280,722
Contributions receivable	<u>9,279</u>
	<u>\$8,398,466</u>

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

As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. The Foundation invests cash in excess of daily requirements in short-term investments and money market funds. Occasionally, the Board will designate a portion of any operating surplus to its operating reserve. Included in net assets without donor restrictions designated by the Board for operating reserves is \$5,161,889 as of December 31, 2021, and is included in the cash and cash equivalents noted above.

Additionally, under the spending policy described in note 2 that was approved by the Board, the Foundation will receive approximately \$8,497,000 in Foundation fees for operations in 2022.

NEW HAMPSHIRE CHARITABLE FOUNDATION AND AFFILIATED ORGANIZATIONS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021 and 2020

4. Investments

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

	2021		2020	
	Amount	Percent	Amount	Percent
Equity:				
Domestic	\$ 285,950,574	27.7%	\$ 247,083,688	28.2%
Global (excluding U.S.)	232,970,534	22.6	202,179,747	23.1
Total equity	518,921,108	50.3	449,263,435	51.3
Fixed income	137,593,356	13.4	99,237,844	11.3
Marketable alternatives	143,218,523	13.9	151,078,000	17.3
Inflation hedging	27,983,150	2.7	22,737,754	2.6
Non-marketable alternatives	177,868,785	17.2	136,949,501	15.6
Cash equivalents	26,058,600	2.5	17,016,999	1.9
	\$ 1,031,643,522	100.0%	\$ 876,283,533	100.0%

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

	2021		2020	
	Amount	Percent	Amount	Percent
Equity – domestic	\$ 16,108	0.6%	\$ 15,821	0.6%
Balanced funds	2,694,701	97.4	2,654,223	97.9
Cash equivalents	55,561	2.0	40,561	1.5
	\$2,766,370	100.0%	\$2,710,605	100.0%

NEW HAMPSHIRE CHARITABLE FOUNDATION AND AFFILIATED ORGANIZATIONS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021 and 2020

4. Investments (Continued)

The tables below set forth additional disclosures for investment funds to further understand the nature and risk of the investments by category at December 31, 2021 and 2020:

	<u>Fair value as of December 31, 2021</u>	<u>Unfunded Commit- ments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Equity investments	\$ 144,053,497	\$ –	Daily	0 – 6 days
Equity investments	224,003,926	–	Monthly	5 – 60 days
Equity investments	<u>150,863,685</u>	<u>–</u>	Quarterly	30 – 90 days
Total equity investments	518,921,108	–		
Fixed income investments	135,367,864	–	Daily	0 – 1 day
Fixed income investments	<u>2,225,492</u>	<u>5,778,632</u>	Illiquid	N/A
Total fixed income investments	137,593,356	5,778,632		
Marketable alternative investments	26,067,925	–	Monthly	17 – 180 days
Marketable alternative investments	104,993,671	–	Quarterly	60 – 75 days
Marketable alternative investments	<u>12,156,927</u>	<u>–</u>	Biennially	45 days
Total marketable alternative investments	143,218,523	–		
Inflation hedging investments	3,344,480	–	Daily	0 – 1 day
Inflation hedging investments	<u>24,638,670</u>	<u>3,541,303</u>	Illiquid	N/A
Total inflation hedging investments	27,983,150	3,541,303		
Non-marketable alternative investments	177,868,785	80,031,041	Illiquid	N/A
Cash equivalents	25,382,870	–	Daily	0 – 1 day
Cash equivalents	<u>675,730</u>	<u>–</u>	Monthly	30 days
Total cash equivalents	<u>26,058,600</u>	<u>–</u>		
	<u>\$ 1,031,643,522</u>	<u>\$89,350,976</u>		

NEW HAMPSHIRE CHARITABLE FOUNDATION AND AFFILIATED ORGANIZATIONS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021 and 2020

4. Investments (Continued)

	<u>Fair value as of December 31, 2020</u>	<u>Unfunded Commit- ments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Equity investments	\$ 117,467,359	\$ –	Daily	0 – 6 days
Equity investments	200,840,545	–	Monthly	10– 60 days
Equity investments	<u>130,955,531</u>	<u>–</u>	Quarterly	30 – 90 days
Total equity investments	449,263,435	–		
Fixed income investments	99,237,844	–	Daily	0 – 1 day
Marketable alternative investments	27,272,209	–	Monthly	17 – 180 days
Marketable alternative investments	111,553,386	–	Quarterly	60 – 75 days
Marketable alternative investments	<u>12,252,405</u>	<u>–</u>	Biennially	45 days
Total marketable alternative investments	151,078,000	–		
Inflation hedging investments	1,574,355	–	Daily	0 – 1 day
Inflation hedging investments	<u>21,163,399</u>	<u>1,949,749</u>	Illiquid	N/A
Total inflation hedging investments	22,737,754	1,949,749		
Non-marketable alternative investments	136,949,501	69,223,817	Illiquid	N/A
Cash equivalents	16,606,302	–	Daily	0 – 1 day
Cash equivalents	<u>410,697</u>	<u>–</u>	Monthly	30 days
Total cash equivalents	<u>17,016,999</u>	<u>–</u>		
	<u>\$ 876,283,533</u>	<u>\$71,173,566</u>		

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.

NEW HAMPSHIRE CHARITABLE FOUNDATION AND AFFILIATED ORGANIZATIONS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021 and 2020

4. **Investments (Continued)**

Equity Investments

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

Fixed Income Investments

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

Marketable Alternative Investments

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

Inflation Hedging Investments

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

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.

NEW HAMPSHIRE CHARITABLE FOUNDATION AND AFFILIATED ORGANIZATIONS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021 and 2020

4. Investments (Continued)

The Foundation classifies its investments measured at fair value on a recurring basis into Level 1, which refers to investments traded in an active market; Level 2, which refers to investments not traded in an active market but for which observable market inputs are readily available; and Level 3, which refers to investments not traded in an active market and for which no significant observable market inputs are available. Generally, Level 3 investments are valued based upon information provided by fund managers or general partners, including audited financial statements of the investment funds. The levels relate to valuation only and do not necessarily indicate a measure of risk. At December 31, 2021 and 2020, the Foundation's investments measured at fair value on a recurring basis were classified as follows, based on fair values:

<u>Description</u>	2021				
	<u>Investments Measured at NAV⁽¹⁾</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Domestic equity	\$ 165,440,722	\$ 119,513,088	\$ 996,764	\$ —	\$ 285,950,574
Global equity	187,115,767	43,338,412	2,516,355	—	232,970,534
Fixed income	2,225,492	62,043,073	73,324,791	—	137,593,356
Marketable alternatives	143,218,523	—	—	—	143,218,523
Inflation hedging – natural resources	20,846,350	—	—	—	20,846,350
Inflation hedging – real estate	2,433,229	911,256	509,000	—	3,853,485
Inflation hedging – marketable	—	3,090,263	193,052	—	3,283,315
Non-marketable alternatives	177,868,785	—	—	—	177,868,785
Cash equivalents	—	<u>18,556,065</u>	<u>7,502,535</u>	—	<u>26,058,600</u>
Total investments	\$ <u>699,148,868</u>	\$ <u>247,452,157</u>	\$ <u>85,042,497</u>	\$ <u>—</u>	\$ <u>1,031,643,522</u>
Investments held in trust	\$ <u>—</u>	\$ <u>2,745,190</u>	\$ <u>21,180</u>	\$ <u>—</u>	\$ <u>2,766,370</u>

NEW HAMPSHIRE CHARITABLE FOUNDATION AND AFFILIATED ORGANIZATIONS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021 and 2020

4. Investments (Continued)

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

⁽¹⁾ In accordance with ASC Subtopic 820-10, investments measured using the NAV per share practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statements of financial position.

5. Changes in Endowment Net Assets

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>2021</u>			
Original donor restricted gift amount and amounts required to be maintained in perpetuity by donor	\$4,713,826	\$ 103,966,029	\$ 108,679,855
Accumulated investment gains	<u>–</u>	<u>69,384,375</u>	<u>69,384,375</u>
Total endowment net assets	<u>\$4,713,826</u>	<u>\$ 173,350,404</u>	<u>\$ 178,064,230</u>

NEW HAMPSHIRE CHARITABLE FOUNDATION AND AFFILIATED ORGANIZATIONS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021 and 2020

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

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

In the year 2021, the Foundation had the following endowment-related activities:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$4,325,318	\$ 135,869,838	\$ 140,195,156
Investment return:			
Investment income	—	1,007,963	1,007,963
Change in value of split interest agreements	—	123,701	123,701
Net appreciation (realized and unrealized)	—	25,418,108	25,418,108
Investment fees	<u>—</u>	<u>(575,158)</u>	<u>(575,158)</u>
Total net investment return	—	25,974,614	25,974,614
Contributions	28,455	18,623,783	18,652,238
Transfers between net asset classes and releases from endowment net assets including maturing pooled income funds	360,053	(42,221)	317,832
Appropriated for expenditure	<u>—</u>	<u>(7,075,610)</u>	<u>(7,075,610)</u>
Endowment net assets, end of year	<u>\$4,713,826</u>	<u>\$ 173,350,404</u>	<u>\$ 178,064,230</u>

NEW HAMPSHIRE CHARITABLE FOUNDATION AND AFFILIATED ORGANIZATIONS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021 and 2020

5. Changes in Endowment Net Assets (Continued)

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

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

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

6. Net Asset Composition by Type of Fund

The major categories of endowment funds at December 31, 2021 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Agency	\$ —	\$ 7,525,173	\$ 7,525,173
Designated	287,130	26,053,085	26,340,215
Donor advised	156,205	11,731,984	11,888,189
Field of interest	987,102	41,318,156	42,305,258
Scholarship	3,143,753	57,138,604	60,282,357
Unrestricted (Flexible Funds)	176,278	11,981,330	12,157,608
Other	<u>(36,642)</u>	<u>17,602,072</u>	<u>17,565,430</u>
Total endowment net assets	<u>\$4,713,826</u>	<u>\$ 173,350,404</u>	<u>\$ 178,064,230</u>

NEW HAMPSHIRE CHARITABLE FOUNDATION AND AFFILIATED ORGANIZATIONS

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December 31, 2021 and 2020

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

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

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

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Foundation to retain as a fund of permanent duration. Deficiencies of this nature are reported in net assets with donor restrictions. There were no deficiencies in individual donor-restricted endowment funds at December 31, 2021 or 2020. The aggregate deficiency between the fair value of the Foundation's charitable gift annuities at December 31, 2021 and 2020 and the level required for contracted payouts totaled \$12,010 and \$8,409, respectively.

Non-Endowment Net Asset Composition by Type of Fund

In addition to endowment net assets, the Foundation also maintains non-endowed funds.

The major categories of non-endowment funds at December 31, 2021 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Non- Endowment Net Assets</u>
Agency	\$ (912,582)	\$ (6,612,591)	\$ (7,525,173)
Designated	111,905,023	—	111,905,023
Donor advised	431,674,041	—	431,674,041
Field of interest	127,360,213	313,049	127,673,262
Scholarship	90,454,475	—	90,454,475
Unrestricted (Flexible Funds)	61,423,061	—	61,423,061
Other	<u>12,655,955</u>	<u>12,404,686</u>	<u>25,060,641</u>
Total non-endowment net assets	<u>\$ 834,560,186</u>	<u>\$ 6,105,144</u>	<u>\$ 840,665,330</u>

NEW HAMPSHIRE CHARITABLE FOUNDATION AND AFFILIATED ORGANIZATIONS

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December 31, 2021 and 2020

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

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

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

Organizational Components

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

	<u>2021</u>		<u>2020</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
New Hampshire Charitable Foundation, excluding regions	\$ 406,175,863	39.9%	\$ 369,839,404	42.0%
Regions:				
Piscataqua	141,279,593	13.9	128,270,143	14.5
Monadnock	88,189,237	8.7	60,247,038	6.8
Upper Valley	77,791,647	7.6	63,344,416	7.2
North Country	71,450,128	7.0	59,238,058	6.7
Manchester	71,423,074	7.0	62,664,683	7.1
Capital	68,747,940	6.7	55,442,319	6.3
Lakes	52,212,161	5.1	46,401,913	5.3
Nashua	<u>41,459,917</u>	<u>4.1</u>	<u>35,785,260</u>	<u>4.1</u>
	<u>\$ 1,018,729,560</u>	<u>100.0%</u>	<u>\$ 881,233,234</u>	<u>100.0%</u>

NEW HAMPSHIRE CHARITABLE FOUNDATION AND AFFILIATED ORGANIZATIONS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021 and 2020

7. Allocation of Joint Costs

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

	<u>2021</u>	<u>2020</u>
Program service	\$401,585	\$389,213
Management and general	201,103	205,569
Fundraising	<u>225,812</u>	<u>217,313</u>
	<u>\$828,500</u>	<u>\$812,095</u>

8. Affiliated Organizations

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

Given the 100% ownership of the LLC and in turn its ownership of 100% of Tillotson Corporation, the Corporation's assets, liabilities and results of operations have been consolidated within the accompanying 2021 and 2020 financial statements of the Foundation. The net assets contributed at the date of donation totaled \$11,884,640, based on management's estimates which were supported by independent appraisals and third party valuations. Additionally, management decreased the estimated environmental liabilities, as discussed below, by \$325,000 in 2021 and 2020, and recorded this as a contribution with donor restrictions. The gift has been recorded as a contribution with donor restrictions until future contingencies are resolved. In 2021 and 2020, \$1,000,000 and \$350,000, respectively, was released from net assets with donor restrictions to net assets without donor restrictions as management believes certain contingencies have been resolved.

NEW HAMPSHIRE CHARITABLE FOUNDATION AND AFFILIATED ORGANIZATIONS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021 and 2020

8. Affiliated Organizations (Continued)

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

	<u>2021</u>	<u>2020</u>
Cash	\$ 115,146	\$ 117,452
Investments, at fair value	3,352,186	5,017,443
Assets held for sale, at estimated fair value:		
Property, plant and equipment	156,236	156,236
Prepaid expenses	39,778	79,027
Other receivables	<u>34,886</u>	<u>29,174</u>
Total assets held for sale	<u>230,900</u>	<u>264,437</u>
Total assets	<u>\$3,698,232</u>	<u>\$5,399,332</u>
Other liabilities:		
Accounts payable and accrued expenses	\$ 300,708	\$ 486,246
Estimated litigation settlements	1,940,000	2,000,000
Estimated environmental liabilities	<u>1,253,353</u>	<u>1,579,363</u>
Total liabilities	3,494,061	4,065,609
Net assets (reflected in net assets with donor restrictions)	<u>204,171</u>	<u>1,333,723</u>
Total liabilities and net assets	<u>\$3,698,232</u>	<u>\$5,399,332</u>

The property, plant and equipment held for sale at December 31, 2021 and 2020 consist of buildings, land and equipment that were recorded at fair value as of the date of contribution and are recorded in other assets in the accompanying consolidated statements of financial position. Management has evaluated the carrying value of the land and equipment and believes there is no impairment at December 31, 2021. The litigation liabilities relate to uncertainties relating to potential legal settlements. The environmental liabilities consist of estimated potential remediation liabilities for properties still owned by the Corporation as well as the estimated potential liability for properties no longer owned by the Corporation but for which the Corporation retained potential environmental liability. The Foundation has obtained independent appraisals of the potential liability relating to these environmental contingencies.

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

	<u>2021</u>	<u>2020</u>
Operating expenses	\$ (677,727)	\$ (660,943)
Other income and expense	<u>184,175</u>	<u>465,400</u>
Net loss from discontinued operations	<u>\$ (493,552)</u>	<u>\$ (195,543)</u>

NEW HAMPSHIRE CHARITABLE FOUNDATION AND AFFILIATED ORGANIZATIONS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021 and 2020

9. Supporting Organization

On September 1, 2021, the Foundation's Board of Directors accepted a gift of 100% of the outstanding shares of The Greater Rochester Community Health Foundation (GRCHF), establishing a Type 1 Supporting Organization. GRCHF is a separate legal entity established under the provisions of IRS Section 509(a)(c) and is a 501(c)(3) nonprofit entity. GRCHF was established to receive the net proceeds from the sale of Frisbie Memorial Hospital (the Hospital). As defined by the IRS, a Type 1 supporting organization is controlled by the Foundation through operation, supervision, or control by appointing the majority of the supporting organization's board members.

GRCHF's purpose aligns with the mission of the Foundation and will be used to improve the health and well-being and the burden of illness of persons residing in Strafford County, New Hampshire and immediately surrounding communities.

Given the 100% ownership of the Supporting Organization, GRCHF's assets, liabilities and results of operations from the date of gift acceptance have been consolidated within the accompanying 2021 financial statements of the Foundation. The net assets contributed at the date of donation totaled \$16,083,769. The gift has been recorded as a contribution with donor restrictions as dictated by the State of New Hampshire Probate Court order dated February 24, 2021. In 2021, \$36,564 was released from net assets with donor restrictions to net assets without donor restrictions as management believes certain contingencies have been met.

GRCHF is aware of additional assets that may be contributed to the Supporting Organization in the future, including \$8,000,000 currently held in escrow. At December 31, 2021, there are certain uncertainties and contingencies associated with these funds and therefore they have not been contributed to the Supporting Organization or recorded in the accompanying consolidated balance sheets. Additionally, it is unknown when the amount of funds will be contributed to the Supporting Organization in the future given the potential for certain claims and assessments to be made against them. The Foundation believes that the funds held in escrow will cover all claims and assessments against the Hospital. In the event that the escrow is insufficient to cover potential claims and assessments, the Purchaser of the Hospital has the right to receive up to approximately \$10,200,000 of GRCHF's assets for the excess claims and assessments.

Condensed information related to GRCHF as of December 31, 2021 is as follows:

Assets:	
Investments, at fair value	\$15,548,066
Receivable from trusts	<u>714,986</u>
Total assets	<u>\$16,263,052</u>
Liabilities:	
Accounts payable and accrued expenses	\$ <u>36,564</u>
Total liabilities	<u>36,564</u>
Net assets (reflected in net assets with donor restrictions)	<u>16,226,488</u>
Total liabilities and net assets	<u>\$16,263,052</u>

NEW HAMPSHIRE CHARITABLE FOUNDATION AND AFFILIATED ORGANIZATIONS

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9. Supporting Organization (Continued)

A summary of GRCHF's operations from the date of gift acceptance through December 31, 2021 is as follows:

Contributions	\$16,083,769
Net investment return	181,074
Change in value of split interest agreements	(1,791)
Operating expenses	<u>(36,564)</u>
Total increase in net assets	16,226,488
Net assets at beginning of year	<u>—</u>
Net assets at end of year	<u>\$16,226,488</u>