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New Hampshire Charitable Foundation and Affiliated Organization

Consolidated Financial Statements

Years Ended December 31, 2017 and 2016
With Independent Auditors' Report

NEW HAMPSHIRE CHARITABLE FOUNDATION AND AFFILIATED ORGANIZATION

CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2017 and 2016

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
New Hampshire Charitable Foundation

We have audited the accompanying consolidated financial statements of New Hampshire Charitable Foundation and Affiliated Organization (the Foundation) which comprise the consolidated statements of financial position as of December 31, 2017 and 2016, and the related consolidated statements of activities and cash flows for the years then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of New Hampshire Charitable Foundation and Affiliated Organization as of December 31, 2017 and 2016, and the results of its consolidated activities and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

The Board of Directors
New Hampshire Charitable Foundation

Other Matter

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

Baker Newman & Noyes LLC

Manchester, New Hampshire
June 29, 2018

NEW HAMPSHIRE CHARITABLE FOUNDATION AND AFFILIATED ORGANIZATION

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2017 and 2016

	2017	2016
ASSETS		
Assets:		
Cash and cash equivalents	$ 28,687,076	$ 27,255,110
Restricted cash	941,661	329,924
Investments, at fair value (note 3)	697,211,118	617,750,283
Investments held in trust (note 3)	3,590,457	3,634,428
Accrued investment income	44,227	13,953
Receivable from trusts	6,225,124	1,922,807
Contributions receivable (note 2)	10,600,978	5,799,876
Grants receivable (note 2)	302,703	349,988
Notes receivable, less allowance for uncollectible amounts of $56,358 in 2017 and $68,683 in 2016	1,509,814	1,553,149
Other assets (note 7)	4,971,751	5,757,942
Property, plant and equipment:		
Land and improvements	338,050	338,050
Building and improvements	1,899,731	1,880,572
Equipment and furniture	1,419,637	1,236,527
	3,657,418	3,455,149
Less accumulated depreciation	2,230,652	2,091,701
Net property, plant and equipment	1,426,766	1,363,448
Total assets	$ 755,511,675	$ 665,730,908
LIABILITIES AND NET ASSETS		
Liabilities:		
Grants payable	$ 6,636,165	$ 6,615,033
Income beneficiaries payable	1,404,186	1,285,411
Unearned contributions	2,724,755	2,611,591
Accounts payable and accrued expenses	919,103	886,928
Funds held as agency funds	43,528,748	35,863,178
Other liabilities (note 7)	7,940,325	8,279,215
Total liabilities	63,153,282	55,541,356
Net assets (notes 4 and 5):		
Unrestricted	548,966,073	487,315,970
Temporarily restricted	65,356,105	44,792,797
Permanently restricted	78,036,215	78,080,785
Total net assets	692,358,393	610,189,552
Total liabilities and net assets	$ 755,511,675	$ 665,730,908

See accompanying notes.

NEW HAMPSHIRE CHARITABLE FOUNDATION AND AFFILIATED ORGANIZATION

CONSOLIDATED STATEMENTS OF ACTIVITIES

Years Ended December 31, 2017 and 2016

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and investment gains (losses):				
Contributions	$ 44,116,268	$ 10,953,243	$ 2,039,369	$ 57,108,880
Interest and dividend income (note 3)	4,881,535	976,346	–	5,857,881
Net unrealized and realized gains on investments (note 3)	58,734,857	13,537,154	–	72,272,011
Change in value of split interest agreements	(29,514)	417,721	322,081	710,288
Other	13,410	–	–	13,410
Total revenues and investment gains	107,716,556	25,884,464	2,361,450	135,962,470
Net assets released resulting from satisfaction of donor restrictions and other transfers	8,254,205	(5,848,185)	(2,406,020)	–
Total revenues, gains and other support	115,970,761	20,036,279	(44,570)	135,962,470
Expenses:				
Grants, scholarships and program initiatives	45,993,901	–	–	45,993,901
Administrative expenses (note 6):				
Program service expenses	3,042,568	–	–	3,042,568
Management and general expenses	2,253,805	–	–	2,253,805
Fundraising expenses	1,646,959	–	–	1,646,959
Total administrative expenses	6,943,332	–	–	6,943,332
Investment management fees (note 2)	1,371,002	415,809	–	1,786,811
Provision for uncollectible notes receivable	12,423	–	–	12,423
Total expenses	54,320,658	415,809	–	54,736,467
Increase (decrease) in net assets before effects of discontinued operations	61,650,103	19,620,470	(44,570)	81,226,003
Gain from discontinued operations (note 7)	–	942,838	–	942,838
Total increase (decrease) in net assets	61,650,103	20,563,308	(44,570)	82,168,841
Net assets at beginning of year	487,315,970	44,792,797	78,080,785	610,189,552
Net assets at end of year	$ 548,966,073	$ 65,356,105	$78,036,215	$ 692,358,393

See accompanying notes.

2016			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
$ 44,153,883	$ 881,939	$ 977,097	$ 46,012,919
2,194,660	516,983	–	2,711,643
29,506,182	6,300,065	–	35,806,247
(13,121)	51,747	123,931	162,557
(2,367)	–	–	(2,367)
75,839,237	7,750,734	1,101,028	84,690,999
10,288,607	(17,337,089)	7,048,482	–
86,127,844	(9,586,355)	8,149,510	84,690,999
38,031,687	–	–	38,031,687
2,779,654	–	–	2,779,654
2,153,834	–	–	2,153,834
1,710,045	–	–	1,710,045
6,643,533	–	–	6,643,533
1,059,963	309,315	–	1,369,278
862	–	–	862
45,736,045	309,315	–	46,045,360
40,391,799	(9,895,670)	8,149,510	38,645,639
–	653,362	–	653,362
40,391,799	(9,242,308)	8,149,510	39,299,001
446,924,171	54,035,105	69,931,275	570,890,551
$ 487,315,970	$ 44,792,797	$78,080,785	$ 610,189,552

NEW HAMPSHIRE CHARITABLE FOUNDATION AND AFFILIATED ORGANIZATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Increase in net assets	$ 82,168,841	$ 39,299,001
Adjustments to reconcile increase in net assets to net cash used by operating activities:		
Net gain from discontinued operations	(942,838)	(653,362)
Depreciation	197,562	164,498
Net unrealized and realized investment gains	(72,272,011)	(35,806,247)
Contributions of securities and real estate	(11,931,536)	(18,569,377)
Temporarily restricted contributions	(10,953,243)	(881,939)
Permanently restricted contributions	(2,039,369)	(977,097)
Changes in:		
Restricted cash	(611,737)	(116,978)
Investments held in trust	43,971	58,332
Accrued investment income	(30,274)	(8,678)
Receivable from trust	(4,302,317)	(41,791)
Contributions receivable	1,417,293	2,584,767
Grants receivable	47,285	280,012
Other assets	(54,217)	(5,290)
Grants payable	21,132	827,726
Income beneficiaries payable	118,775	(162,487)
Unearned contributions	113,164	28,423
Accounts payable, accrued expenses and other liabilities	(306,715)	(1,753,710)
Funds held as agency funds	7,665,570	1,354,480
Net cash used by operating activities	(11,650,664)	(14,379,717)
Cash flows from investing activities:		
Proceeds from sale of investments	51,291,216	49,976,806
Purchase of investments	(44,765,257)	(45,304,217)
Principal collected from notes receivable	166,334	188,841
Principal disbursed for notes receivable	(123,000)	(76,000)
Purchase of property, plant and equipment, net	(260,880)	(98,526)
Net cash provided by investing activities	6,308,413	4,686,904
Cash flows from financing activities:		
Proceeds from temporarily restricted contributions	5,327,848	3,845,785
Proceeds from permanently restricted contributions	1,446,369	8,158,073
Net cash provided by financing activities	6,774,217	12,003,858
Net increase in cash and cash equivalents	1,431,966	2,311,045
Cash and cash equivalents at beginning of year	27,255,110	24,944,065
Cash and cash equivalents at end of year	$ 28,687,076	$ 27,255,110

Supplemental disclosure of non-cash activities:

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

See accompanying notes.

1. Organization

The New Hampshire Charitable Foundation (the Foundation) is a nonprofit community foundation that provides grant and loan assistance to nonprofit organizations primarily in New Hampshire and to students who are residents of the State. The Foundation is comprised of 1,891 individual funds, primarily including unrestricted, field of interest, designated, agency, scholarship, donor advised, annuities, trusts and pooled income funds. Resources for various purposes are classified into funds established according to their nature and purpose.

In 2013, the Foundation created a wholly-owned LLC (the LLC) for the purposes of managing potential risks and exposures related to a gift of 100% of the outstanding shares of a multi-national and diverse corporation (the Corporation). See note 7 for more information.

2. Summary of Significant Accounting Policies

Principles of Consolidation

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

Concentration of Credit Risk

Financial instruments which subject the Foundation to credit risk consist of cash equivalents, notes and contributions receivable, and investments. The risk with respect to cash equivalents is minimized by the Foundation's policy of investing in financial instruments with short-term maturities issued by highly rated financial institutions. The Foundation's cash and cash equivalents are currently held at five institutions, which at times may exceed federal depository insurance limits. The Foundation has not experienced any losses in such accounts and management believes the Foundation is not exposed to any significant risks at December 31, 2017. To further secure balances, the Foundation's cash accounts are collateralized by U.S. Treasuries and other securities totaling over $33 million held at Bank of New York Mellon. The Foundation's notes and contributions receivable are presented net of estimated uncollectible amounts.

The Foundation's investment portfolio consists of diversified investments, which are subject to market risk, but are not subject to concentrations in any sector. At December 31, 2017, investment concentrations of 5% or greater of the investment portfolio (excluding investments held in trust) were as follows:

Adage Capital Partners, L.P.	$61,427,712	8.8%
Forester Partners, L.P.	54,722,392	7.8

Cash and Cash Equivalents and Restricted Cash

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

2. Summary of Significant Accounting Policies (Continued)

The Foundation has been awarded grants from unaffiliated charitable organizations that are to be paid to the Foundation through 2018 and expended through 2020. Each grant is to be used for specific programs as outlined in the grant awards. All future receipts of payments are assuming certain benchmarks are met as outlined in the grant awards. Included in restricted cash in the accompanying consolidated statements of financial position is $541,661 and $319,924 at December 31, 2017 and 2016, respectively, in regard to these awards. Future cash receipts of these grant awards are anticipated to be $302,703 in 2018.

Fair Value of Financial Instruments

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

Investments

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

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

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 forty-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, 2017, the Foundation had approximately $54 million of uncalled capital commitments through 2031, of which it is estimated approximately $17 million will be called in 2018.

2. Summary of Significant Accounting Policies (Continued)

In the first quarter of 2018, the Foundation added $2 million to a domestic equity manager, added $3 million each to two global equity managers, added $2.5 million to a fixed income manager and redeemed $2 million from a domestic equity manager.

Receivable from Trusts

The Foundation is the sole or partial beneficiary of charitable remainder trusts. The Foundation does not act as trustee and has recorded an asset at the present value of the estimated revenue to be received from the trusts using a discount rate ranging from 2.4% to 9.4%.

Notes Receivable

The Foundation provides low-interest rate loans, currently ranging from 0% to 4%, to students and certain nonprofit organizations. The interest rates range from 0% to 7% on outstanding loans. Interest on student loans is recognized for financial statement purposes when amounts are received which does not significantly differ from the accrual basis. The Foundation evaluates collectibility of its notes receivable and provides reserves for uncollectible amounts based upon specific requirements and historical write offs for loans which are deemed uncollectible. The student loan default rate was 0.53% for 2017 and 0.64% for 2016.

Property, Plant and Equipment

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

Contributions, Unearned Contributions, and Income Beneficiaries Payable

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

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

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

2. Summary of Significant Accounting Policies (Continued)

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

The Foundation has recorded a liability for grants awarded but not earned and for the amount due to income beneficiaries of pooled income funds (unearned contributions) and charitable gift annuities (income beneficiaries payable). For charitable gift annuities, the present value of the estimated future payments to be distributed during the beneficiary's expected life is recorded as a liability using a discount rate ranging from 1.0% to 8.2%.

Grants, Scholarships, and Program Initiative Expenses

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

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

Agency Funds

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

Classification of Net Assets

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

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

Agency funds are established by 501(c)(3) organizations that transfer ownership of funds to the Foundation. Nonprofit organizations establish agency funds to ensure they will be able to fulfill their missions now and in the future. The agency fund is owned by the Foundation and is held as an asset on its statement of financial position with a corresponding liability.

2. Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

Under the terms of the Foundation's bylaws, the Board has the ability to distribute so much of the corpus of any trust or separate gift, devise, bequest, or fund as the Board in its sole discretion shall determine. As a result, all contributions not classified as temporarily restricted or permanently restricted are classified as unrestricted net assets for financial statement purposes. In general, the bylaws of the Foundation provide for variance power which allows the redirection of spending and the reduction of principal, if necessary.

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

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

2. Summary of Significant Accounting Policies (Continued)

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

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

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

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

Investment Policies

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

2. Summary of Significant Accounting Policies (Continued)

Spending Policy for Appropriation of Assets for Expenditure

The spending policy calculates the amount of money distributed annually from the Foundation's various funds for grant making and administration. The spending policy for 2017 and 2016 was 5.25% of the investment fund's average market value over the prior 20 quarters, consisting of 4.20% for charitable disbursement and approximately 1.05% for Foundation fees (ranging from 0.2% – 2.0%). The Board adopted a spending rate of 5.05% (4.00% for charitable disbursement and approximately 1.05% for Foundation fees) for 2018. The fee varies based on the fund type, and in some cases, the fund size. Effective in 2011, the Board adopted a sliding scale spending policy to address underwater funds, defined as those endowment funds with balances below historic gift value. The rate varies based on the percentage that the endowment fund is below historic gift value. The table below illustrates the spending policy for charitable disbursements for endowment funds with balances that are under historic gift value.

Amount Underwater	Reduction in Spending	Charitable Disbursement Rate 2018	2017	2016
10% or less	No reduction	4.00%	4.20%	4.20%
Over 10% up to and including 15%	33.3% reduction	2.67	2.80	2.80
Over 15% up to and including 20%	66.7% reduction	1.33	1.40	1.40
Over 20%	100% reduction	0.00	0.00	0.00

In establishing this policy, the Foundation considered the long-term expected return on its investments. Over the long term, the Foundation's objective is to maintain the purchasing power of its investments as well as to provide growth through new gifts and investment return.

Investment Fees

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

Income Taxes

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

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

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

2. Summary of Significant Accounting Policies (Continued)

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

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

Retirement Plans and Deferred Compensation Agreements

The Foundation has a defined contribution 403(b) thrift plan covering substantially all of its employees. Under this plan, the Foundation annually contributes 10% of each eligible employee's annual salary. The total cost of the plan charged to operations amounted to $369,359 in 2017 and $338,724 in 2016. 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 $29,000 and $27,750 in 2017 and 2016, respectively. At December 31, 2017 and 2016, $195,216 and $136,702, respectively, was accrued for this obligation.

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

Use of Estimates

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

2. Summary of Significant Accounting Policies (Continued)

New Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02 *Leases* (Topic 842) (ASU 2016-02). Under ASU 2016-02, at the commencement of a long-term lease, lessees will recognize a liability equivalent to the discounted payments due under the lease agreement, as well as an offsetting right-of-use asset. ASU 2016-02 is effective for the Foundation on January 1, 2020, with early adoption permitted. Lessees (for capital and operating leases) must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases that expired before the earliest comparative period presented. Lessees may not apply a full retrospective transition approach. The Foundation is currently evaluating the impact of the pending adoption of ASU 2016-02 on the consolidated financial statements but does not expect significant changes as a result of adoption.

In August 2016, the FASB issued ASU No. 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities* (Topic 958) (ASU 2016-14). Under ASU 2016-14, the existing three-category classification of net assets (i.e., unrestricted, temporarily restricted and permanently restricted) will be replaced with a simplified model that combines temporarily restricted and permanently restricted into a single category called "net assets with donor restrictions". ASU 2016-14 also enhances certain disclosures regarding board designations, donor restrictions and qualitative information regarding management of liquid resources. In addition to reporting expenses by functional classifications, ASU 2016-14 will also require the consolidated financial statements to provide information about expenses by their nature, along with enhanced disclosures about the methods used to allocate costs among program and support functions. ASU 2016-14 is effective for the Foundation's fiscal year ending December 31, 2018, with early adoption permitted. The Foundation is currently evaluating the impact of the pending adoption of ASU 2016-14 on its consolidated financial statements.

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

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 June 29, 2018, 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:

	2017		2016	
	Amount	Percent	Amount	Percent
Equity:				
Domestic	$ 151,544,759	21.7%	$ 138,068,501	22.3%
Global (excluding U.S.)	162,869,228	23.4	119,734,506	19.4
Total equity	314,413,987	45.1	257,803,007	41.7
Fixed income	84,579,141	12.1	74,594,594	12.1
Marketable alternatives	135,962,739	19.5	123,536,229	20.0
Inflation hedging	46,717,522	6.7	53,409,373	8.6
Non-marketable alternatives	71,405,807	10.2	66,595,503	10.8
Cash equivalents	44,131,922	6.4	41,811,577	6.8
	$ 697,211,118	100.0%	$ 617,750,283	100.0%

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

	2017		2016	
	Amount	Percent	Amount	Percent
Equity – domestic	$ 196,378	5.5%	$ 224,576	6.2%
Balanced funds	3,367,305	93.8	3,402,775	93.6
Cash equivalents	26,774	0.7	7,077	0.2
	$3,590,457	100.0%	$3,634,428	100.0%

3. Investments (Continued)

The tables below set forth additional disclosures for investment funds to further understand the nature and risk of the investments by category at December 31, 2017 and 2016:

	Fair value as of December 31, 2017	Unfunded Commit-ments	Redemption Frequency	Redemption Notice Period
Equity investments	$ 158,596,561	$ –	Daily	0 – 6 days
Equity investments	67,489,854	–	Monthly	10– 60 days
Equity investments	71,986,330	–	Quarterly	60 – 90 days
Equity investments	16,341,242	–	Annually	60 days
Total equity investments	314,413,987	–		
Fixed income investments	84,579,141	–	Daily	0 – 1 day
Marketable alternative investments	21,492,643	–	Monthly	17 days
Marketable alternative investments	50,654,015	–	Quarterly	45 – 65 days
Marketable alternative investments	54,722,392	–	Annually	95 days
Marketable alternative investments	8,903,236	–	Biennially	45 days
Marketable alternative investments	190,453	–	Illiquid	N/A
Total marketable alternative investments	135,962,739	–		
Inflation hedging investments	18,241,603	–	Daily	0 – 1 day
Inflation hedging investments	28,475,919	9,715,964	Illiquid	N/A
Total Inflation hedging investments	46,717,522	9,715,964		
Non-marketable alternative investments	71,405,807	43,837,724	Illiquid	N/A
Cash equivalents	41,312,174	–	Daily	0 – 1 day
Cash equivalents	2,819,748	–	Monthly	0 – 30 days
Total cash equivalents	44,131,922	–		
	$ 697,211,118	$53,553,688		

3. Investments (Continued)

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

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

3. Investments (Continued)

Equity Investments

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

Fixed Income Investments

The purpose of the fixed income allocation is to provide a hedge against deflation, to increase current income relative to an all-equity fund, and to reduce overall volatility of the 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 three years.

Inflation Hedging Investments

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

Non-Marketable Alternative Investments

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

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

3. Investments (Continued)

The principal components of investment earnings include:

	2017	2016
Interest and dividend income	$ 5,857,881	$ 2,711,643
Net unrealized and realized gains on investments	72,272,011	35,806,247
Return on investments	$78,129,892	$38,517,890

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, 2017 and 2016, the Foundation's investments measured at fair value on a recurring basis were classified as follows, based on fair values:

	2017			
Description	Level 1	Level 2	Level 3	Total
Domestic equity	$ 72,040,834	$ 1,734,971	$ –	$ 73,775,805
Global equity	33,964,739	774,126	–	34,738,865
Fixed income	83,366,237	1,212,904	–	84,579,141
Inflation hedging – natural resources	–	73,532	–	73,532
Inflation hedging – real estate	125,084	–	–	125,084
Inflation hedging – marketable	18,042,987	–	–	18,042,987
Cash equivalents	38,476,316	5,655,606	–	44,131,922
	$ 246,016,197	$ 9,451,139	$ –	255,467,336
Investments measured at NAV:				
Domestic equity				77,768,954
Global equity				128,130,363
Marketable alternatives				135,962,739
Inflation hedging				28,475,919
Non-marketable alternatives				71,405,807
				441,743,782
Total investments				$ 697,211,118
Investments held in trust	$ 3,590,457	$ –	$ –	$ 3,590,457

3. Investments (Continued)

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

4. Changes in Endowment Net Assets

In the year 2017, the Foundation had the following endowment-related activities:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$3,696,205	$28,911,507	$78,080,785	$ 110,688,497
Investment return:				
Investment income	–	1,005,171	–	1,005,171
Change in value of split interest agreements	–	–	322,081	322,081
Net appreciation (realized and unrealized)	–	14,248,799	–	14,248,799
Investment fees	–	(416,777)	–	(416,777)
Total net investment return	–	14,837,193	322,081	15,159,274
Contributions	–	5,072,895	2,039,369	7,112,264

4. Changes in Endowment Net Assets (Continued)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Transfers between net asset classes and releases from endowment net assets including maturing pooled income funds	$ 286,875	$ 2,936,894	$ (2,406,020)	$ 817,749
Appropriated for expenditure	–	(5,532,069)	–	(5,532,069)
Endowment net assets, end of year	$ 3,983,080	$ 46,226,420	$ 78,036,215	$ 128,245,715

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 3,488,015	$ 34,673,384	$ 69,931,275	$ 108,092,674
Investment return:				
Investment income	–	522,266	–	522,266
Change in value of split interest agreements	–	–	123,931	123,931
Net appreciation (realized and unrealized)	–	6,553,941	–	6,553,941
Investment fees	–	(308,217)	–	(308,217)
Total net investment return	–	6,767,990	123,931	6,891,921
Contributions	–	59,769	977,097	1,036,866
Transfers between net asset classes and releases from endowment net assets including maturing pooled income funds	208,190	(7,385,617)	7,048,482	(128,945)
Appropriated for expenditure	–	(5,204,019)	–	(5,204,019)
Endowment net assets, end of year	$ 3,696,205	$ 28,911,507	$ 78,080,785	$ 110,688,497

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

5. Net Asset Composition by Type of Fund

The major categories of endowment funds at December 31, 2017 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Agency	$ –	$ 2,913,136	$ 3,101,365	$ 6,014,501
Designated	199,987	8,507,560	11,980,428	20,687,975
Donor advised	199,594	2,733,744	6,189,333	9,122,671
Field of interest	894,824	8,183,507	22,177,459	31,255,790
Scholarship	2,620,749	18,389,226	28,427,466	49,437,441
Unrestricted	67,926	5,499,247	4,464,046	10,031,219
Other	–	–	1,696,118	1,696,118
Total endowment net assets	$3,983,080	$46,226,420	$78,036,215	$ 128,245,715

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

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

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, 2017 are as follows:

	Unrestricted	Temporarily Restricted	Total Non-Endowment Net Assets
Agency	$ (2,034,615)	$ (3,979,901)	$ (6,014,516)
Designated	75,087,296	105,000	75,192,296
Donor advised	283,679,662	1,641,420	285,321,082
Field of interest	86,373,392	72,500	86,445,892
Scholarship	58,391,779	–	58,391,779
Unrestricted	35,378,448	412,500	35,790,948
Other	8,107,031	20,878,166	28,985,197
Total non-endowment net assets	$ 544,982,993	$19,129,685	$ 564,112,678

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

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

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

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. At December 31, 2017, there were no deficiencies in individual donor-restricted endowment funds. The aggregate deficiency between the fair value of the investments of the endowment fund at December 31, 2016 and the level required by donor stipulation was $299,061. In addition, the aggregate deficiency between the fair value of the Foundation's charitable gift annuities at December 31, 2017 and 2016 and the level required for contracted payouts totaled $41,218 and $92,486, respectively. These deficiencies resulted from unfavorable market fluctuations as well as continued appropriation for expenditures that were deemed prudent by the Board under the currently adopted spending policy.

Organizational Components

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

	2017		2016	
	Amount	Percent	Amount	Percent
New Hampshire Charitable Foundation, excluding regions	$ 320,411,100	46.3%	$ 286,000,087	46.9%
Regions:				
Piscataqua	82,555,607	11.9	70,717,209	11.6
Upper Valley	49,596,346	7.2	40,592,456	6.6
Manchester	49,571,788	7.2	43,949,689	7.2
Monadnock	46,708,817	6.7	46,630,264	7.6
North Country	44,359,362	6.4	37,239,454	6.1
Lakes	36,514,617	5.3	32,132,133	5.3
Capital	35,361,970	5.1	30,511,770	5.0
Nashua	27,278,786	3.9	22,416,490	3.7
	$ 692,358,393	100.0%	$ 610,189,552	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 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 fund raising. Joint costs totaled $908,191 in 2017 and $822,354 in 2016 and were allocated as follows:

	2017	2016
Program service	$428,319	$372,451
Management and general	217,971	218,418
Fundraising	261,901	231,485
	$908,191	$822,354

7. Affiliated Organization

OCG, LLC is a wholly-owned nonprofit affiliated entity which was formed under the laws in the State of Minnesota for the purpose of managing risk associated with a gift of the outstanding shares of Tillotson Corporation and subsidiaries. On August 8, 2013, the Foundation's Board of Directors accepted a gift of 100% of the outstanding shares of Tillotson Corporation, a multi-national and diverse corporation formerly in the latex and luxury resort businesses, but now undergoing liquidation of its remaining assets and settlements of its remaining liabilities anticipated to be liquidated in the near future. All activity in relation to the operations of Tillotson Corporation has been recorded as discontinued operations within the consolidated 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 2017 and 2016 financial statements of the Foundation. The net assets contributed at the date of donation totaled $11,884,640, based on management's estimates which were supported by independent appraisals and third party valuations. In 2016, Tillotson Corporation sold one of their properties. In response to the sale, management decreased the associated estimated environmental liabilities by $2,137,500 and recorded this as a temporarily restricted contribution. No amounts were recognized in 2017. The gift has been recorded as a temporarily restricted contribution until future contingencies are resolved.

7. Affiliated Organization (Continued)

Condensed aggregate information related to the LLC and Tillotson Corporation follows as of and for the years ended December 31, 2017 and 2016:

	2017	2016
Cash	$ 178,841	$ 179,542
Investments, at fair value	14,690,609	14,047,010
Assets held for sale, at estimated fair value:		
Property, plant and equipment	4,056,236	4,056,236
Prepaid expenses	195,534	264,722
Other receivables	39,994	811,214
Total assets held for sale	4,291,764	5,132,172
Total assets	$19,161,214	$19,358,724
Other liabilities:		
Accounts payable and accrued expenses	$ 483,429	$ 691,569
Estimated litigation settlements	2,013,246	2,017,646
Estimated environmental liabilities	5,445,257	5,570,000
Total liabilities	7,941,932	8,279,215
Net assets (reflected in temporarily restricted net assets)	11,219,282	11,079,509
Total liabilities and net assets	$19,161,214	$19,358,724

The property, plant and equipment held for sale at December 31, 2017 and 2016 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 buildings, land and equipment and believes there is no impairment at December 31, 2017. The litigation liabilities relate to uncertainties relating to potential legal settlements. The environmental liabilities consist of estimated potential remediation liabilities for properties still owned by the Corporation as well as the estimated potential liability for properties no longer owned by the Corporation but for which the Corporation retained potential environmental liability. The Foundation has obtained independent appraisals of the potential liability relating to these contingencies.

On May 3, 2018, the Affiliated Organization closed on the sale of certain real estate which was reported as part of Other Assets at December 31, 2017. The total sales price was $7,050,000. In connection with this sale, management will analyze the associated estimated environmental liabilities. The adjustment to accrued liabilities and the excess of sales price over recorded value will be booked as a temporarily restricted contribution until future contingencies are resolved.

7. Affiliated Organization (Continued)

A summary of the Corporation's operations for 2017 and 2016 is as follows:

	2017	2016
Net sales	$ 123,725	$ 134,242
Cost of sales	(48,648)	(61,467)
Operating expenses	(850,923)	(1,482,953)
Other income and expense	1,718,684	2,063,540
Net gain from discontinued operations	$ 942,838	$ 653,362

NEW HAMPSHIRE CHARITABLE FOUNDATION AND AFFILIATED ORGANIZATION

STATEMENTS OF EXPENSES

December 31, 2017 and 2016

	2017	2016
Compensation	$3,857,177	$3,709,114
Benefits and payroll taxes	1,205,096	1,075,357
Legal and accounting fees	97,434	148,749
Consulting	260,571	268,901
Office expenses (printing, copying, telephone, postage)	100,064	119,426
Technology	392,633	388,257
Occupancy (utilities, rent, maintenance)	182,124	162,848
Travel and conferences	147,443	126,666
Meetings	79,647	103,377
Depreciation	197,562	164,498
Insurance	39,397	32,291
Communications	295,150	255,850
Dues, subscriptions, publications	74,712	76,489
Miscellaneous	14,322	11,710
Total expenses	$6,943,332	$6,643,533