New Hampshire Charitable Foundation and Affiliated Organization

Consolidated Financial Statements

Years Ended December 31, 2019 and 2018
With Independent Auditors' Report

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, 2019 and 2018, 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.

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.

The Board of Directors
New Hampshire Charitable Foundation

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, 2019 and 2018, and the results of their activities and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Manchester, New Hampshire
_______________, 2020

NEW HAMPSHIRE CHARITABLE FOUNDATION AND AFFILIATED ORGANIZATION

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2019 and 2018

ASSETS

	2019	2018
Assets:		
Cash and cash equivalents	$ 46,389,132	$ 55,831,396
Restricted cash	1,110,361	1,087,120
Accrued investment income	333,511	209,398
Grants receivable	678,172	–
Contributions receivable	2,347,891	7,885,968
Notes receivable, less allowance for uncollectible amounts of $56,160 in 2019 and $37,197 in 2018	1,552,630	1,500,954
Other assets	985,089	971,718
Investments, at fair value	752,236,722	655,707,842
Investments held in trust	3,339,943	3,052,972
Receivable from trusts	6,886,803	5,258,544
Property, plant and equipment:		
Land and improvements	338,050	338,050
Building and improvements	2,160,325	1,926,388
Equipment and furniture	1,645,443	1,437,763
	4,143,818	3,702,201
Less accumulated depreciation	2,533,955	2,416,235
Net property, plant and equipment	1,609,863	1,285,966
Total assets	$ 817,470,117	$ 732,791,878

LIABILITIES AND NET ASSETS

	2019	2018
Liabilities:		
Accounts payable and accrued expenses	$ 1,123,741	$ 997,854
Grants payable	8,035,109	7,771,004
Income beneficiaries payable	1,270,352	1,371,618
Unearned contributions	3,187,531	2,444,654
Funds held as agency funds	44,481,050	40,444,531
Other liabilities	4,148,817	4,662,496
Total liabilities	62,246,600	57,692,157
Net assets:		
Without donor restrictions:		
Designated to fund grants, scholarships and initiatives	611,374,960	541,263,055
Designated to fund operations	3,063,180	3,454,874
Designated by the Board for operating and capital reserves	6,067,052	5,271,252
Invested in property, plant and equipment	1,609,863	1,285,966
	622,115,055	551,275,147
With donor restrictions:		
Restricted to the passage of time	7,850,424	8,855,203
Restricted endowment appreciation	39,464,437	36,452,403
Restricted in perpetuity – endowment	85,803,546	79,041,667
Underwater endowments	(9,945)	(524,699)
	133,108,462	123,824,574
Total net assets	755,223,517	675,099,721
Total liabilities and net assets	$ 817,470,117	$ 732,791,878

See accompanying notes.

NEW HAMPSHIRE CHARITABLE FOUNDATION AND AFFILIATED ORGANIZATION

CONSOLIDATED STATEMENTS OF ACTIVITIES

Years Ended December 31, 2019 and 2018

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and investment gains (losses):			
Contributions	$ 44,921,881	$ 1,119,790	$ 46,041,671
Net investment return	73,357,533	14,129,319	87,486,852
Change in value of split interest agreements	(61,990)	2,018,139	1,956,149
Other	809	–	809
Total revenues and investment gains	118,218,233	17,267,248	135,485,481
Net assets released from restrictions:			
Satisfaction of donor restrictions	1,042,225	(1,042,225)	–
Time restriction expired	1,327,100	(1,327,100)	–
Pursuant to spending rate appropriation	6,145,809	(6,145,809)	–
Total net assets released from restrictions	8,515,134	(8,515,134)	–
Total revenues, gains and other support	126,733,367	8,752,114	135,485,481
Expenses:			
Grants, scholarships and program initiatives	47,761,820	–	47,761,820
Administrative expenses:			
Program service expenses	3,760,682	–	3,760,682
Management and general expenses	2,585,036	–	2,585,036
Fundraising expenses	1,785,921	–	1,785,921
Total administrative expenses	8,131,639	–	8,131,639
Total expenses	55,893,459	–	55,893,459
Increase (decrease) in net assets before effects of discontinued operations	70,839,908	8,752,114	79,592,022
Gain (loss) from discontinued operations	–	531,774	531,774
Total increase (decrease) in net assets	70,839,908	9,283,888	80,123,796
Net assets at beginning of year	551,275,147	123,824,574	675,099,721
Net assets at end of year	$ 622,115,055	$ 133,108,462	$ 755,223,517

See accompanying notes.

2018		
Without Donor Restrictions	With Donor Restrictions	Total
$ 55,453,859	$ 8,905,105	$ 64,358,964
(23,581,931)	(4,144,434)	(27,726,365)
9,388	(1,969,524)	(1,960,136)
(3,298)	–	(3,298)
31,878,018	2,791,147	34,669,165
398,989	(398,989)	–
14,001,492	(14,001,492)	–
7,840,707	(7,840,707)	–
22,241,188	(22,241,188)	–
54,119,206	(19,450,041)	34,669,165
44,375,608	–	44,375,608
3,431,942	–	3,431,942
2,361,596	–	2,361,596
1,640,986	–	1,640,986
7,434,524	–	7,434,524
51,810,132	–	51,810,132
2,309,074	(19,450,041)	(17,140,967)
–	(117,705)	(117,705)
2,309,074	(19,567,746)	(17,258,672)
548,966,073	143,392,320	692,358,393
$ 551,275,147	$ 123,824,574	$ 675,099,721

NEW HAMPSHIRE CHARITABLE FOUNDATION AND AFFILIATED ORGANIZATION

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended December 31, 2019 and 2018

	Program Services	Management and General	Fundraising and Development	Total
2019				
Grants, scholarships and program initiatives	$47,761,820	$ –	$ –	$47,761,820
Salaries and wages	2,141,146	1,460,652	1,021,778	4,623,576
Employee benefits	514,062	346,425	245,305	1,105,792
Payroll taxes	149,275	102,965	71,239	323,479
Information technology	197,292	143,103	94,170	434,565
Communications and marketing	118,828	86,191	56,718	261,737
Fees for services	155,686	112,924	74,311	342,921
Depreciation	88,998	65,104	42,843	196,945
Office expenses	86,594	62,809	41,332	190,735
Occupancy	82,607	59,917	39,429	181,953
Travel and conferences	80,241	53,005	38,286	171,532
Meetings	50,467	36,606	24,089	111,162
Professional fees	25,084	18,193	11,973	55,250
Legal fees	28,559	20,715	13,632	62,906
Insurance	16,587	12,031	7,917	36,535
Change in provision for uncollectible notes receivable	19,182	–	–	19,182
Other expenses	6,074	4,396	2,899	13,369
Total expenses	$51,522,502	$2,585,036	$1,785,921	$55,893,459
2018				
Grants, scholarships and program initiatives	$44,375,608	$ –	$ –	$44,375,608
Salaries and wages	1,980,271	1,306,730	943,638	4,230,639
Employee benefits	463,425	334,176	220,916	1,018,517
Payroll taxes	139,404	100,525	66,454	306,383
Information technology	179,179	129,207	85,415	393,801
Communications and marketing	128,349	92,553	61,184	282,086
Fees for services	94,604	68,219	45,098	207,921
Depreciation	99,948	72,073	47,646	219,667
Office expenses	76,677	55,291	36,552	168,520
Occupancy	83,949	60,535	40,019	184,503
Travel and conferences	74,797	53,935	35,656	164,388
Meetings	50,401	36,345	24,026	110,772
Professional fees	48,847	35,222	23,286	107,355
Insurance	17,775	12,818	8,474	39,067
Change in provision for uncollectible notes receivable	(11,184)	–	–	(11,184)
Other expenses	5,500	3,967	2,622	12,089
Total expenses	$47,807,550	$2,361,596	$1,640,986	$51,810,132

See accompanying notes.

NEW HAMPSHIRE CHARITABLE FOUNDATION AND AFFILIATED ORGANIZATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Increase (decrease) in net assets	$ 80,123,796	$(17,258,672)
Adjustments to reconcile increase (decrease) in net assets to net cash used by operating activities:		
Net (gain) loss from discontinued operations	(531,774)	117,705
Depreciation	196,945	219,667
Net unrealized and realized investment (gains) losses	(84,204,541)	31,781,418
Contributions of securities	(13,455,554)	(24,698,597)
Contributions with donor restrictions	(1,119,790)	(8,905,105)
Changes in:		
Investments held in trust	(286,971)	537,485
Accrued investment income	(124,113)	(165,171)
Receivable from trust	(1,628,259)	966,580
Contributions receivable	1,412,382	3,617,671
Grants receivable	(678,172)	302,703
Other assets	(13,371)	4,000,033
Grants payable	264,105	1,134,839
Income beneficiaries payable	(101,266)	(32,568)
Unearned contributions	742,877	(280,101)
Accounts payable, accrued expenses and other liabilities	(387,792)	(3,199,078)
Funds held as agency funds	4,036,519	(3,084,217)
Net cash used by operating activities	(15,754,979)	(14,945,408)
Cash flows from investing activities:		
Proceeds from sale of investments	44,567,259	73,203,682
Purchase of investments	(45,904,270)	(38,900,932)
Principal collected from notes receivable	918,824	127,610
Principal disbursed for notes receivable	(970,500)	(118,750)
Purchase of property, plant and equipment, net	(520,842)	(78,867)
Net cash (used) provided by investing activities	(1,909,529)	34,232,743
Cash flows from financing activities:		
Proceeds from contributions with donor restrictions	8,245,485	8,002,444
Net cash provided by financing activities	8,245,485	8,002,444
Net (decrease) increase in cash and cash equivalents and restricted cash	(9,419,023)	27,289,779
Cash and cash equivalents and restricted cash at beginning of year	56,918,516	29,628,737
Cash and cash equivalents and restricted cash at end of year	$ 47,499,493	$ 56,918,516

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 2,006 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 8 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, 2019. To further secure balances, the Foundation's cash accounts are collateralized by U.S. Treasuries and other securities totaling over $14 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, 2019, investment concentrations of 5% or greater of the investment portfolio (excluding investments held in trust) were as follows:

Adage Capital Partners, L.P.	$69,816,545	9.3%
Vulcan Value Partners	47,515,852	6.3
Breckinridge Gov't Credit	47,671,099	6.3

2. Summary of Significant Accounting Policies (Continued)

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:

	2019	2018
Cash and cash equivalents	$46,389,132	$55,831,396
Restricted cash	1,110,361	1,087,120
	$47,499,493	$56,918,516

The Foundation has been awarded grants from unaffiliated charitable organizations that were paid to the Foundation through 2019 and are to be expended through 2022. 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 $894,789 and $764,501 at December 31, 2019 and 2018, respectively, in regard to these awards. Future cash receipts of these grant awards are anticipated to be $506,244 in 2020 and $171,928 in 2021.

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 based upon fair value.

2. Summary of Significant Accounting Policies (Continued)

The Foundation has commitments to fifty-one 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, 2019, the Foundation had approximately $74 million of uncalled capital commitments through 2026, of which it is estimated approximately $17 million will be called in 2020.

Subsequent to December 31, 2019, the Foundation decided in the first quarter of 2020 to liquidate $17 million from a fixed income manager and commit $4 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 2.6% 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 0.31% for 2019 and 0.33% for 2018.

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 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.

2. Summary of Significant Accounting Policies (Continued)

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 8.2%.

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 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, 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.

2. Summary of Significant Accounting Policies (Continued)

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, 2019 and 2018, 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 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.

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. The agency fund is owned by the Foundation and is held as an asset on its statement of financial position with a corresponding liability, which totals $44,481,050 and $40,444,531 at December 31, 2019 and 2018, respectively.

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.

2. Summary of Significant Accounting Policies (Continued)

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 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.

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

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 Board adopted a spending rate of 5.05% for 2018, 2019 and 2020 of the investment fund's average market value over the prior 20 quarters (4.00% for charitable disbursement and 1.05% for Foundation fees ranging from 0.20% – 2.00%). 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 2020	2019	2018
10% or less	No reduction	4.00%	4.00%	4.00%
Over 10% up to and including 15%	33.3% reduction	2.67	2.67	2.67
Over 15% up to and including 20%	66.7% reduction	1.33	1.33	1.33
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 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.

2. Summary of Significant Accounting Policies (Continued)

Income Taxes

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

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

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

The Corporation also accounts for uncertain income tax positions under ASC 740. ASC 740 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return and also provides guidance on de-recognition, classification, interest and penalties, disclosure and transition. Generally, the Corporation's preceding three years are open for examination by federal and state taxing agencies. In addition to being subject to U.S. and various state taxes, the Corporation is also subject to tax in foreign jurisdictions. The affiliated corporation accounts for uncertain tax positions using a "more-likely-than-not" threshold for recognizing and resolving uncertain tax positions. The evaluation of uncertain tax positions is based on factors that include, but are not limited to, changes in tax law, the measurement of tax positions taken or expected to be taken in tax returns, the effective settlement of matters subject to audit, new audit activity and changes in facts or circumstances related to a tax position. 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 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 $440,743 in 2019 and $409,068 in 2018. 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.

2. Summary of Significant Accounting Policies (Continued)

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 $40,000 and $29,000 in 2019 and 2018, respectively. At December 31, 2019 and 2018, $316,818 and $214,828, 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.

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.

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, 2021, 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 June 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (ASU 2018-08). Due to diversity in practice, ASU 2018-08 clarifies the definition of an exchange transaction as well as the criteria for evaluating whether contributions received or made are unconditional or conditional. ASU 2018-08 is effective for the Foundation as the resource recipient on January 1, 2019 and as the resource provider on January 1, 2020, with early adoption permitted. The Foundation adopted ASU 2018-08 as the resource recipient effective January 1, 2019. Adoption of this standard did not result in a significant change in these consolidated financial statements. The Foundation continues to evaluate the impact of ASU 2018-08 as the resource provider, but does not anticipate a significant impact on the consolidated financial statements.

2. Summary of Significant Accounting Policies (Continued)

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820) – Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement* (ASU 2018-13). The objective of this update is to improve the effectiveness of disclosures in the notes to the financial statements by facilitating clear communication of the information required by U.S. GAAP that is most important to users of each entity's financial statements. The amendments in this update modify the disclosure requirements on fair value measurements in Topic 820, *Fair Value Measurement*. The amendments in this update are effective for the Foundation on January 1, 2020. The adoption of this ASU is not expected to 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 _______________, 2020, which is the date the consolidated financial statements were available to be issued.

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic. As a result, economic uncertainties have arisen which are likely to negatively affect investment returns. Other financial effects could occur, though such potential impact is unknown at this time.

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, 2019), comprise the following:

Cash and cash equivalents	$7,177,262
Investments, at fair value	398,809
Contributions receivable	17,129
	$7,593,200

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 $4,530,020 as of December 31, 2019, 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 $7,044,000 in Foundation fees for operations in 2020.

4. Investments

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

	2019		2018	
	Amount	Percent	Amount	Percent
Equity:				
Domestic	$ 174,586,657	23.2%	$ 140,548,889	21.4%
Global (excluding U.S.)	201,008,083	26.8	162,056,905	24.7
Total equity	375,594,740	50.0	302,605,794	46.1
Fixed income	94,039,831	12.5	66,912,974	10.2
Marketable alternatives	127,925,824	17.0	131,624,797	20.1
Inflation hedging	25,726,897	3.4	40,708,138	6.2
Non-marketable alternatives	94,938,452	12.6	82,828,485	12.6
Cash equivalents	34,010,978	4.5	31,027,654	4.8
	$ 752,236,722	100.0%	$ 655,707,842	100.0%

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

	2019		2018	
	Amount	Percent	Amount	Percent
Equity – domestic	$ 161,100	4.8%	$ 139,651	4.6%
Balanced funds	3,108,834	93.1	2,831,242	92.7
Cash equivalents	70,009	2.1	82,079	2.7
	$3,339,943	100.0%	$3,052,972	100.0%

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, 2019 and 2018:

	Fair value as of December 31, 2019	Unfunded Commit-ments	Redemption Frequency	Redemption Notice Period
Equity investments	$ 120,135,256	$ –	Daily	0 – 6 days
Equity investments	149,045,187	–	Monthly	10– 60 days
Equity investments	106,414,297	–	Quarterly	30 – 60 days
Total equity investments	375,594,740	–		
Fixed income investments	94,039,831	–	Daily	0 – 1 day
Marketable alternative investments	28,013,580	–	Monthly	17 – 180 days
Marketable alternative investments	86,802,286	–	Quarterly	60 – 75 days
Marketable alternative investments	11,731,723	–	Biennially	45 days
Marketable alternative investments	1,378,235	–	Illiquid	N/A
Total marketable alternative investments	127,925,824	–		
Inflation hedging investments	1,282,815	–	Daily	0 – 1 day
Inflation hedging investments	24,444,082	4,360,131	Illiquid	N/A
Total inflation hedging investments	25,726,897	4,360,131		
Non-marketable alternative investments	94,938,452	69,786,737	Illiquid	N/A
Cash equivalents	31,572,073	–	Daily	0 – 1 day
Cash equivalents	2,438,905	–	Monthly	30 days
Total cash equivalents	34,010,978	–		
	$ 752,236,722	$74,146,868		

4. Investments (Continued)

	Fair value as of December 31, 2018	Unfunded Commit-ments	Redemption Frequency	Redemption Notice Period
Equity investments	$ 110,035,818	$ –	Daily	0 – 6 days
Equity investments	91,898,718	–	Monthly	10– 60 days
Equity investments	85,818,482	–	Quarterly	30 – 90 days
Equity investments	14,852,776	–	Annually	60 days
Total equity investments	302,605,794	–		
Fixed income investments	66,912,974	–	Daily	0 – 1 day
Marketable alternative investments	22,608,988	–	Monthly	17 days
Marketable alternative investments	57,931,829	–	Quarterly	45 – 65 days
Marketable alternative investments	39,075,663	–	Annually	95 days
Marketable alternative investments	11,900,690	–	Biennially	45 days
Marketable alternative investments	107,627	–	Illiquid	N/A
Total marketable alternative investments	131,624,797	–		
Inflation hedging investments	12,797,234	–	Daily	0 – 1 day
Inflation hedging investments	27,910,904	5,587,581	Illiquid	N/A
Total inflation hedging investments	40,708,138	5,587,581		
Non-marketable alternative investments	82,828,485	49,195,955	Illiquid	N/A
Cash equivalents	29,527,863	–	Daily	0 – 1 day
Cash equivalents	1,499,791	–	Monthly	30 days
Total cash equivalents	31,027,654	–		
	$ 655,707,842	$54,783,536		

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.

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.

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, 2019 and 2018, the Foundation's investments measured at fair value on a recurring basis were classified as follows, based on fair values:

	2019				
Description	Investments Measured at NAV [(1)]	Level 1	Level 2	Level 3	Total
Domestic equity	$ 92,690,099	$ 81,325,858	$ 570,700	$ –	$ 174,586,657
Global equity	168,476,692	32,531,391	–	–	201,008,083
Fixed income	–	42,126,604	51,913,227	–	94,039,831
Marketable alternatives	127,925,824	–	–		127,925,824
Inflation hedging – natural resources	20,549,000	–	–	–	20,549,000
Inflation hedging – real estate	3,555,082	186,605	340,000	–	4,081,687
Inflation hedging – marketable	–	1,096,210	–	–	1,096,210
Non-marketable alternatives	94,938,452	–	–	–	94,938,452
Cash equivalents	–	22,642,272	11,368,706	–	34,010,978
Total investments	$ 508,135,149	$ 179,908,940	$64,192,633	$ –	$ 752,236,722
Investments held in trust	$ 3,269,934	$ 70,009	$ –	$	$ 3,339,943

4. Investments (Continued)

	2018				
Description	Investments Measured at NAV [1]	Level 1	Level 2	Level 3	Total
Domestic equity	$ 88,881,528	$ 51,096,661	$ 570,700	$ –	$ 140,548,889
Global equity	145,409,341	16,647,564	–	–	162,056,905
Fixed income	–	37,401,158	29,511,816	–	66,912,974
Marketable alternatives	131,624,797	–	–		131,624,797
Inflation hedging – natural resources	23,708,450	–	–	–	23,708,450
Inflation hedging – real estate	4,202,454	86,882	–	–	4,289,336
Inflation hedging – marketable	–	12,710,352	–	–	12,710,352
Non-marketable alternatives	82,828,485	–	–	–	82,828,485
Cash equivalents	–	16,961,306	14,066,348	–	31,027,654
Total investments	$ 476,655,055	$ 134,903,923	$44,148,864	$ –	$ 655,707,842
Investments held in trust	$ –	$ 3,052,972	$ –	$	$ 3,052,972

[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:

	Without Donor Restrictions	With Donor Restrictions	Total
2019			
Original donor restricted gift amount and amounts required to be maintained in perpetuity by donor	$4,349,921	$ 85,803,546	$ 90,153,467
Accumulated investment gains	–	39,454,492	39,454,492
Total endowment net assets	$4,349,921	$ 125,258,038	$ 129,607,959

5. Changes in Endowment Net Assets (Continued)

	Without Donor Restrictions	With Donor Restrictions	Total
2018			
Original donor restricted gift amount and amounts required to be maintained in perpetuity by donor	$3,999,702	$ 79,041,667	$ 83,041,369
Accumulated investment gains	–	35,927,704	35,927,704
Total endowment net assets	$3,999,702	$ 114,969,371	$ 118,969,073

In the year 2019, the Foundation had the following endowment-related activities:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$3,999,702	$ 114,969,371	$ 118,969,073
Investment return:			
Investment income	–	698,315	698,315
Change in value of split interest agreements	–	349,708	349,708
Net appreciation (realized and unrealized)	–	14,188,976	14,188,976
Investment fees	–	(420,040)	(420,040)
Total net investment return	–	14,816,959	14,816,959
Contributions	–	749,805	749,805
Transfers between net asset classes and releases from endowment net assets including maturing pooled income funds	350,219	438,129	788,348
Appropriated for expenditure	–	(5,716,226)	(5,716,226)
Endowment net assets, end of year	$4,349,921	$ 125,258,038	$ 129,607,959

5. Changes in Endowment Net Assets (Continued)

In the year 2018, the Foundation had the following endowment-related activities:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$3,983,080	$ 124,262,635	$ 128,245,715
Investment return:			
Investment income	–	1,065,716	1,065,716
Change in value of split interest agreements	–	30,731	30,731
Net depreciation (realized and unrealized)	–	(4,815,035)	(4,815,035)
Investment fees	–	(413,453)	(413,453)
Total net investment return	–	(4,132,041)	(4,132,041)
Contributions	–	565,111	565,111
Transfers between net asset classes and releases from endowment net assets including maturing pooled income funds	16,622	409,610	426,232
Appropriated for expenditure	–	(6,135,944)	(6,135,944)
Endowment net assets, end of year	$3,999,702	$ 114,969,371	$ 118,969,073

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, 2019 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Agency	$ –	$ 5,980,606	$ 5,980,606
Designated	181,680	20,592,066	20,773,746
Donor advised	176,124	9,316,494	9,492,618
Field of interest	1,149,944	31,252,428	32,402,372
Scholarship	2,760,137	46,564,344	49,324,481
Unrestricted	82,036	9,807,189	9,889,225
Other	–	1,744,911	1,744,911
Total endowment net assets	$4,349,921	$ 125,258,038	$ 129,607,959

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

The major categories of endowment funds at December 31, 2018 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Agency	$ –	$ 5,538,281	$ 5,538,281
Designated	161,306	19,372,928	19,534,234
Donor advised	162,585	8,289,607	8,452,192
Field of interest	821,522	28,089,419	28,910,941
Scholarship	2,709,394	43,078,026	45,787,420
Unrestricted	144,895	9,152,058	9,296,953
Other	–	1,449,052	1,449,052
Total endowment net assets	$3,999,702	$ 114,969,371	$ 118,969,073

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. The aggregate deficiency between the fair value of the investments of the endowment fund at December 31, 2019 and 2018 and the level required by donor stipulation was $9,945 and $524,699, respectively. The aggregate fair value of funds with deficiencies was $675,232 and $16,700,204 and the amount of the original endowment donations required to be maintained was $685,177 and $17,224,903 at December 31, 2019 and 2018, respectively. In addition, the aggregate deficiency between the fair value of the Foundation's charitable gift annuities at December 31, 2019 and 2018 and the level required for contracted payouts totaled $14,985 and $33,273, 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, 2019 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Non-Endowment Net Assets
Agency	$ (1,492,885)	$ (4,487,721)	$ (5,980,606)
Designated	79,080,254	–	79,080,254
Donor advised	331,900,962	–	331,900,962
Field of interest	95,036,955	–	95,036,955
Scholarship	65,131,763	–	65,131,763
Unrestricted	36,946,865	740,000	37,686,865
Other	11,161,220	11,598,145	22,759,365
Total non-endowment net assets	$ 617,765,134	$ 7,850,424	$ 625,615,558

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

The major categories of non-endowment funds at December 31, 2018 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Non-Endowment Net Assets
Agency	$ (1,774,164)	$ (3,764,132)	$ (5,538,296)
Designated	69,461,530	100,000	69,561,530
Donor advised	303,232,462	–	303,232,462
Field of interest	84,677,516	541,159	85,218,675
Scholarship	54,550,950	1,232,000	55,782,950
Unrestricted	26,683,824	–	26,683,824
Other	10,443,327	10,746,176	21,189,503
Total non-endowment net assets	$ 547,275,445	$ 8,855,203	$ 556,130,648

Organizational Components

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

	2019		2018	
	Amount	Percent	Amount	Percent
New Hampshire Charitable Foundation, excluding regions	$ 322,932,077	42.8%	$ 295,071,723	43.7%
Regions:				
Piscataqua	112,170,314	14.8	99,507,296	14.8
Upper Valley	57,630,335	7.6	50,929,694	7.5
Manchester	52,599,357	7.0	46,941,862	7.0
North Country	52,162,239	6.9	43,515,364	6.5
Monadnock	48,030,962	6.4	43,447,346	6.4
Capital	42,174,427	5.6	35,833,116	5.3
Lakes	38,688,369	5.1	33,971,614	5.0
Nashua	28,835,437	3.8	25,881,706	3.8
	$ 755,223,517	100.0%	$ 675,099,721	100.0%

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:

	2019	2018
Program service	$448,328	$451,975
Management and general	232,653	226,115
Fundraising	237,286	249,314
	$918,267	$927,404

8. Affiliated Organization

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 2019 and 2018 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 2018, Tillotson Corporation sold one of their properties. In response to the sale, management recorded the resulting gain of $2,482,927 as a contribution with donor restrictions. Additionally, management decreased the estimated environmental liabilities by $325,000 and $2,685,000 in 2019 and 2018, respectively, 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 2019 and 2018, $3,010,707 and $12,500,000, respectively, was released from net assets with donor restrictions to net assets without donor restrictions as management believes certain contingencies have been resolved.

8. Affiliated Organization (Continued)

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

	2019	2018
Cash	$ 198,971	$ 197,224
Investments, at fair value	5,305,371	7,907,549
Assets held for sale, at estimated fair value:		
Property, plant and equipment	156,236	156,236
Prepaid expenses	63,063	77,512
Other receivables	29,142	87,123
Total assets held for sale	248,441	320,871
Total assets	$5,752,783	$8,425,644
Other liabilities:		
Accounts payable and accrued expenses	$ 235,217	$ 403,719
Estimated litigation settlements	2,000,000	2,000,000
Estimated environmental liabilities	1,913,648	2,258,777
Total liabilities	4,148,865	4,662,496
Net assets (reflected in net assets with donor restrictions)	1,603,918	3,763,148
Total liabilities and net assets	$5,752,783	$8,425,644

The property, plant and equipment held for sale at December 31, 2019 and 2018 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, 2019. 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:

	2019	2018
Net sales	$ 85,043	$ 123,651
Cost of sales	(65,176)	(55,065)
Operating expenses	(699,667)	(868,650)
Other income and expense	1,211,574	682,359
Net gain (loss) from discontinued operations	$ 531,774	$(117,705)