

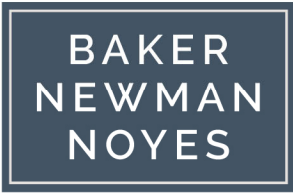
# **New Hampshire Charitable Foundation and Affiliated Organizations**

Consolidated Financial Statements

*For the Years Ended December 31, 2023 and 2022  
With Independent Auditors' Report*

Baker Newman & Noyes LLC  
MAINE | MASSACHUSETTS | NEW HAMPSHIRE  
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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
New Hampshire Charitable Foundation

### *Opinion*

We have audited the consolidated financial statements of New Hampshire Charitable Foundation and Affiliated Organizations (the Foundation), which comprise the consolidated statements of financial position as of December 31, 2023 and 2022, the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of December 31, 2023 and 2022, and the results of their operations, their functional expenses and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinion*

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

### *Responsibilities of Management for the Financial Statements*

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

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

***Auditors' Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with GAAS, we:

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

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

*Baker Newman & Noyes LLC*

Manchester, New Hampshire  
July 23, 2024

**NEW HAMPSHIRE CHARITABLE FOUNDATION AND AFFILIATED ORGANIZATIONS**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

December 31, 2023 and 2022

	<u>ASSETS</u>	
	<u>2023</u>	<u>2022</u>
Assets:		
Cash and cash equivalents	\$ 36,889,782	\$ 47,146,143
Restricted cash	1,471,254	452,879
Accrued investment income	487,978	455,996
Grants receivable	663,000	117,214
Contributions receivable	5,747,092	1,416,436
Notes receivable, less allowance for credit losses of \$123,247 in 2023 and \$119,494 in 2022	2,046,710	1,847,469
Other assets	10,023,173	10,100,545
Investments, at fair value	961,746,252	858,715,806
Investments held in trust	2,273,707	2,216,248
Receivable from trusts	8,645,497	7,897,342
Property, plant and equipment:		
Land and improvements	415,840	415,840
Building and improvements	2,463,844	2,401,462
Equipment and furniture	<u>1,746,011</u>	<u>1,735,582</u>
	4,625,695	4,552,884
Less accumulated depreciation	<u>(3,279,659)</u>	<u>(3,138,431)</u>
Net property, plant and equipment	1,346,036	1,414,453
	_____	_____
Total assets	<u>\$ 1,031,340,481</u>	<u>\$ 931,780,531</u>

LIABILITIES AND NET ASSETS

	<u>2023</u>	<u>2022</u>
Liabilities:		
Accounts payable and accrued expenses	\$ 1,447,146	\$ 1,348,149
Grants payable	8,456,898	9,427,844
Income beneficiaries payable	1,536,433	1,593,752
Unearned contributions	2,917,289	2,629,908
Funds held as agency funds	51,436,764	47,829,966
Other liabilities	<u>8,680,418</u>	<u>9,780,726</u>
Total liabilities	74,474,948	72,610,345
Net assets:		
Without donor restrictions:		
Designated to fund grants, scholarships and initiatives	774,243,594	694,657,178
Designated to fund operations	4,390,848	4,610,187
Designated by the Board for operating and capital reserves	7,691,520	6,253,022
Invested in property, plant and equipment	<u>1,346,036</u>	<u>1,414,453</u>
	787,671,998	706,934,840
With donor restrictions:		
Restricted to the passage of time	7,042,420	5,898,836
Restricted endowment appreciation	52,187,293	40,837,433
Restricted in perpetuity – endowment	110,173,709	108,007,890
Underwater endowments	<u>(209,887)</u>	<u>(2,508,813)</u>
	<u>169,193,535</u>	<u>152,235,346</u>
Total net assets	<u>956,865,533</u>	<u>859,170,186</u>
Total liabilities and net assets	<u>\$ 1,031,340,481</u>	<u>\$ 931,780,531</u>

See accompanying notes.

**NEW HAMPSHIRE CHARITABLE FOUNDATION AND AFFILIATED ORGANIZATIONS**

**CONSOLIDATED STATEMENTS OF ACTIVITIES**

Years Ended December 31, 2023 and 2022

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and investment gains (losses):			
Contributions	\$ 59,802,396	\$ 8,516,137	\$ 68,318,533
Net investment return	85,974,182	18,069,992	104,044,174
Change in value of split interest agreements	(113,404)	830,363	716,959
Other	<u>25,393</u>	<u>—</u>	<u>25,393</u>
Total revenues and investment gains (losses)	145,688,567	27,416,492	173,105,059
Net assets released from restrictions:			
Satisfaction of donor restrictions	362,924	(362,924)	—
Time restriction expired	3,060,825	(3,060,825)	—
Pursuant to spending rate appropriation	<u>6,685,668</u>	<u>(6,685,668)</u>	<u>—</u>
Total net assets released from restrictions	<u>10,109,417</u>	<u>(10,109,417)</u>	<u>—</u>
Total revenues, gains (losses) and other support	155,797,984	17,307,075	173,105,059
Expenses:			
Grants, scholarships and program initiatives	65,493,484	—	65,493,484
Administrative expenses:			
Program service expenses	4,589,208	—	4,589,208
Management and general expenses	3,214,677	—	3,214,677
Fundraising expenses	<u>1,763,457</u>	<u>—</u>	<u>1,763,457</u>
Total administrative expenses	<u>9,567,342</u>	<u>—</u>	<u>9,567,342</u>
Total expenses	<u>75,060,826</u>	<u>—</u>	<u>75,060,826</u>
Increase (decrease) in net assets before effects of discontinued operations	80,737,158	17,307,075	98,044,233
Loss from discontinued operations	<u>—</u>	<u>(348,886)</u>	<u>(348,886)</u>
Total increase (decrease) in net assets	80,737,158	16,958,189	97,695,347
Net assets at beginning of year	<u>706,934,840</u>	<u>152,235,346</u>	<u>859,170,186</u>
Net assets at end of year	<u>\$ 787,671,998</u>	<u>\$ 169,193,535</u>	<u>\$ 956,865,533</u>

See accompanying notes.

<u>2022</u>		
<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
\$ 41,367,428	\$ 8,077,839	\$ 49,445,267
(114,632,952)	(22,871,610)	(137,504,562)
100,208	(980,717)	(880,509)
<u>69,821</u>	<u>—</u>	<u>69,821</u>
(73,095,495)	(15,774,488)	(88,869,983)
589,208	(589,208)	—
2,431,990	(2,431,990)	—
<u>7,430,066</u>	<u>(7,430,066)</u>	<u>—</u>
<u>10,451,264</u>	<u>(10,451,264)</u>	<u>—</u>
(62,644,231)	(26,225,752)	(88,869,983)
60,757,379	—	60,757,379
4,183,396	—	4,183,396
2,885,614	—	2,885,614
<u>1,868,552</u>	<u>—</u>	<u>1,868,552</u>
<u>8,937,562</u>	<u>—</u>	<u>8,937,562</u>
<u>69,694,941</u>	<u>—</u>	<u>69,694,941</u>
(132,339,172)	(26,225,752)	(158,564,924)
<u>—</u>	<u>(994,450)</u>	<u>(994,450)</u>
(132,339,172)	(27,220,202)	(159,559,374)
<u>839,274,012</u>	<u>179,455,548</u>	<u>1,018,729,560</u>
<u>\$ 706,934,840</u>	<u>\$ 152,235,346</u>	<u>\$ 859,170,186</u>

**NEW HAMPSHIRE CHARITABLE FOUNDATION AND AFFILIATED ORGANIZATIONS**

**CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES**

Years Ended December 31, 2023 and 2022

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising and Development</u>	<u>Total</u>
<u>2023</u>				
Grants, scholarships and program initiatives	\$65,493,484	\$ –	\$ –	\$65,493,484
Salaries and wages	2,617,911	1,825,375	1,008,653	5,451,939
Employee benefits	601,048	417,245	231,551	1,249,844
Payroll taxes	184,541	129,743	71,117	385,401
Information technology	334,544	241,118	129,012	704,674
Communications and marketing	135,079	97,356	52,091	284,526
Fees for services	256,738	185,040	99,007	540,785
Depreciation	89,967	64,844	34,694	189,505
Office expenses	61,903	44,614	23,872	130,389
Occupancy	93,571	67,440	36,084	197,095
Travel and conferences	75,556	51,668	29,096	156,320
Meetings	40,808	29,412	15,737	85,957
Professional fees	30,147	21,727	11,626	63,500
Legal fees	21,167	15,256	8,163	44,586
Insurance	26,352	18,994	10,162	55,508
Change in provision for credit losses	13,154	–	–	13,154
Other expenses	<u>6,722</u>	<u>4,845</u>	<u>2,592</u>	<u>14,159</u>
Total expenses	<u>\$70,082,692</u>	<u>\$3,214,677</u>	<u>\$1,763,457</u>	<u>\$75,060,826</u>
<u>2022</u>				
Grants, scholarships and program initiatives	\$60,757,379	\$ –	\$ –	\$60,757,379
Salaries and wages	2,431,577	1,665,422	1,090,309	5,187,308
Employee benefits	597,526	406,181	267,923	1,271,630
Payroll taxes	170,541	118,060	76,478	365,079
Information technology	216,404	155,942	97,077	469,423
Communications and marketing	143,005	103,052	64,151	310,208
Fees for services	213,241	153,663	95,658	462,562
Depreciation	98,353	70,873	44,120	213,346
Office expenses	76,549	55,161	34,339	166,049
Occupancy	88,530	63,796	39,714	192,040
Travel and conferences	39,754	27,672	17,827	85,253
Meetings	11,708	8,437	5,252	25,397
Professional fees	28,845	20,786	12,939	62,570
Legal fees	18,018	12,984	8,083	39,085
Insurance	24,809	17,877	11,129	53,815
Change in provision for credit losses	16,616	–	–	16,616
Other expenses	<u>7,920</u>	<u>5,708</u>	<u>3,553</u>	<u>17,181</u>
Total expenses	<u>\$64,940,775</u>	<u>\$2,885,614</u>	<u>\$1,868,552</u>	<u>\$69,694,941</u>

See accompanying notes.



**NEW HAMPSHIRE CHARITABLE FOUNDATION AND AFFILIATED ORGANIZATIONS**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 97,695,347	\$ (159,559,374)
Adjustments to reconcile increase (decrease) in net assets to net cash used by operating activities:		
Net loss from discontinued operations	348,886	994,450
Depreciation	189,505	213,346
Net unrealized and realized investment (gains) losses	(96,654,006)	141,358,511
Contributions of securities	(17,901,610)	(13,196,949)
Contributions with donor restrictions	(8,516,137)	(8,077,839)
Changes in:		
Investments held in trust	(57,459)	550,122
Accrued investment income	(31,982)	(138,158)
Receivable from trust	(748,155)	731,483
Contributions receivable	960,137	2,384,267
Grants receivable	(545,786)	131,928
Other assets	532,643	(8,944,904)
Grants payable	(970,946)	(998,082)
Income beneficiaries payable	(57,319)	275,511
Unearned contributions	287,381	241,250
Accounts payable, accrued expenses and other liabilities	(347,146)	6,191,318
Funds held as agency funds	<u>3,606,798</u>	<u>(9,295,959)</u>
Net cash used by operating activities	(22,209,849)	(47,139,079)
Cash flows from investing activities:		
Proceeds from sale of investments	62,267,174	93,849,023
Purchase of investments	(50,969,142)	(49,577,319)
Principal collected from notes receivable	75,759	92,560
Principal disbursed for notes receivable	(275,000)	(10,000)
Purchase of property, plant and equipment, net	<u>(121,088)</u>	<u>(110,901)</u>
Net cash provided by investing activities	10,977,703	44,243,363
Cash flows from financing activities:		
Proceeds from contributions with donor restrictions	<u>1,994,160</u>	<u>6,308,884</u>
Net cash provided by financing activities	<u>1,994,160</u>	<u>6,308,884</u>
Net (decrease) increase in cash and cash equivalents and restricted cash	(9,237,986)	3,413,168
Cash and cash equivalents and restricted cash at beginning of year	<u>47,599,022</u>	<u>44,185,854</u>
Cash and cash equivalents and restricted cash at end of year	\$ <u>38,361,036</u>	\$ <u>47,599,022</u>

See accompanying notes.

# NEW HAMPSHIRE CHARITABLE FOUNDATION AND AFFILIATED ORGANIZATIONS

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022

### 1. Organization

The New Hampshire Charitable Foundation (the Foundation) is a nonprofit community foundation that provides grant and loan assistance to nonprofit organizations primarily in New Hampshire and to students who are residents of the State of New Hampshire. The Foundation is comprised of 2,211 individual funds, primarily including unrestricted (Flexible Funds), field of interest, designated, agency, scholarship, donor advised, annuities, trusts and pooled income funds. Resources for various purposes are classified into funds established according to their nature and purpose.

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

On February 24, 2021, the State of New Hampshire Probate Court approved a *Cy Pres* petition submitted by the Frisbie Memorial Hospital Wind Down Company (the Petitioner) to establish a Type 1 Supporting Organization (the Supporting Organization) at the Foundation. See note 9 for more information.

### 2. Summary of Significant Accounting Policies

#### Principles of Consolidation

The consolidated financial statements of the Foundation include the accounts of the Foundation, its wholly-owned LLC, which consolidates its 100% owned corporate subsidiary, and the Supporting Organization. Operating results for the Corporation (which are accounted for as discontinued operations) have been consolidated from the date of acceptance of the corporate stock. Operating results for the Supporting Organization have been consolidated from the date of acceptance of the outstanding shares. 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 six institutions, which at times may exceed federal depository insurance limits. During 2023 and 2022, the Foundation participated in a collateralized sweep program with Citizens Bank, which invests certain amounts in a variety of financial institutions up to the Federal Deposit Insurance Corporation (FDIC) insured limit. This program covers the Foundation's checking and short-term investment accounts. 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, 2023. The Foundation's notes and contributions receivable are presented net of estimated uncollectible amounts.

# NEW HAMPSHIRE CHARITABLE FOUNDATION AND AFFILIATED ORGANIZATIONS

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022

### 2. Summary of Significant Accounting Policies (Continued)

The Foundation's investment portfolio consists of diversified investments, which are subject to market risk, but are not subject to concentrations in any sector. At December 31, 2023, investment concentrations of 5% or greater of the investment portfolio (excluding investments held in trust) were as follows:

Adage Capital Partners, L.P.	\$93,192,246	9.7%
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#### Cash and Cash Equivalents and Restricted Cash

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

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

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$36,889,782	\$47,146,143
Restricted cash	<u>1,471,254</u>	<u>452,879</u>
	<u>\$38,361,036</u>	<u>\$47,599,022</u>

The Foundation has been awarded grants from unaffiliated charitable organizations that were paid to the Foundation through 2023 and are to be expended through 2026. 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 \$672,101 and \$368,119 at December 31, 2023 and 2022, respectively, in regard to these awards. Future cash receipts of these grant awards are anticipated to be \$663,000 in 2024.

#### 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, private credit, 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, liquidity, and overall market volatility, which may substantially impact the value of such investments at any given time.

# NEW HAMPSHIRE CHARITABLE FOUNDATION AND AFFILIATED ORGANIZATIONS

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022

### 2. Summary of Significant Accounting Policies (Continued)

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

Investment income is allocated to the various funds based upon fair value.

The Foundation has commitments to sixty-eight 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, 2023, the Foundation had approximately \$84.2 million of uncalled capital commitments through 2038, of which it is estimated approximately \$26.7 million will be called in 2024. In addition, in 2023 the Foundation committed to liquidating two marketable alternative managers totaling approximately \$14.1 million.

Subsequent to December 31, 2023, the Foundation decided in the first quarter of 2024 to commit \$3 million to a venture capital manager, \$7.6 million to a private credit manager, \$3 million to a US equity manager, and \$2 million to a global 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 1.0% to 7.4%.

#### Notes Receivable

Effective January 1, 2023, the Foundation adopted ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which replaced the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (CECL) methodology. The adoption of this standard did not have a significant impact on the consolidated financial statements.

The Foundation provides low-interest rate loans to students and to certain nonprofit organizations, currently ranging from 0% to 5%. Interest on student loans is recognized for financial statement purposes when amounts are received which does not significantly differ from the accrual basis. In accordance with Accounting Standards Codification (ASC) Topic 326, *Financial Instruments – Credit Losses*, the Foundation makes ongoing estimates relating to the collectability of notes receivable and records an allowance for estimated losses expected from the inability of the borrowers to make required payments. The Foundation establishes expected credit losses by evaluating historical levels of credit losses, and current economic conditions that may affect a borrowers' ability to pay. The student loan default rate was 0.19% for both 2023 and 2022.

# NEW HAMPSHIRE CHARITABLE FOUNDATION AND AFFILIATED ORGANIZATIONS

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022

### 2. Summary of Significant Accounting Policies (Continued)

#### Property, Plant and Equipment

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

#### Contributions, Unearned Contributions, and Income Beneficiaries Payable

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

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

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

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

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

#### Grants, Scholarships, and Program Initiative Expenses

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

# NEW HAMPSHIRE CHARITABLE FOUNDATION AND AFFILIATED ORGANIZATIONS

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022

### 2. Summary of Significant Accounting Policies (Continued)

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, which totals \$51,436,764 and \$47,829,966 at December 31, 2023 and 2022, respectively.

#### Classification of Net Assets

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

Net Assets With Donor Restrictions include contributions and endowment investment earnings subject to donor-imposed restrictions, as well as irrevocable trusts and contributions receivable. Some donor-imposed restrictions are temporary in nature that are expected to be met either by actions of the Foundation and/or the passage of time. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. As of December 31, 2023 and 2022, the Foundation's net assets with donor restrictions are restricted for funding various community needs as specified by the donors, as well as the endowment corpus and unspent endowment investment earnings.

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

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

# NEW HAMPSHIRE CHARITABLE FOUNDATION AND AFFILIATED ORGANIZATIONS

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022

### 2. Summary of Significant Accounting Policies (Continued)

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.

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

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

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

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

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

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

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

# NEW HAMPSHIRE CHARITABLE FOUNDATION AND AFFILIATED ORGANIZATIONS

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022

### 2. Summary of Significant Accounting Policies (Continued)

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

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

#### Spending Policy for Appropriation of Assets for Expenditure

The spending policy calculates the amount of money distributed annually from the Foundation's various funds for grant making and administration. The Board adopted a spending rate for 2024 of 6.05% of the investment fund's average market value over the prior 20 quarters (5.0% for charitable disbursement and 1.05% for Foundation fees ranging from 0.2% – 2.0%) for all fund types except agency, designated and scholarship, which will remain at 5.05% (4.0% for charitable disbursement and 1.05% for Foundation fees ranging from 0.2% – 2.0%). The Greater Rochester Community Health Foundation Board adopted a spending rate for 2024 of 2.5% of the average investment market value over the prior 12 months including the amount of the Foundation's administrative fee.

The adopted spending rate for 2023 was 6.05% of the investment fund's average market value over the prior 20 quarters (5.0% for charitable disbursement and 1.05% for Foundation fees ranging from 0.2% – 2.0%) for all fund types except agency and designated, which was 5.05% (4.0% for charitable disbursement and 1.05% for Foundation fees ranging from 0.2% – 2.0%), and scholarship funds which remained at the spending rate of 5.05% (4.0% for charitable disbursement and 1.05% for Foundation fees ranging from 0.2% – 2.0%). The Greater Rochester Community Health Foundation Board adopted spending rate for 2023 was 2.33% of the average investment market value over the prior 12 months.



# NEW HAMPSHIRE CHARITABLE FOUNDATION AND AFFILIATED ORGANIZATIONS

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022

### 2. Summary of Significant Accounting Policies (Continued)

The adopted spending rate for 2022 was 6.05% of the investment fund's average market value over the prior 20 quarters (5.0% for charitable disbursement and 1.05% for Foundation fees ranging from 0.2% – 2.0%) for all fund types except agency and designated, which was 5.55% (4.5% for charitable disbursement and 1.05% for Foundation fees ranging from 0.2% – 2.0%), and scholarship funds which remained at the spending rate of 5.05% (4.0% for charitable disbursement and 1.05% for Foundation fees ranging from 0.2% – 2.0%).

The Foundation 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								
		2024	2024	2024	2023	2023	2023	2022	2022	2022
		All Other Funds	Agency, Designated, Scholarship and Endowment Funds	The Greater Rochester Community Health Foundation	All Other Funds	Agency Designated Scholarship and Endowment Funds	The Greater Rochester Community Health Foundation	All Other Funds	Agency & Designated Funds	Scholarship Funds
10% or less	No reduction	5.00%	4.00%	2.50%	5.00%	4.00%	2.33%	5.00%	4.50%	4.00%
Over 10% up to and including 15%	33.3% reduction	3.33	2.67	1.67	3.33	2.67	1.55	3.33	3.00	2.67
Over 15% up to and including 20%	66.7% reduction	1.67	1.33	0.83	1.67	1.33	0.78	1.67	1.50	1.33
Over 20%	100% reduction	0.00	0.00	0.00	0.00	0.00	0.00	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.

# NEW HAMPSHIRE CHARITABLE FOUNDATION AND AFFILIATED ORGANIZATIONS

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022

### 2. Summary of Significant Accounting Policies (Continued)

#### Net Investment Return

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

#### Income Taxes

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

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

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

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

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

#### Retirement Plans and Deferred Compensation Agreements

The Foundation has a defined contribution 403(b) thrift plan covering substantially all of its employees. Under this plan, the Foundation annually contributes 10% of each eligible employee's annual salary. The total cost of the plan charged to operations amounted to \$526,102 in 2023 and \$515,909 in 2022. 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.

# NEW HAMPSHIRE CHARITABLE FOUNDATION AND AFFILIATED ORGANIZATIONS

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022

### 2. Summary of Significant Accounting Policies (Continued)

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 \$50,500 and \$50,667 in 2023 and 2022, respectively. At December 31, 2023 and 2022, \$608,454 and \$512,399, 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 consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires the Foundation’s management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

#### 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 July 23, 2024, which is the date the consolidated financial statements were available to be issued.

### 3. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statements of financial position date (December 31, 2023), comprise the following:

Cash and cash equivalents and investments, at fair value	\$10,423,536
Contributions receivable	<u>27,599</u>
	<u>\$10,451,135</u>

**NEW HAMPSHIRE CHARITABLE FOUNDATION AND AFFILIATED ORGANIZATIONS**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022

**3. Liquidity and Availability (Continued)**

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 \$6,060,287 as of December 31, 2023, which is included in the cash and cash equivalents and investments noted above.

Additionally, under the spending policy described in note 2 that was approved by the Board, the Foundation will receive approximately \$8,612,000 in Foundation fees for operations in 2024.

**4. Investments**

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

	<u>2023</u>		<u>2022</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Equity:				
Domestic	\$ 266,960,222	27.8%	\$ 220,565,875	25.7%
Global (excluding U.S.)	<u>228,232,982</u>	<u>23.7</u>	<u>175,170,835</u>	<u>20.4</u>
Total equity	495,193,204	51.5	395,736,710	46.1
Fixed income	137,856,527	14.3	118,295,290	13.8
Marketable alternatives	113,273,878	11.8	119,089,647	13.9
Inflation hedging	23,321,500	2.4	26,399,173	3.0
Non-marketable alternatives	162,259,734	16.9	153,402,365	17.9
Cash equivalents	<u>29,841,409</u>	<u>3.1</u>	<u>45,792,621</u>	<u>5.3</u>
	<u>\$ 961,746,252</u>	<u>100.0%</u>	<u>\$ 858,715,806</u>	<u>100.0%</u>

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

	<u>2023</u>		<u>2022</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Equity – domestic	\$ 13,127	0.6%	\$ 12,539	0.6%
Balanced funds	2,215,016	97.4	2,148,336	96.9
Cash equivalents	<u>45,564</u>	<u>2.0</u>	<u>55,373</u>	<u>2.5</u>
	<u>\$2,273,707</u>	<u>100%</u>	<u>\$2,216,248</u>	<u>100.0%</u>

**NEW HAMPSHIRE CHARITABLE FOUNDATION AND AFFILIATED ORGANIZATIONS**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022

**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, 2023 and 2022:

	<u>Fair value as of December 31, 2023</u>	<u>Unfunded Commit- ments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Equity investments	\$ 172,207,893	\$ –	Daily	0 – 6 days
Equity investments	1,620,613	–	Weekly	0 – 6 days
Equity investments	126,112,596	–	Monthly	5 – 60 days
Equity investments	<u>195,252,102</u>	<u>–</u>	Quarterly	30 – 60 days
Total equity investments	495,193,204	–		
Fixed income investments	124,140,748	–	Daily	1 day
Fixed income investments	<u>13,715,779</u>	<u>1,271,815</u>	Illiquid	N/A
Total fixed income investments	137,856,527	1,271,815		
Marketable alternative investments	10,326,811	–	Monthly	180 days
Marketable alternative investments	99,057,397	–	Quarterly	60 – 75 days
Marketable alternative investments	<u>3,889,670</u>	<u>–</u>	Biennially	45 days
Total marketable alternative investments	113,273,878	–		
Inflation hedging investments	4,423,095	–	Daily	1 day
Inflation hedging investments	<u>18,898,405</u>	<u>1,493,193</u>	Illiquid	N/A
Total inflation hedging investments	23,321,500	1,493,193		
Non-marketable alternative investments	162,259,734	81,435,113	Illiquid	N/A
Cash equivalents	29,314,939	–	Daily	0 – 1 day
Cash equivalents	<u>526,470</u>	<u>–</u>	Monthly	5 – 30 days
Total cash equivalents	<u>29,841,409</u>	<u>–</u>		
	<u>\$ 961,746,252</u>	<u>\$84,200,121</u>		

**NEW HAMPSHIRE CHARITABLE FOUNDATION AND AFFILIATED ORGANIZATIONS**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022

**4. Investments (Continued)**

	Fair value as of <u>December 31, 2022</u>	Unfunded Commit- ments	Redemption <u>Frequency</u>	Redemption Notice <u>Period</u>
Equity investments	\$ 124,275,175	\$ –	Daily	0 – 6 days
Equity investments	145,593,021	–	Monthly	5 – 60 days
Equity investments	<u>125,868,514</u>	<u>–</u>	Quarterly	30 – 60 days
Total equity investments	395,736,710	–		
Fixed income investments	113,263,674	–	Daily	1 day
Fixed income investments	<u>5,031,616</u>	<u>2,799,730</u>	Illiquid	N/A
Total fixed income investments	118,295,290	2,799,730		
Marketable alternative investments	9,558,410	–	Monthly	180 days
Marketable alternative investments	104,612,155	–	Quarterly	60 – 75 days
Marketable alternative investments	<u>4,919,082</u>	<u>–</u>	Biennially	45 days
Total marketable alternative investments	119,089,647	–		
Inflation hedging investments	2,679,433	–	Daily	1 day
Inflation hedging investments	<u>23,719,740</u>	<u>3,072,363</u>	Illiquid	N/A
Total inflation hedging investments	26,399,173	3,072,363		
Non-marketable alternative investments	153,402,365	93,183,142	Illiquid	N/A
Cash equivalents	43,575,773	–	Daily	0 – 1 day
Cash equivalents	<u>2,216,848</u>	<u>–</u>	Monthly	5 – 30 days
Total cash equivalents	<u>45,792,621</u>	<u>–</u>		
	<u>\$ 858,715,806</u>	<u>\$99,055,235</u>		

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

# NEW HAMPSHIRE CHARITABLE FOUNDATION AND AFFILIATED ORGANIZATIONS

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022

### 4. **Investments (Continued)**

#### Equity Investments

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

#### Fixed Income Investments

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

#### Marketable Alternative Investments

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

#### Inflation Hedging Investments

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

#### Non-Marketable Alternative Investments

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

**NEW HAMPSHIRE CHARITABLE FOUNDATION AND AFFILIATED ORGANIZATIONS**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2023 and 2022

**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, 2023 and 2022, the Foundation's investments measured at fair value on a recurring basis were classified as follows, based on fair values:

<u>Description</u>	<u>2023</u>				<u>Total</u>
	<u>Investments Measured at NAV <sup>(1)</sup></u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Domestic equity	\$ 171,587,612	\$ 94,179,543	\$ 1,193,067	\$ —	\$ 266,960,222
Global equity	180,711,499	45,370,657	2,150,826	—	228,232,982
Fixed income	6,531,588	81,985,412	41,155,336	8,184,191	137,856,527
Marketable alternatives	113,273,878	—	—	—	113,273,878
Inflation hedging – natural resources	16,737,419	—	—	—	16,737,419
Inflation hedging – real estate	2,160,986	1,498,562	—	—	3,659,548
Inflation hedging – marketable	—	2,681,672	242,861	—	2,924,533
Non-marketable alternatives	162,259,734	—	—	—	162,259,734
Cash equivalents	<u>526,470</u>	<u>15,644,871</u>	<u>13,670,068</u>	<u>—</u>	<u>29,841,409</u>
Total investments	<u>\$ 653,789,186</u>	<u>\$ 241,360,717</u>	<u>\$58,412,158</u>	<u>\$ 8,184,191</u>	<u>\$ 961,746,252</u>
Investments held in trust	<u>\$ —</u>	<u>\$ 2,228,267</u>	<u>\$ 45,440</u>	<u>\$ —</u>	<u>\$ 2,273,707</u>



**NEW HAMPSHIRE CHARITABLE FOUNDATION AND AFFILIATED ORGANIZATIONS**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022

**4. Investments (Continued)**

<u>Description</u>	<u>2022</u>				
	<u>Investments Measured at NAV <sup>(1)</sup></u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Domestic equity	\$ 143,325,883	\$ 76,342,348	\$ 897,644	\$ —	\$ 220,565,875
Global equity	134,363,870	38,739,420	2,067,545	—	175,170,835
Fixed income	5,031,616	52,290,620	48,110,908	12,862,146	118,295,290
Marketable alternatives	119,089,647	—	—	—	119,089,647
Inflation hedging – natural resources	19,509,123	—	—	—	19,509,123
Inflation hedging – real estate	2,555,399	1,146,218	594,726	—	4,296,343
Inflation hedging – marketable	—	2,275,243	318,464	—	2,593,707
Non-marketable alternatives	153,402,365	—	—	—	153,402,365
Cash equivalents	<u>29,302,260</u>	<u>10,348,048</u>	<u>6,142,313</u>	<u>—</u>	<u>45,792,621</u>
Total investments	<u>\$ 606,580,163</u>	<u>\$ 181,141,897</u>	<u>\$ 58,131,600</u>	<u>\$ 12,862,146</u>	<u>\$ 858,715,806</u>
Investments held in trust	<u>\$ —</u>	<u>\$ 2,161,096</u>	<u>\$ 55,152</u>	<u>\$ —</u>	<u>\$ 2,216,248</u>

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

**5. Changes in Endowment Net Assets**

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>2023</u>			
Original donor restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ 8,349,763	\$ 110,173,709	\$ 118,523,472
Accumulated investment gains	<u>—</u>	<u>51,977,406</u>	<u>51,977,406</u>
Total endowment net assets	<u>\$ 8,349,763</u>	<u>\$ 162,151,115</u>	<u>\$ 170,500,878</u>

**NEW HAMPSHIRE CHARITABLE FOUNDATION AND AFFILIATED ORGANIZATIONS**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>2022</u>			
Original donor restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ 6,729,625	\$ 108,007,890	\$ 114,737,515
Accumulated investment gains	<u>—</u>	<u>38,328,620</u>	<u>38,328,620</u>
Total endowment net assets	<u>\$ 6,729,625</u>	<u>\$ 146,336,510</u>	<u>\$ 153,066,135</u>

In the year 2023, the Foundation had the following endowment-related activities:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 6,729,625	\$ 146,336,510	\$ 153,066,135
Investment return:			
Investment income	—	1,607,003	1,607,003
Change in value of split interest agreements	—	226,609	226,609
Net appreciation (realized and unrealized)	—	17,254,758	17,254,758
Investment fees	<u>—</u>	<u>(454,438)</u>	<u>(454,438)</u>
Total net investment return	—	18,633,932	18,633,932
Contributions	751,538	3,943,899	4,695,437
Transfers between net asset classes and releases from endowment net assets including maturing pooled income funds	868,600	(77,558)	791,042
Appropriated for expenditure	<u>—</u>	<u>(6,685,668)</u>	<u>(6,685,668)</u>
Endowment net assets, end of year	<u>\$ 8,349,763</u>	<u>\$ 162,151,115</u>	<u>\$ 170,500,878</u>

**NEW HAMPSHIRE CHARITABLE FOUNDATION AND AFFILIATED ORGANIZATIONS**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022

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

In the year 2022, the Foundation had the following endowment-related activities:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 4,713,826	\$ 173,350,404	\$ 178,064,230
Investment return:			
Investment income	–	1,196,153	1,196,153
Change in value of split interest agreements	–	(341,080)	(341,080)
Net depreciation (realized and unrealized)	–	(24,117,901)	(24,117,901)
Investment fees	–	(478,557)	(478,557)
Total net investment return	–	(23,741,385)	(23,741,385)
Contributions	1,047,740	4,254,468	5,302,208
Transfers between net asset classes and releases from endowment net assets including maturing pooled income funds	968,059	(96,911)	871,148
Appropriated for expenditure	–	(7,430,066)	(7,430,066)
Endowment net assets, end of year	<u>\$ 6,729,625</u>	<u>\$ 146,336,510</u>	<u>\$ 153,066,135</u>

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

**6. Net Asset Composition by Type of Fund**

The major categories of endowment funds at December 31, 2023 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Agency	\$ –	\$ 6,660,765	\$ 6,660,765
Designated	371,131	23,262,341	23,633,472
Donor advised	150,951	13,453,704	13,604,655
Field of interest	2,459,519	36,342,665	38,802,184
Scholarship	3,349,251	50,633,608	53,982,859
Unrestricted (Flexible funds)	1,350,834	10,490,541	11,841,375
Other	<u>668,077</u>	<u>21,307,491</u>	<u>21,975,568</u>
Total endowment net assets	<u>\$ 8,349,763</u>	<u>\$ 162,151,115</u>	<u>\$ 170,500,878</u>

**NEW HAMPSHIRE CHARITABLE FOUNDATION AND AFFILIATED ORGANIZATIONS**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022

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

The major categories of endowment funds at December 31, 2022 are as follows:

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
Agency	\$ –	\$ 6,211,842	\$ 6,211,842
Designated	346,368	21,625,980	21,972,348
Donor advised	123,707	9,670,348	9,794,055
Field of interest	1,683,172	33,979,432	35,662,604
Scholarship	3,367,915	47,048,519	50,416,434
Unrestricted (Flexible funds)	1,151,494	9,845,489	10,996,983
Other	<u>56,969</u>	<u>17,954,900</u>	<u>18,011,869</u>
Total endowment net assets	<u>\$6,729,625</u>	<u>\$ 146,336,510</u>	<u>\$ 153,066,135</u>

*Funds with Deficiencies*

The aggregate deficiency between the fair value of the investments of the endowment fund at December 31, 2023 and 2022 and the level required by the donor stipulation was \$209,887 and \$2,508,813, respectively. The aggregate fair value of funds with deficiencies was \$2,168,267 and \$25,556,575 and the amount of the original endowment donations required to be maintained was \$2,378,154 and \$28,065,388 at December 31, 2023 and 2022, respectively.

The aggregate deficiency between the fair value of the Foundation's charitable gift annuities at December 31, 2023 and 2022 and the level required for contracted payouts totaled \$7,464 and \$11,497, 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, 2023 are as follows:

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total Non- Endowment</u> <u>Net Assets</u>
Agency	\$ (297,410)	\$ (6,363,355)	\$ (6,660,765)
Designated	119,471,408	1,500,000	120,971,408
Donor advised	389,990,326	1,464,000	391,454,326
Field of interest	120,203,038	–	120,203,038
Scholarship	85,457,571	–	85,457,571
Unrestricted (Flexible funds)	49,814,485	–	49,814,485
Other	<u>14,682,817</u>	<u>10,441,775</u>	<u>25,124,592</u>
Total non-endowment net assets	<u>\$ 779,322,235</u>	<u>\$ 7,042,420</u>	<u>\$ 786,364,655</u>

**NEW HAMPSHIRE CHARITABLE FOUNDATION AND AFFILIATED ORGANIZATIONS**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022

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

The major categories of non-endowment funds at December 31, 2022 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Non- Endowment Net Assets</u>
Agency	\$ (581,156)	\$ (5,630,686)	\$ (6,211,842)
Designated	100,810,081	–	100,810,081
Donor advised	354,849,676	–	354,849,676
Field of interest	111,448,503	–	111,448,503
Scholarship	76,466,425	1,268,955	77,735,380
Unrestricted (Flexible funds)	43,279,744	–	43,279,744
Other	<u>13,931,942</u>	<u>10,260,567</u>	<u>24,192,509</u>
Total non-endowment net assets	<u>\$ 700,205,215</u>	<u>\$ 5,898,836</u>	<u>\$ 706,104,051</u>

**Organizational Components**

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

	<u>2023</u>		<u>2022</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
New Hampshire Charitable Foundation, excluding regions	\$ 327,539,929	34.3%	\$ 339,287,560	39.6%
Regions:				
Piscataqua	142,787,990	14.9	113,655,785	13.2
Monadnock	89,700,545	9.4	74,992,206	8.7
Upper Valley	79,721,705	8.3	64,826,323	7.6
North Country	71,850,537	7.5	60,372,820	7.0
Manchester	67,704,062	7.1	60,970,793	7.1
Capital	66,436,638	6.9	61,816,240	7.2
Lakes	64,016,534	6.7	44,598,062	5.1
Nashua	<u>47,107,593</u>	<u>4.9</u>	<u>38,650,397</u>	<u>4.5</u>
	<u>\$ 956,865,533</u>	<u>100.0%</u>	<u>\$ 859,170,186</u>	<u>100.0%</u>

# NEW HAMPSHIRE CHARITABLE FOUNDATION AND AFFILIATED ORGANIZATIONS

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022

### 7. Allocation of Joint Costs

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

	<u>2023</u>	<u>2022</u>
Program service	\$ 560,797	\$463,524
Management and general	303,707	213,236
Fundraising	<u>261,417</u>	<u>263,760</u>
	<u>\$1,125,921</u>	<u>\$940,520</u>

### 8. Affiliated Organizations

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

Given the 100% ownership of the LLC and in turn its ownership of 100% of Tillotson Corporation, the Corporation's assets, liabilities and results of operations have been consolidated within the accompanying 2023 and 2022 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 2023, management decreased the estimated litigation reserve and estimated environmental reserve by \$200,000 and \$325,000, respectively, and recorded this as a contribution with donor restrictions. In 2022, management decreased the estimated litigation reserve by \$1,440,000 and the estimated environmental liabilities by \$325,000 and recorded these as contributions with donor restrictions. The gift has been recorded as a contribution with donor restrictions until future contingencies are resolved. In 2023, \$1,500,000 was released from net assets with donor restrictions to net assets without donor restrictions as management believes certain contingencies have been resolved. No amounts were released from net assets with donor restrictions to net assets without donor restrictions in 2022.

# NEW HAMPSHIRE CHARITABLE FOUNDATION AND AFFILIATED ORGANIZATIONS

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022

### 8. Affiliated Organizations (Continued)

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

	<u>2023</u>	<u>2022</u>
Cash	\$ 1,265,395	\$ 93,495
Investments, at fair value	–	2,405,905
Assets held for sale, at estimated fair value:		
Property, plant and equipment	–	156,236
Prepaid expenses	19,706	37,535
Other receivables	<u>660,000</u>	<u>30,664</u>
Total assets held for sale	<u>679,706</u>	<u>224,435</u>
Total assets	<u>\$ 1,945,101</u>	<u>\$ 2,723,835</u>
Other liabilities:		
Accounts payable and accrued expenses	\$ 246,548	\$ 369,303
Estimated litigation settlements	300,000	500,000
Estimated environmental liabilities	<u>560,000</u>	<u>885,000</u>
Total liabilities	1,106,548	1,754,303
Net assets (reflected in net assets with donor restrictions)	<u>838,553</u>	<u>969,532</u>
Total liabilities and net assets	<u>\$ 1,945,101</u>	<u>\$ 2,723,835</u>

The property, plant and equipment held for sale at December 31, 2022 consisted 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. In January 2023, the remaining property, plant and equipment held for sale was sold for gross proceeds totaling \$860,000. The litigation liabilities relate to uncertainties relating to potential legal settlements. The environmental liabilities consist of estimated potential remediation liabilities for properties no longer owned by the Corporation but for which the Corporation retained potential environmental liability. The Foundation has obtained independent appraisals of the potential liability relating to these environmental contingencies.

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

	<u>2023</u>	<u>2022</u>
Operating expenses	\$(401,813)	\$ (626,492)
Other income and expense	<u>52,927</u>	<u>(367,958)</u>
Net loss from discontinued operations	<u>\$(348,886)</u>	<u>\$ (994,450)</u>

# NEW HAMPSHIRE CHARITABLE FOUNDATION AND AFFILIATED ORGANIZATIONS

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022

### 9. Supporting Organization

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

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

Given the 100% ownership of the Supporting Organization, GRCHF's assets, liabilities and results of operations have been consolidated within the accompanying 2023 and 2022 financial statements of the Foundation. The net assets contributed at the date of donation totaled \$16,083,769. In 2023, the Purchaser of the Hospital and GRCHF entered into a settlement agreement related to the closure of the labor and birth center at the Hospital. As part of the settlement, the Purchaser agreed to release certain restrictions on \$2,000,000 already held by GRCHF. Additionally, in 2023 the Purchaser made a contribution of \$750,000 in new funds to GRCHF. An additional gift of \$3,690,827 was received in 2022. All gifts have been recorded as a contribution with donor restrictions as dictated by the State of New Hampshire Probate Court order dated February 24, 2021 aside from the \$750,000 contribution without restriction in 2023. In 2023 and 2022, \$329,095 and \$131,748, respectively, were released from net assets with donor restrictions to net assets without donor restrictions as management believes certain contingencies have been met.

GRCHF is aware of additional assets that may be contributed to the Supporting Organization in the future, including approximately \$7,700,000 currently held in escrow. GRCHF is aware of approximately \$5,250,000 in escrow claims that will be paid in 2024. At December 31, 2023 and 2022, there are certain uncertainties and contingencies associated with the remainder of these funds and therefore they have not been contributed to the Supporting Organization. Both the escrow receivable and associated contingent liability have been recorded in the accompanying consolidated balance sheets beginning in 2022 in other assets and other liabilities, respectively. It is unknown when the amount of remaining funds will be released from escrow to the Supporting Organization in the future given the potential for certain claims and assessments to be made against them. The Foundation believes that the funds held in escrow will cover all claims and assessments against GRCHF. In the event that the escrow is insufficient to cover potential claims and assessments, the Purchaser of the Hospital has the right to receive up to approximately \$8,200,000 of GRCHF's assets for the excess claims and assessments.



**NEW HAMPSHIRE CHARITABLE FOUNDATION AND AFFILIATED ORGANIZATIONS**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022

**9. Supporting Organization (Continued)**

Condensed information related to GRCHF as of and for the years ended December 31 is as follows:

	<u>2023</u>	<u>2022</u>
Assets:		
Cash and cash equivalents	\$ 725,507	\$ 119,809
Accrued investment income	-	26,423
Investments, at fair value	19,351,659	16,312,482
Receivable from escrow	7,722,501	8,026,423
Receivable from trusts	<u>635,395</u>	<u>585,536</u>
Total assets	<u>\$28,435,062</u>	<u>\$25,070,673</u>
Liabilities:		
Accounts payable and accrued expenses	\$ 63,006	\$ 62,761
Other liabilities	<u>7,580,280</u>	<u>8,026,423</u>
Total liabilities	7,643,286	8,089,184
Net assets (reflected in net assets with donor restrictions)	<u>20,791,776</u>	<u>16,981,489</u>
Total liabilities and net assets	<u>\$28,435,062</u>	<u>\$25,070,673</u>

A summary of GRCHF's operations is as follows:

	<u>2023</u>	<u>2022</u>
Contributions	\$ 1,542,624	\$ 3,690,827
Net investment return	2,711,719	(2,674,628)
Change in value of split interest agreements	49,859	(129,450)
Operating expenses	(163,915)	(131,248)
Grants	<u>(330,000)</u>	<u>(500)</u>
Total increase in net assets	3,810,287	755,001
Net assets at beginning of year	<u>16,981,489</u>	<u>16,226,488</u>
Net assets at end of year	<u>\$20,791,776</u>	<u>\$16,981,489</u>