

Hawai'i Community Foundation

(A Nonprofit Organization)

Financial Statements

December 31, 2017 and 2016

Hawai'i Community Foundation
(A Nonprofit Organization)
Index

	Page(s)
Independent Auditor's Report	1-2
Financial Statements	
Statement of Assets, Liabilities and Net Assets December 31, 2017	3
Statement of Assets, Liabilities and Net Assets December 31, 2016	4
Statement of Revenues and Expenses and Changes in Net Assets Year Ended December 31, 2017	5
Statement of Revenues and Expenses and Changes in Net Assets Year Ended December 31, 2016	6
Notes to Financial Statements.....	7-24
Supplementary Information	
Schedule of Pooled Income Fund Investments December 31, 2017 and 2016	26
Schedule of Changes in Pooled Income Fund Investments Years Ended December 31, 2017 and 2016.....	27

Independent Auditor's Report

To the Board of Governors of
Hawai'i Community Foundation

Report on the Financial Statements

I have audited the accompanying financial statements of Hawai'i Community Foundation (the "Foundation"), which comprise the statements of assets, liabilities and net assets (modified cash basis) as of December 31, 2017 and 2016, and the related statements of revenues and expenses and changes in net assets (modified cash basis) for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of the Foundation as of December 31, 2017 and 2016, and its revenues, expenses and changes in net assets for the years then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis of Accounting

I draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. My opinion is not modified with respect to this matter.

Other Matters - Supplementary Information

My audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The pooled income fund investments schedules on pages 26 and 27 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

James P. Hesselman, CPA, LLC

Honolulu, Hawai'i
June 21, 2018

Hawai'i Community Foundation
(A Nonprofit Organization)
Statement of Assets, Liabilities and Net Assets (Modified Cash Basis)
December 31, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Assets				
Investments, at fair value				
Combined investment funds	\$ 413,468,104	\$ 5,356,144	\$ 6,036,374	\$ 424,860,622
Money market mutual funds	41,878,906	3,962,703	390	45,841,999
Mutual funds	64,890,406	177,434	653,416	65,721,256
Common stocks	6,251,429	-	-	6,251,429
U.S. government bonds	17,260,192	-	-	17,260,192
Corporate bonds	14,321,069	-	-	14,321,069
Municipal bonds	2,391,502	-	-	2,391,502
Privately managed investment fund	1,695,704	-	-	1,695,704
Real estate limited partnerships	34,050,000	-	-	34,050,000
Total investments	<u>596,207,312</u>	<u>9,496,281</u>	<u>6,690,180</u>	<u>612,393,773</u>
Cash and cash equivalents	330,440	-	-	330,440
Property, net	380,507	-	-	380,507
Security deposit and other	227,391	-	-	227,391
Total assets	<u>\$ 597,145,650</u>	<u>\$ 9,496,281</u>	<u>\$ 6,690,180</u>	<u>\$ 613,332,111</u>
Liabilities and Net Assets				
Liabilities				
Contract funds held for				
Tobacco Fund	\$ 51,047,715	\$ -	\$ -	\$ 51,047,715
Gift annuity liabilities	1,206,107	-	-	1,206,107
Funds held as agency endowments	4,302,942	-	-	4,302,942
Other	3,722	-	-	3,722
Total liabilities	<u>56,560,486</u>	<u>-</u>	<u>-</u>	<u>56,560,486</u>
Net assets				
Unrestricted	540,585,164	-	-	540,585,164
Temporarily restricted	-	9,496,281	-	9,496,281
Permanently restricted	-	-	6,690,180	6,690,180
Total net assets	<u>540,585,164</u>	<u>9,496,281</u>	<u>6,690,180</u>	<u>556,771,625</u>
Total liabilities and net assets	<u>\$ 597,145,650</u>	<u>\$ 9,496,281</u>	<u>\$ 6,690,180</u>	<u>\$ 613,332,111</u>

The accompanying notes are an integral part of the financial statements.

Hawai'i Community Foundation
(A Nonprofit Organization)
Statement of Assets, Liabilities and Net Assets (Modified Cash Basis)
December 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Assets				
Investments, at fair value				
Combined investment funds	\$ 356,931,289	\$ 3,333,505	\$ 5,306,561	\$ 365,571,355
Money market mutual funds	54,200,840	5,957,415	390	60,158,645
Mutual funds	54,285,498	1,396,906	653,416	56,335,820
Common stocks	6,615,250	-	-	6,615,250
U.S. government bonds	13,618,934	-	-	13,618,934
Corporate bonds	12,966,047	-	-	12,966,047
Municipal bonds	2,882,896	-	-	2,882,896
Privately managed investment fund	1,482,085	-	-	1,482,085
Real estate limited partnerships	19,237,000	-	-	19,237,000
Total investments	<u>522,219,839</u>	<u>10,687,826</u>	<u>5,960,367</u>	<u>538,868,032</u>
Cash and cash equivalents	463,312	-	-	463,312
Property, net	355,396	-	-	355,396
Security deposit and other	231,686	-	-	231,686
Total assets	<u>\$ 523,270,233</u>	<u>\$ 10,687,826</u>	<u>\$ 5,960,367</u>	<u>\$ 539,918,426</u>
Liabilities and Net Assets				
Liabilities				
Contract funds held for				
Tobacco Fund	\$ 46,567,663	\$ -	\$ -	\$ 46,567,663
Gift annuity liabilities	932,619	-	-	932,619
Funds held as agency endowments	2,529,606	-	-	2,529,606
Other	8,901	-	-	8,901
Total liabilities	<u>50,038,789</u>	<u>-</u>	<u>-</u>	<u>50,038,789</u>
Net assets				
Unrestricted	473,231,444	-	-	473,231,444
Temporarily restricted	-	10,687,826	-	10,687,826
Permanently restricted	-	-	5,960,367	5,960,367
Total net assets	<u>473,231,444</u>	<u>10,687,826</u>	<u>5,960,367</u>	<u>489,879,637</u>
Total liabilities and net assets	<u>\$ 523,270,233</u>	<u>\$ 10,687,826</u>	<u>\$ 5,960,367</u>	<u>\$ 539,918,426</u>

The accompanying notes are an integral part of the financial statements.

Hawai'i Community Foundation
(A Nonprofit Organization)
Statement of Revenues and Expenses and
Changes in Net Assets (Modified Cash Basis)
Year Ended December 31, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues				
Contributions available for grant making and programs	\$ 26,726,506	\$ 1,863,672	\$ -	\$ 28,590,178
Contracts and grants	-	30,560	-	30,560
Contracts and grants – Tobacco Fund	1,902,173	-	-	1,902,173
Investment return expendable for grant making and operations	21,989,451	281,237	-	22,270,688
Income from perpetual trusts	2,481,696	459,480	-	2,941,176
Service and administrative fees	1,255,976	-	-	1,255,976
Net assets released from restrictions				
Satisfaction of program restrictions	4,391,708	(4,391,708)	-	-
Other	95,032	-	-	95,032
Total revenues	<u>58,842,542</u>	<u>(1,756,759)</u>	<u>-</u>	<u>57,085,783</u>
Expenses				
Grants and scholarships	40,525,297	-	-	40,525,297
Grants – Tobacco Fund	1,830,278	-	-	1,830,278
Program services	5,303,597	-	-	5,303,597
Finance and administration	3,402,122	-	-	3,402,122
Charitable services and donor relations	4,134,778	-	-	4,134,778
Total expenses	<u>55,196,072</u>	<u>-</u>	<u>-</u>	<u>55,196,072</u>
Change in net assets from operating activities	3,646,470	(1,756,759)	-	1,889,711
Nonoperating activities				
Contributions designated for investment of principal	7,647,368	447,592	337,768	8,432,728
Investment return designated for reinvestment	56,097,540	1,363,450	-	57,460,990
Change in donor restrictions	-	(1,203,207)	392,045	(811,162)
Change in value of split-interest agreements	(37,658)	(42,621)	-	(80,279)
Total nonoperating activities	<u>63,707,250</u>	<u>565,214</u>	<u>729,813</u>	<u>65,002,277</u>
Total change in net assets	67,353,720	(1,191,545)	729,813	66,891,988
Net assets				
January 1, 2017	473,231,444	10,687,826	5,960,367	489,879,637
December 31, 2017	<u>\$ 540,585,164</u>	<u>\$ 9,496,281</u>	<u>\$ 6,690,180</u>	<u>\$ 556,771,625</u>

The accompanying notes are an integral part of the financial statements.

Hawai'i Community Foundation
(A Nonprofit Organization)
Statement of Revenues and Expenses and
Changes in Net Assets (Modified Cash Basis)
Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues				
Contributions available for grant making and programs	\$ 30,722,712	\$ 1,404,755	\$ -	\$ 32,127,467
Contracts and grants	52,902	100,000	-	152,902
Contracts and grants – Tobacco Fund	1,874,990	-	-	1,874,990
Investment return expendable for grant making and operations	22,465,907	257,495	-	22,723,402
Income from perpetual trusts	2,520,124	452,504	-	2,972,628
Service and administrative fees	1,169,293	-	-	1,169,293
Net assets released from restrictions				
Satisfaction of program restrictions	3,971,704	(3,971,704)	-	-
Other	80,521	-	-	80,521
Total revenues	<u>62,858,153</u>	<u>(1,756,950)</u>	<u>-</u>	<u>61,101,203</u>
Expenses				
Grants and scholarships	29,467,233	-	-	29,467,233
Grants – Tobacco Fund	1,739,141	-	-	1,739,141
Program services	5,747,166	-	-	5,747,166
Finance and administration	3,655,971	-	-	3,655,971
Charitable services and donor relations	4,423,967	-	-	4,423,967
Total expenses	<u>45,033,478</u>	<u>-</u>	<u>-</u>	<u>45,033,478</u>
Change in net assets from operating activities	17,824,675	(1,756,950)	-	16,067,725
Nonoperating activities				
Contributions designated for investment of principal	6,033,981	-	129	6,034,110
Investment return designated for reinvestment	6,353,482	413,987	-	6,767,469
Change in value of split-interest agreements	(42,814)	(22,532)	-	(65,346)
Total nonoperating activities	<u>12,344,649</u>	<u>391,455</u>	<u>129</u>	<u>12,736,233</u>
Total change in net assets	30,169,324	(1,365,495)	129	28,803,958
Net assets				
January 1, 2016	<u>443,062,120</u>	<u>12,053,321</u>	<u>5,960,238</u>	<u>461,075,679</u>
December 31, 2016	<u>\$ 473,231,444</u>	<u>\$ 10,687,826</u>	<u>\$ 5,960,367</u>	<u>\$ 489,879,637</u>

The accompanying notes are an integral part of the financial statements.

Hawai'i Community Foundation
(A Nonprofit Organization)
Notes to Financial Statements
December 31, 2017 and 2016

1. Organization and Summary of Significant Accounting Policies

Hawai'i Community Foundation (the "Foundation") is a statewide public community foundation. Its mission is to help people make a difference by inspiring the spirit of giving, and by investing in people and solutions to benefit every island community. The significant accounting policies followed are described below.

Basis of Accounting

The Foundation's policy is to prepare its financial statements on the basis of cash receipts and disbursements, except that investments are carried at fair value, major property items are capitalized, noncash gifts and bequests are recorded at fair value at the date received, and changes in the fair value of investments and depreciation expense are included in the Statement of Revenues and Expenses and Changes in Net Assets (modified cash basis). Accordingly, the accompanying financial statements are not intended to present financial position and changes in net assets in conformity with accounting principles generally accepted in the United States of America (i.e., "GAAP").

Some of the more significant differences between GAAP accounting and the Foundation's modified cash basis of accounting include: contribution income under GAAP is recorded when an irrevocable pledge is received rather than when the cash is received; grants expense under GAAP is recorded when a binding commitment to disburse funds is communicated to the grant recipient, rather than when the cash is disbursed; a financial interest in an irrevocable trust under GAAP is recorded when an entity is named as the remainder interest beneficiary, rather than when the gift is received; assets held in trust by others are recognized under GAAP in the Statement of Assets, Liabilities and Net Assets based on the fair value of such assets, but are not recognized under the modified cash basis of accounting until transferred to the Foundation; and the financial statements of supporting organizations over which the Foundation has control are not consolidated into the Foundation's financial statements.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Risks and Uncertainties

The Foundation invests in or holds a variety of investment vehicles, including common stock, corporate and governmental obligations, mutual funds, and investment partnerships. These investments are exposed to interest rate, market, credit and other risks depending on the nature of the specific investment. Accordingly, it is at least reasonably possible that these factors will result in changes in the value of the Foundation's investments, which could materially affect amounts reported in the financial statements.

Hawai'i Community Foundation
(A Nonprofit Organization)
Notes to Financial Statements
December 31, 2017 and 2016

Measure of Operations

In the Statement of Revenues and Expenses and Changes in Net Assets, the Foundation includes in its definition of operations all revenues and expenses except for contributions designated for investment of principal and any associated releases of restrictions thereon, investment income designated for reinvestment, and changes in value of split-interest agreements.

Cash and Cash Equivalents

The Foundation considers all highly liquid debt investments with original maturities of three months or less when purchased to be cash equivalents, except for cash management funds maintained in the investment portfolio. The Foundation maintains its cash and cash equivalent balances with a high credit quality bank in Honolulu. Balances are secured by the Federal Deposit Insurance Corporation up to \$250,000. The Foundation's balances are generally in excess of federally insured limits. Management believes the Foundation is not exposed to any significant credit risk with respect to its cash balances.

Investments

Investments are reported at fair value. Where applicable, investments are stated at net asset value (or its equivalent) as a practical expedient to fair value. Fair value is the price that would be received to sell an asset or transfer a liability in an orderly transaction between market participants at the measurement date. See Note 3 for a discussion of fair value measurements.

Certain trust form component funds are placed in investment trust accounts called combined investment funds. The investment trust accounts are operated using the "market value unit method." Under this method, each component fund within the combined investment funds is assigned a number of units based upon the relationship of the market value of the funds' investments to all the combined investment funds' investments at the time of entry into the investment accounts. Combined investment funds earnings are allocated and distributed to participating funds based on their respective units in the accounts.

Certain corporate form component funds are also combined for investment management purposes in combined investment funds. Monthly investment earnings are allocated and distributed to participating funds based on average daily balances.

The primary investment objective of the combined investment funds is to provide for long term growth of capital and earnings without undue exposure to risk. The combined investment funds are also invested to preserve the real value (after inflation) of its assets while providing maximum earnings for grantmaking. Investment guidelines provide for a total rate of return net of fees, and define asset allocation targets and ranges. Investment performance is measured on both an absolute and relative basis compared to a targeted composite index.

Net realized and unrealized gains and losses on investments are reflected in the Statement of Revenues and Expenses and Changes in Net Assets.

Payout Policy

The Foundation adheres to a payout policy in order to preserve the growth of its endowment assets and to ensure that the Foundation has a steady and growing stream of earnings to meet community needs.

Hawai'i Community Foundation
(A Nonprofit Organization)
Notes to Financial Statements
December 31, 2017 and 2016

The payout that the Foundation distributes from the combined investment funds to each participating component fund for grants and program expenses is calculated by multiplying a fixed percentage by a base. The fixed percentage is reviewed periodically in light of evolving trends with respect to investment returns and the rate of inflation. The Foundation's payout percentage factor was 4% in 2017 and 2016. However, if the market value of a component fund drops below the contributions to the principal, then the payout percentage factor is reduced to 2%. Additionally, administrative service fees are paid to the Foundation from the combined investment funds to provide for the cost of administration.

The base is a 48-month rolling average unit market value of the combined investment funds, multiplied by the current number of units in the combined investment funds. Computation of the payout is made annually.

To the extent the payout exceeds interest and dividend income for the period, it is made from accumulated realized and/or unrealized gains.

Property

Property is stated at cost if purchased or fair value if donated at the date received. Property purchased with a cost in excess of \$500 and a useful life exceeding one year is capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of such property (5 to 7 years), or lease term, if shorter. Gains or losses from the disposition of property are included in current operations.

Fund Management

To ensure observation of limitations and restrictions placed on the use of resources available to the Foundation, the accounts of the Foundation are managed as individual charitable funds, according to their nature and purpose. The Foundation's funds are as follows:

Operating Fund

The operating fund includes service fees, grants, contributions, and other revenues used to support the operating expenses of the Foundation.

Board Discretionary Funds

The board discretionary funds include contributions from donors who do not place any restrictions on their gifts, with the intention that the payout be used for general charitable purposes. Principal contributions are generally invested in perpetuity under the Foundation's Declaration of Trust. The Board of Governors determines how the payout is to be distributed.

Designated, Donor Advised, and Field of Interest Funds

The designated, donor advised, and field of interest funds include contributions from donors who indicate a field of charitable endeavor to which the payout is to be directed, who name specific charities to be income recipients, or who describe a group of individuals on whose behalf funds are to be expended. Principal contributions are generally invested in perpetuity under the Foundation's Declaration of Trust. Because of the Board of Governor's power to modify any restriction or condition in the distribution of funds, the amounts in these funds have been classified as unrestricted in the accompanying financial statements.

Hawai'i Community Foundation
(A Nonprofit Organization)
Notes to Financial Statements
December 31, 2017 and 2016

Pooled Income Fund

The pooled income fund was created to increase the endowment assets of the Foundation and to promote support to community charities. Donors contribute to the Foundation and receive income for life. Generally, at a donor's death, the residue of the gift is transferred to establish a board discretionary or designated fund, and earnings thereafter are distributed in accordance with the donor's instructions given at the time of the gift. The pooled income fund is considered temporarily restricted until, at the time of a donor's death, the funds are transferred to establish a board discretionary, designated, donor advised, or field of interest (component) fund of the Foundation.

Gift Annuities

The Foundation has entered into several charitable gift annuities whereby the Foundation has received a transfer of assets from a donor and is obligated to pay the donor quarterly payments for the remainder of their lifetime. Upon death of the donor, the agreements generally stipulate that a portion of the residual balance be paid out to specified beneficiary organizations and the balance shall be retained by the Foundation. Contribution revenue from gift annuities is recognized at the date assets are received, net of gift annuity liabilities recorded. Gift annuity liabilities pertain to the Foundation's liability to the primary donor, based on the present value of payments to be made to the donor over their estimated remaining lifetime, and to the specified beneficiary organization based on their percentage interest in any residual net asset. The present value of payments to be made to the primary donors is calculated annually based on published mortality tables and discount rates ranging from 1.6% to 7.6%.

Classification of Net Assets

Financial statements of not-for-profit organizations measure aggregate net assets based on the absence or existence of donor-imposed restrictions. To meet this objective net assets are classified as unrestricted, temporarily restricted or permanently restricted.

Brief definitions of the three net asset classes are presented below:

Unrestricted

Net assets that are free of donor-imposed restrictions; all revenues, expenses, gains and losses that are not changes in permanently or temporarily restricted net assets.

GAAP provides that if the governing body of an organization has the ability to modify a donor restriction or condition (i.e. variance power), the contribution should be classified as an unrestricted net asset. The Foundation's variance power is promulgated in its By-Laws, Declarations of Trust and gift instruments. Accordingly, all net assets and related activity over which the Foundation maintains variance power are classified as unrestricted net assets in the Foundation's financial statements. Although these assets are classified as unrestricted, the Foundation's policies and procedures for administering its charitable funds are to always follow the donor's intent as closely as possible.

Temporarily Restricted

Net assets that include contributions and pledges whose use by the Foundation is limited by donor-imposed stipulations that either expire with the passage of time or can be fulfilled or otherwise removed by the actions of the Foundation. This classification includes income and appreciation

Hawai'i Community Foundation
(A Nonprofit Organization)
Notes to Financial Statements
December 31, 2017 and 2016

which can be expended but for which restrictions have not yet been met. Foundation net assets that are temporarily restricted are primarily comprised of the pooled income fund, special purpose funds, and charitable gift annuities.

Permanently Restricted

Net assets whose use by the Foundation is limited by donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by the actions of the Foundation. Foundation net assets that are permanently restricted consist of permanent endowment funds that are not subject to the Foundation's variance power.

Fair Value of Financial Instruments

Investments are recorded at fair value as described above and in Note 3. The carrying amount of cash approximates fair value due to its short term nature. Funds held for other organizations and funds held as agency endowments are recorded at the fair values of the corresponding assets. Gift annuity liabilities are carried at the present value of the total future payments to annuitants and beneficiaries, based on discount rates in effect at the date of the gift.

Functional Allocation of Expenses

The costs of providing the Foundation's programs and other services have been summarized on a functional basis in the Statement of Revenues and Expenses and Changes in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Program services represent those costs associated with evaluating, recommending and monitoring applications, grants and programs. Finance and administration represents those costs associated with operational management, oversight of the Foundation's policies and procedures, and management of the Foundation's investment portfolio. Charitable services and donor relations, represent fundraising costs associated with communicating and assisting the general public along with potential and existing donors regarding the most effective ways to meet their charitable giving goals.

Advertising Costs

Advertising costs are charged to expense as incurred and are nominal.

Income Taxes

The Foundation has received a determination from the Internal Revenue Service that its stated purpose is tax-exempt under Section 501(c)(3) of the Internal Revenue Code. Accordingly, the Foundation is exempt from federal and state income and excise taxes, except on unrelated business income.

Management believes the Foundation's tax years prior to 2014 are no longer subject to examination by the Internal Revenue Service. Management is not aware of any significant uncertain tax positions taken on previously filed tax returns.

Hawai'i Community Foundation
(A Nonprofit Organization)
Notes to Financial Statements
December 31, 2017 and 2016

2. Contributions

Contributions for the years ended December 31, 2017 and 2016 consisted of the following:

	2017	2016
Contributions to principal	\$ 8,432,728	\$ 6,034,110
Contributions to income	28,590,178	32,127,467
	<u>\$ 37,022,906</u>	<u>\$ 38,161,577</u>

In 2017, eight donors made contributions of \$1 million or more, aggregating approximately \$22 million. In 2016, four donors made contributions of \$1 million or more, aggregating approximately \$23 million.

Contributions to principal are gifts intended to be invested in perpetuity. Distributions from these gifts are disbursed as grants or program expenditures to support charitable endeavors as provided in the payout policy.

Contributions to income consist of gifts intended to be paid out in their entirety as charitable grants and are available for use immediately.

3. Fair Value Measurements

Generally accepted accounting principles provide a framework for establishing fair value measurements. That framework provides a fair value hierarchy for inputs used in measuring fair market value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on the best information available in the circumstances.

This fair value hierarchy consists of three broad levels:

- Level 1 inputs consist of unadjusted quoted prices in active markets such as stock exchanges for identical assets and have the highest priority;
- Level 2 inputs consist of significant other observable inputs such as quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset and liability, either directly or indirectly, for substantially the full term of the financial instrument;
- Level 3 inputs consist of significant unobservable inputs and include situations where is little, if any, market activity for the investment. The inputs require significant judgment or estimates, such as those associated with discounted cash flow methodologies and appraisals.

When available, the Foundation measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value.

Hawai'i Community Foundation
(A Nonprofit Organization)
Notes to Financial Statements
December 31, 2017 and 2016

In 2017, the Foundation implemented FASB ASU No. 2015-07, which eliminated the requirement to categorize certain investments in the fair value hierarchy described above. These investments include the Foundation's privately managed equity fund for which fair value is measured using the fund's net asset value per share (or its equivalent) as a practical expedient. The required implementation of this new standard, which has been applied to all periods presented in these financial statements, did not have a significant effect on the Foundation's financial statements. There were no other changes in the fair value methodologies used at December 31, 2017 and 2016.

Fair values of assets measured on a recurring basis are as follows as of December 31, 2017:

December 31, 2017	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs Other Than Active Markets (Level 2)	Significant Unobservable Inputs (Level 3)
Common stock				
Basic materials	\$ 388,014	\$ 388,014	\$ -	\$ -
Capital goods	1,615,132	1,615,132	-	-
Communication services	262,359	262,359	-	-
Consumer goods	2,538,635	2,538,635	-	-
Energy	609,418	609,418	-	-
Financials	1,923,350	1,923,350	-	-
Health care	1,383,011	1,383,011	-	-
Technology	2,056,574	2,056,574	-	-
Utilities	141,740	141,740	-	-
Other	72,394	72,394	-	-
Total common stock	<u>10,990,627</u>			
Mutual and Other Funds				
Large cap	207,876,650	207,876,650	-	-
Mid cap	238,926	238,926	-	-
Small cap	15,269,909	15,269,909	-	-
Emerging markets	970,717	970,717	-	-
International	99,615,953	99,615,953	-	-
Real estate	15,664	15,664	-	-
Fixed income	80,049,201	80,049,201	-	-
Total mutual/other funds	<u>404,037,020</u>			
Money market mutual funds	57,015,534	57,015,534	-	-
U.S. Treasury bonds	24,903,712	-	24,903,712	-
U.S. Gov't agency securities	17,035,354	-	17,035,354	-
Corporate bonds	53,038,271	-	53,038,271	-
Municipal bonds	7,840,343	-	7,840,343	-
Mortgage-backed securities	1,787,208	-	1,787,208	-
Privately managed equity fund (a)	1,695,704	-	-	-
Real estate limited partnerships	34,050,000	-	-	34,050,000
Total	<u>\$ 612,393,773</u>	<u>\$ 472,043,181</u>	<u>\$ 104,604,888</u>	<u>\$ 34,050,000</u>

Hawai'i Community Foundation
(A Nonprofit Organization)
Notes to Financial Statements
December 31, 2017 and 2016

Fair values of assets measured on a recurring basis are as follows as of December 31, 2016:

December 31, 2016	Fair Value	Prices in Active Markets for Identical Assets (Level 1)	Observable Inputs Other Than Active Markets (Level 2)	Significant Unobservable Inputs (Level 3)
Common stock				
Basic materials	\$ 424,510	\$ 424,510	\$ -	\$ -
Capital goods	1,154,173	1,154,173	-	-
Communication services	160,633	160,633	-	-
Consumer goods	2,570,803	2,570,803	-	-
Energy	1,341,839	1,341,839	-	-
Financials	1,619,900	1,619,900	-	-
Health care	1,262,866	1,262,866	-	-
Technology	1,743,752	1,743,752	-	-
Utilities	141,671	141,671	-	-
Other	72,450	72,450	-	-
Total common stock	<u>10,492,597</u>			
Mutual and Other Funds				
Large cap	175,534,495	175,534,495	-	-
Mid cap	207,080	207,080	-	-
Small cap	13,245,930	13,245,930	-	-
Alternatives	42,373	42,373	-	-
Emerging markets	600,170	600,170	-	-
International	82,829,630	82,829,630	-	-
Real estate	16,581	16,581	-	-
Fixed income	67,873,503	67,873,503	-	-
Total mutual/other funds	<u>340,349,762</u>			
Money market mutual funds	73,287,460	73,287,460	-	-
U.S. Treasury bonds	19,849,267	-	19,849,267	-
U.S. Gov't agency securities	17,481,703	-	17,481,703	-
Corporate bonds	47,013,538	-	47,013,538	-
Municipal bonds	7,956,220	-	7,956,220	-
Mortgage-backed securities	1,718,400	-	1,718,400	-
Privately managed equity fund (a)	1,482,085	-	-	-
Real estate limited partnerships	19,237,000	-	-	19,237,000
Total	<u>\$ 538,868,032</u>	<u>\$ 424,129,819</u>	<u>\$ 94,019,128</u>	<u>\$ 19,237,000</u>

(a) - Investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy and thus are not assigned to Levels 1, 2 or 3.

Investments in corporate bonds are investment grade and diversified among multiple industry sectors, primarily with U.S. based issuers. Investment in privately managed investment fund is in a limited partnership that invests substantially all of its investable assets in a master investment fund related to the limited partnership. The master fund invests primarily in privately managed investment funds with investment strategies that include long and short positions, distressed debt,

Hawai'i Community Foundation
(A Nonprofit Organization)
Notes to Financial Statements
December 31, 2017 and 2016

event driven, arbitrage and emerging markets, with geographic emphasis on both U.S. and global markets. The Foundation may make semi-annual withdrawals with 90 days written notice. There are no unfulfilled capital commitments with respect to this investment.

Following is a description of the valuation methodologies used for assets at fair value.

Common stock: Valued at the closing price reported on active stock exchanges.

Money market, mutual and exchange traded funds: Valued at the closing price reported on active stock exchanges.

Corporate bonds: Corporate bonds are valued primarily by pricing models that incorporate available trade, bid and other market information.

U.S. government and municipal obligations: These securities are valued by pricing models that incorporate available trade, bid and other market information.

Mortgage-backed securities: This asset group consists of collateralized mortgage obligations and mortgage pass-thru pools. The securities are valued by pricing models that incorporate available trade, bid and other market information.

Privately managed equity fund: Valued at partner's capital, as reported by the investment manager, which represents redemption value.

Real estate limited partnerships: Valued based on valuations performed by the custodial bank or independent appraisers, which generally utilize a discounted cash flow approach.

Additional Disclosures for Level 3 investments:

	Real Estate Limited Partnerships
December 31, 2016	
Beginning balance	\$ 18,490,000
Gains or losses (realized and unrealized) included in changes in net assets	1,715,000
Distribution of partnership gain	(968,000)
Ending balance	<u>\$ 19,237,000</u>
December 31, 2017	
Beginning balance	\$ 19,237,000
Gains or losses (realized and unrealized) included in changes in net assets	15,768,000
Distribution of partnership gain	(955,000)
Ending balance	<u>\$ 34,050,000</u>

Hawai'i Community Foundation
(A Nonprofit Organization)
Notes to Financial Statements
December 31, 2017 and 2016

4. Investments

The Foundation's investments at December 31, 2017 and 2016 were as follows:

	2017	2016
Combined investment funds		
Common stock	\$ 4,739,198	\$ 3,877,347
U.S. Treasury and other government agencies	24,678,874	23,712,036
Corporate bonds	38,717,202	34,047,491
Municipal bonds	5,448,841	5,073,324
Mutual and other funds	338,315,764	284,013,942
Money market mutual funds	11,173,535	13,128,815
Mortgage-backed securities	1,787,208	1,718,400
Total combined investment funds	<u>424,860,622</u>	<u>365,571,355</u>
Money market mutual funds	45,841,999	60,158,645
Mutual funds	65,721,256	56,335,820
Common stocks	6,251,429	6,615,250
U.S. Treasury and other agency bonds	17,260,192	13,618,934
Corporate bonds	14,321,069	12,966,047
Municipal bonds	2,391,502	2,882,896
Privately managed investment fund	1,695,704	1,482,085
Real estate limited partnerships	34,050,000	19,237,000
	<u>\$ 612,393,773</u>	<u>\$ 538,868,032</u>

Investment return consisted of the following for 2017:

	Unrestricted	Temporarily Restricted	Total
Composition of Investment Return			
Interest and dividends	\$ 10,030,836	\$ 281,237	\$ 10,312,073
Realized and unrealized gains	69,565,382	1,363,450	70,928,832
Limited partnership distributions	968,200	-	968,200
Less investment fees	(2,477,427)	-	(2,477,427)
	<u>\$ 78,086,991</u>	<u>\$ 1,644,687</u>	<u>\$ 79,731,678</u>
As Presented in the Statement of Revenues, Expenses and Changes in Net Assets			
Investment return expendable for grant making and operations	\$ 21,989,451	\$ 281,237	\$ 22,270,688
Investment return designated for reinvestment	56,097,540	1,363,450	57,460,990
	<u>\$ 78,086,991</u>	<u>\$ 1,644,687</u>	<u>\$ 79,731,678</u>

Hawai'i Community Foundation
(A Nonprofit Organization)
Notes to Financial Statements
December 31, 2017 and 2016

Investment return consisted of the following for 2016:

	Unrestricted	Temporarily Restricted	Total
Composition of Investment Return			
Interest and dividends	\$ 9,351,913	\$ 257,495	\$ 9,609,408
Realized and unrealized gains	20,074,548	413,987	20,488,535
Limited partnership distributions	1,753,000	-	1,753,000
Less investment fees	<u>(2,360,072)</u>	<u>-</u>	<u>(2,360,072)</u>
	<u>\$ 28,819,389</u>	<u>\$ 671,482</u>	<u>\$ 29,490,871</u>
As Presented in the Statement of Revenues, Expenses and Changes in Net Assets			
Investment return expendable for grant making and operations	\$ 22,465,907	\$ 257,495	\$ 22,723,402
Investment return designated for reinvestment	<u>6,353,482</u>	<u>413,987</u>	<u>6,767,469</u>
	<u>\$ 28,819,389</u>	<u>\$ 671,482</u>	<u>\$ 29,490,871</u>

Investment fees consist primarily of trustee, investment management and custodial fees paid to the Foundation's trustees, Bank of Hawaii, First Hawaiian Bank, and Central Pacific Bank, as well as to other investment managers.

5. Property

Property at December 31, 2017 and 2016 consisted of the following:

	2017	2016
Equipment	\$ 986,778	\$ 960,938
Furniture and fixtures	106,210	104,866
Software	492,297	492,297
Property used for program purposes	129,100	129,100
Leasehold improvements	52,087	52,087
Automobile	<u>10,200</u>	<u>10,200</u>
	1,776,672	1,749,488
Less: Accumulated depreciation and amortization	<u>1,496,626</u>	<u>1,494,552</u>
	280,046	254,936
Artwork	<u>100,461</u>	<u>100,460</u>
	<u>\$ 380,507</u>	<u>\$ 355,396</u>

Depreciation and amortization expense was \$65,132 and \$75,892 in 2017 and 2016, respectively.

Hawai'i Community Foundation
(A Nonprofit Organization)
Notes to Financial Statements
December 31, 2017 and 2016

6. Leases

The Foundation has several noncancelable operating leases for office space, expiring at various dates through December 2020. The future minimum rental payments for these leases are as follows:

Years ending	
2018	\$ 253,300
2019	238,500
2020	269,300
	<u>\$ 761,100</u>

Rental expense for the years ended December 31, 2017 and 2016 was \$434,276 and \$445,830, respectively.

7. Retirement Plan

The Foundation has a defined contribution retirement plan covering all employees. Contributions are based upon a percentage of the employees' compensation and are funded currently. Contributions to the plan were approximately \$538,384 and \$499,306 for the years ended December 31, 2017 and 2016, respectively.

8. Perpetual Trusts and Supporting Organizations

The Foundation is a beneficiary of income from assets held in perpetual trust by other organizations. The three most significant of these trusts are the Robert E. Black Memorial Trust (the "Black Trust"), the Prisanlee Trust, and the Parker Ranch Foundation Trust.

The Foundation is an income beneficiary of 70% of the income of the Black Trust, a supporting organization of the type described in Section 509(a)(3) of the Internal Revenue Code. At December 31, 2017, the fair value of the Black Trust's assets, which consists of marketable securities, was approximately \$55,004,000; the Foundation's 70% interest was approximately \$38,503,000. At December 31, 2016, the fair value of the Black Trust's assets was approximately \$48,898,000; the Foundation's 70% interest was approximately \$34,228,000.

The Foundation is an income beneficiary of 100% of the income of the Prisanlee Trust, a supporting organization, 27% of which is distributed to specific organizations. At December 31, 2017 and 2016, the fair value of the Prisanlee Trust's assets, which consists of marketable securities, was approximately \$15,021,000 and \$13,570,000 respectively.

The Foundation is an income beneficiary of 20% of the income of the Parker Ranch Foundation Trust. At December 31, 2017, the audited book value of the Parker Ranch Foundation Trust's net assets, which consists of real property, investments, inventories and other assets, net of liabilities, was approximately \$218,148,000; the Foundation's 20% interest was approximately \$43,630,000. At December 31, 2016, the audited book value of the Parker Ranch Foundation Trust's net assets was approximately \$216,999,000; the Foundation's 20% interest was approximately \$43,400,000.

Hawai'i Community Foundation
(A Nonprofit Organization)
Notes to Financial Statements
December 31, 2017 and 2016

In 2012, the Foundation participated in the formation of Hawai'i Leadership Forum ("HLF"), a nonprofit organization formed to serve as a supporting organization to the Foundation with a focus on creating and operating leadership programs for individuals in the State of Hawai'i. The majority of HLF's directors are appointed by the board of governors of the Foundation. In 2017 and 2016, the Foundation made grants to HLF amounting to \$1,945,000 and \$2,699,750, respectively.

The Foundation's interests in these perpetual trusts and supporting organizations are not included in the accompanying modified cash basis financial statements.

Income from perpetual trusts for 2017 and 2016 consisted of the following:

Constituent	Fund	2017	2016
Robert E. Black Memorial Trust	Robert E. Black	\$ 1,270,500	\$ 1,372,000
Parker Ranch Foundation Trust	Richard Smart	459,480	452,504
Prisanlee Trust	Prisanlee	667,668	676,584
	Hawaii Children's		
Wodehouse Trust	Trust	439,865	361,054
Mary Wentworth Deering Trust	Leahi	53,648	58,056
F.S. and Mary Lyman Trust	Hopper	45,986	48,188
Frank & Katherine Woodford Memorial Trust	Hopper	2,884	3,008
	Discretionary		
Kilgo Charitable Trust	General Fund	1,145	1,234
		<u>\$ 2,941,176</u>	<u>\$ 2,972,628</u>

9. Tobacco Prevention and Control Trust Fund

The Foundation is party to a contract with the State of Hawai'i, Department of Health (the "State"), to be the primary administrator for the Tobacco Prevention and Control Trust Fund (the "Tobacco Fund"). This task involves oversight of investment management and performance of the funds held and the selecting and supporting of programmatic initiatives aimed at delivering direct services associated with tobacco prevention and control. Amounts held by the Foundation are refundable to the State should the State choose to terminate this contract. Such amounts are recorded as contract funds held for Tobacco Fund in the Statement of Assets, Liabilities and Net Assets.

Pursuant to the contract with the State, it is the Foundation's responsibility to make grant disbursements based on general guidelines established by the State and other parties. Accordingly, grant disbursements are generally accounted for as exchange transactions and reflected as disbursements in the Statement of Revenues and Expenses and Changes in Net Assets. To the extent that grant disbursements are made pursuant to direction by the State or its agents, such disbursements are accounted for as agency transactions.

Hawai'i Community Foundation
(A Nonprofit Organization)
Notes to Financial Statements
December 31, 2017 and 2016

At December 31, 2017 and 2016, the Foundation held amounts of \$51,047,715 and \$46,567,663, respectively, related to the Tobacco Fund. As allowed under the agreement with the State, these amounts are invested in money market and other mutual funds, corporate and government bonds, and domestic and international equities.

10. Charitable Gift Annuities

Assets and liabilities associated with charitable gift annuities at December 31, 2017 and 2016 were:

	2017	2016
Assets	\$ 1,485,239	\$ 785,028
Liabilities	<u>1,206,107</u>	<u>932,619</u>
Net assets	<u>\$ 279,132</u>	<u>\$ (147,591)</u>
Composition of net assets		
Unrestricted	\$ (319,847)	\$ (318,050)
Temporarily restricted	<u>598,979</u>	<u>170,459</u>
	<u>\$ 279,132</u>	<u>\$ (147,591)</u>

Assets are carried at fair market value and consist primarily of mutual and money market funds. Unrestricted net assets (deficit) represent contracts whose liabilities exceed the related assets. Contribution revenue from charitable gift annuities amounted to \$419,089 in 2017 and \$12,603 in 2016.

As required by State law, the Foundation must maintain assets equal to the sum of its reserves on its outstanding annuity agreements, plus a surplus of ten percent of the reserves or \$100,000 whichever is higher. Such assets are segregated from the Foundation's other unrestricted assets.

Hawai'i Community Foundation
(A Nonprofit Organization)
Notes to Financial Statements
December 31, 2017 and 2016

11. Funds Held As Agency Endowments

Agency endowments represent endowment funds established by unaffiliated nonprofit organizations for their own benefit with the Foundation. At December 31, 2017 and 2016, agency endowment funds had a combined value of \$4,302,942 and \$2,529,606, respectively.

The following table summarizes the activity in these funds for the years ended December 31, 2017 and 2016:

Funds held as agency endowments, January 1, 2016	\$	1,447,895
Amounts raised		1,356,745
Investment income		42,616
Net appreciation of investments		73,621
Grants		(371,592)
Other		(19,679)
Funds held as agency endowments, December 31, 2016		<u>2,529,606</u>
Amounts raised		1,561,968
Investment income		58,200
Net appreciation of investments		325,261
Grants		(145,026)
Other		(27,067)
Funds held as agency endowments, December 31, 2017	\$	<u>4,302,942</u>

12. Service and Administrative Fees

The Foundation's operating fund receives fees from its board discretionary, designated, donor advised, and field of interest funds, and from other foundations and organizations for performing certain philanthropic service and administrative functions.

Service and administrative fees for the years ended December 31, 2017 and 2016 presented in the accompanying Statement of Revenues and Expenses and Changes in Net Assets exclude fees from its board discretionary, designated, donor advised and field of interest funds, as follows:

	2017	2016
Total service and administrative fees	\$ 8,583,681	\$ 8,807,222
Less: Fees received from board discretionary, designated, donor advised, and field of interest funds	<u>7,327,705</u>	<u>7,637,929</u>
Service and administrative fees from third parties	<u>\$ 1,255,976</u>	<u>\$ 1,169,293</u>

Hawai'i Community Foundation
(A Nonprofit Organization)
Notes to Financial Statements
December 31, 2017 and 2016

13. Net Assets

The Foundation manages many of its unrestricted funds as endowed funds in accordance with donor preferences. Accordingly, the Foundation further classifies its net assets as follows:

As of December 31, 2017	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Funds				
Board-designated endowments				
Board discretionary funds	\$ 37,659,241	\$ -	\$ -	\$ 37,659,241
Designated	159,195,855	-	-	159,195,855
Donor advised, advisory board and field of interest	268,820,628	-	-	268,820,628
Donor-restricted endowments				
Social programs	-	3,515,007	6,690,180	10,205,187
Subtotal endowment funds	465,675,724	3,515,007	6,690,180	475,880,911
Non-Endowment Funds				
Operating fund	7,603,659	-	-	7,603,659
Designated, donor advised, advisory board and field of interest	67,305,781	-	-	67,305,781
Restricted for social programs	-	5,326,568	-	5,326,568
Pooled income funds	-	30,848	-	30,848
Gift annuities	-	598,979	-	598,979
Special projects	-	24,879	-	24,879
Subtotal non-endowment funds	74,909,440	5,981,274	-	80,890,714
Total net assets	\$ 540,585,164	\$ 9,496,281	\$ 6,690,180	\$ 556,771,625
As of December 31, 2016	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Funds				
Board-designated endowments				
Board discretionary funds	\$ 33,817,841	\$ -	\$ -	\$ 33,817,841
Designated	131,105,066	-	-	131,105,066
Donor advised, advisory board and field of interest	238,964,338	-	-	238,964,338
Donor-restricted endowments				
Social programs	-	1,971,915	5,960,367	7,932,282
Subtotal endowment funds	403,887,245	1,971,915	5,960,367	411,819,527
Non-Endowment Funds				
Operating fund	7,762,699	-	-	7,762,699
Designated, donor advised, advisory board and field of interest	61,581,500	-	-	61,581,500
Restricted for social programs	-	7,185,304	-	7,185,304
Pooled income funds	-	1,335,269	-	1,335,269
Gift annuities	-	170,459	-	170,459
Special projects	-	24,879	-	24,879
Subtotal non-endowment funds	69,344,199	8,715,911	-	78,060,110
Total net assets	\$ 473,231,444	\$ 10,687,826	\$ 5,960,367	\$ 489,879,637

Hawai'i Community Foundation
(A Nonprofit Organization)
Notes to Financial Statements
December 31, 2017 and 2016

Changes in endowment net assets for the fiscal years ending December 31, 2017 and 2016 were as follows:

Endowment Net Assets	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
January 1, 2016	\$ 391,759,748	\$ 1,889,981	\$ 5,960,238	\$ 399,609,967
Interest and dividends, net of investment expense	2,085,334	168,365	-	2,253,699
Limited partnership distributions	2,500,000	-	-	2,500,000
Net realized/unrealized gains (losses)	17,413,676	328,075	-	17,741,751
Contributions	9,380,905	-	129	9,381,034
Grants and program expenses	(13,543,199)	(414,506)	-	(13,957,705)
Other changes	(5,709,219)	-	-	(5,709,219)
December 31, 2016	<u>403,887,245</u>	<u>1,971,915</u>	<u>5,960,367</u>	<u>411,819,527</u>
Interest and dividends, net of investment expense	2,319,594	173,846	-	2,493,440
Limited partnership distributions	15,781,200	-	-	15,781,200
Net realized/unrealized gains (losses)	49,853,667	1,209,145	-	51,062,812
Contributions	8,318,431	506,504	337,768	9,162,703
Grants and program expenses	(14,435,877)	(346,403)	-	(14,782,280)
Other changes	(48,536)	-	392,045	343,509
December 31, 2017	<u>\$ 465,675,724</u>	<u>\$ 3,515,007</u>	<u>\$ 6,690,180</u>	<u>\$ 475,880,911</u>

Interpretation of UPMIFA

The Board of Governors of the Foundation, in consultation with legal counsel, has determined that the Foundation is not subject to the State's Uniform Prudent Management of Institutional Funds Act (UPMIFA) for those funds over which the Foundation maintains variance power (as described in Note 1). For those funds over which the Foundation does not maintain variance power, the Board has interpreted that UPMIFA does apply and therefore donor-restricted permanent endowments are preserved based on the fair value of the original gift. The remaining portion of the donor-restricted endowment that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure.

Hawai'i Community Foundation
(A Nonprofit Organization)
Notes to Financial Statements
December 31, 2017 and 2016

14. Operating Fund

The following table summarizes the activity in the operating fund for the years ended December 31, 2017 and 2016:

	2017	2016
Revenues		
Service and administrative fees	\$ 8,583,681	\$ 8,807,222
Interest and dividends	146,998	129,915
Contributions	526,288	844,072
Investment gains and other income	781,913	176,952
Total revenues	10,038,880	9,958,161
Expenses		
Finance and administration	3,402,122	3,655,971
Program services	2,926,999	3,162,375
Charitable services and donor relations	4,134,778	4,423,967
Total expenses	10,463,899	11,242,313
Change in net assets before transfers from other funds	(425,019)	(1,284,152)
Transfers from other funds	265,979	884,035
Total change in net assets	(159,040)	(400,117)
Net assets		
Beginning of year	7,762,699	8,162,816
End of year	\$ 7,603,659	\$ 7,762,699

15. Related Parties

The Foundation's board of governors is composed of business and civic leaders in the State of Hawai'i. Certain of these business leaders have past and present affiliations with the three financial institutions that provide trustee services for the Foundation (see Note 4). Additionally, certain board members or officers may have affiliations with other nonprofit organizations that may be the recipient of Foundation grants. The Foundation's conflict of interest policies require that persons in potential conflict situations abstain from participating in decision-making processes.

16. Subsequent Events

Management has reviewed and considered whether events occurring after year end should be reflected or disclosed in these financial statements. The date through which this review was conducted was June 21, 2018, the date the financial statements were available to be issued.

Supplementary Information

Hawai'i Community Foundation
(A Nonprofit Organization)
Schedule of Pooled Income Fund Investments
December 31, 2017 and 2016

Supplementary Information

	2017		
	Units	Cost	Fair Value
Fixed income funds			
Federated Total Return Bond Fund	451	\$ 4,986	\$ 4,914
Vanguard Total Bond Market Index	1,808	19,535	19,436
Bishop Street High Grade Income Fund	178	1,797	1,713
Total fixed income funds	2,437	26,318	26,063
Money market funds			
Dreyfus Cash Management		353	353
Blackrock Liquidity Fund		4,432	4,432
		\$ 31,103	\$ 30,848
	2016		
	Units	Cost	Fair Value
Fixed income funds			
Federated Total Return Bond Fund	79,198	\$ 875,931	\$ 853,755
Vanguard Total Bond Market Index	35,069	\$ 381,898	\$ 373,481
Bishop Street High Grade Income Fund	8,160	82,550	78,749
Total fixed income funds	122,427	1,340,379	1,305,985
Money market funds			
Dreyfus Cash Management		24,206	24,206
Blackrock Liquidity Fund		5,078	5,078
		\$ 1,369,663	\$ 1,335,269

Hawai'i Community Foundation
(A Nonprofit Organization)
Schedule of Changes in Pooled Income
Fund Investments

Years Ended December 31, 2017 and 2016

Supplementary Information

	Cost			
	January 1, 2017	Purchases / Additions	Sales / Maturities	December 31, 2017
Fixed income funds				
Federated Total Return Bond Fund	\$ 875,931	\$ -	\$ (870,945)	\$ 4,986
Vanguard Total Bond Market Index	381,898	15,091	(377,454)	19,535
Bishop Street High Grade Income Fund	82,550	632	(81,385)	1,797
Total fixed income funds	<u>1,340,379</u>	<u>15,723</u>	<u>(1,329,784)</u>	<u>26,318</u>
Money market funds				
Dreyfus Cash Management	24,206	1,262,997	(1,286,850)	353
Blackrock Liquidity Fund	5,078	82,055	(82,701)	4,432
Total money market funds	<u>29,284</u>	<u>1,345,052</u>	<u>(1,369,551)</u>	<u>4,785</u>
	<u>\$ 1,369,663</u>	<u>\$ 1,360,775</u>	<u>\$ (2,699,335)</u>	<u>\$ 31,103</u>

	Cost			
	January 1, 2016	Purchases / Additions	Sales / Maturities	December 31, 2016
Fixed income funds				
Federated Total Return Bond Fund	\$ 1,281,613	\$ -	\$ (405,682)	\$ 875,931
Vanguard Total Bond Market Index	-	381,898	-	381,898
Bishop Street High Grade Income Fund	82,550	-	-	82,550
Total fixed income funds	<u>1,364,163</u>	<u>381,898</u>	<u>(405,682)</u>	<u>1,340,379</u>
Money market funds				
Dreyfus Cash Management	8,513	437,038	(421,345)	24,206
Blackrock Liquidity Fund	4,413	6,958	(6,293)	5,078
Total money market funds	<u>12,926</u>	<u>443,996</u>	<u>(427,638)</u>	<u>29,284</u>
	<u>\$ 1,377,089</u>	<u>\$ 825,894</u>	<u>\$ (833,320)</u>	<u>\$ 1,369,663</u>